ONTARIO COUNTY INDUSTRIAL DEVELOPMENT AGENCY

ONTARIO COUNTY, NEW YORK

COMMUNICATING INTERNAL CONTROL RELATED MATTERS IDENTIFIED IN AN AUDIT

For Year Ended December 31, 2016

Raymond F. Wager, CPA, P.C.
Certified Public Accountants

Shareholders:

Raymond F. Wager, CPA
Thomas J. Lauffer, CPA
Thomas C. Zuber, CPA

Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants

February 28, 2017

To the Board Members
Ontario County Industrial Development Agency
Ontario County, New York

In planning and performing our audit of the financial statements of the Ontario County Industrial Development Agency, Ontario County, New York as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Ontario County Industrial Development Agency, Ontario County, New York's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A <u>deficiency in internal control</u> 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 and correct misstatements on a timely basis. A <u>material weakness</u> is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The OCIDA's responses to the deficiencies identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

1020 Lehigh Station Road • Suites 2 & 3 • Henrietta, New York 14467
Tel: (585) 321-5643 • Fax: (585) 321-5644 • E-Mail: theoffice@raymondfwagercpa.com

Prior Year Deficiency Pending Corrective Action:

Amended Lease Agreement –

During 2014, the Agency amended and restated their payment-in-lieu-of-tax agreement as well as the lease agreement with Canandaigua Air Center, LLC. The Agency has tracked and identified certain items in the previous agreement which were disputed between the parties, however, the new agreement did not discuss the resolution to those items. The amended lease agreement was scheduled to expire during November of 2016 but has been extended through March of 2017.

We recommend the Agency review these disputed items and consider whether any of these balances can reasonably be considered collectible regarding the expiration of the lease agreement. If the balances are not expected to be collected, the Board should consider authorizing management to write them off.

Management's Response –

These items have been deemed to be uncollectable and should be written off sometime in 2017 post current FBO status.

Current Year Deficiency in Internal Control:

Fuel Sales/Purchases –

A. During the 2016 year, the Agency implemented procedures for the use of credit cards to facilitate sales of AV Gas and JET A Fuel. However, an analysis of fuel sales prepared by management after year end revealed several sales of JET A Fuel, dating back to July, 2016, that had not been billed until February 2017. In addition, as was noted in the prior year, reconciliations of fuel purchased to sales and inventory on hand were not prepared utilizing daily activity reports.

We recommend the Agency continue to monitor fuel sales based upon daily activity and ensure that fuel sales and purchases are reconciled. In addition, the OCIDA should continue their efforts to bill in a timely manner.

Management's Response –

We have been monitoring the sales daily now that we have discovered the error that occurred with the jet fuel sales and will continue to do so until the new FBO is signed on and takes over the operation. We have also been requesting copies of the truck sheets to verify that all requested information is given to us by the current FBO. This was the cause of the late billing.

B. OCIDA management has recorded an allowance for doubtful accounts in the amount of $27,335 to recognize balances billed to customers for 2015 sales of AV Gas and Jet A fuel that remained uncollected as of December 31, 2016.

We recommend the OCIDA continue efforts to collect on these unpaid balances during this next year.

Management's Response –

Management agrees that the efforts should be put forth to collect as much of the accounts receivable as reasonably possible. There are a number of reasons why the accounts receivable remain uncollected, most of which is incorrect information logged into the fueling log before credit cards were accepted. Management will research other avenues to clarify and identify these errors.

Other Items:

The following items are not considered to be deficiencies in internal control, however, we consider them other items which we would like to communicate to you as follows:

Project Inducement Fee –

The Agency Board approved a project inducement fee totaling $180,000 to be paid over a period of time. As of the date of this report, the Agency has received $144,000, leaving a receivable of $36,000. However, a formal repayment schedule has not been established.

We recommend a continued effort by the Agency to monitor the timeliness of the payments.

Management's Response –

There is one more payment to be collected and we do anticipate collection in 2017. This is a unique agreement which the Board has not duplicated since nor do we see a circumstance that would change that.

Financial Overview of the Airport Fund –

Current liabilities exceed current assets resulting in an unrestricted net position deficit balance of ($1,727,591) at December 31, 2016 which is a decrease of $202,309 from the prior year. The primary reason for this decrease is related to administrative expenses exceeding operating revenues and other capital assets purchased with local dollars.

We recommend the Agency continue to closely monitor the equity position of the Airport Fund and make decisions to improve its overall financial stability.

Management's Response –

There has been significant investment in developing the airport over the past couple of years. The IDA Board will revisit this investment annually when developing the ensuing year's budget. We believe that the signing a new FBO will relieve much of the existing expense and allow the IDA to focus primarily on developing, and not running, the airport.

Prior Year Recommendations:

We are pleased to report the following prior year recommendations have been implemented to our satisfaction:

1. The Agency's updated application for financial assistance contains a more detailed breakout of project costs which will allow the Board to see the components which make up the benefitted amount used to calculate the related Agency fee for the project.

2. The Agency implemented the provisions of the IDA Reform Act, during the year under examination.

This communication is intended solely for the information and use of management, the Executive Board, audit committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*   *   *

We wish to express our appreciation to all client personnel for the courtesies extended to us during the course of our examination.

Raymond F. Wager, CPA P.C.

February 28, 2017