

To the Board of Directors
Griffiss Utility Services Corporation and Subsidiary

We have audited the consolidated financial statements of Griffiss Utility Services Corporation and Subsidiary for the year ended December 31, 2017, and have issued our report thereon dated March 26, 2018. 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 12, 2018. 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 Griffiss Utility Services Corporation and Subsidiary are described in Note 1 to the consolidated financial statements. As described in Note 1, the Organization changed accounting policies related to restricted cash on the cash flow statement by adopting FASB Accounting Standards Update (ASU) No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. 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 consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated 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 consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the consolidated financial statements are management's estimates of the depreciation lives and methods of capital assets and the allowance for doubtful accounts. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the consolidated financial statements taken as a whole.

The consolidated 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. 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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 consolidated 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 March 26, 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 Organization's consolidated 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 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.

Other Matters

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, 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 consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

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

D'Arcangelo + Co., LLP

March 26, 2018

Utica, New York

GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

SUMMARY OF AUDIT DIFFERENCES

December 31, 2017

	Current Year Over (Under) Statement
Consolidated Statement of Activities Misstatements:	
Salary Expense _____	\$ _____ (37,651)
_____	_____
_____	_____
_____	_____
Cumulative effect (before effect of prior year differences)	\$ _____ (37,651)
Effect of unadjusted audit differences—prior year:	_____ 34,200
Cumulative effect (after effect of prior year differences)	\$ _____ (3,451)
Reclassification adjustments:	\$ _____ 0
Consolidated Statement of Financial Position Misstatements:	
Total Assets	\$ _____
Total Liabilities	_____ (37,651)
Net assets:	
Beginning	_____ 34,200
Ending	_____ 37,651

Client: **37285 - Griffiss Utility Services Corporation and Subsidiary**
 Engagement: **2017 FS - GUSC**
 Trial Balance: **GUSC TB**
 Workpaper: **3700.01 - GUSC Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		5400.15		
To book change in deferred compensation liability				
50612800	Deferred Compensation Expense		28,050.00	
21024	Accrued Expenses - Deferred Comp			28,050.00
Total			<u><u>28,050.00</u></u>	<u><u>28,050.00</u></u>
Adjusting Journal Entries JE # 2		6000.05		
To correct net asset opening balance to agree to financial statements.				
16511	Accum. Dep -Bldgs. Steam Plant		36,237.00	
16512	Accum Dep -Equip. Steam Plant		22,690.00	
16513	Accum Dep -Steam Distr. System		40,469.00	
16514	Accum Dep - Fuel Tanks		7,728.00	
16520	Accum Dep - Elect Op Center		388.00	
16521	Accum Dep. - Elec. Distr. Syst		45,168.00	
16522	Accum Dep - Elec. Dept. Equip.		2,317.00	
16532	Accum Dep - Admin Building		1,141.00	
16533	Accum Depre - Office Furnish		443.00	
16540	Accum. Dep. - Vehicles		523.00	
80003000	Miscellaneous Expense		1,397.00	
30000	Fund Balance			158,501.00
Total			<u><u>158,501.00</u></u>	<u><u>158,501.00</u></u>
Adjusting Journal Entries JE # 3				
To reconcile intercompany				
21050	Due to GUSC Energy Inc.		191,660.00	
21000	Accrued Expenses			191,660.00
Total			<u><u>191,660.00</u></u>	<u><u>191,660.00</u></u>
Adjusting Journal Entries JE # 4		6000.05		
To reconcile net assets with use of energy reserve.				
53000000	Reserve Energy Savings Program		20,586.00	
30000	Fund Balance			20,586.00
Total			<u><u>20,586.00</u></u>	<u><u>20,586.00</u></u>
Adjusting Journal Entries JE # 5				
To record accrued expenses				
18000	Construction in Progress		3,853.00	
18000	Construction in Progress		3,855.00	
53001530	Water & Sewer Charges		6,201.00	

Client: **37285 - Griffiss Utility Services Corporation and Subsidiary**
 Engagement: **2017 FS - GUSC**
 Trial Balance: **GUSC TB**
 Workpaper: **3700.01 - GUSC Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
53001800	Water & Sewer Charges		181.00	
21000	Accrued Expenses			14,090.00
Total			14,090.00	14,090.00

