

**W**ATERTOWN INDUSTRIAL  
CENTER LOCAL DEVELOPMENT  
CORPORATION

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*FINANCIAL STATEMENTS*

June 30, 2018



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## **INDEPENDENT AUDITOR'S REPORT**

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

#### **Report on the Financial Statements**

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, 2018, 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.

#### **Auditor's 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 auditor's 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**

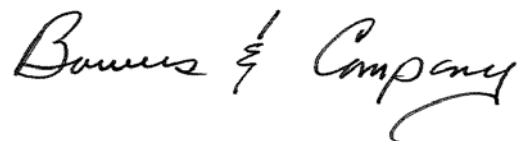
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Watertown Industrial Center Local Development Corporation as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with 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 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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, 2018, 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, 2018

**WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION**

**AUDITED FINANCIAL STATEMENTS**

**STATEMENT OF FINANCIAL POSITION**

June 30, 2018 with Comparative Totals for 2017

	<b>ASSETS</b>	
	<b>2018</b>	<b>2017</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 66,824	\$ 305,784
Accounts Receivable	243	209
Rents Receivable	15,424	12,959
Total Current Assets	82,491	318,952
Receivable - Leasehold Improvement Loans	378,469	429,634
Property and Equipment, Net	2,512,955	2,246,499
<b>TOTAL ASSETS</b>	<b>\$ 2,973,915</b>	<b>\$ 2,995,085</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 132,319	\$ 12,961
Accrued Expenses	1,482	1,485
Deferred Revenue - Prepaid Rent	1,079	1,078
Current Portion of Long-Term Debt	64,729	62,819
Total Current Liabilities	199,609	78,343
Long-Term Debt	559,240	623,969
Deferred Revenue - Leasehold Improvement Loans	378,469	429,634
Total Liabilities	1,137,318	1,131,946
<b>NET ASSETS</b>		
Unrestricted Net Assets		
Operating	(105,745)	51,752
Board Designated	53,356	251,676
Fixed Assets	1,888,986	1,559,711
Total Unrestricted Net Assets/Total Net Assets	1,836,597	1,863,139
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,973,915</b>	<b>\$ 2,995,085</b>

See notes to audited financial statements.

**WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION**

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**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2018 with Comparative Totals at June 30, 2017

	2018	2017
<b>REVENUES AND SUPPORT</b>		
Rental Income	\$ 532,152	\$ 498,695
Investment Income	1	1
Other Income	16,545	16,598
Total Revenues and Support	<u>548,698</u>	<u>515,294</u>
<b>EXPENSES</b>		
Program Services - Development of Industrial Center	553,764	622,886
Support Services - General and Administrative	21,476	22,094
Total Expenses	<u>575,240</u>	<u>644,980</u>
Changes in Net Assets	(26,542)	(129,686)
Net Assets, Beginning of Year	<u>1,863,139</u>	<u>1,992,825</u>
Net Assets, End of Year	<u><u>\$ 1,836,597</u></u>	<u><u>\$ 1,863,139</u></u>

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See notes to audited financial statements.

**WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2018 with Summarized Totals at June 30, 2017

	<b>Program Services</b>	<b>Management and General</b>	<b>Totals</b>	
			<b>2018</b>	<b>2017 (Summarized)</b>
Salaries	\$ 97,423	\$ -	\$ 97,423	\$ 91,892
Employee Benefits	15,357	-	15,357	14,484
Payroll Taxes	11,506	-	11,506	11,666
Depreciation	144,655	-	144,655	214,081
Insurance	48,374	2,062	50,436	48,699
Interest Expense	19,744	-	19,744	21,599
Materials and Equipment	11,090	-	11,090	11,005
Miscellaneous	-	1,372	1,372	1,084
Office Expense	-	9,764	9,764	12,034
Professional Services	-	8,278	8,278	10,679
Real Property Taxes	26,662	-	26,662	28,802
Repairs and Maintenance	92,576	-	92,576	100,754
Telephone and Utilities	86,377	-	86,377	66,201
Bad Debt Expense	-	-	-	12,000
Total	<u>\$ 553,764</u>	<u>\$ 21,476</u>	<u>\$ 575,240</u>	<u>\$ 644,980</u>

See notes to audited financial statements.



**WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION**

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2018 with Comparative Totals for 2017

	<b>2018</b>	<b>2017</b>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (26,542)	\$ (129,686)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	144,655	214,081
Bad Debt Expense	-	12,000
(Increase) Decrease in:		
Accounts Receivable	(34)	124
Rents Receivable	(2,465)	(16,860)
Receivable - Leasehold Improvement Loans	51,165	72,765
Increase (Decrease) in:		
Accounts Payable	119,358	4,188
Accrued Expenses	(3)	4
Deferred Revenue - Prepaid Rent	1	-
Deferred Revenue - Leasehold Improvement Loans	<u>(51,165)</u>	<u>(72,765)</u>
Net Cash Provided by Operating Activities	<u>234,970</u>	<u>83,851</u>
Cash Flows from Investing Activities:		
Property and Equipment Acquisitions	<u>(411,111)</u>	<u>(50,321)</u>
Net Cash Used in Investing Activities	<u>(411,111)</u>	<u>(50,321)</u>
Cash Flows from Financing Activities:		
Payments on Long-Term Debt	<u>(62,819)</u>	<u>(60,964)</u>
Net Cash Used in Financing Activities	<u>(62,819)</u>	<u>(60,964)</u>
Net (Decrease) in Cash	(238,960)	(27,434)
Cash - Beginning of Year	<u>305,784</u>	<u>333,218</u>
Cash - End of Year	<u><u>\$ 66,824</u></u>	<u><u>\$ 305,784</u></u>

See notes to audited financial statements.

**WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 with Comparative Totals for 2017

**NOTE 1 – NATURE OF OPERATIONS**

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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**

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**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.

**Basis of 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, 2018 and 2017.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents for both years ended June 30, 2018 and 2017.

**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 and 2015 are subject to examination by the IRS, generally for 3 years after they were filed.

**WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 with Comparative Totals for 2017

**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 Statement 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:

<b>Category</b>	<b>Recovery Period Years</b>
Buildings and Improvements	5 - 30
Furniture, Fixtures, and Equipment	5 - 10

**WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 with Comparative Totals for 2017

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**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, 2017, 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:

	<b>2018</b>	<b>2017</b>
Leasehold Improvement	\$ 44,316	\$ 149,362
Capital Improvement Fund	<u>9,040</u>	<u>102,314</u>
Total	<u>\$ 53,356</u>	<u>\$ 251,676</u>

**Statement of Cash Flows**

There were no noncash investing and financing activities during 2018 and 2017.

	<b>2018</b>	<b>2017</b>
Cash Paid During the Year For:		
Interest	<u>\$ 19,744</u>	<u>\$ 21,599</u>

**WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 with Comparative Totals for 2017

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Reclassification**

Certain reclassifications have been made to the 2017 financial statements in order for them to be in conformity with the current year's presentation.

**Date of Management's Review**

Management has evaluated subsequent events through September 25, 2018, the date which the financial statements were available to be issued.

**NOTE 3 – PROPERTY AND EQUIPMENT**

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

	<b>2018</b>	<b>2017</b>
Land	\$ 205,000	\$ 205,000
Buildings and Improvements	5,840,283	5,425,061
Furniture, Fixtures and Equipment	63,719	54,571
Construction in Progress	-	13,258
Total	6,109,002	5,697,890
Less: Accumulated Depreciation	(3,596,047)	(3,451,391)
Net Property and Equipment	<u>\$ 2,512,955</u>	<u>\$ 2,246,499</u>

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

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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 \$1,375 for the months of July through September of the current year, and \$1,400 thereafter. Rental income, including rent surcharges, received during the years ended June 30, 2018 and 2017 was approximately \$17,000 and \$16,000 in 2018 and 2017, respectively.

**WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 with Comparative Totals for 2017

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

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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, 2018 and 2017, 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, 2018 and 2017, the Corporation made principal and interest payments of approximately \$56,000 in both years.

The following is outstanding at year-end:

Note Payable	Interest Rate	June 30, 2018		June 30, 2017	
		Current	Long-Term	Current	Long-Term
WLDC Loan #1	3.00%	\$ 18,512	\$ 260,210	\$ 17,966	\$ 278,722
WLDC Loan #2	3.00%	46,217	299,030	44,853	345,247
Total		<u>\$ 64,729</u>	<u>\$ 559,240</u>	<u>\$ 62,819</u>	<u>\$ 623,969</u>

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

2019	\$ 64,729
2020	66,756
2021	68,726
2022	70,497
2023	72,911
Thereafter	<u>280,350</u>
	<u>\$ 623,969</u>

**WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 with Comparative Totals for 2017

**NOTE 5 – PROPERTY ON OPERATING LEASES**

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

	<b>2018</b>	<b>2017</b>
Land	\$ 205,000	\$ 205,000
Buildings and Improvements	<u>5,840,283</u>	<u>5,425,061</u>
Total	6,045,283	5,630,061
Less: Accumulated Depreciation	<u>(3,544,323)</u>	<u>(3,400,223)</u>
Net Property on Operating Leases	<u><u>\$ 2,500,960</u></u>	<u><u>\$ 2,229,838</u></u>

**NOTE 6 – RENTALS UNDER OPERATING LEASES**

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

2019	\$ 585,690
2020	523,015
2021	439,671
2022	402,314
2023	403,399
2024 - 2026	<u>565,579</u>
	<u><u>\$ 2,918,668</u></u>

**NOTE 7 – CONCENTRATIONS OF CREDIT RISK**

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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, 2018 and 2017.

**WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 with Comparative Totals for 2017

**NOTE 8 – RECEIVABLE LEASEHOLD IMPROVEMENTS/  
DEFERRED REVENUE LEASEHOLD IMPROVEMENTS**

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At June 30, 2018 and 2017, the receivable and corresponding deferred revenue were recorded in the amount of \$378,469 and \$429,634, 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.

**NOTE 9 – RETIREMENT PLAN**

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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, 2018 and 2017, the Corporation made contributions in the amount of \$6,944 and \$6,757 respectively.



**INDEPENDENT AUDITOR'S 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**

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**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, 2018, 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, 2018.

**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, 2018-1 and 2018-2.

### **Compliance and Other Matters**

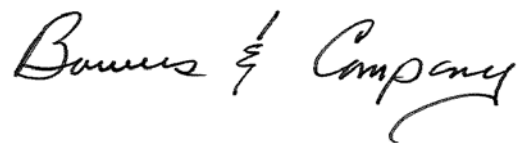
As part of obtaining reasonable assurance about whether Watertown Industrial Center Local Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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, 2018

**WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION**

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**SCHEDULE OF FINDINGS AND RESPONSES**

June 30, 2018

**Internal Control Over Financial Reporting**

**Significant Deficiencies**

**2018 -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**

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**SCHEDULE OF FINDINGS AND RESPONSES**

June 30, 2018

**Significant Deficiencies**

**2018 -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.