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Certified Public Accountants

March 29, 2023

The Board of Directors
Yates County Industrial Development Agency:

In planning and performing our audit of the basic financial statements of Yates County Industrial Development Agency (the "Agency"), a component unit of Yates County, New York, as of and for the year ended December 31, 2022, 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 over financial reporting.

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.

Our 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 our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 29, 2023 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.

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Notes Receivable

The Agency has issued notes receivable to various Yates County businesses. The Agency tracks these notes receivable using a separate loan software, and subsequently updates its accounting software for loan activity including payments made, extensions, write offs or other activity. Maintaining two separate software systems to track the notes receivable balances creates a greater risk of human error, and there is the chance that one or both systems may not accurately reflect the notes receivable balances. Further, it was noted that the same person responsible for collecting and depositing the payments for notes receivable is also responsible for recording the payments within both the loan software and the accounting software. During our testing of the notes receivable balances, it was noted that the amortization schedules generated through the loan software did not consistently agree to the balances maintained in the Agency's accounting software. Upon identification of these deficiencies by the auditors, management reviewed each of the notes receivable balances and subsequently adjusted either system, as appropriate.

We recommend that the Agency perform a reconciliation of the notes receivable balances from the loan software to the accounting software. These reconciliations should be performed in a timely manner and reviewed by an individual separate from the collection of cash.

Future Reporting Requirements

The Governmental Accounting Standards Board ("GASB") has adopted 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. 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. 99—The Agency is required to implement GASB Statement No. 99, *Omnibus 2022*, effective for the fiscal year ending December 31, 2023. The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

GASB Statement No. 100—The Agency is required to implement GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, effective for the fiscal year ending December 31, 2024. The objectives of this Statement are to improve financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101—The Agency is required to implement GASB Statement No. 101, *Compensated Absences*, effective for the fiscal year ending December 31, 2024. The objective of this Statement is to improve financial reporting by addressing issues related to the recognition and measurement for compensated absences.