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August 24, 2018

To the Board of Directors
City of Salamanca Industrial Development Agency
225 Wildwood Avenue
Salamanca, New York 14779

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of City of Salamanca Industrial Development Agency (IDA) for the year ended March 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), 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 May 1, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by IDA are described in Note B to the financial statements. As described in Note S to the financial statements, the IDA changed accounting policies related to the accounting for Other Post-Employment Benefits, Blending Requirements for Certain Component Units, Irrevocable Split-Interest Agreements, and Pension Issues by adopting Statements of Governmental Accounting Standards (GASB Statements) No. 74, 80, 81, and 80 for the year ended March 31, 2018. The adoption of these accounting policies had no significant effect on the IDA financial statements. We noted no transactions entered into by IDA 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 estimates affecting the IDA's financial statements were:

Management's estimate of the allowance for doubtful accounts is based on historical experience and anticipated collection issues known. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of depreciation expense is based on an adopted policy used to establish useful lives and methods for calculating depreciation. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimates of the net pension liability and related deferred inflows and outflows are based on amounts provided by the New York State Employees' Retirement System. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The attached misstatements detected as a result of the audit procedures were corrected 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 August 24, 2018.

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 the IDA'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 the IDA'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 the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Employer Contributions, which are 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 engaged to report on the Schedule of Leases, Schedule of Payments in Lieu of Taxes, Schedule of Bonds and the Financial Data Schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the IDA and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

R.A. Mercer & Co., P.C.

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**CITY OF SALAMANCA INDUSTRIAL DEVELOPMENT AGENCY
SUMMARY OF AUDIT DIFFERENCES
FOR THE YEAR ENDED MARCH 31, 2018**

	Revenues Over (Under) Expenditures/Expenses; and Net Change in Fund Balance/Equity
Unadjusted audit differences:	
Program Income Fund:	
Adjustment Accrued Payroll	\$ 621
Cumulative effect (before effect of prior-year differences)	621
Effect of unadjusted audit differences - prior year:	(1,617)
Cumulative effect (after effect of prior-year differences)	<u>\$ (996)</u>

Client: **City of Salamanca Industrial Development Agency**
Engagement: **A 3/31/18 - City of Salamanca Industrial Development Agency**
Period Ending: **3/31/2018**
Trial Balance: **TB**
Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		G4		
ADJUST A/R ALLOWANCE				
B2080	Deferred Rev		21,650.00	
B1230	Allow. For Uncollectible			21,519.00
B5352	Bad Debt Expense			131.00
Total			21,650.00	21,650.00
Adjusting Journal Entries JE # 2		G1/B4		
ADJUST A/R ALLOWANCE				
E1120	Allow. for Doubtfull Acct		5,750.00	
E1130	UDAG Acct. Interest Rec		725.00	
E4010	Interest from UDAG Loan			725.00
E5352	Bad Debt Expense			5,750.00
Total			6,475.00	6,475.00
Adjusting Journal Entries JE # 3		G1		
ADJUST A/R ALLOWANCE				
A1211	Allowance for Uncollectab		190.00	
A5352	Bad Debt Expense			190.00
Total			190.00	190.00
Adjusting Journal Entries JE # 4		P3		
ADJUST FOR GASB 68				
A1470	Deferred In Flow		314.00	
A2085	Pension Liability		3,422.00	
A2090	Deferred Outflow			3,381.00
A5110	Fringe Benefits			355.00
Total			3,736.00	3,736.00
Adjusting Journal Entries JE # 5		P3		
ADJUST FOR GASB 68				
D1470	Deferred Inflow		1,858.00	
D2050	Pension Liability		9,262.00	
D5020	Fringe Benefits:Health In		330.00	
D2060	Deferred Outflow			11,450.00
Total			11,450.00	11,450.00
Adjusting Journal Entries JE # 6		B3		
ADJUST UNKNOWN F/B DIFFERENCE				
E3010	Restricted Net Assets		98.00	
E5320	Office expense			98.00
Total			98.00	98.00
Adjusting Journal Entries JE # 7		L		
ADJUST DUE TO OTHER GOV				
A2030	Due to City-Great Wall		281.00	
A2030	Due to City-Great Wall		5,781.00	
A4040	Other Income - Gen Fund			5,781.00
A5880	SNI Lease Expense			281.00
Total			6,062.00	6,062.00
Adjusting Journal Entries JE # 8		L1		
REMOVE EXPENSE				
B2061	Notes Payable -		12,687.00	
B5801	270 Rochester Street			12,687.00

