

WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION

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REPORT ON AUDITED FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION
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TABLE OF CONTENTS
JUNE 30, 2007 AND 2006

	Page Number
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-13
<i>Additional Information:</i>	
Schedules of Functional Expenses	14
Communication with Board of Directors	15-16

POULSEN & PODVIN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
145 CLINTON STREET
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Watertown Industrial Center
Local Development Corporation
Watertown, NY

We have audited the accompanying statements of financial position of Watertown Industrial Center Local Development Corporation (a nonprofit organization) as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of functional expenses on Page 14 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

POULSEN & PODVIN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Paulsen & Podvin, P.C.

OCTOBER 23, 2007

WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION

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STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006

ASSETS	2007	2006
Current Assets:		
Cash and cash equivalents	\$ 300,845	\$ 184,890
Accounts receivable	61	378
Rents Receivable	497	-
Accrued interest receivable	9,133	1,821
Other receivables	1,046	1,046
Note receivable (Note 4) - current	30,119	25,159
Prepaid insurance	13,164	15,292
Total Current Assets	\$ 354,865	\$ 228,586
Fixed Assets - Net of Accumulated Depreciation (Notes 1 and 3)	1,818,663	1,964,097
Receivable - Leasehold improvement (Note 9)	60,832	104,865
Note receivable (Note 4)	234,334	266,910
Investments (Note 2)	400,000	393,829
TOTAL ASSETS	\$ 2,868,694	\$ 2,958,287
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 10,021	\$ 12,103
Other payables	4,029	1,859
Deferred revenue:		
Leasehold improvement (Note 9)	60,832	104,865
Total Current Liabilities/Total Liabilities	\$ 74,882	\$ 118,827
Net Assets:		
Unrestricted Net Assets:		
Operating	\$ 834,534	\$ 786,642
Board designated	140,615	88,721
Fixed assets	1,818,663	1,964,097
Total Unrestricted Net Assets/Total Net Assets	\$ 2,793,812	\$ 2,839,460
TOTAL LIABILITIES AND NET ASSETS	\$ 2,868,694	\$ 2,958,287

The accompanying notes are an integral part of these financial statements.

WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION
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STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2007 AND 2006

	Unrestricted	
	2007	2006
Revenues and Support:		
Rental income	\$ 453,234	\$ 421,113
Investment return	44,328	34,565
Miscellaneous	2,778	2,315
	<hr/>	<hr/>
Total Revenues and Support	\$ 500,340	\$ 457,993
Expenses:		
Program Services - Development of Industrial Center	\$ 505,928	\$ 570,418
Support Services - General and administrative	40,060	46,137
	<hr/>	<hr/>
Total Expenses	\$ 545,988	\$ 616,555
Changes in Net Assets	\$ (45,648)	\$ (158,562)
Net Assets - Beginning of Year	2,839,460	2,998,022
	<hr/>	<hr/>
Net Assets - End of Year	\$ 2,793,812	\$ 2,839,460
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The accompanying notes are an integral part of these financial statements.

WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION

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STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Operating Activities:		
Change in net assets	\$ (45,648)	\$ (158,562)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	177,017	170,421
Bad debt expense	1,611	-
Unrealized (gain) losses on investments	204	(608)
(Increase) decrease in:		
Accounts receivable	317	4,241
Rents receivable	(2,108)	-
Other receivables	-	(511)
Accrued interest receivable	(7,312)	(1,483)
Note receivable	27,616	27,091
Prepaid insurance	2,128	2,006
Receivable - Leasehold Improvement	44,033	(23,865)
Increase (decrease) in:		
Accounts payable	(2,082)	(7,558)
Other liabilities	2,171	573
Deferred revenue - rent	-	(9,199)
Deferred revenue - leasehold improvement	(44,033)	23,865
Net Cash Provided by Operating Activities	<u>\$ 153,914</u>	<u>\$ 26,411</u>
Investing Activities:		
Purchase of fixed assets	\$ (31,584)	\$ (123,874)
Purchase of investments - certificates of deposit	(400,000)	(594,000)
Proceeds from sale of investments - matured certificates of deposit	<u>393,625</u>	<u>600,000</u>
Net Cash (Used) by Investing Activities	<u>\$ (37,959)</u>	<u>\$ (117,874)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 \$ 115,955	 \$ (91,463)
 Cash and Cash Equivalents - Beginning of Year	 <u>184,890</u>	 <u>276,353</u>
 Cash and Cash Equivalents - End of Year	 <u>\$ 300,845</u>	 <u>\$ 184,890</u>
 Supplemental Disclosures of Cash Flow Information:		
Cash paid for Interest	\$ -	\$ -
Cash paid for Income taxes	-	-

