To the Chairman and Members of the
Board of Directors
Allegany County Industrial Development Agency
Belmont, New York

We have completed our audit for the year ended December 31, 2015 of the Agency’s financial statements and have issued our reports thereon dated March 22, 2016. Our audit report expressed an unqualified opinion which states that the Agency’s financial statements are in accordance with generally accepted accounting principles for governments. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by Government Auditing Standards.

In planning and performing our audit of the financial statements of the Allegany County Industrial Development Agency for the year ended December 31, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation. Except as noted within the body of such reports, the Agency generally was in compliance with laws and regulations and maintains a reasonable system of accounting internal controls.

The following items are a list of additional comments which we desire to bring to the audit committee, board of directors and management's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon by the Agency:

**Forecasting**

The Agency should consider preparing a five year forecast of revenue, expenditures, long-term debt, and forecast of cash flows. We realize that such a forecast will require the use of estimates and assumptions of information such as the amount of expected grant revenue, rental income and fees, along with expected rate increase in utilities, operating costs, etc. We believe, however, that a forecast would be a very useful tool that the Agency could utilize when developing a long-term financial plan which coincides with its economic development plan.

_Agency Response: At this time with the Agency proposing significant reorganization and re-focusing its development efforts, a five year forecast would be very unrealistic and would require resources which are simply not available. A Strategic Plan for the Agency is under development and revision. The primary sources of funding are expected to change in the near future providing significant latitude for this reorganization._

**In Kind Donations – Time Study**

During the course of the fiscal year the Agency receives in-kind services from Allegany County employees. The costs of these services are estimated based on anticipated time spent by County employees. We recommend the Agency perform a formal time study, which would document actual time spent on Agency activities. The time study would document and provide evidence as to the reasonableness in value of the in-kind services recorded by the Agency.

As part of the time study the Agency should develop formal job responsibilities that outline duties of each Allegany County employee. In addition, any payments made to Allegany County employees should continue to be approved by the Board of Directors. The Board of Directors should determine what type of documentation should exist to support such payments. Lastly, the Agency should complete an analysis as to whether the payments would be construed as wages or a payment to an independent contractor.

_Agency Response: A formal review of the four staff County Approved Job Descriptions was undertaken with the County Personnel Division and the County Manager. Each position has been specifically authorized to perform Agency duties within the Counties Job Description. It appears within the existing County Approved Job Descriptions that there should be no need or justification for an additional payment for Agency activities as they are currently defined._
Capital Resource Corporation

During the current year the Corporation received administrative fees totaling approximately $44,000 related to the issuance of tax exempt bonds. A transfer of cash was made totaling approximately $41,000 from the Corporation to the Agency to defray operating costs incurred by the Agency during the year. We recommend that the Agency maintain supporting documentation that outlines the specific costs that are incurred and paid for by the Corporation. Alternatively, because the Agency and Corporation maintain separate bank accounts, expenditures related to the Corporation should be paid through the Corporation's checkbook rather than via a transfer to the Agency's bank account.

Agency Response: The Agency has further refined the record keeping to separate lines of business which has included the Capital Resource Corporation. All revenues and expenses will be separately recorded to the CRC which will also enable maintaining a separate set of complete financial statements.

We would like to take this opportunity to thank the management and staff of the Agency for their assistance and cooperation during the course of our fieldwork. It has been a pleasure to be of service to the Allegany County Industrial Development Agency.

Sincerely,

BUFFAMANTE WHIPPLE BUTTAFARO

Olean, New York
March 22, 2016