Adjusting Journal Entries JE # 6

To adjust accrued expenses from estimated to actual amount

45100540	Purchased Electricity		25,462.00	
21000	Accrued Expenses			20,962.00
45001530	Fuel - Natural Gas			798.00
45001530	Fuel - Natural Gas			3,702.00
Total			25,462.00	25,462.00

Adjusting Journal Entries JE # 7

To correct mispostings

11101	Investments - Huntington National		21.00	
80003000	Miscellaneous Expense		172.00	
11000	Investments - Community Bank			172.00
80003000	Miscellaneous Expense			21.00
Total			193.00	193.00

Adjusting Journal Entries JE # 8

4600.20

To book retainage on Over and Under Piping Contractors thru 8/6/17.

18000	Construction in Progress		15,385.00	
21000	Accrued Expenses			15,385.00
Total			15,385.00	15,385.00

Adjusting Journal Entries JE # 9

4600.21

To capitalize Macbook Computer for Mike Davis.

18000	Construction in Progress		4,518.00	
51060800	Computers and Technology			4,518.00
Total			4,518.00	4,518.00

Adjusting Journal Entries JE # 10

4600.05

Reclass CIP for completed projects to begin depreciation.

16012	Equipment - Steam Plant		818,318.00	
16013	Steam Distribution System		198,654.00	
16021	Electric Distribution System		147,880.00	
16030	Billing Software		20,451.00	
16031	Office Equipment		4,518.00	
16040	Vehicles		44,475.00	
18000	Construction in Progress			1,234,296.00
Total			1,234,296.00	1,234,296.00

Adjusting Journal Entries JE # 11

4600.05

To adjust depreciation from estimated to actual after adding current year additions.

16512	Accum Dep -Equip. Steam Plant		2,465.00	
16513	Accum Dep -Steam Distr. System		7,925.00	
16514	Accum Dep - Fuel Tanks		90,962.00	
16522	Accum Dep - Elec. Dept. Equip.		17,427.00	
16533	Accum Depre - Office Furnish		1,023.00	
55511530	Dep Exp.-Bldgs. Steam Plant		6,465.00	
55521540	Dep Exp.-Elect. Distr. System		12,333.00	
55525540	Dep Exp.-Elect. Syst Metering		34,764.00	
55530800	Dep. Exp.- Billing Software		8,296.00	
55531800	Dep. Exp. - Office Equip.		833.00	
55540530	Dep Exp.-Vehicles		16,762.00	
16511	Accum. Dep -Bldgs. Steam Plant			6,465.00
16521	Accum Dep. - Elec. Distr. Syst			12,333.00

Client: **37285 - Griffiss Utility Services Corporation and Subsidiary**
 Engagement: **2017 FS - GUSC**
 Trial Balance: **GUSC TB**
 Workpaper: **3700.01 - GUSC Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
16525	Accum Dep- Elect Sys. Metering			34,994.00
16530	Accum Dep - Billing Software			8,296.00
16531	Accum. Deprec. - Office Equip.			833.00
16540	Accum. Dep. - Vehicles			16,762.00
55512530	Dep Exp.-Equip. Steam Plant			2,465.00
55513530	Dep Exp.-Steam Distr. System			7,925.00
55514530	Dep Exp.-Fuel Tanks			90,962.00
55522540	Dep Exp.-Electric Dept. Equip			17,197.00
55533800	Dep Exp.-Office Furnishings			1,023.00
Total			199,255.00	199,255.00

Adjusting Journal Entries JE # 12

To adjust intercompany balances to agree.

80003800	Miscellaneous Expense		2,320.00	
21050	Due to GUSC Energy Inc.			2,320.00
Total			2,320.00	2,320.00

Adjusting Journal Entries JE # 13

To reclass insurance expense into right account

52075800	Owners Insurance	4400.12	40,000.00	
50609800	Life & Disability Insurance			40,000.00
Total			40,000.00	40,000.00

Adjusting Journal Entries JE # 14

To adjust prepaids to actual

52070000	Insurance - Automobile	4400.10	2,659.00	
52071800	Insurance - Property & Liability		18,871.00	
52072530	Insurance - Boiler & Machinery		6,669.00	
52073800	Insurance - Environmental		9,081.00	
14000	Prepaid Insurance			24,087.00
50610000	Workmens Compensation Ins.			6,604.00
52074000	Insurance - Crime			155.00
52077000	Insurance - Umbrella			6,434.00
Total			37,280.00	37,280.00

Adjusting Journal Entries JE # 15

To adjust investments to actual.

