

# SALMIN, CELONA, WEHRLE & FLAHERTY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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March 23, 2012

To the Board of Directors  
Finger Lakes Regional Telecommunications  
Development Corp.  
70 Ontario Street  
Canandaigua, New York 14424

In planning and performing our audit of the financial statements of Finger Lakes Regional Telecommunications Development Corp. (Organization) as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, certain observations were made that we would like to bring to management's attention.

Please find our management points attached to this letter. All observations and recommendations listed have been reviewed and discussed with the Organization's contracted financial personnel. If you should have any questions regarding this letter or the attached management points, please feel free to contact Paul Salmin or Gary Edom.

This communication is intended solely for the information and use of the Board of Directors, Audit Committee and Management of Finger Lakes Regional Telecommunications Development Corp. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Salmin, Celona, Wehrle & Flaherty, LLP*

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**FINGER LAKES REGIONAL TELECOMMUNICATIONS DEVELOPMENT CORP.  
MANAGEMENT POINTS  
AUDITOR OBSERVATIONS AND RECOMMENDATIONS**

**Observation:**

We noted during our audit that the Organization did not maintain an updated future minimum lease schedule.

**Recommendation:**

We recommend the Organization create and maintain a file folder or binder, in either paper or electronic format, that would contain a future minimum lease schedule and all of the related agreements to support the schedule. We also recommend that the file folder or binder be expanded to include a schedule of the amortization of all deferred revenue and all of the related agreements to support this schedule. This would create one location for all of the agreements and provide an instant snap shot of the revenues that would be recorded by the Organization in the future. Having this information in one spot will also assist in financial budgeting and forecasting.

**Observation:**

We noted during our audit that the Organization did not have written contracts for all of its contracted services.

**Recommendation:**

Since the Organization relies significantly upon the use of contracted labor for its operations, we recommend the Organization obtain detailed written contracts for all of its contracted services. These written contracts would provide details of the specific services to be provided and the fees to be charged to the Organization so that a clear understanding is documented. We also recommend that a file folder or binder, in either paper or electronic format, be created to store all of the agreements and a schedule of services and payments due be prepared. This would ensure a way to track the contracts and make sure they are updated in a timely fashion.

**Observation:**

During our audit, it was noted that the interest rate swap liability account and the corresponding change in fair value account do not get adjusted throughout the year. These accounts are only adjusted at year end.

**Recommendation:**

If the interest rate swap information from the bank is readily available, we recommend the Organization create a step in its monthly or quarterly financial closing procedures to include a reconciliation of the interest rate swap liability account and the corresponding change in fair value account, if the information from the bank is readily available. This procedure will allow management to evaluate the impact of the change in fair value of the interest rate swap liability on the Organization's change in net assets throughout the year rather than just at year end.