



Cathie J. Bridges, CPA
Kenneth S. Frank, CPA
Roger J. Lis, Jr. CPA
Julie L. Jagoda-Booth, CPA
Kathryn A Larracuente, CPA

R. A. MERCER & CO., P.C.
Certified Public Accountants
63 South Main Street
Cattaraugus, NY 14719
Phone 716-257-9511 Fax 716-257-9513
www.ramercercpa.com

Raymond A. Mercer, CPA 1931-1983

Robert W. Irwin, CPA

MANAGEMENT LETTER

To the Chairman and Board Directors
City of Salamanca Industrial Development Agency
Salamanca, New York 14779

In planning and performing our audit of the financial statements of the City of Salamanca Industrial Development Agency for the year ended March 31, 2018, we considered the IDA's internal control system to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the Agency's internal controls.

The following items were noted during our audit. These items were deemed not serious enough to be considered significant deficiencies, but warrant attention. We recommend that the IDA review and consider the appropriate action to be taken.

Bank Reconciliations

We noted old outstanding items reported on bank reconciliations that should be reviewed and cleared if necessary.

UDAG Funds

Our testing noted that the IDA utilized UDAG funds during the fiscal year to support the operations of an independent non-profit organization. The UDAG funds used for this purpose were not provided to the non-profit organization in the form of either a loan or grant as required by the IDA's policy. It is recommended that any monetary assistance proved to an outside organization be in the form of either a loan or grant in accordance with policy.

Fiscal Policy

We noted that policies regarding the usage of revolving loan money (Program Income and UDAG) have not been updated in significant number of years. Also, the current policy regarding the capitalization of fixed assets was not able to be provided by the IDA. We recommend that all policies be reviewed and updated.

IMMATERIAL INSTANCES OF NONCOMPLIANCE

In connection with our tests of compliance with certain provisions of the laws, regulations, contracts, and grants as of and for the year ended March 31, 2018, we noted one matter we considered to be an immaterial instance of noncompliance.

Salamanca Area Development Corporation (SADC)

During our inquiry of the formation of the SADC we noted that Form 1023 was not submitted to the Internal Revenue Service for non-profit approval when the SADC was formed. We recommend that the IDA research the exempt status requirements of area development corporations and complete filings with the IRS if required.

We believe that the implementation of these recommendations will provide the IDA with a stronger system of internal accounting control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation.

This report is intended solely for the information and use of the members of the Board, management, and others within the organization (or specified regulatory agency) and is not intended to be and should not be used by anyone other than these specified parties.

Cattaraugus, New York
August 24, 2018

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