

**JAMESTOWN LOCAL  
DEVELOPMENT CORPORATION**

*(A Component Unit of the City of Jamestown, New York)*

*Financial Statements for the  
Years Ended December 31, 2022 and 2021  
and Independent Auditors' Reports*



**JAMESTOWN LOCAL DEVELOPMENT CORPORATION**  
**(A COMPONENT UNIT OF THE CITY OF JAMESTOWN, NEW YORK)**

**Table of Contents**  
**Years Ended December 31, 2022 and 2021**

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	<u>Page</u>
Independent Auditors' Report .....	1
<b>Financial Statements:</b>	
Statements of Financial Position .....	3
Statement of Activities—Year Ended December 31, 2022 .....	4
Statement of Activities—Year Ended December 31, 2021 .....	5
Statements of Cash Flows .....	6
Notes to the Financial Statements .....	7
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	12
Schedule of Findings .....	14



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**Certified Public Accountants**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Jamestown Local Development Corporation:

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of the Jamestown Local Development Corporation (the "Corporation"), a component unit of the City of Jamestown, New York, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

The Corporation's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for one year after the date that the financial statements are issued.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2023 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

*Drescher & Malecki LLP*

March 15, 2023

# FINANCIAL STATEMENTS





**JAMESTOWN LOCAL DEVELOPMENT CORPORATION**  
**(A Component Unit of the City of Jamestown, New York)**  
**Statements of Financial Position**  
**December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,411,479	\$ 1,573,715
Restricted cash and cash equivalents	1,296,701	-
Receivables	348,279	143,924
Loans receivable	126,566	170,435
Total current assets	3,183,025	1,888,074
Noncurrent assets:		
Loans receivable, net of allowance	536,415	810,498
Total noncurrent assets	536,415	810,498
Total assets	\$ 3,719,440	\$ 2,698,572
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 203,535	\$ 1,092
Unearned revenue	1,101,166	-
Total liabilities	1,304,701	1,092
Net assets:		
Without donor restrictions	2,414,739	2,697,480
Total net assets	2,414,739	2,697,480
Total liabilities and net assets	\$ 3,719,440	\$ 2,698,572

The notes to the financial statements are an integral part of these statements.

**JAMESTOWN LOCAL DEVELOPMENT CORPORATION**  
**(A Component Unit of the City of Jamestown, New York)**  
**Statement of Activities**  
**Year Ended December 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Grant revenue	\$ 734,120	\$ -	\$ 734,120
Program income	31,466	-	31,466
Administrative, application and other fees	300	-	300
Total revenues	<u>765,886</u>	<u>-</u>	<u>765,886</u>
Expenses:			
Administrative fee	169,412	-	169,412
Transfer to City of Jamestown	150,000	-	150,000
Program expenses	725,630	-	725,630
Professional services	5,637	-	5,637
Other expenses	212	-	212
Total expenses	<u>1,050,891</u>	<u>-</u>	<u>1,050,891</u>
Change in net assets from operating activities	<u>(285,005)</u>	<u>-</u>	<u>(285,005)</u>
Nonoperating activities:			
Interest income	2,264	-	2,264
Total nonoperating activities	<u>2,264</u>	<u>-</u>	<u>2,264</u>
Change in net assets	(282,741)	-	(282,741)
Net assets—beginning of year	<u>2,697,480</u>	<u>-</u>	<u>2,697,480</u>
Net assets—ending of year	<u>\$ 2,414,739</u>	<u>\$ -</u>	<u>\$ 2,414,739</u>

The notes to the financial statements are an integral part of this statement.

