

March 15, 2024

To the Board of Directors of
Watertown Local Development Corporation

We have audited the financial statements of Watertown Local Development Corporation for the year ended December 31, 2023 and have issued our report thereon dated March 15, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 19, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Watertown Local Development Corporation are described in Note 2 to the financial statements. As described in Note 2, Watertown Local Development Corporation changed accounting policies related to accounts receivables by adopting FASB Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)* in 2023. Accordingly, the accounting change utilized the modified retrospective approach with no change to beginning net assets. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allowance for credit losses is based on the collectability of the loan portfolio. We evaluated the key factors and assumptions used to develop the allowance for bad debts in determining that it is reasonable in relation to the financial statements taken as a whole.

To the Board of Directors of
Watertown Local Development Corporation
March 15, 2024
Page 2

Management's estimate of depreciation is based on the straight-line method over the capital asset's useful life. We evaluated the key factors and assumptions used to develop the depreciation calculations in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of present value of right of use leased assets and lease liability is based on the discount rate or implicit rate within the agreements in accordance with FASB ASC 842, *Leases*.

Management's estimate of the functional expense allocation is based on time and effort. We evaluated the methods, assumptions, and data used to develop the expense allocations in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 15, 2024.

To the Board of Directors of
Watertown Local Development Corporation
March 15, 2024
Page 3

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

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

Very truly yours,

Bowers & Company

Attached Material Misstatements:

Adjusting Journal Entries JE # 2			
To write-off loans approved during year			
570	Bad Debt Expense	103,761.00	
140	Real Estate & Mach/Equip Loans		103,761.00
Total		<u>103,761.00</u>	<u>103,761.00</u>
Adjusting Journal Entries JE # 3			
To adjust allowance to actual based on 12/31/23 risk ratings			
570	Bad Debt Expense	218,802.00	
155	Allowance for Bad Debts: General Reserve		218,802.00
Total		<u>218,802.00</u>	<u>218,802.00</u>
Adjusting Journal Entries JE # 7			
To record new office lease and current year amortization on right of use asset and lease liability			
165	Right of Use Asset - Office Lease	281,964.00	
222	Lease Liability	2,316.00	
561	Operating Lease Expense	3,959.00	
561	Operating Lease Expense	5,269.00	
166	Accumulated Amortization - ROU Asset		3,959.00
222	Lease Liability		281,964.00
523	Rent-Office		7,585.00
Total		<u>293,508.00</u>	<u>293,508.00</u>