

WATERTOWN INDUSTRIAL
CENTER LOCAL DEVELOPMENT
CORPORATION

FINANCIAL STATEMENTS

June 30, 2017

Table of Contents

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

INDEPENDENT AUDITORS' REPORT _____ 1

AUDITED FINANCIAL STATEMENTS _____ 3

 STATEMENT OF FINANCIAL POSITION _____ 3

 STATEMENT OF ACTIVITIES _____ 4

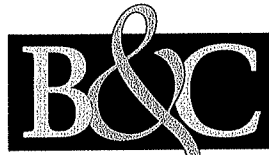
 STATEMENT OF FUNCTIONAL EXPENSES _____ 5

 STATEMENT OF CASH FLOWS _____ 6

 NOTES TO 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 GOVERNMENT AUDITING STANDARDS
_____ 14

SCHEDULE OF FINDINGS AND RESPONSES _____ 16



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS
WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

We have audited the accompanying financial statements of **WATERTOWN INDUSTRIAL CENTER LOCAL DEVELOPMENT CORPORATION** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

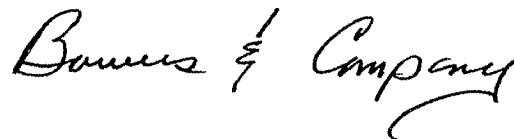
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Watertown Industrial Center Local Development Corporation as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Watertown Industrial Center Local Development Corporation's 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it had been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2017, on our consideration of Watertown Industrial Center Local Development 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 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 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 Watertown Industrial Center Local Development Corporation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bonner & Company". The signature is written in black ink and is positioned to the right of the main body of text.

Watertown, New York
September 25, 2017

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

June 30, 2017 with Comparative Totals for 2016

	ASSETS	
	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 305,784	\$ 333,218
Accounts Receivable	209	333
Rents Receivable	12,959	8,099
Total Current Assets	318,952	341,650
Receivable - Leasehold Improvement Loans	429,634	502,399
Property and Equipment, Net	2,246,499	2,410,259
TOTAL ASSETS	\$ 2,995,085	\$ 3,254,308
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	12,961	\$ 8,773
Accrued Expenses	1,485	1,481
Deferred Revenue - Prepaid Rent	1,078	1,078
Current Portion of Long-Term Debt	62,819	60,964
Total Current Liabilities	78,343	72,296
Long-Term Debt	623,969	686,788
Deferred Revenue - Leasehold Improvement Loans	429,634	502,399
Total Liabilities	1,131,946	1,261,483
NET ASSETS		
Unrestricted Net Assets		
Operating	(155,292)	(88,285)
Board Designated	458,720	418,603
Fixed Assets	1,559,711	1,662,507
Total Unrestricted Net Assets/Total Net Assets	1,863,139	1,992,825
TOTAL LIABILITIES AND NET ASSETS	\$ 2,995,085	\$ 3,254,308

See notes to audited financial statements.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017 with Summarized Totals at June 30, 2016

	2017	2016
REVENUES AND SUPPORT		
Rental Income	\$ 498,695	\$ 540,810
Investment Income	1	1
Other Income	<u>16,598</u>	<u>18,390</u>
Total Revenues and Support	<u>515,294</u>	<u>559,201</u>
EXPENSES		
Program Services - Development of Industrial Center	622,886	603,594
Support Services - General and Administrative	<u>22,094</u>	<u>33,305</u>
Total Expenses	<u>644,980</u>	<u>636,899</u>
Changes in Net Assets	(129,686)	(77,698)
Net Assets, Beginning of Year	<u>1,992,825</u>	<u>2,070,523</u>
Net Assets, End of Year	<u><u>\$ 1,863,139</u></u>	<u><u>\$ 1,992,825</u></u>

See notes to audited financial statements.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017 with Summarized Totals at June 30, 2016

	Program Services	Management and General	Totals	
			2017	2016 (Summarized)
Salaries	\$ 91,892	\$ -	\$ 91,892	\$ 90,895
Employee Benefits	14,484	-	14,484	13,783
Payroll Taxes	11,666	-	11,666	12,361
Depreciation	214,081	-	214,081	226,306
Insurance	46,637	2,062	48,699	58,598
Interest Expense	21,599	-	21,599	23,398
Materials and Equipment	11,005	-	11,005	9,275
Miscellaneous	-	1,084	1,084	968
Office Expense	-	12,034	12,034	9,910
Professional Services	3,765	6,914	10,679	25,834
Real Property Taxes	28,802	-	28,802	27,776
Repairs and Maintenance	100,754	-	100,754	81,544
Telephone and Utilities	66,201	-	66,201	56,251
Bad Debt Expense	12,000	-	12,000	-
Total	<u>\$ 622,886</u>	<u>\$ 22,094</u>	<u>\$ 644,980</u>	<u>\$ 636,899</u>

