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Certified Public Accountants & Consultants

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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, 2018, and have issued our report thereon dated March 25, 2019. 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 20, 2019. 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 to the financial statements, and Griffiss Utility Services Corporation and Subsidiary adopted ASU No. 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*, in 2018. Accordingly, the 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 25, 2019.

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 25, 2019

Utica, New York

GRIFFISS UTILITY SERVICES CORPORATION AND SUBSIDIARY

SUMMARY OF AUDIT DIFFERENCES

December 31, 2018

Consolidated Statement of Activities Misstatements:	Current Year Over (Under) Statement
Salary Expense	\$ 65,921
FICA Expense	4,952
401K Expense	2,800
Cumulative effect (before effect of prior year differences)	\$ 73,673
Effect of unadjusted audit differences—prior year:	(37,651)
Cumulative effect (after effect of prior year differences)	\$ 36,022
Reclassification adjustments:	\$ 0
Consolidated Statement of Financial Position Misstatements:	
Total Assets	\$
Total Liabilities	(73,673)
Net assets:	
Beginning	37,651
Ending	73,673

Client: 37285 - Griffiss Utility Services Corporation and Subsidiary
 Engagement: 2018 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				
50615800	Deferred Compensation Expense		34,759.00	
21024	Accrued Expenses - Deferred Comp			34,759.00
Total			34,759.00	34,759.00
Adjusting Journal Entries JE # 2		6000.05		
Adjust net assets to agree to financial statements.				
30000	Fund Balance		12.00	
80003800	Miscellaneous Expense			12.00
Total			12.00	12.00
Adjusting Journal Entries JE # 3				
To remove Petty Cash per Taylor.				
53015000	Misc. Operating Expense		284.00	
10000	Petty Cash			284.00
Total			284.00	284.00
Adjusting Journal Entries JE # 4		4400.15		
To adjust Prepaid NY ISO deposit to current market value.				
14090	Prepaid - Other Expense		15,328.00	
40500800	Interest Income			15,328.00
Total			15,328.00	15,328.00
Adjusting Journal Entries JE # 5		5200.07		
To adjust natural gas for month of Oct due to duplication of entries for estimate and actual expenses.				
21000	Accrued Expenses		55,136.00	
45001530	Fuel - Natural Gas			55,136.00
Total			55,136.00	55,136.00
Adjusting Journal Entries JE # 6		5200.07		
To adjust accrued expenses per analysis.				
18000	Construction in Progress		48,308.00	
45100540	Purchased Electricity		347.00	
52065800	Contracted Services		14,183.00	
53001530	Water & Sewer Charges		6,399.00	
21000	Accrued Expenses			64,132.00
45001530	Fuel - Natural Gas			5,105.00
Total			69,237.00	69,237.00
Adjusting Journal Entries JE # 7		4200.60		
To adjust the allowance for doubtful accounts to a conservative estimate.				
12099	Allowance for Bad Debts		68,096.00	
80050800	Bad Debt Provision			68,096.00
Total			68,096.00	68,096.00
Adjusting Journal Entries JE # 8		4200.70		
To record additional revenue on NYS DOT grant for electric due additional allowance by NYS.				
12030	Grants Receivable		7,371.00	
40201000	DOT Electric Grant Revenue			7,371.00
Total			7,371.00	7,371.00

Client: 37285 - Griffiss Utility Services Corporation and Subsidiary
 Engagement: 2018 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 # 9		4200.70		
To record additional revenue on the NYS DOT grant for the final claim filed in 2018.				
12030	Grants Receivable		37,068.00	
40202000	DOT Steam Grant Revenue			37,068.00
Total			37,068.00	37,068.00
Adjusting Journal Entries JE # 10		4200.70		
To adjust ESDC AA074 Controls Grant up to 20% of final expenses.				
12030	Grants Receivable		30,276.00	
40203000	ESD Controls Grant Revenue			30,276.00
Total			30,276.00	30,276.00
Adjusting Journal Entries JE # 11		5200.07		
Reverse PY Accrued expenses remaining.				
21000	Accrued Expenses		29,475.00	
18000	Construction in Progress			23,093.00
53001530	Water & Sewer Charges			6,201.00
53001800	Water & Sewer Charges			181.00
Total			29,475.00	29,475.00
Adjusting Journal Entries JE # 12		4600.35		
To capitalize Taylor's Mac computer and chemical pumps for boiler feed project.				
18000	Construction in Progress		8,049.00	
51010530	Maintenance & Repairs			4,843.00
51060800	Computers and Technology			3,206.00
Total			8,049.00	8,049.00
Adjusting Journal Entries JE # 13		4600.10		
Reclass CIP for completed projects to begin depreciation				
16012	Equipment - Steam Plant		176,527.00	
16013	Steam Distribution System		84,309.00	
16021	Electric Distribution System		38,210.00	
16031	Office Equipment		3,206.00	
16040	Vehicles		43,560.00	
18000	Construction in Progress			345,812.00
Total			345,812.00	345,812.00
Adjusting Journal Entries JE # 14		4600.10		
To move items out of CIP that belong in repairs and maintenance				
51010530	Maintenance & Repairs		47,234.00	
51010540	Maintenance & Repairs		18.00	
18000	Construction in Progress			47,252.00
Total			47,252.00	47,252.00

