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Certified Public Accountants

March 22, 2022

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, 2021, 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 an 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 material weaknesses, and, therefore, material weaknesses may exist that were not 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 as follows:

- *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.

We communicated the material weakness identified during our audit in a separate communication dated March 22, 2022.

In addition, during our audit we identified certain matters involving the internal control, other operational matters and future reporting requirements that are presented for your consideration. This letter does not affect our report dated March 22, 2022 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.

Drescher & Malecki LLP

March 22, 2022

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 the individual 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.

Accounting Standards Update

The Financial Accounting Standards Board ("FASB") released the following Accounting Standards Update ("ASU"), which will have an impact on the Corporation's financial statement presentation for the year ending December 31, 2022.

- ASU 2016-02, *Leases (Topic 842)*: The objective of ASU 2016-02 is to establish the principles that lessees and lessors should apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. The main difference between current practice is the recognition of lease assets and lease liabilities by lessees for those leases currently classified as operating leases with a term greater than twelve months. In addition, ASU 2016-02 requires disclosures of qualitative and quantitative information to supplement the amounts recorded on the financial statements so that users can understand more about the Corporation's leasing activities.

- ASU 2014-09, *Revenue from Contracts with Customers (Topic 606*): The objective of ASU 2014-09 is to provide additional guidance for non-public entities on reporting revenues from contracts with customers.

- ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*: The objective of ASU 2021-10 is to provide guidance on disclosures for transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy.

- ASU 2021-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*: The objective of ASU 2021-05 is to require that a lessor determine whether a lease should be classified as a sales-type lease or a direct financing lease at lease commencement on the basis of specified classification criteria.

- ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*: The objective of ASU 2021-09 is to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

- ASU 2021-07, *Compensation—Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards*: The objective of ASU 2021-07 is to provide a basis for determining the current price of an underlying share for equity-classified share-based awards.

- ASU 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options* (a consensus of the FASB Emerging Issues Task Force): The objective of ASU 2021-04 is to provide additional guidance for issuer's accounting for certain modifications or exchanges of freestanding equity-classified written call options.

- ASU 2021-02, Franchisors—*Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*: The objective of ASU 2021-02 is to introduce a new practical expedient that simplifies the application of the guidance about identifying performance obligations.