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# JOHN S. TRUSSALO

— Certified Public Accountant, P.C. —

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JAMESTOWN, NEW YORK 14701  
(716) 487-2910                      FAX (716) 487-1875

## Management Letter

March 26, 2020

To the Members of the Board of Directors  
Jamestown Local Development Corporation  
City of Jamestown, New York

In planning and performing the audit of the financial statements of the governmental activities of the Jamestown Local Development Corporation, a component unit of the City of Jamestown, New York, as of and for the years ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, I considered the Corporation's internal control over financial reporting (internal control) as a basis for designing my auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, I 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 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.

My consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during the audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, members of the Corporation's Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

### OTHER MATTERS

During the audit, I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes my comments and suggestions concerning those matters. This letter does not affect my report dated March 26, 2020, on the financial statements of Jamestown Local Development Corporation.

I have already discussed these comments and suggestions with management and 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.

**Administration Fees**

The City of Jamestown, New York's Department of Development charged the Corporation an administration fee for wages, payroll taxes, fringe benefits, and other costs. The administration fee charged to the Corporation totaled \$140,000 for each of the years ended December 31, 2019 and 2018, respectively. The number of loans outstanding totaled 11 and 10 as of December 31, 2019 and 2018, respectively.

Interest income received from loans totaled \$31,824 and \$29,322 for the years ended December 31, 2019 and 2018, respectively.

**Recommendation**

As noted above, the administrative costs associated with the operation of the Jamestown Local Development Corporation exceed the interest income received on loans. Management and the Board of Directors should review the administrative costs currently charged to the Corporation.

**Long-Range Budget**

Currently, the Agency prepares extensive and well documented annual budgets. The annual budget is a useful tool in helping management guide the Agency toward its objectives during the coming year. However, with the scheduled future budget cuts in federal funding, the Agency's administration revenues will be decreasing. Management should prepare its future expenditure budgets to coincide with the decreased federal funding.

**Recommendation**

A long-range budget should be prepared for periods beyond one year. The preparation of a long range budget will assist management in developing an operational plan to accommodate the decrease in federal funding.

I appreciate the outstanding cooperation received from Corporation personnel during the audit process. If you have any questions, or need further assistance regarding implementation of any of the aforementioned items, please feel free to contact me.

Respectfully submitted,

Handwritten signature of John S. Trussalo in black ink, followed by the text "CPA P.C." in a sans-serif font.

**John S. Trussalo, CPA, P.C.  
Jamestown, New York**

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## Communication With Those Charged With Governance at the Conclusion of the Audit

March 26, 2020

To the Members of the Board of Directors  
Jamestown Local Development Corporation  
City of Jamestown, New York

I have audited the financial statements of the governmental activities of the Jamestown Local Development Corporation for the year ended December 31, 2019. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of the audit. Professional standards also require that I communicate to you the following information related to my audit..

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Jamestown Local Development Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Corporation's financial statements were:

- Management's estimate for collection of loans receivable and the allowance for loan losses.

Management's process for determining the aforementioned estimates is based on firm concepts and reasonable assumptions of future events. I evaluated the key factors and assumptions in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statement were:

- Note 4 - Loans receivable and allowance for loan loss
- Note 8 - Concentration of risk

The financial statement disclosures are neutral, consistent, and clear.

### **Difficulties Encountered in Performing the Audit**

I encountered no significant difficulties in dealing with management in performing and completing the audit.

**Corrected and Uncorrected Misstatements**

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

**Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or auditor's report. I am pleased to report that no such disagreements arose during the course of the audit.

**Management Representations**

I have requested certain representations from management that are included in the management representation letter dated March 31, 2020.

**Management Consultation with Other Independent Accountants**

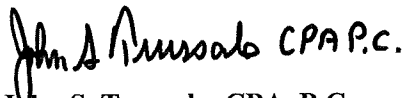
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with me to determine that the consultation has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

I generally discuss a variety of matters, including application of accounting principles and auditing standards with management each year prior to retention as the Corporation's auditor. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the Board of Directors and management of the Jamestown Local Development Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



John S. Trussalo, CPA, P.C.  
Jamestown, New York

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# JOHN S. TRUSSALO

— Certified Public Accountant, P.C. —

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## *Communication With Those Charged With Governance During Planning*

February 21, 2020

To the Members of the Board of Directors  
Jamestown Local Development Corporation  
City of Jamestown, New York

I am engaged to audit the financial statements of the governmental activities of the Jamestown Local Development Corporation, a blended component of the City of Jamestown, New York for the year ended December 31, 2019. Professional standards require that I provide you with the following information related to the audit. I would also appreciate the opportunity to meet with you to discuss the information further since a two-way dialogue can provide valuable information for the audit process.

### **My Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter dated February 21, 2020, my responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing the audit, I will consider the internal control of the Jamestown Local Development Corporation. Such considerations are solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I will also perform tests of Jamestown Local Development Corporation's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of my audit.

### **Planned Scope and Timing of Audit**

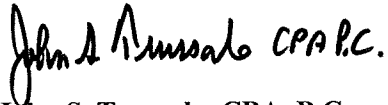
An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, my audit will involve judgement about the number of transactions to be examined and the areas to be tested. My audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from 1) errors, 2) fraudulent financial reporting, 3) misappropriation of assets, or 4) violations of laws or governmental regulations that are attributable to the entity or to acts be management or employees acting on behalf of the City of Jamestown, New York. I will generally communicate my significant findings, if any, at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. I will also communicate any internal control related matters that are required to be communicated under professional standards.

To the Members of the Board of Directors  
Jamestown Local Development Corporation  
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I expect to begin the audit at your earliest convenience and issue my report no later than March 31, 2020.

This information is solely for the use of the Members of the Board of Directors, and management of the Jamestown Local Development Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "John S. Trussalo CPA P.C." The signature is written in a cursive style with a large initial 'J'.

**John S. Trussalo, CPA, P.C.**  
**Jamestown, New York**