**JAMESTOWN LOCAL DEVELOPMENT CORPORATION**  
**(A Component Unit of the City of Jamestown, New York)**  
**Statement of Activities**  
**Year Ended December 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Grant revenue	\$ 32,864	\$ -	\$ 32,864
Program income	38,943	-	38,943
Administrative, application and other fees	660	-	660
Total revenues	<u>72,467</u>	<u>-</u>	<u>72,467</u>
Expenses:			
Administrative fee	140,000	-	140,000
Transfer to City of Jamestown	480,000	-	480,000
Program expenses	33,956	-	33,956
Professional services	5,813	-	5,813
Bad debt expense	180,000	-	180,000
Other expenses	1,179	-	1,179
Total expenses	<u>840,948</u>	<u>-</u>	<u>840,948</u>
Change in net assets from operating activities	<u>(768,481)</u>	<u>-</u>	<u>(768,481)</u>
Nonoperating activities:			
Interest income	<u>1,750</u>	<u>-</u>	<u>1,750</u>
Total nonoperating activities	<u>1,750</u>	<u>-</u>	<u>1,750</u>
Change in net assets	(766,731)	-	(766,731)
Net assets—beginning of year	<u>3,464,211</u>	<u>-</u>	<u>3,464,211</u>
Net assets—ending of year	<u>\$ 2,697,480</u>	<u>\$ -</u>	<u>\$ 2,697,480</u>

The notes to the financial statements are an integral part of this statement.

**JAMESTOWN LOCAL DEVELOPMENT CORPORATION**  
**(A Component Unit of the City of Jamestown, New York)**  
**Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

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	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets from operating activities	\$ (285,005)	\$ (768,481)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
(Increase) decrease in receivables	(204,355)	50,182
Decrease in loans receivables, net of allowance	317,952	204,474
Increase in unearned revenue	1,101,166	-
Increase in accounts payable	202,443	1,092
Net cash provided by (used for) operating activities	1,132,201	(512,733)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	2,264	1,750
Net cash provided by investing activities	2,264	1,750
Net increase (decrease) in cash and cash equivalents	1,134,465	(510,983)
Cash and cash equivalents—beginning	1,573,715	2,084,698
Cash and cash equivalents—ending	\$ 2,708,180	\$ 1,573,715

The notes to the financial statements are an integral part of this statement.

**JAMESTOWN LOCAL DEVELOPMENT CORPORATION**  
**(A Component Unit of the City of Jamestown, New York)**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2022 and 2021**

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**1. DESCRIPTION OF ORGANIZATION**

The Jamestown Local Development Corporation (the “Corporation”) was incorporated under Section 805 of the Not-for-Profit Corporation Law of the State of New York on May 22, 1981. The Corporation is a not-for-profit Corporation that was formed to further the development and financing of related infrastructure of the City of Jamestown, New York (the “City”).

The Corporation offers fixed, low interest rate loans for a variety of purposes including business startup, real estate acquisition and renovation, machinery and equipment purchases, local artisan development, downtown restaurant development, technology based business development, and energy efficiency improvements to commercial and industrial buildings.

Although legally separate from the City, the Corporation is a component unit of the City based on the nature and significance of the Corporation’s relationship with the City and the criteria set forth by Governmental Accounting Standards Board (“GASB”). The Corporation is included within the City’s basic financial statements as a blended component unit.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***—The Corporation prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (“U.S. GAAP”) for not-for-profit entities. The significant accounting and reporting policies used by the Corporation are described subsequently to enhance the usefulness and understandability of the financial statements.

***Basis of Accounting***—The accounts of the Corporation are maintained on the accrual basis of accounting. As such, revenues are recognized in the period in which they are earned and expenses are recognized in the period in the period in which they are incurred. The significant accounting and reporting policies used by the Corporation are described below to enhance the usefulness and understandability of the financial statements.

***Use of Estimates***—The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Corporation’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

***Net Assets***—The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of donor or grantor imposed restrictions, as follows:

***Net Assets Without Donor Restrictions***—Net assets available to support the mission and general operations of the Corporation and not subject to donor (or certain grantor) restrictions.

***Net Assets With Donor Restrictions***—Net assets subject to donor-imposed (or certain grantor-imposed) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

***Cash, Cash Equivalents and Investments***—Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date acquired by the Corporation. At December 31, 2022 and 2021, the Corporation does not report any investments; however, when the Corporation does have investments they are recorded at fair value in accordance with FASB.

