

WATERTOWN INDUSTRIAL
CENTER LOCAL DEVELOPMENT
CORPORATION

FINANCIAL STATEMENTS

June 30, 2014

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
SCHEDULE 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 <i>GOVERNMENT AUDITING STANDARDS</i>	14
SCHEDULE OF FINDING AND RESPONSE	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, 2014 and 2013, and the related statements of activities and cash flows for the years 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.

1200 AXA Tower I, 100 Madison Street, Syracuse, NY 13202 Phone: 315.234.1100 • Fax 315.234.1111
167 Polk Street, Suite 340, Watertown, NY 13601 Phone: 315.788.7690 • Fax 315.788.0966
145 Clinton Street, Watertown, NY 13601 Phone: 315.788.5490 • Fax 315.788.7147

www.bcpllc.com

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

Opinion

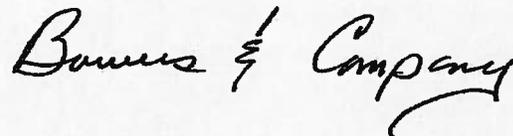
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Watertown Industrial Center Local Development Corporation as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2014, 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.

Prior Period Financial Statements and Report on Summarized Comparative Information

The financial statements as of June 30, 2013 were audited by Poulsen & Podvin, CPA, P.C., who merged with Bowers & Company CPAs PLLC as of January 1, 2014, and whose report dated September 13, 2013, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in black ink and is positioned to the right of the date and location information.

Watertown, New York
September 24, 2014

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

June 30, 2014 with Comparative Totals for 2013

	ASSETS	
	2014	2013
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 265,016	\$ 262,255
Accounts Receivable	84	52,067
Rents Receivable (Net of Allowance for Doubtful Accounts of \$0 and \$150,000, Respectively)	3,445	14,363
Prepaid Insurance	<u>0</u>	<u>13,755</u>
Total Current Assets	268,545	342,440
Receivable - Leasehold Improvement	32,683	38,732
Property and Equipment, Net	<u>2,353,825</u>	<u>2,462,863</u>
TOTAL ASSETS	<u>\$ 2,655,053</u>	<u>\$ 2,844,035</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 104,524	\$ 14,663
Other Payables	3,371	1,058
Deferred Revenue:		
Prepaid Rent	14,723	11,990
Leasehold Improvement	32,683	38,732
Current Portion of Long-Term Debt	<u>16,421</u>	<u>15,937</u>
Total Current Liabilities	171,722	82,380
LONG TERM DEBT	<u>331,044</u>	<u>347,465</u>
Total Liabilities	<u>502,766</u>	<u>429,845</u>
NET ASSETS		
Unrestricted Net Assets:		
Operating	(221,860)	(6,382)
Board Designated	367,787	321,111
Fixed Assets	<u>2,006,360</u>	<u>2,099,461</u>
Total Unrestricted Net Assets/Total Net Assets	<u>2,152,287</u>	<u>2,414,190</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,655,053</u>	<u>\$ 2,844,035</u>

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014 with Summarized Totals at June 30, 2013

	2014	2013
Revenues and Support:		
Rental Income	\$ 444,115	\$ 464,960
Investment Income	40	106
Miscellaneous	26,341	29,720
Total Revenues and Support	<u>470,496</u>	<u>494,786</u>
Expenses:		
Program Services - Development of Industrial Center	700,929	736,650
Support Services - General and Administrative	31,470	82,233
Total Expenses	<u>732,399</u>	<u>818,883</u>
Changes in Net Assets	(261,903)	(324,097)
Net Assets, Beginning of Year	<u>2,414,190</u>	<u>2,738,287</u>
Net Assets, End of Year	<u>\$ 2,152,287</u>	<u>\$ 2,414,190</u>

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended June 30, 2014 with Summarized Totals at June 30, 2013

