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JOAN McCREADIE
OFFICE MANAGER

March 19, 2013

Board of Directors
Watertown Local Development Corporation

In planning and performing our audit of the financial statements of Watertown Local Development Corporation as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Watertown Local Development Corporation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiency in Watertown Local Development Corporation's internal control to be significant deficiency:

Preparation of Financial Statements:

In accordance with Statement on Auditing Standards (SAS) No.115, the auditor's preparation of an organization's financial statements, including footnote disclosures, may be considered an internal control deficiency. It has been common practice for the auditor to assist clients with the preparation of their financial statements and the new standard does not preclude the auditor from continuing such practice. Currently, the Organization does not have an employee on staff that has the qualifications and training to apply nonprofit generally accepted accounting principles in recording the Organization's financial transactions and preparing the Organization's financial statements. There is no recommendation to change current Organization procedures and personnel, only acknowledgement that this is considered a significant deficiency in internal control.

In addition, we noted other matters involving internal control and its operation that we have reported to management of Watertown Local Development Corporation.

Calculation of Allowance for Bad Debts #1:

Per our testing of the allowance for bad debt calculation, we noted that many of the loan balances used for the December 31 calculation were not in agreement with the December 31 actual balances. Also, there was one loan included for which an allowance had already been fully established. We recommend that the year-end allowance calculation be reviewed for accuracy and completeness at December 31 due to the material nature of the account.

Calculation of Allowance for Bad Debts #2:

Per our testing of the allowance for bad debt calculation, we noted that there are certain loans included which have been identified as severely delinquent and/or are involved in litigation. The current allowance established on these loans is 15%. Due to the higher than normal risk associated with these particular loans and the greater risk of impairment, we recommend that management may want to establish a higher risk rating for these loans.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various Organization personnel, and we will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very Truly Yours,

Poulsen & Podvin, CPA, P.C.

March 19, 2013