Flaherty Salmin CPAs
Straight Answers. Trusted Solutions.

Flaherty Salmin LLP Certified Public Accountants
2300 Buffalo Road, Building 200, Rochester, NY 14624-1365
office 585 279-0120 fax 585 279-0166 www.fs-cpa.com
PrimeGlobal An Association of Independent Accounting Firms

March 26, 2020

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

Ladies and Gentlemen:

We have audited the financial statements of Finger Lakes Regional Telecommunications Development Corp. (Organization) for the year ended December 31, 2019, and have issued our report thereon dated March 26, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted 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 January 27, 2020. 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 the Organization are described in Note 2 to the financial statements.

The Organization adopted the provisions of Accounting Standards Update (ASU) 2016-18 issued by the Financial Accounting Standards Board as of January 1, 2019. This ASU requires that entities include restricted cash and restricted cash equivalents with cash and cash equivalents in the beginning-of-period and end-of-period total amounts shown on the Statements of Cash Flows. The changes made by this ASU are required to be applied retrospectively. As a result of the application of this ASU, the reclassification of restricted cash into a change in total cash resulted in a increase in net cash used in financing activities of $4,678 as of December 31, 2018.

The Organization also adopted Topic 606*, Revenue from Contracts with Customers*, issued by the Financial Accounting Standards Board as of January 1, 2019. This new guidance replaced previous revenue recognition guidance and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. Management evaluated the new guidance and determined that the Empire Pipeline Benefit Agreement falls outside the scope of Topic 606. This agreement was the Organization’s only source of revenue in 2019. The other sources of revenue recognized in 2018 ended mid-year and thus were properly recognized in full in 2018 and were not impacted by the new guidance. Therefore, the adoption of the new guidance did not have an impact on the 2018 and 2019 financial statements.

With the exception of the items noted above, the application of existing policies was not changed during the year ending December 31, 2019. We noted no transactions entered into by the Organization 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 financial statements were utilized in determining the fair value of the interest rate swap liability, which is based on the Swap Dealer's proprietary models and estimates relevant to future market conditions. We evaluated the key factors and assumptions used to develop these estimates in determining that they are 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. Sensitive disclosures affecting the financial statements were:

> Note 1 discloses the details of the lease to purchase agreement that was entered into with Empire Telephone Corporation effective May 1, 2018, which was accounted for as a sales-type lease.
>
> Note 3 discloses the details of the lease receivable, which is the Organization's largest asset on the balance sheet.
>
> Long-term debt, which is the Organization's largest liability, is disclosed in Note 5. The related interest rate swap agreement is also disclosed in Note 5, as well as in Notes 6 and 7.
>
> The Organization's association and transactions with the County of Ontario in the State of New York are disclosed in Notes 1 and 4.

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 misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were detected as a result of our audit procedures.

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 auditors' 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 March 26, 2020.

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 Organization's financial statements or a determination of the type of auditors' 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 Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors 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,

Flaherty Salmin LLP

Flaherty Salmin LLP