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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**BOARD OF DIRECTORS
COUNTY OF LEWIS INDUSTRIAL DEVELOPMENT AGENCY
LOWVILLE, NEW YORK**

We have audited the basic financial statements of County of Lewis Industrial Development Agency as of and for the year ended May 31, 2009, and have issued our report thereon dated August 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered County of Lewis Industrial Development Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Lewis Industrial Development Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Lewis Industrial Development Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Lewis Industrial Development Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County of Lewis Industrial Development Agency's financial statements that is more than inconsequential will not be prevented or detected by the County of Lewis Industrial Development Agency's internal control. We consider the deficiency described in the next paragraph to be a significant deficiency in internal control over financial reporting.

Preparation of Financial Statements

In accordance with the new Statement on Auditing Standards (SAS) No. 112, the auditor's preparation of an organization's financial statements, including full footnote disclosure, may be considered an internal control deficiency. It has been a common practice for the auditor to assist clients with the preparation of their financial statements and the new standard does not preclude the auditor from continuing such practice. Instead, we are required to communicate to those charged with governance that the Organization will need to demonstrate their capability to prepare and understand financial statements and the related disclosures in accordance with generally accepted accounting principles. The Board must determine whether the cost of implementing an appropriate control to prepare the financial statements outweighs the benefit that could be gained.

Management Response

It is felt that the cost of contracting with another accounting firm to prepare the statement for the LCIDA is not cost beneficial or cost effective. Internal statements are prepared on a regular basis and reviewed by the Board of Directors. The operating expense before PILOTS & grants is only \$140,000 and the bottom line is in the negative. The average numbers of checks written per month is only 19 and are reviewed by the Directors. For small agencies with modest budgets, such as LCIDA, the expense of another accounting firm is cost prohibitive.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Lewis Industrial Development Agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Lewis Industrial Development Agency's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management of County of Lewis Industrial Development Agency, in a separate letter dated August 10, 2009.

County of Lewis Industrial Development Agency's response to the finding identified in our audit is described above. We did not audit the County of Lewis Industrial Agency's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board of Directors, the audit committee, management and the State of New York Office of the State Comptroller, and is not intended to be and should not be used by anyone other than these specified parties.

Sovie & Bowie C.P.A., P.C.

August 10, 2009