

March 1, 2011

Management and the Board of Directors
Madison County Capital Resource Corporation
Seneca Turnpike
Canastota, New York

In planning and performing our audit of the financial statements of Madison County Capital Resource Corporation (MCCRC) 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 MCCRC'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. (We previously reported on the Company's internal control in our report dated March 1, 2011) This letter does not affect our report dated March 1, 2011, on the financial statements of MCCRC.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Agency personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Bank Reconciliations

While all bank accounts were reconciled to the general ledger as of December 31, 2010 there was no documented evidence of the Executive Director's review of the reconciliations.

We recommend that printed reconciliations be reviewed by the Executive Director and that the review be documented. The review should include inspecting the checks returned with the statements and comparing the amounts, dates, check numbers and payees to those on the reconciliation. Additionally, reconciling items such as outstanding checks and deposits in transit should be reviewed for old or unusual items.

Accounting Software Security

The Agency is currently using QuickBooks accounting software. We recommend the Agency implement user password security in order to reduce the risk of loss resulting from unauthorized access. QuickBooks security capabilities include limiting access to various functions by user. For example, a user's capabilities could be limited to viewing and printing reports or inputting invoices, without having access to check printing.

We would like to thank the Executive Director and his staff to their support throughout the audit.

Sincerely,

GUSTAFSON & CO.

A handwritten signature in black ink, appearing to read "T. Charles Chambers", with a long horizontal flourish extending to the right.

By:
T. Charles Chambers