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WATERTOWN INDUSTRIAL
CENTER LOCAL DEVELOPMENT
CORPORATION

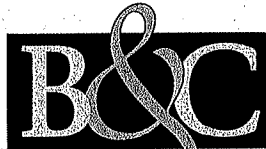
FINANCIAL STATEMENTS

June 30, 2016

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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, 2016, 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 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.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2016

Significant Deficiencies

2016 -2 Preparation of Financial Statements

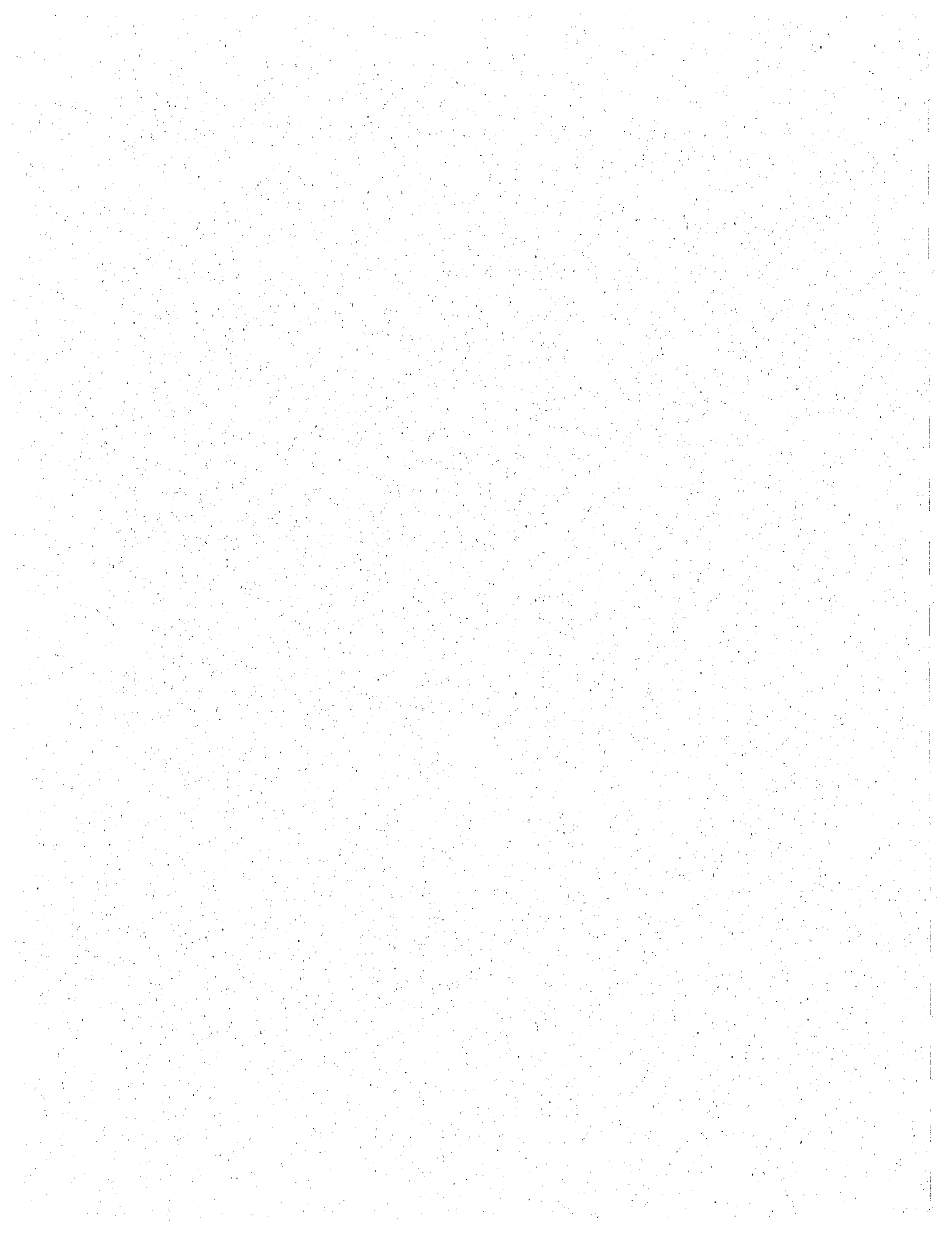
Condition: Due to time constraints as well as qualifications of staff, the Corporation does not prepare their own financial statements.

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.



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

Opinion

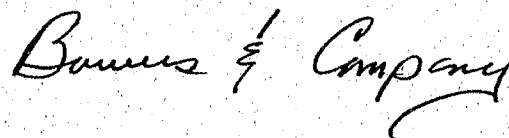
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Watertown Industrial Center Local Development Corporation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with 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 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 26, 2016, 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.