See notes to audited financial statements.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

STATEMENT OF CASH FLOWS

Year Ended June 30, 2017 with Comparative Totals for 2016

	2017	2016
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (129,686)	\$ (77,698)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	214,081	226,306
Bad Debt Expense	12,000	-
(Increase) Decrease in:		
Accounts Receivable	124	1,626
Rents Receivable	(16,860)	(3,752)
Prepaid Insurance	-	10,978
Receivable - Leasehold Improvement Loans	72,765	45,441
Increase (Decrease) in:		
Accounts Payable	4,188	(10,098)
Other Payables	4	(1,984)
Deferred Revenue - Leasehold Improvement Loans	(72,765)	(45,441)
Net Cash Provided by Operating Activities	<u>83,851</u>	<u>145,378</u>
Cash Flows from Investing Activities:		
Property and Equipment Acquisitions	<u>(50,321)</u>	<u>(41,424)</u>
Net Cash Used in Investing Activities	<u>(50,321)</u>	<u>(41,424)</u>
Cash Flows from Financing Activities:		
Net (Payments) on Long-Term Debt	<u>(60,964)</u>	<u>(55,693)</u>
Net Cash Used in Financing Activities	<u>(60,964)</u>	<u>(55,693)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(27,434)	48,261
Cash and Cash Equivalents - Beginning of Year	<u>333,218</u>	<u>284,957</u>
Cash and Cash Equivalents - End of Year	<u>\$ 305,784</u>	<u>\$ 333,218</u>

See notes to audited financial statements.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 with Comparative Totals for 2016

NOTE 1 – NATURE OF OPERATIONS

Watertown Industrial Center Local Development Corporation (the “Corporation”) is a non-profit organization, which was incorporated in New York State on June 7, 1994. The Corporation is involved in developing an industrial center in the City of Watertown, NY by providing low cost rental space to industry.

The mission of the Watertown Industrial Center Local Development Corporation is to facilitate job creation and retention in the community by providing eligible businesses with suitable leased facilities at rents and other conditions that help them succeed.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Watertown Industrial Center Local Development Corporation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

The Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Corporation does not have any temporarily or permanently restricted net assets at June 30, 2017 and 2016.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income Tax Status

The Corporation is a not-for-profit organization and is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Open Tax Years

The Corporation’s Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2017, 2016, 2015 and 2014 are subject to examination by the IRS, generally for 3 years after they were filed.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 with Comparative Totals for 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts Receivable

Accounts receivable include tenant rents receivable, tenant utilities receivable, and other short-term receivables that are non-interest bearing. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. It is the Corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Support and Revenue

Watertown Industrial Center Local Development Corporation receives substantially all of its revenue from the leasing of office and manufacturing space in four buildings owned by the Corporation.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Property and Equipment

Property and equipment are recorded at cost or fair value at the date of acquisition. Watertown Industrial Center Local Development Corporation follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$1,000. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Category	Recovery Period Years
Buildings and Improvements	5 - 30
Furniture, Fixtures, and Equipment	5 - 10

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 with Comparative Totals for 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value of Financial Instruments

The carrying value of the notes payable approximates fair value because it bears interest at a rate that approximates current market rates for notes with similar maturities and credit quality.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Unrestricted Net Assets

Undesignated net assets include revenue and support to develop and maintain the industrial center and for general operating purposes.

Board designated net assets that have been appropriated by the Board from undesignated net assets for specific future needs as of June 30, are as follows:

	2017	2016
Leasehold Improvement	\$ 149,362	\$ 148,319
Capital Improvement Fund	<u>309,358</u>	<u>270,284</u>
Total	<u>\$ 458,720</u>	<u>\$ 418,603</u>

Statement of Cash Flows

There were no noncash investing and financing activities during 2017 and 2016.