***Receivables***—Receivables include amounts due from New York State for grant revenue and other amounts due from local municipalities.

***Loans Receivable***—Represent amounts owed to the Corporation for economic development loans. Management evaluates an allowance for doubtful accounts and will make adjustments as necessary.

***Unearned Revenue***—Certain revenues have not met the revenue recognition criteria for financial statement purposes. For the years ended December 31, 2022 and 2021, the Corporation reported unearned revenues in the amounts of \$1,130,578 and \$0, respectively. The Corporation received cash in advance related to the American Rescue Plan Act (“ARPA”), but has not performed the services and therefore recognizes a liability.

***Revenue and Revenue Recognition***—Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

***Tax Status***—The Corporation is incorporated exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (“IRC”), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). All applicable tax forms for the Corporation have been filed and accepted by the Internal Revenue Service through the year ended December 31, 2022. The tax years ending December 31, 2021, 2020, and 2019 are still open to audit for federal purposes. Contributions to the Corporation are tax deductible to donors under Section 170 of the Internal Revenue Code. The Corporation is not classified as a private foundation.

***Nonoperating Activities***—Certain contributions and investment income earned are considered nonoperating activities in the accompanying Statements of Activities.

***Bad Debt Expense***—Represents economic development loans that are expected to be uncollectible by the Corporation and are recorded on the Statement of Activities. For the years ended December 31, 2022 and 2021, the Corporation reported bad debt expense of \$0 and \$180,000, respectively.

### 3. CASH AND CASH EQUIVALENTS

The Corporation's investment policies are governed by New York State statutes. All deposits are carried at fair value.

Cash and cash equivalents of the Corporation at December 31, 2022 and 2021 are shown below:

	<u>2022</u>	<u>2021</u>
Cash on deposit	\$ 1,397,240	\$ 114,707
Money market funds	<u>1,310,940</u>	<u>1,459,008</u>
Total	<u>\$ 2,708,180</u>	<u>\$ 1,573,715</u>

**Restricted Cash and Cash Equivalents**—The Corporation reports unearned revenue related to cash received in advance and expenditures of grant funds incurred but not yet paid as restricted cash and cash equivalents. At December 31, 2022, the Corporation reports restricted cash of \$1,296,701.

### 4. LIQUIDITY AND AVAILABILITY

For the years ended December 31, 2022 and 2021, the Corporation reported cash and cash equivalents of \$2,708,180 and \$1,573,715, receivables of \$348,279 and \$143,924, and current loans receivable of \$126,566 and \$170,435, respectively, as financial assets available for general expenditures that are, without donor or other restrictions limiting their use, within one year of the balance sheet date.

### 5. CONCENTRATIONS OF RISK

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation ("FDIC") and Securities Investor Protection Corporation limits. The Corporation has entered into custodial agreements with the banking institution which holds their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

**Deposits**—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2022 as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC insured	\$ 500,000	\$ 500,000
Uninsured:		
Collateral held by pledging bank's agent in entity's name	<u>2,240,942</u>	<u>2,208,180</u>
Total	<u>\$ 2,740,942</u>	<u>\$ 2,708,180</u>

**Custodial Credit Risk—Deposits**—Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. At December 31, 2022 the Corporation's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the Corporation's name.

The Corporation's investments are subject to various risks, such as interest rate, credit, and overall market volatility risk. Because of the level of risk inherent in most investments, it is reasonably possible that change in the values of these investments could occur in the near term. Management is of the opinion that the diversification of its invested assets and their investment strategy should mitigate the impact of such changes.