Watertown, New York
September 26, 2016

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION
June 30, 2016 with Comparative Totals for 2015

	ASSETS	
	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 333,218	\$ 284,957
Accounts Receivable	333	1,959
Rents Receivable	8,099	4,347
Prepaid Insurance	-	10,978
Total Current Assets	341,650	302,241
Receivable - Leasehold Improvement Loans	502,399	547,840
Property and Equipment, Net	2,410,259	2,595,141
TOTAL ASSETS	\$ 3,254,308	\$ 3,445,222
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 8,773	\$ 18,871
Accrued Expenses	1,481	3,465
Deferred Revenue - Prepaid Rent	1,078	1,078
Current Portion of Long-Term Debt	60,964	59,271
Total Current Liabilities	72,296	82,685
Long-Term Debt	686,788	744,174
Deferred Revenue - Leasehold Improvement Loans	502,399	547,840
Total Liabilities	1,261,483	1,374,699
NET ASSETS		
Unrestricted Net Assets		
Operating	(88,285)	(88,421)
Board Designated	418,603	367,248
Fixed Assets	1,662,507	1,791,696
Total Unrestricted Net Assets/Total Net Assets	1,992,825	2,070,523
TOTAL LIABILITIES AND NET ASSETS	\$ 3,254,308	\$ 3,445,222

See notes to audited financial statements.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016 with Summarized Totals at June 30, 2015

	2016	2015
Revenues and Support		
Rental Income	\$ 540,810	\$ 499,502
Investment Income	1	158
Miscellaneous	18,390	19,802
Total Revenues and Support	<u>559,201</u>	<u>519,462</u>
Expenses		
Program Services - Development of Industrial Center	603,594	572,578
Support Services - General and Administrative	33,305	28,648
Total Expenses	<u>636,899</u>	<u>601,226</u>
Changes in Net Assets	(77,698)	(81,764)
Net Assets, Beginning of Year	<u>2,070,523</u>	<u>2,152,287</u>
Net Assets, End of Year	<u>\$ 1,992,825</u>	<u>\$ 2,070,523</u>

See notes to audited financial statements.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016 with Summarized Totals at June 30, 2015

	Program Services	Management and General	Totals	
			2016	2015 (Summarized)
Salaries	\$ 90,895	\$ -	\$ 90,895	\$ 89,993
Employee Benefits	13,783	-	13,783	10,461
Depreciation	226,306	-	226,306	221,843
Professional Services	5,470	20,364	25,834	17,864
Repairs and Maintenance	81,544	-	81,544	85,516
Insurance	56,535	2,063	58,598	34,763
Office Expense	-	9,910	9,910	12,744
Payroll Taxes	12,361	-	12,361	12,144
Miscellaneous	-	968	968	1,295
Telephone and Utilities	56,251	-	56,251	64,207
Real Property Taxes	27,776	-	27,776	28,521
Interest Expense	23,398	-	23,398	14,500
Materials and Equipment	9,275	-	9,275	5,773
Bad Debt Expense	-	-	-	1,602
Total	\$ 603,594	\$ 33,305	\$ 636,899	\$ 601,226

See notes to audited financial statements.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

STATEMENT OF CASH FLOWS

Year Ended June 30, 2016 with Comparative Totals for 2015

	2016	2015
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (77,698)	\$ (81,764)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	226,306	221,843
Bad Debt Expense	-	1,602
(Increase) Decrease in:		
Accounts Receivable	1,626	(1,875)
Rents Receivable	(3,752)	(2,504)
Prepaid Insurance	10,978	(10,978)
Receivable - Leasehold Improvement Loans	45,441	(515,157)
Increase (Decrease) in:		
Accounts Payable	(10,098)	(85,653)
Other Payables	(1,984)	94
Deferred Revenue - Prepaid Rent	-	(13,645)
Deferred Revenue - Leasehold Improvement Loans	(45,441)	515,157
 Net Cash Provided by Operating Activities	 145,378	 27,120
 Cash Flows from Investing Activities:		
Property and Equipment Acquisitions	(41,424)	(463,159)
 Net Cash (Used) in Investing Activities	 (41,424)	 (463,159)
 Cash Flows from Financing Activities:		
Net Proceeds (Payments) on Long-Term Debt	(55,693)	455,980
 Net Cash Provided by (Used) in Financing Activities	 (55,693)	 455,980
 Net Increase in Cash and Cash Equivalents	48,261	19,941
Cash and Cash Equivalents - Beginning of Year	284,957	265,016
Cash and Cash Equivalents - End of Year	\$ 333,218	\$ 284,957

See notes to audited financial statements.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 with Comparative Totals for 2015

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

Financial statement presentation follows the recommendation of FASB Accounting Standards Codification No. 958, *Not-for-Profit Entities: Presentation of Financial Statements*. 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.