	2017	2016
Cash Paid During the Year For:		
Interest	<u>\$ 21,599</u>	<u>\$ 23,398</u>

Date of Management's Review

Management has evaluated subsequent events through September 25, 2017, the date which the financial statements were available to be issued.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 with Comparative Totals for 2016

NOTE 3 – PROPERTY AND EQUIPMENT

The major categories of property and equipment as of June 30, are as follows:

	2017	2016
Land	\$ 205,000	\$ 205,000
Buildings and Improvements	5,425,061	5,369,971
Furniture, Fixtures and Equipment	54,571	54,571
Construction in Progress	13,258	18,027
Total	5,697,890	5,647,569
Less: Accumulated Depreciation	(3,451,391)	(3,237,310)
Net Property and Equipment	<u>\$ 2,246,499</u>	<u>\$ 2,410,259</u>

**NOTE 4 – RELATED PARTY AGREEMENTS AND
TRANSACTIONS**

In 2014, the Corporation entered into a ten-year lease agreement with Jefferson County Local Development Corporation, who rents office space from the Corporation. The current lease was executed for the period October 1, 2014 through September 30, 2024. Monthly rental payments were \$1,366 for the months of July through September of the current year, and \$1,375 thereafter. Rental income, including rent surcharges, received during the years ended June 30, 2017 and 2016 was approximately \$16,000 in both years.

In 2010, the Corporation entered into a participation loan with Watertown Local Development Corporation and Jefferson County Local Development Corporation in the amount of \$400,000. The loan was obtained in order to finance the replacement of the Building A roof. The note is for a 20-year term, with payments beginning January 1, 2011 through January 1, 2031 at an interest rate of 3.00%. During the years ended June 30, 2017 and 2016, the Corporation made principal and interest payments of approximately \$26,600 in both years.

In 2015, the Corporation entered into a loan with Watertown Local Development Corporation in the amount of \$482,791. The loan was for renovations of office space for the use of Jefferson County Local Development Corporations. The note is for a 10-year term, with payments beginning May 1, 2015 through April 1, 2025 at an interest rate of 3.00%. During the year ended June 30, 2017 and 2016, the Corporation made principal and interest payments of approximately \$56,000 in both years.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 with Comparative Totals for 2016

**NOTE 4 – RELATED PARTY AGREEMENTS AND
TRANSACTIONS - Continued**

The following is outstanding at year end:

Note Payable	Interest Rate	June 30, 2017		June 30, 2016	
		Current	Long-Term	Current	Long-Term
WLDC Loan #1	3.00%	\$ 17,966	\$ 278,722	\$ 17,435	\$ 296,688
WLDC Loan #2	3.00%	<u>44,853</u>	<u>345,247</u>	<u>43,529</u>	<u>390,100</u>
Total		<u>\$ 62,819</u>	<u>\$ 623,969</u>	<u>\$ 60,964</u>	<u>\$ 686,788</u>

The future scheduled maturities of long-term debt as of June 30, are as follows:

2018	\$ 62,819
2019	65,292
2020	67,318
2021	69,304
2022	71,433
Thereafter	<u>350,622</u>
	<u>\$ 686,788</u>

NOTE 5 – PROPERTY ON OPERATING LEASES

The following schedule provides an analysis of the Corporation's investment in property on operating leases as of June 30:

	2017	2016
Land	\$ 205,000	\$ 205,000
Buildings and Improvements	<u>5,425,061</u>	<u>5,369,971</u>
Total	5,630,061	5,574,971
Less: Accumulated Depreciation	<u>(3,400,223)</u>	<u>(3,186,896)</u>
Net Property on Operating Leases	<u>\$ 2,229,838</u>	<u>\$ 2,388,075</u>

LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 with Comparative Totals for 2016

NOTE 6 – RENTALS UNDER OPERATING LEASES

The scheduled future rental payments under current operating leases as of June 30, are as follows:

2018	\$ 542,426
2019	465,429
2020	424,163
2021	350,060
2022	259,658
2023 - 2025	<u>751,005</u>
	<u>\$ 2,792,741</u>

NOTE 7 – CONCENTRATIONS OF CREDIT RISK

The Corporation maintains its cash balances in financial institutions located in Watertown, NY. Interest-bearing deposits and non-interest bearing deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. All deposits are fully insured for both years ended June 30, 2017 and 2016.

NOTE 8 – RECEIVABLE LEASEHOLD IMPROVEMENTS/ DEFERRED REVENUE LEASEHOLD IMPROVEMENTS

At June 30, 2017 and 2016, the receivable and corresponding deferred revenue were recorded in the amount of \$429,634 and \$502,399, respectively, on the Statement of Financial Position. The amount represents the additional rent surcharge to be collected from tenants over their lease terms. The additional rent surcharges were the result of building additions completed, as requested by tenants. The Corporation has consistently recorded all building improvements made for tenants as an addition to the Corporation's fixed assets and charged rent surcharges to the tenants to cover the cost of the improvements.