## 6. RECEIVABLES

**Receivables**—Represent amounts due from other entities and units of government, such as New York State. Receivables at December 31, 2022 and 2021 are shown below:

	December 31,	
	2022	2021
Other receivables	\$ -	\$ 1,519
Due from New York State	348,279	142,405
Total	<u>\$ 348,279</u>	<u>\$ 143,924</u>

## 7. LOANS RECEIVABLE

Represent amounts owed to the Corporation for economic development loans. Management evaluates an allowance for doubtful accounts and will make adjustments as necessary. Loans receivable at December 31, 2022 and 2021 consisted of the following:

	December 31	
	2022	2021
Loans receivable	\$ 1,342,981	\$ 1,660,933
Allowance for doubtful accounts	(680,000)	(680,000)
Total	<u>\$ 662,981</u>	<u>\$ 980,933</u>

Allowance for doubtful accounts is established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability to collect certain receivables.

## 8. FUNCTIONAL CLASSIFICATION OF EXPENSES

The operating costs, classified by function, of providing the various programs and other activities of the Corporation for the years ended December 31, 2022 and 2021 are as shown on the following page.

	Year Ended December 31, 2022				Total
	Administrative Fee	Program Expenses	Professional Services	Other expenses	
Administrative fee paid to JURA	\$ 169,412	\$ -	\$ -	\$ -	\$ 169,412
Downtown revitalization	-	256,208	-	-	256,208
Transfer to City of Jamestown	-	150,000	-	-	150,000
Professional services	-	-	5,550	-	5,550
Postage	-	-	87	-	87
Roof and lateral line repair	-	215,730	-	-	215,730
Building and property improvements	-	176,492	-	-	176,492
Small business evolution	-	71,954	-	-	71,954
IT upgrades	-	5,246	-	-	5,246
Miscellaneous	-	-	-	212	212
	<u>\$ 169,412</u>	<u>\$ 875,630</u>	<u>\$ 5,637</u>	<u>\$ 212</u>	<u>\$ 1,050,891</u>



	Year Ended December 31, 2021				Total
	Administrative Fee	Program Expenses	Professional Services	Other expenses	
Administrative fee paid to JURA	\$ 140,000	\$ -	\$ -	\$ -	\$ 140,000
Downtown revitalization	-	33,956	-	-	33,956
Transfer to City of Jamestown	-	480,000	-	-	480,000
Bad debt expense	-	-	-	180,000	180,000
Professional services	-	-	5,813	-	5,813
Postage	-	-	-	12	12
Miscellaneous	-	-	-	1,167	1,167
Totals	<u>\$ 140,000</u>	<u>\$ 513,956</u>	<u>\$ 5,813</u>	<u>\$ 181,179</u>	<u>\$ 840,948</u>

## 9. RELATED PARTY TRANSACTIONS

In accordance with an agreement between the Jamestown Urban Renewal Agency (the “Agency”) and the Corporation, the Agency provides the Corporation with administrative services. Administrative services include costs for staffing, equipment use, and supplies. For the years ended December 31, 2022 and 2021, the administrative fee paid by the Corporation totaled \$169,412 and \$140,000, respectively.

In accordance with an agreement between the City of Jamestown, New York (the “City”) and the Corporation, the Corporation assists with economic development within the City. For the years ended December 31, 2022 and 2021, the Corporation transferred \$150,000 and \$480,000 to the City for project expenses related to the Riverwalk Skate Park, respectively.

## 10. CONTINGENCIES

In the normal course of operations, the Corporation receives grant funds from various federal and state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions that are specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the Corporation. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

## 11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 15, 2023, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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**Certified Public Accountants**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Jamestown Local Development Corporation:

We have audited, in accordance with the 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, the financial statements of the Jamestown Local Development Corporation (the "Corporation"), a component unit of the City of Jamestown, New York, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, 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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

*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 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 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.

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 or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, we did identify certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, which are reported as finding 2022-001 and 2022-002 in the accompanying Schedule of Findings.