	Program Services	Management and General	Totals	
			2014	2013 (Summarized)
Administrative Services	\$ 0	\$ 0	\$ 0	\$ 29,166
Management Leasing Fee	0	0	0	76,091
Salaries	109,402	0	109,402	21,201
Employee Benefits	33,070	0	33,070	5,471
Depreciation	220,058	0	220,058	220,488
Professional Services	0	18,059	18,059	56,074
Repairs and Maintenance	50,866	0	50,866	66,854
Insurance	45,343	1,989	47,332	57,382
Office Expense	0	10,039	10,039	8,986
Payroll Taxes	14,595	0	14,595	9,051
Miscellaneous	0	1,383	1,383	2,853
Travel and Entertainment	0	0	0	1,050
Telephone and Utilities	85,101	0	85,101	48,472
Leased Management Benefits	0	0	0	18,873
Real Property Taxes	28,672	0	28,672	28,186
Interest Expense	10,684	0	10,684	11,155
Materials and Equipment	5,363	0	5,363	7,530
Bad Debt Expense	97,775	0	97,775	150,000
Total	\$ 700,929	\$ 31,470	\$ 732,399	\$ 818,883

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

STATEMENT OF CASH FLOWS

Year Ended June 30, 2014 with Comparative Totals for 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (261,903)	\$ (324,097)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	220,058	220,488
Provision for Allowance for Doubtful Accounts	97,775	150,000
(Increase) Decrease in:		
Accounts Receivable	51,983	(34,937)
Rents Receivable	(86,857)	(98,367)
Grants Receivable	0	250,000
Prepaid Insurance	13,755	443
Receivable - Leasehold Improvement	6,049	13,789
Increase (Decrease) in:		
Accounts Payable	89,861	787
Other Payables	2,313	1,014
Deferred Revenue - Rent	2,733	6,372
Deferred Revenue - Leasehold Improvement	(6,049)	(13,789)
	<u>129,718</u>	<u>171,703</u>
Net Cash Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and Equipment Acquisitions	<u>(111,020)</u>	<u>(55,011)</u>
Net Cash (Used) in Investing Activities	<u>(111,020)</u>	<u>(55,011)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	<u>(15,937)</u>	<u>(265,466)</u>
Net Cash (Used) in Financing Activities	<u>(15,937)</u>	<u>(265,466)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,761	(148,774)
Cash and Cash Equivalents - Beginning of Year	<u>262,255</u>	<u>411,029</u>
Cash and Cash Equivalents - End of Year	<u>\$ 265,016</u>	<u>\$ 262,255</u>

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 with Comparative Totals for 2013

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 Organization 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 under 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 Organization 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 Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Supplemental disclosures of cash flow information are as follows:

Income Tax Status

The Organization 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, 2014 with Comparative Totals for 2013

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Open Tax Years

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2014, 2013, 2012 and 2011 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 Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Allowance for Doubtful Accounts

The Organization provides an allowance for doubtful accounts based upon a review of existing receivables. Upon this review, management determined that the allowance for doubtful accounts is - for 2014 and \$150,000 for 2013. The bad debt expense amounted to \$97,775 and \$150,000 for the years ended June 30, 2014 and 2013, respectively.

Support and Revenue

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

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 with Comparative Totals for 2013

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Fair Value of Financial Instruments

The carrying value of the note 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 Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 with Comparative Totals for 2013

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

	2014	2013
Leasehold Improvement	\$ 183,551	\$ 176,524
Capital Improvement Fund	<u>184,236</u>	<u>144,587</u>
Total	<u>\$ 367,787</u>	<u>\$ 321,111</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 2014 and 2013.

	2014	2013
Cash Paid During the Year For:		
Interest	<u>\$ 10,684</u>	<u>\$ 11,155</u>

Date of Management's Review

Management has evaluated subsequent events through September 24, 2014, the date which the financial statements were available to be issued.