The Corporation decided to record the rent surcharge amount as receivable and deferred revenue on the Statement of Financial Position to better track the status of additional rent surcharges. There is no effect on the Statement of Activities as a result of recording the receivable and related deferred revenue. The additional rent surcharge payments received from tenants has been consistently recorded as rental income on the Statement of Activities.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 with Comparative Totals for 2016

NOTE 9 – RETIREMENT PLAN

In 2013, the Corporation established a 401(k) Profit Sharing Pension Plan. The Plan is administered by RBC Wealth Management. The employer contribution was set at 4% of the employees' annual salary. All full-time employees are covered by the Plan. For the years ended June 30, 2017 and 2016, the Corporation made contributions in the amount of \$6,757 and \$6,797 respectively.



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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
WATERTOWN INDUSTRIAL CENTER
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 Watertown Industrial Center Local Development Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Watertown Industrial Center Local Development Corporation's internal control over financial reporting (internal control) to determine the 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 Watertown Industrial Center Local Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 first paragraph of this section 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies, 2017-1 and 2017-2.

Compliance and Other Matters

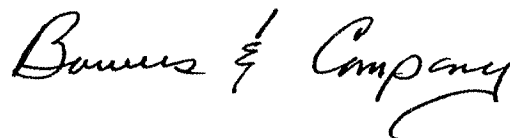
As part of obtaining reasonable assurance about whether Watertown Industrial Center Local Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

Watertown Industrial Center Local Development Corporation's Response to Findings

Watertown Industrial Center Local Development Corporation's response to the findings identified in our audit is described in the accompanying schedule of finding and responses. Watertown Industrial Center Local Development Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Watertown, New York
September 25, 2017

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2017

Internal Control Over Financial Reporting

Significant Deficiencies

2017 -1 Segregation of Duties

Condition: Due to the small size of the entity there is limited segregation of duties. The Corporation's management consists of one person who is responsible for all accounting functions, including disbursements, payroll, accruals, and making all journal entries during the year.

Criteria: Segregation of duties is a primary internal control intended to prevent, or decrease the risk of, errors or irregularities; identify problems; and ensure that corrective action is taken. This is done by assuring that no single individual should have control over all phases of a transaction.

Effect: Limited internal control is a potential risk to physical assets and presents the risk for both intentional and unintentional errors to be made and go undetected.

Recommendation: The Board of Directors should be aware that this condition is a significant deficiency and will be in future years due to the small size of the Corporation.

Response: The Corporation recognizes that this is viewed as a significant deficiency; however, it is not financially feasible to hire additional staff to further separate accounting duties.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2017

Significant Deficiencies

2017 -2 Preparation of Financial Statements

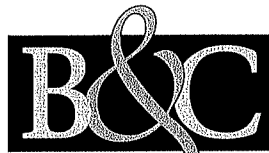
Condition: Due to time constraints as well as qualifications of staff, the Corporation does not prepare their own financial statements.

Criteria: Preparation of financial statements is an internal control intended to identify irregularities or misstatements in financial records, as well as ensure that nonprofit generally accepted accounting principles are being followed in the Corporation.

Effect: Limited internal control is a potential risk to the Corporation's financial records and presents the risk for both intentional and unintentional errors to be made and go undetected due to staff's inability to properly review financial statements.

Recommendation: The Board of Directors should be aware that this condition is a significant deficiency and will be in future years due to the qualifications of staff at the Corporation.

Response: The Corporation recognizes that this is viewed as a significant deficiency; however, it is not financially feasible to hire qualified staff to prepare financial statements.



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

September 25, 2017

To the Board of Directors
Watertown Industrial Center Local Development Corporation

We have audited the financial statements of Watertown Industrial Center Local Development Corporation for the year ended June 30, 2017, and have issued our report thereon dated September 25, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 3, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Watertown Industrial Center Local Development Corporation are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Organization 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.

Management's estimate of depreciation is based on an analysis of fixed assets and depreciation calculations. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached material misstatement detected as a result of audit procedures was corrected by management.

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 our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 25, 2017.

Management Consultations 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 Organization'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 us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

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

Very truly yours,

Bowers & Company

Material Adjusting Journal Entry for Year Ending June 30, 2017:

Adjusting Journal Entries JE # 5			
To move finished projects into Capital improvements			
150804	CAPITAL IMPROVEMENTS	48,065.00	
150801	WORK IN PROCESS-VARIOUS		<u>48,065.00</u>
Total		<u>48,065.00</u>	<u>48,065.00</u>