FINGER LAKES REGIONAL
TELECOMMUNICATIONS DEVELOPMENT CORP.

ADVISORY COMMENT LETTER

DECEMBER 31, 2010

MMB

MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

March 25, 2011

Board Members
Finger Lakes Regional Telecommunications Development Corp.

In planning and performing our audit of the financial statements of Finger Lakes Regional Telecommunications Development Corp. as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered Finger Lakes Regional Telecommunications Development Corp.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a certain deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Organization's internal control to be a significant deficiency.

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Proper treatment of consultant fees

During our audit, management recorded a significant entry to capitalize certain construction management costs incurred during 2010. Based on our discussions with management, management did not have adequate procedures in place throughout the year to properly account for these costs, which led to an adjustment of approximately $65,000 at year-end. In accordance with accounting principles generally accepted in the United States of America, all costs incurred in constructing property and equipment should be capitalized into the cost of the related items.

Recommendation

We understand management, in reviewing the numerous invoices received from the consultant, had difficulties determining if costs incurred should be expensed or capitalized based on the descriptions provided. In addition, invoices were not always provided on a timely basis from the consultant. We recommend management work with the consultant to determine a method of billing that would provide clearer details of the work performed in a timely manner. In addition, proper categorization of work on invoices would facilitate entry into the accounting software. Management should review the consultant's invoices in detail to determine if, based on accounting principles generally accepted in the United States of America, costs have been properly recorded as to capital expenditure or expense.

Status of matters included in our letter as of December 31, 2009, dated February 22, 2010

Revenue and expense recognition policies for connection and setup fees

During our audit, we noted revenue recognition procedures were still being developed and there was no documented or standard policy in place as to the treatment of revenue and expenses for certain connection charges such as splicing fees, building entrance fees, and lateral builds. As the Organization had recently begun offering its services to customers, these types of policies were not finalized during 2010. This led to a significant adjustment to properly record expenses primarily relating to connecting new customers to the fiber ring.

Recommendation

Based on discussions with management, all parties involved have agreed on a policy which will properly recognize revenue and associated costs. This policy is currently in the process of being documented by the Organization and approved by the Board. A written policy will enable the Organization to consistently recognize revenue as the Organization continues its expansion during future years.

Management's Response:

Management agrees with this recommendation and is in the process of developing and implementing a full revenue recognition policy.

Status as of December 31, 2010

During 2010, we noted the Board of Directors approved and management implemented a revenue and expense recognition policy which properly matches revenue with related expenses. No significant adjustments to revenue or expenses were necessary during 2010. It appears that management is properly following the new policy.

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We have already discussed this comment and suggestion with Organization personnel and will be pleased to discuss it in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation.

We would like to express our appreciation for the courtesies extended to us by management and their staff. Should you have any questions or comments, please contact Ray Jacobi or Jackie Lee.

This communication is intended solely for the information and use of Management, Finance and Audit Committee Members and Board Members and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

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