

April 13, 2017

To the Audit Committee
and Board of Directors
Allegany County Industrial Development Agency
6087 State Route 19N
Belmont, New York 14813

We have audited the financial statements of Allegany County Industrial Development Agency for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 4, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Allegany County Industrial Development Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by Allegany County Industrial Development Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation is based on useful lives of assets. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Agency's long-term debt in Note 4 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule presents journal entries that were proposed during the audit and accepted by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 13, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Allegany County Industrial Development Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Allegany County Industrial Development Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on Schedule of Tax-Exempt Bonds and Sale-Leaseback Transactions, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of Board and management of Allegany County Industrial Development Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Buffamante Whipple Buttafaro PC

Buffamante Whipple Buttafaro, PC

Client: *Allegany County Industrial Development Agency*
Engagement: *2016 AUDIT - Allegany County Industrial Development Agency*
Period Ending: *12/31/16*
Trial Balance: *20.01 - Blank Trial Balance*
Workpaper: *20.02a - Adjusting Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To adjust debt to actual per statements				
625.05	OFA - Interest Expense - Mortgage		2,563.00	
305.00	Mortgage payable - LT - \$762,000 Mortgage - Crossroads			2,563.00
Total			<u>2,563.00</u>	<u>2,563.00</u>
Adjusting Journal Entries JE # 2				
To record bond infrastructure activity				
116.00	Bond Infrastructure Cash		27.00	
116.00	Bond Infrastructure Cash		4,470.00	
201.10	Due to Allegany County Treasurer - Accrued interest		70,000.00	
540	Bond Infrastructure-Interest Expense		70,000.00	
760	BOND INFRASTRUCTURE - Fees		38,672.00	
116.00	Bond Infrastructure Cash			178,672.00
475	Interest Income			27.00
475	Interest Income			4,470.00
Total			<u>183,169.00</u>	<u>183,169.00</u>
Adjusting Journal Entries JE # 3				
To record activity Capital Resource Corp				
CRC810	Bank Charges		30.00	
CRC110	Capital Resource Cash			30.00
Total			<u>30.00</u>	<u>30.00</u>
Adjusting Journal Entries JE # 4				
To adjust current portion of long term debt				
261.00	LT - Equity Loan		664.00	
300.00	Mortgage payable - LT		981.00	
305.00	Mortgage payable - LT - \$762,000 Mortgage - Crossroads		1,459.00	
262.00	ST - Equity Loan			664.00
290.00	Mortgage payable - ST			981.00
295.00	Mortgage payable - ST - Crossroads			1,459.00
Total			<u>3,104.00</u>	<u>3,104.00</u>
Adjusting Journal Entries JE # 5				
To reclass grant from county -				
497.00	Transfer from CRC		12,695.00	
480.00	Other income			12,695.00
Total			<u>12,695.00</u>	<u>12,695.00</u>
Adjusting Journal Entries JE # 6				
To expense items under IDA capitalization Policy				
600.04	Crossroads - Equipment		245.00	
620.102	IDA - Equipment		811.00	
150.00	Equipment			1,056.00
Total			<u>1,056.00</u>	<u>1,056.00</u>
Adjusting Journal Entries JE # 7				
To capitalize water infrastructure project for engineering fees				
158.00	Construction in progress		30,964.00	
760	BOND INFRASTRUCTURE - Fees			30,964.00
Total			<u>30,964.00</u>	<u>30,964.00</u>
Adjusting Journal Entries JE # 8				
To record management fees related to pilot payment				
450.00	PILOT receipts		25,000.00	
400	Fees			25,000.00
Total			<u>25,000.00</u>	<u>25,000.00</u>

Client: *Allegheny County Industrial Development Agency*
 Engagement: *2016 AUDIT - Allegheny County Industrial Development Agency*
 Period Ending: *12/31/16*
 Trial Balance: *20.01 - Blank Trial Balance*
 Workpaper: *20.02a - Adjusting Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 9				
To record fixed asset additions and reclass fixed asset				
155.00	Leasehold improvements		6,408.00	
150.00	Equipment			1,326.00
150.00	Equipment			2,362.00
200.00	Accounts payable			2,720.00
Total			<u><u>6,408.00</u></u>	<u><u>6,408.00</u></u>
Adjusting Journal Entries JE # 10				
To adjust depreciation to actual				
159.00	Accumulated depreciation		2,515.00	
685.00	Depreciation expense			2,515.00
Total			<u><u>2,515.00</u></u>	<u><u>2,515.00</u></u>
Adjusting Journal Entries JE # 11				
To correct Jack's cash entry relating to Hogson and Russ				
110.00	Cash		21,801.00	
620.18	IDA - Professional Fees - Legal			21,801.00
Total			<u><u>21,801.00</u></u>	<u><u>21,801.00</u></u>
Adjusting Journal Entries JE # 12				
To record in-kind activity				
600	Salaries and benefits - in-kind		43,583.00	
470.00	In-kind revenue			43,583.00
Total			<u><u>43,583.00</u></u>	<u><u>43,583.00</u></u>
Adjusting Journal Entries JE # 14				
To record additional AP per Legal Letter				
620.18	IDA - Professional Fees - Legal		16,818.00	
200.00	Accounts payable			16,818.00
Total			<u><u>16,818.00</u></u>	<u><u>16,818.00</u></u>