

ONTARIO COUNTY INDUSTRIAL DEVELOPMENT AGENCY

ONTARIO COUNTY, NEW YORK

**COMMUNICATING INTERNAL CONTROL
RELATED MATTERS IDENTIFIED IN AN AUDIT**

For Year Ended December 31, 2015

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

March 1, 2016

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, 2015, 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 deficiency in internal control 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 material weakness 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.

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

Prior Year Deficiencies Pending Corrective Action:

Project Benefited Amount –

The IDA completes a detailed worksheet identifying the components of the project benefited amounts. In order to ensure the Board has a clear understanding of the items included in the “project benefited” amounts the IDA Board should review and approve the detailed worksheet identifying the components of the calculation before the final documents are executed.

Management’s Response –

As indicated last year the County is updating its economic strategic plan and Uniform Tax Exemption Policy and both documents would require a change in the OCIDA applications. Both documents will be approved by the BOS in 2016 and immediately thereafter, the application will be amended to capture and categorize pertinent information. To further accelerate the process, NYS has passed new reporting regulations this year and with it the need to further amend the application. The NYSEDC has assembled a Best Practices workgroup whose task is to create documents and procedures to adhere to the recent regulations posed by the state. These regulations are effective June 2016.

Amended Lease Agreement –

During the previous year, the Agency amended and restated their payment-in-lieu-of-tax agreement as well as the lease agreement with Canandaigua Air Center, LLC. This agreement discussed several items to be paid as certain benchmarks are achieved, however, those items were not addressed until the beginning of our audit. In addition, 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.

We recommend the Agency clearly identify and develop an implementation strategy for all financial benchmarks in lease agreements upon the implementation of the agreement. In addition, management should follow up and propose specific action to be taken on the prior years disputed items.

Management’s Response –

Management has and continues to work with its airport consultants to develop identifiers to ensure lease benchmarks are met.

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

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 \$108,000, leaving a receivable of \$72,000. However, it is further noted a formal repayment schedule has not been established.

We recommend a continued effort by the Agency to establish a specific payment schedule in order to monitor the timeliness of the payments.

Management's Response –

To date, three of the five payments have been made and more than fairly represent project completion as a whole. Management will schedule the owner to present the Board with an update of the overall project in early 2016. Management will continue to closely monitor the scheduled payments and alert the Board of any anticipated delays.

Financial Overview of the Airport Fund –

Current liabilities exceed current assets resulting in an unrestricted net position deficit balance of (\$1,525,282) at December 31, 2015 which is a decrease of \$233,461 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 –

A lot of activity has gone into developing the airport over the past years and Management believes with the recent improvements made to the airport and the interest received from the private sector over this past year the airport will soon be self-sufficient. Management continues to meet with the Airport Committee and an update is given to the full Board by the consultants at every meeting.

Fuel Sales/Purchases –

During the 2015 year, the Agency acquired the duties of purchasing and selling airplane fuel at the airport facility. Many different internal controls should be considered such as restricting access to fueling to only authorized individuals and to complete monthly reconciliations of fuel purchased to sales and inventory on hand. As of the date of this report, the Agency has begun to address these issues.

We recommend the Agency continue to strengthen the internal controls surrounding the newly acquired fuel operations.

Management's Response –

The fueling operation was absorbed by the OCIDA faster than originally planned. The manual system in place has been partially replaced with the implementation of a credit card system for AvGas purchases and will be 100% replaced upon completion of the Jet-A fueling facility. We anticipate by the end of April all such suggested policies and procedures will be put in place and incorporated into our manual.

IDA Reform Legislation –

The Agency is currently working on implementing the IDA Reform Act which was signed into law on December 18, 2015 and becomes effective June 15, 2016. The law, based upon best practices from Public Authorities across the State, is expected to increase accountability while improving efficiency and transparency of the operations of IDA's. The Act will require IDA's to develop and implement a uniform application form, uniform evaluation criteria, and a uniform project agreement. Agreements will need to include provisions for the suspension, discontinuance, or return of financial assistance if a business moves, folds, or does not deliver on promised job creation. IDA's must adopt policies to support these requirements and assess progress toward achieving project objectives.

Management's Response –

Management is very aware of the recent NYS legislation and has been working with its transaction council and NYSEDC to implement and adhere to the law. Much of what was placed into the legislation are practices that the OCIDA already has in place. As discussed earlier, the NYSEDC has assembled a Best Practices workgroup whose task is to create documents and procedures to adhere to the recent regulations posed by the state.

Prior Year Recommendations:

The prior year recommendations have been noted above.

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.

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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.

March 1, 2016