
Certified Public Accountants

March 9, 2021

To the Board of Directors of the
Jamestown Local Development Corporation

In planning and performing our audit of the financial statements of the Jamestown Local Development Corporation (the “Corporation”), a component unit of the City of Jamestown, New York, as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Corporation’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances 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 entity’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation’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, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

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 a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined below:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Deficiencies in internal control that we considered to be material a weakness are communicated in a separate communication dated March 9, 2021

In addition, during our audit we identified certain matters involving the internal control, other operational matters and new reporting requirements that are presented for your consideration. This letter does not affect our report dated March 9, 2021 on the financial statements of the Corporation. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments are summarized in Exhibit I.

This communication is intended solely for the information and use of management and those charged with governance, and is not intended to be, and should not be, used by anyone other than these specified parties.

Drecher & Malecki LLP

March 9, 2021

Administrative Fee

The Corporation paid an annual fee to the Jamestown Urban Renewal Agency (the “Agency”), \$140,000 for each of the years ended December 31, 2020 and 2019, to help manage the operations of the Corporation. Administrative services include costs for staffing, equipment use, and supplies. However, a supporting basis for the administrative fee and a detailed outline of services provided by the Agency was not available.

We recommend that the Corporation review their administrative agreement with the Authority. Further, since this fee represents a significant expense amount to the Corporation’s annual financial statements, management’s approval should be documented. Also, as part of the budgeting process, formal procedures should be in place to review the administrative fee on an annual basis.

Uncollectible Accounts

The Corporation records an allowance for doubtful accounts in relation to their loans receivable. Currently, there is no formal policy or procedures that detail how the allowance for doubtful accounts balance is evaluated for adjustment.

We recommend that the Corporation establish a policy that documents the procedures for evaluating and calculating the allowance for doubtful accounts balance on an annual basis. Further, this policy should detail who will be responsible for performing such evaluation.

Accrual Basis of Accounting

Recording transactions on an accrual basis of accounting promotes consistent application of not-for-profit accrual accounting standards in accordance with accounting principles generally accepted in the United States of America. Accruals should be properly recorded with recognition to a corresponding revenue or expenditure.

We recommend that the Corporation seek out appropriate education and resources in order to properly maintain accounting records on the accrual basis of accounting.

Commingled Funds

The Corporation utilizes a joint bank account with the City of Jamestown, New York (the “City”) and the Jamestown Urban Renewal Agency (the “Agency”). While the account is properly reconciled within the three distinct entities, commingled funds poses risks related to reporting inaccurate activity of an entity and also places reliance on another entity for protection over the Corporation’s assets.

We recommend that the Corporation review the joint bank account and evaluate withdrawing their funds and deposit into an independent Corporation bank account.

Accounting Standards Update

With the impact of COVID-19, the Financial Accounting Standards Board (“FASB”) has made the following decisions in regards to deferring certain Accounting Standards Update (“ASU”):

- The implementation of ASU 2016-02, *Leases (Topic 842)*, was been deferred from December 31, 2021 to December 31, 2022.
- The implementation of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, was deferred to December 31, 2022.