40500800	Interest Income		38,928.00	
11100	Investments - Schwab			19,362.00
40550000	Investment Income			19,566.00
Total			38,928.00	38,928.00

Adjusting Journal Entries JE # 16

To adjust CSV Life Insurance to annual statement.

13510	Cash Surrender Value Policy		50,576.00	
52075800	Owners Insurance			50,576.00
Total			50,576.00	50,576.00

Adjusting Journal Entries JE # 17

To close out prepaid sales tax against liability and reconcile to January 12, 2018 payment for December.

51030800	Misc. Operating Expense	5200.60	37,559.00	
11900	Prepaid sales tax			18,104.00
21030	Accrued NYS Sales Tax Payable			19,455.00
Total			37,559.00	37,559.00

Adjusting Journal Entries JE # 18

To adjust ISO Prepaid to current credit.

Client: **37285 - Griffiss Utility Services Corporation and Subsidiary**
 Engagement: **2017 FS - GUSC**
 Trial Balance: **GUSC TB**
 Workpaper: **3700.01 - GUSC Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
14090	Prepaid - Other Expense		8,817.00	
40500000	Interest Income			8,817.00
Total			8,817.00	8,817.00
Adjusting Journal Entries JE # 19		7300.50		
To reclass health insurance for Dan Sanders to GUSC and to reimburse GUSC Energy.				
50606530	Group Health Insurance		8,550.00	
50607530	Group Dental Insurance		727.00	
21050	Due to GUSC Energy Inc.			9,277.00
Total			9,277.00	9,277.00

Client: **37285 - Griffiss Utility Services Corporation and Subsidiary**
 Engagement: **2017 FS - GUSC**
 Trial Balance: **GUSC TB**
 Workpaper: **3700.05 - GUSC Reclassifying Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Reclassifying Journal Entries JE # 101		4200.35		
To reclass GUSC Energy receivable for FS.				
12095	Due from GUSC Energy Inc		25,599.00	
12010	Accounts Receivable - Electric			25,599.00
Total			25,599.00	25,599.00
Reclassifying Journal Entries JE # 102		4200.70		
To Record revenue for the DOT Construction of Griffiiss Veterans Memorial Parkway Grant.				
12030	Grants Receivable		52,500.00	
40201000	DOT Electric Grant Revenue			52,500.00
Total			52,500.00	52,500.00
Reclassifying Journal Entries JE # 103		4200.70		
To record Revenue for the DOT Installation of insulated Line Grant				
12030	Grants Receivable		262,504.00	
40202000	DOT Steam Grant Revenue			262,504.00
Total			262,504.00	262,504.00
Reclassifying Journal Entries JE # 104		4200.70		
To Record Revenue to improve controls and sensors Grant				
12030	Grants Receivable		164,681.00	
40203000	ESD Controls Grant Revenue			164,681.00
Total			164,681.00	164,681.00
Reclassifying Journal Entries JE # 105				
To close out HSA against 401K.				
22101	401k Withholdings		1,688.00	
22103	HSA Withholdings			1,688.00
Total			1,688.00	1,688.00
Reclassifying Journal Entries JE # 106				
To remove petty cash per Taylor.				
53015000	Misc. Operating Expense		184.00	
10000	Petty Cash			184.00
Total			184.00	184.00
Reclassifying Journal Entries JE # 107				
Reclass refund to Premier.				
40000000	Steam Revenue		30,164.00	
40002000	Steam Credits-Econ Development			30,164.00
Total			30,164.00	30,164.00
Reclassifying Journal Entries JE # 108		4100.30a		
Reclass CDARs account for FS				
11103	Investments - Americu CDARs		1,007,656.00	
10046	AmeriCU			1,007,656.00
Total			1,007,656.00	1,007,656.00
Reclassifying Journal Entries JE # 109		4800.10		
Reclass Huntington Money Market for FS				
10060	Huntington National Bank - Money Market		10,973.00	
11101	Investments - Huntington National			10,973.00
Total			10,973.00	10,973.00