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 with Comparative Totals for 2013

NOTE 3 – FIXED ASSETS

The major categories of fixed assets as of June 30, are as follows:

	2014	2013
Land	\$ 205,000	\$ 205,000
Buildings and Improvements	4,785,376	4,778,859
Furniture, Fixtures and Equipment	54,571	48,106
Construction in Progress	98,039	0
Total	5,142,986	5,031,965
Less: Accumulated Depreciation	(2,789,161)	(2,569,103)
Net Fixed Assets	<u>\$ 2,353,825</u>	<u>\$ 2,462,862</u>

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

An agreement executed between the Organization and Jefferson County Industrial Development Agency (“JCIDA”) existed where the Corporation agreed to pay JCIDA for administrative support. This agreement was cancelled by both parties in January 2013. The amount paid for the service agreement for the years ended June 30, 2014 and 2013 was \$0 and 14,583, respectively.

Jefferson County Industrial Development Corporation rents office space from the Organization under a five-year lease agreement. The current lease was executed for the period July 1, 2010 through June 30, 2015. At June 30, 2014, current monthly rental payments are \$1,199.54. Rental income, including rent surcharges, received during the years ended June 30, 2014 and 2013 was \$14,394 and \$14,107, respectively.

In December 2010, the Organization 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 twenty-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, 2014 and 2013, the Organization made principal and interest payments totaling \$26,621 in both years. The following is outstanding at year end:

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 with Comparative Totals for 2013

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

Note Payable	Interest Rate	June 30, 2014		June 30, 2013	
		Current	Long-Term	Current	Long-Term
WLDC/JCLDC	3.00%	<u>16,421</u>	<u>331,044</u>	<u>15,937</u>	<u>347,465</u>

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

2015	\$ 16,421
2016	16,921
2017	17,435
2018	17,966
2019	18,512
Thereafter	<u>260,210</u>
	<u>\$ 347,465</u>

NOTE 5 – PROPERTY ON OPERATING LEASES

The following schedule provides an analysis of the Organization's investment in property on operating leases as of June 30, 2014:

Land	\$ 205,000
Buildings and Improvements	<u>4,785,376</u>
Total	4,990,376
Less: Accumulated Depreciation	<u> </u>
Net Property on Operating Leases	<u>\$ 4,990,376</u>

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 with Comparative Totals for 2013

NOTE 6 – RENTALS UNDER OPERATING LEASES

2015	\$ 342,505
2016	247,504
2017	228,807
2018	177,501
2019	141,386
2020 - 2022	<u>219,910</u>
	<u>\$ 1,357,613</u>

NOTE 7 – CONCENTRATIONS OF CREDIT RISK

The Organization 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, 2014.

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

At June 30, 2014 and 2013, the receivable and corresponding deferred revenue were recorded in the amount of \$32,683 and \$38,732, respectively, on the Statements 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 Organization has consistently recorded all building improvements done for tenants as an addition to the Organization's fixed assets and charged rent surcharges to the tenants to cover the cost of the improvements.

The Organization decided to record the rent surcharge amount as receivable and deferred revenue on the Statements of Financial Position to better track the status of additional rent surcharges. There is no effect on the Statements 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 Statements of Activities.



**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, 2014, 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 24, 2014.

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.

1200 AXA Tower I, 100 Madison Street, Syracuse, NY 13202 Phone: 315.234.1100 • Fax 315.234.1111
167 Polk Street, Suite 340, Watertown, NY 13601 Phone: 315.788.7690 • Fax 315.788.0966
145 Clinton Street, Watertown, NY 13601 Phone: 315.788.5490 • Fax 315.788.7147

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of finding and response that we consider to be a significant deficiency, 2014-1.

Compliance and Other Matters

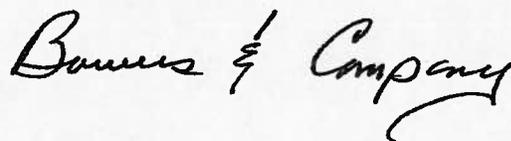
As part of obtaining reasonable assurance about whether Watertown Industrial Center Local Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 response. 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 24, 2014

**WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION**

SCHEDULE OF FINDING AND RESPONSE

June 30, 2014

Internal Control Over Financial Reporting

Significant Deficiencies

2014 -1 Segregation of Duties

Condition: Due to the small size of the entity there is limited segregation of duties. The Organization'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 Organization.

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