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Period Ending: **3/31/2018**
Trial Balance: **TB**
Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Total			12,687.00	12,687.00
Adjusting Journal Entries JE # 9				
	RECORD FIXED ASSET ACTIVITY	K'S		
A4050	Gain on Sale		7,307.00	
A5910	Depreciation		60,351.00	
A1400	Property			14,454.00
A1410	Equipment			3,209.00
A1450	Accumulated Depreciation			49,995.00
Total			67,658.00	67,658.00
Adjusting Journal Entries JE # 10				
	RECORD DEPRECIATION	K		
B2080	Deferred Rev		612.00	
B5910	Depreciation		23,393.00	
B1450	Accumulated Depreciation			24,005.00
Total			24,005.00	24,005.00
Adjusting Journal Entries JE # 11				
	RECORD DEPRECIATION	K		
M5910	Depreciation		2,537.00	
M1450	Accumulated Depreciation			2,537.00
Total			2,537.00	2,537.00
Adjusting Journal Entries JE # 12				
	RECORD DEPRECIATION AND DELETIONS	K		
D1450	Accumulated Depreciation		3,852.00	
D5910	Depreciation		282.00	
D1400	Equipment			3,852.00
D1450	Accumulated Depreciation			282.00
Total			4,134.00	4,134.00
Adjusting Journal Entries JE # 13				
	ADJUST DEFERRED	G5		
B2080	Deferred Rev		5,637.00	
B4080	Principal Income Grant			5,637.00
Total			5,637.00	5,637.00
Adjusting Journal Entries JE # 14				
	ADJUST LOANS TO ZERO	O		
A2061	Notes Payable- Long term		1,534.00	
A5700	Interest Expense		15.00	
A2060	Notes Payable			15.00
A4040	Other Income - Gen Fund			1,534.00
Total			1,549.00	1,549.00
Adjusting Journal Entries JE # 15				
	ADJUST ESCROW ACCOUNT BALANCE	L3		
B1190	AHAP Escrow account		3,395.00	
B5620	Property Taxes			2,308.00
B5812	SNI Lease expense			614.00
B5813	Mis expense			473.00
Total			3,395.00	3,395.00
Adjusting Journal Entries JE # 16				
	REVERSE DUE TO HUD			
D2030	Due to HUD		6,091.00	
D4010	Other Income D			6,091.00

Client: *City of Salamanca Industrial Development Agency*
 Engagement: *A 3/31/18 - City of Salamanca Industrial Development Agency*
 Period Ending: *3/31/2018*
 Trial Balance: *TB*
 Workpaper: *Adjusting Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
Total			<u><u>6,091.00</u></u>	<u><u>6,091.00</u></u>
Adjusting Journal Entries JE # 17				
	ADJUST ALLOWANCE ON FRAUD RECOVERY	G8		
D5352	Bad Debt Expense		6,032.00	
D1201	Account Rec Allow			6,032.00
Total			<u><u>6,032.00</u></u>	<u><u>6,032.00</u></u>
Adjusting Journal Entries JE # 20				
	Reclass donation revenue	B4		
M1120	Flag Pride Donations		1,150.00	
M4100	Flag Pride Donations			1,150.00
Total			<u><u>1,150.00</u></u>	<u><u>1,150.00</u></u>
Adjusting Journal Entries JE # 22				
	Reclass non current portion of unearned revenues			
B2080	Deferred Rev		77,117.00	
B2081	Deferred Revenues - Long-Term Portion			77,117.00
Total			<u><u>77,117.00</u></u>	<u><u>77,117.00</u></u>