Client: **37285 - Griffiss Utility Services Corporation and Subsidiary**
 Engagement: **2017 FS - GUSC**
 Period Ending: **12/31/2017**
 Trial Balance: **GUSC Energy Trial Balance**
 Workpaper: **3700.15 - GUSC Energy Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		4500.00		
To adjust net deferred tax liability to current year calculation.				
21019	Deferred Tax Liability		401,185.00	
80025530	State Tax Expense		105,434.00	
90000000	Federal Tax Expense			506,619.00
Total			506,619.00	506,619.00
Adjusting Journal Entries JE # 2		6000.05		
To book fund balance difference to agree to prior year financial statements.				
30000	Fund Balance		136.00	
80003000	Miscellaneous Expense			136.00
Total			136.00	136.00
Adjusting Journal Entries JE # 3		5300.10		
To adjust loan principal balance to agree to confirm and December statement.				
24102	Oneida Savings Loan - LT		295,572.00	
80030000	Interest Expense		1,141.00	
23101	Oneida Savings Loan - Current			296,713.00
Total			296,713.00	296,713.00
Adjusting Journal Entries JE # 4				
To adjust accrued wood chips expense to documentation				
21000	Accrued Expenses		28,954.00	
45005530	Fueling - Wood Chips			28,954.00
Total			28,954.00	28,954.00
Adjusting Journal Entries JE # 5		5100.05		
To adjust income taxes payable to amount owed for 2017 tax return.				
80025530	State Tax Expense		1,500.00	
16020	Refundable Taxes			395.00
21020	State Income Tax Liability			1,105.00
Total			1,500.00	1,500.00
Adjusting Journal Entries JE # 6		4700.10		
To adjust intercompany balance to agree.				
12095	Due From Griffiss Utility Services		162.00	
80003800	Miscellaneous Expense			162.00
Total			162.00	162.00
Adjusting Journal Entries JE # 7		4400.10		
To adjust prepaids to actual				
52070530	Insurance - Automobile		80.00	
52071530	Insurance - Property & Liability		24,263.00	

Client: **37285 - Griffiss Utility Services Corporation and Subsidiary**
 Engagement: **2017 FS - GUSC**
 Period Ending: **12/31/2017**
 Trial Balance: **GUSC Energy Trial Balance**
 Workpaper: **3700.15 - GUSC Energy Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
14000	Prepaid Insurance			5,014.00
50610530	Workers Compensation Ins			1,375.00
52072530	Insurance - Boiler & Machinery			17,954.00
Total			24,343.00	24,343.00

Adjusting Journal Entries JE # 8

Correct mispostings in HSA and 401K accounts.

22103	HSA Withholdings		2,543.00	
50612530	HSA Employer Match		693.00	
22101	401k Withholding			693.00
50608530	401k Expense			2,543.00
Total			3,236.00	3,236.00

Adjusting Journal Entries JE # 9

7300.51

Reclass Dan Sanders health and dental insurance to GUSC due as he is no longer paid by GUSC Energy.

12095	Due From Griffiss Utility Services		9,277.00	
50606530	Group Health Insurance			8,550.00
50607530	Group Dental Insurance			727.00
Total			9,277.00	9,277.00

Client: **37285 - Griffiss Utility Services Corporation and Subsidiary**
 Engagement: **2017 FS - GUSC**
 Period Ending: **12/31/2017**
 Trial Balance: **GUSC Energy Trial Balance**
 Workpaper: **3700.20 - GUSC Energy Reclassifying Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Reclassifying Journal Entries JE # 101				
Reclass intercompany for FS.				
80030000	Interest Expense		81,926.00	
80030530	Interest Expense			66,926.00
80030800	Interest Expense			15,000.00
Total			<u><u>81,926.00</u></u>	<u><u>81,926.00</u></u>
 Reclassifying Journal Entries JE # 102				
Reclass related party accrued liability for FS.				
21000	Accrued Expenses		25,599.00	
20010	Due to Griffiss Utility ST			25,599.00
Total			<u><u>25,599.00</u></u>	<u><u>25,599.00</u></u>