## **Report On Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Corporation's Responses to Findings**

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings. The Corporation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Drescher & Malecki LLP*

March 15, 2023

**JAMESTOWN LOCAL DEVELOPMENT CORPORATION**  
**(A Component Unit of the City of Jamestown, New York)**  
**Schedule of Findings**  
**Year Ended December 31, 2022**

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*We consider the deficiencies presented below to be a material weakness in internal control.*

**Finding 2022-001—Policies and Procedures**

*Criteria:* Internal controls over financial reporting should be designed by management to prevent or detect and correct misstatements and to comply with applicable accounting standards and principles. The Corporation should formalize accounting policies and procedures to reduce the risk of financial statement misstatement, asset misappropriation, fraudulent financial reporting, and to ensure that proper procedures are consistently followed.

*Condition and Context:* The Corporation does not have formal policies and procedures documented for critical accounting cycles including journal entries, bank reconciliations and review of accruals. As a result, journal entries posted to the accounting system and bank reconciliations were not consistently reviewed by an employee independent from the preparer.

*Cause:* Lack of formalized policies and procedures for the year ended December 31, 2022. The presence of several material adjusting journal entries identified during the audit of the year ended December 31, 2022 indicates insufficient utilization of applicable accounting standards and principles.

*Effect:* There is an increased risk of financial statement misstatement, asset misappropriation and fraudulent financial reporting. The financial statements include several adjusting entries, which have a material effect on the Corporation's financial statements. Additionally, lacking internal controls increases risk and creates the opportunity for fraud.

*Recommendation:* We recommend that the Corporation evaluate policies and procedures for each accounting cycle on a regular basis. Note, formalized policies and procedures should be in place for journal entries and bank reconciliations. Included within these policies and procedures should be the assessment and evaluation of internal controls, to ensure that controls surrounding key accounting functions are regularly revisited to provide assurance that they are designed effectively and operating efficiently. Such policies should be approved by the Board, reviewed, and updated on a regular basis.

In addition:

All journal entries should be reviewed and approved by an individual independent of the employee who prepared the journal entry. The entry should be accompanied by supporting documentation. The reviewer should have adequate knowledge surrounding accounting transactions to be able to properly review and approve the entries made.

A formal written bank reconciliation policy should detail bank reconciliation procedures and the responsibilities of the designated employees. We suggest that all bank reconciliations be performed monthly, within 15 days of receiving the respective bank statements and any differences between net bank balances and general ledger cash accounts should be researched and addressed. The reconciliations should be performed by an employee or official who does not have custody or access to cash and who does not record cash receipt, cash disbursement, or journal entry transactions. Finally, all bank reconciliations should be reviewed in a timely manner by management.

All accruals should be reviewed annually for appropriateness and reasonableness of collectability. Amounts should be supported by formal documentation.

*Management's Response:* The Jamestown Local Development Corporation is currently in the process of reviewing its operations and will begin the process of formalizing policies and procedures during the 2023 fiscal year.

**Finding 2022-002—Application of Not-For-Profit Accounting Standards and Principles**

*Criteria:* Internal controls over financial reporting should be designed by management to prevent or detect and correct misstatements and to comply with applicable accounting standards and principles. The Corporation does not exhibit selection and application of certain accounting principles generally accepted in the United States of America. Therefore, the Corporation does not maintain financial records sufficient to internally prepare financial statements that conform with accounting principles generally accepted in the United States of America. The absence of this financial reporting application is considered to be a weakness in controls, as the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the Corporation.

*Condition and Context:* The Corporation's financial records are not maintained in accordance with FASB requirements. Internal controls should be in place to ensure proper financial reporting, consistent basis of accounting, and complete and accurate disclosures, exclusive of the efforts of the independent external auditor.

*Effect or Potential Effect:* Several material proposed adjusting journal entries were required for the year ended December 31, 2022.

*Cause:* The presence of several material proposed journal entries accumulated through the audit of the year ended December 31, 2022 indicates insufficient utilization of applicable accounting standards and principles.

*Recommendation:* We recommend that the Corporation continue to improve its financial accounting and reporting processes to be within the requirements of the Financial Accounting Standards Board and not-for-profit GAAP.

*Management's Response:* The Jamestown Local Development Corporation management will review the entries that were needed for this year and work to have them entered prior to the next fiscal year's audit.