Client: **37285 - Griffiss Utility Services Corporation and Subsidiary**
 Engagement: **2018 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 # 15		4600.05		
To adjust depreciation from estimated to actual, after adding the current year additions.				
16525	Acc. Dep. - Elect. Metering System		1,426.00	
55512530	Dep. Exp. - Eqp. - Steam Plant		23,434.00	
55513530	Dep. Exp. - Steam. Dist. System		11,087.00	
55521540	Dep. Exp. - Elect. Distr. System		7,756.00	
55530800	Dep. Exp. - Billing Software		569.00	
55531800	Dep. Exp. - Eqp. - Admin		1,052.00	
55533800	Dep. Exp. - Office Furnishings		40.00	
55540800	Dep. Exp. - Vehicles		6,033.00	
16512	Acc. Dep. - Eqp. - Steam Plant			23,434.00
16513	Acc. Dep. - Steam Dist. System			11,087.00
16521	Acc. Dep. - Elect. Dist. System			7,756.00
16530	Acc. Dep. - Billing Software			569.00
16531	Acc. Dep. - Eqp. - Admin			1,052.00
16533	Acc. Dep. - Office Furnishings			40.00
16540	Acc. Dep. - Vehicles			6,033.00
55525540	Dep. Exp. - Elect. Metering System			1,426.00
Total			51,397.00	51,397.00
Adjusting Journal Entries JE # 16		4400.10		
To adjust prepaids to actual per client spreadsheet				
52073800	Insurance - Environmental		10,773.00	
14000	Prepaid Insurance			10,598.00
50610000	Workmens Compensation Ins.			42.00
52074000	Insurance - Crime			52.00
52078800	Insurance - Directors & Officers			81.00
Total			10,773.00	10,773.00
Adjusting Journal Entries JE # 17		4700.20		
To adjust CSV of life insurance to reconciled annual statement and reclass cash payment to Owners Insurance.				
13510	Cash Surrender Value Policy		54,700.00	
50609800	Life & Disability Insurance			40,000.00
52075800	Owners Insurance			14,700.00
Total			54,700.00	54,700.00
Adjusting Journal Entries JE # 18		4200.70		
To record grants receivable for share of underground electric grant earned.				
12030	Grants Receivable		53,745.00	
40204000	ESD Underground Electric Grant			53,745.00
Total			53,745.00	53,745.00
Adjusting Journal Entries JE # 19		4150.10		
To reclass accounts from investments to cash				
11103.5	Keybank-checking		250.00	
11104.5	M&T - Checking		3,000.00	
11103	Investments - Keybank			250.00
11104	Investments - M&T			3,000.00
Total			3,250.00	3,250.00
Adjusting Journal Entries JE # 20		4150.10		
To reclass CD interest into a seperate account to be included in investment income				
40500800	Interest Income		39,499.00	
40550800	Investment Income			39,499.00
Total			39,499.00	39,499.00

Client: **37285 - Griffiss Utility Services Corporation and Subsidiary**
 Engagement: **2018 FS - GUSC**
 Period Ending: **12/31/2018**
 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.				
80025530	State Tax Expense		78,670.00	
90000000	Federal Tax Expense		270,687.00	
21019	Deferred Tax Liability			349,357.00
Total			349,357.00	349,357.00
Adjusting Journal Entries JE # 2		5100.05		
To adjust income taxes payable to amount owed for 2018 NYS Income tax return.				
80003800	Miscellaneous Expense		37.00	
80025530	State Tax Expense		728.00	
21020	State Tax Liability			765.00
Total			765.00	765.00
Adjusting Journal Entries JE # 3		4700.10		
To adjust off prepaid other account to balance intercompany administrative fees with GUSC.				
14090	Prepaid - Other Expense		30,000.00	
52065000	Contracted Services			30,000.00
Total			30,000.00	30,000.00
Adjusting Journal Entries JE # 4		5200.40		
To accrue wood chips up to year-end balance.				
45005530	Fueling - Wood Chips		11,339.00	
21000	Accrued Expenses			11,339.00
Total			11,339.00	11,339.00
Adjusting Journal Entries JE # 5		5200.40		
To accrue additional contract expense per test of subsequent disbursements.				
52065530	Contracted Services		5,703.00	
21000	Accrued Expenses			5,703.00
Total			5,703.00	5,703.00
Adjusting Journal Entries JE # 6		5300.10		
To adjust debt to amount per invoice and confirm and set current maturity.				
24102	Oneida Savings Loan - LT		318,100.00	
80030000	Interest Expense		4,057.00	
23101	Oneida Savings Loan - Current			322,157.00
Total			322,157.00	322,157.00
Adjusting Journal Entries JE # 7		4600.10		

Client: **37285 - Griffiss Utility Services Corporation and Subsidiary**
 Engagement: **2018 FS - GUSC**
 Period Ending: **12/31/2018**
 Trial Balance: **GUSC Energy Trial Balance**
 Workpaper: **3700.15 - GUSC Energy Adjusting Journal Entries Report**

<u>Account</u>	<u>Description</u>	<u>W/P Ref</u>	<u>Debit</u>	<u>Credit</u>
Reclass CIP for completed projects to begin depreciating.				
19005	Wood Chip Plant		32,881.00	
18000	Construction in Progress			32,881.00
Total			<u>32,881.00</u>	<u>32,881.00</u>
Adjusting Journal Entries JE # 8		4600.10		
To reclass items in CIP that should be in repairs and maintenance.				
51010530	Maintenance & Repairs		27,093.00	
18000	Construction in Progress			27,093.00
Total			<u>27,093.00</u>	<u>27,093.00</u>
Adjusting Journal Entries JE # 9		4600.05		
To adjust depreciation from estimated to actual, after adding in current year additions.				
55500530	Depreciation Expense		412.00	
19000	Acc. Depreciation			412.00
Total			<u>412.00</u>	<u>412.00</u>
Adjusting Journal Entries JE # 10		4400.10		
To adjust prepaids to actual per client spreadsheet				
14000	Prepaid Insurance		649.00	
52074530	Insurance - Crime Policy		350.00	
50610530	Workers Compensation Ins			999.00
Total			<u>999.00</u>	<u>999.00</u>