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.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 with Comparative Totals for 2015

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Open Tax Years

The Corporation's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2016, 2015, 2014 and 2013 are subject to examination by the IRS, generally for 3 years after they were filed.

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. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. 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.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS
June 30, 2016 with Comparative Totals for 2015

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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, 2015, from which the summarized information was derived.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS
June 30, 2016 with Comparative Totals for 2015

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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:

	2016	2015
Leasehold Improvement	\$ 148,319	\$ 140,211
Capital Improvement Fund	270,284	227,037
Total	<u>\$ 418,603</u>	<u>\$ 367,248</u>

The net investment in property and equipment consists of property and equipment, net of accumulated depreciation, and any other resources dedicated to property and equipment, net of related liabilities.

Statement of Cash Flows

There were no noncash investing and financing activities during 2016 and 2015.

	2016	2015
Cash Paid During the Year For:		
Interest	<u>\$ 23,398</u>	<u>\$ 14,500</u>

Date of Management's Review

Management has evaluated subsequent events through September 26, 2016, the date which the financial statements were available to be issued.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 with Comparative Totals for 2015

NOTE 3 – PROPERTY AND EQUIPMENT

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

	2016	2015
Land	\$ 205,000	\$ 205,000
Buildings and Improvements	5,369,971	5,323,522
Furniture, Fixtures and Equipment	54,571	54,571
Construction in Progress	18,027	23,052
Total	5,647,569	5,606,145
Less: Accumulated Depreciation	(3,237,310)	(3,011,004)
Net Property and Equipment	<u>\$ 2,410,259</u>	<u>\$ 2,595,141</u>

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

Jefferson County Local Development Corporation rents office space from the Corporation under a ten-year lease agreement. The current lease was executed for the period October 1, 2014 through September 30, 2024. Monthly rental payments were \$1,351 for the months of July through September of the current year, and \$1,366 thereafter. Rental income, including rent surcharges, received during the years ended June 30, 2016 and 2015 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, 2016 and 2015, 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, 2016 and 2015, the Corporation made principal and interest payments of approximately \$56,000 and \$14,000, respectively.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 with Comparative Totals for 2015

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

The following is outstanding at year end:

Note Payable	Interest Rate	June 30, 2016		June 30, 2015	
		Current	Long-Term	Current	Long-Term
WLDC Loan #1	3.00%	\$ 17,435	\$ 296,688	\$ 16,921	\$ 314,123
WLDC Loan #2	3.00%	43,529	390,100	42,350	430,051
Total		<u>\$ 60,964</u>	<u>\$ 686,788</u>	<u>\$ 59,271</u>	<u>\$ 744,174</u>

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

2017	\$ 60,964
2018	63,365
2019	65,292
2020	67,318
2021	69,304
Thereafter	421,509
	<u>\$ 747,752</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, 2016:

Land	\$ 205,000
Buildings and Improvements	5,369,971
Total	5,574,971
Less: Accumulated Depreciation	(3,186,896)
Net Property on Operating Leases	<u>\$ 2,388,075</u>

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 with Comparative Totals for 2015

NOTE 6 – RENTALS UNDER OPERATING LEASES

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

2017	\$ 555,536
2018	461,107
2019	353,898
2020	292,392
2021	256,312
2022 - 2024	<u>1,154,498</u>
	<u>\$ 3,073,743</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 as of June 30, 2016.

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

At June 30, 2016 and 2015, the receivable and corresponding deferred revenue were recorded in the amount of \$502,399 and \$547,840, 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.

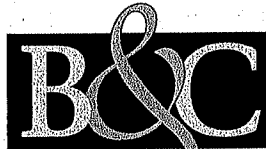
**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 with Comparative Totals for 2015

NOTE 9 – RETIREMENT PLAN

On August 1, 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, 2016 and 2015, the Corporation made contributions in the amount of \$6,797 and \$5,913 respectively.



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**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, 2016, 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 26, 2016.

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, 2016-1 and 2016-2.

Compliance and Other Matters

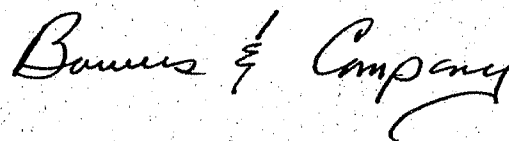
As part of obtaining reasonable assurance about whether Watertown Industrial Center Local Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 26, 2016

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2016

Internal Control Over Financial Reporting

Significant Deficiencies

2016 -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.