
Certified Public Accountants

March 26, 2021

Board of Directors of the
Jamestown Urban Renewal Agency:

In planning and performing our audit of the basic financial statements of the Jamestown Urban Renewal Agency (the “Agency”), 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 Agency’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 opinions 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 Agency’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 weaknesses are communicated in a separate communication dated March 26, 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 26, 2021 on the financial statements of the Agency. 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.

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Drescher & Malecki LLP

March 26, 2021

Accrual Basis of Accounting

Recording transactions on an accrual basis of accounting promotes consistent application of 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 expense.

We recommend that the Agency monitor for and consistently apply the accrual basis of accounting to promote accurate and appropriate accounting records.

Real Estate Held for Sale

The Agency holds title to several real estate properties throughout the City of Jamestown, New York. A listing of these properties was not maintained by the Agency.

We recommend that the Agency develop a policy and procedures to maintain the real estate held for sale listing. This policy should designate an individual from the Agency responsible for tracking acquisitions and sales of real estate during the year. Also, the policy should include the basis for which properties will be recorded on the Agency's records to ensure a consistent and accurate listing.

Commingled Funds

The Agency utilizes a joint bank account with the City of Jamestown, New York (the "City") and the Jamestown Local Development Corporation (the "Corporation"). 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 Agency's assets.

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

New Reporting Requirements

GASB has adopted several new pronouncements which may have a future impact upon the Agency. These should be evaluated to determine the extent the Agency will be impacted in future years.

GASB Statement No. 87—The Agency is required to implement GASB Statement No. 87, *Leases*, effective for the fiscal year ending December 31, 2022. The objective of this Statement is to better meet the needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

EXHIBIT I

GASB Statement No. 89—The Agency is required to implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the fiscal year ending December 31, 2021. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 91—The Agency is required to implement GASB Statement No. 91, *Conduit Debt Obligations*, effective for the fiscal year ending December 31, 2022. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

GASB Statement No. 92—The Agency is required to implement GASB Statement No. 92, *Omnibus 2020*, effective for the fiscal year ending December 31, 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 93—The Agency is required to implement GASB Statement No. 93, *Replacement of Interbank Offered Rates*, effective for the fiscal year ending December 31, 2021. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (“IBOR”).

GASB Statement No. 94—The Agency is required to implement GASB Statement No. 94, *Public-Public and Public-Private Partnerships and Availability Payment Arrangements*, effective for the fiscal year ending December 31, 2023. The objectives of this Statement are to improve financial reporting by addressing issued related to public-private and public-public partnerships arrangements (“PPPs”).

GASB Statement No. 96—The Agency is required to implement GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the fiscal year ending December 31, 2023. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users.

GASB Statement No. 97—The Agency is required to implement GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for the year ending December 31, 2022. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.