The accompanying notes are an integral part of these financial statements.

WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

Note 1 – Summary of Significant Accounting Policies:

Business Description

Watertown Industrial Center Local Development 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.

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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, **Financial Statements of Not-for-Profit Organizations**. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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.

Income Tax Status

The Organization 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, 2007 AND 2006

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

Management believes that all accounts receivable as of June 30, 2007 and 2006 are fully collectible. Accordingly, no provision for doubtful accounts has been established as management considers all accounts to be collectible based upon a favorable history over a substantial period of time.

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.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. Watertown Industrial Center Local Development Corporation had no temporarily or permanently restricted net assets at June 30, 2007 and 2006.

WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

Investment Securities

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the Statements of Financial Position. Investments consist of certificates of deposit with initial maturities greater than three months. Unrealized gains and losses are included in the change in net assets.

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	10-20
Furniture, fixtures and equipment	5 and 7

WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

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 follows:

	June 30,	
	2007	2006
Leasehold improvement	\$ 138,783	\$ 88,721
Capital improvement fund	<u>1,832</u>	<u>-</u>
	<u>\$ 140,615</u>	<u>\$ 88,721</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.

Note 2 – Investment Securities:

Investments are stated at fair value and consist of certificates of deposit as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
June 30, 2007			
Certificates of deposit	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ -</u>
June 30, 2006			
Certificates of deposit	<u>\$ 393,625</u>	<u>\$ 393,829</u>	<u>\$ 204</u>

WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

Investment return is summarized as follows for years ended June 30, 2007 and 2006:

	June 30,	
	2007	2006
Interest income	\$ 44,157	\$ 33,957
Net realized and unrealized gains	171	608
Total Unrestricted Investment Return	<u>\$ 44,328</u>	<u>\$ 34,565</u>

Note 3 – Fixed Assets:

The major categories of fixed assets as of June 30, 2007 and 2006 are as follows:

	June 30,	
	2007	2006
Land	\$ 205,000	\$ 205,000
Buildings and improvements	2,990,501	2,964,984
Furniture, fixtures and equipment	49,210	49,210
Work-in-progress	6,067	-
Total	<u>\$ 3,250,778</u>	<u>\$ 3,219,194</u>
Less - accumulated depreciation	<u>(1,432,115)</u>	<u>(1,255,097)</u>
Net	<u>\$ 1,818,663</u>	<u>\$ 1,964,097</u>

WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

Note 4 – Related Party Agreements and Transactions:

- An agreement executed yearly between the Organization and Jefferson County Job Development Corporation (JCJDC) exists where the Corporation agrees to pay JCJDC for administrative support. The contribution paid to JCJDC for the years ended June 30, 2007 and 2006 was \$50,000 and \$35,000, respectively
- Jefferson County Job Development Corporation rents office space from the Organization under a five-year lease agreement. The lease runs February 1, 2001 through February 1, 2006 with no base rent for the first forty-nine months due to \$26,000 build-out costs being incurred by the tenant. Beginning July 2005, the base rent will be \$744.33 per month. A new lease was executed for the period July 1, 2005 through June 30, 2010, as additional office space was built for JCJDC. The new lease includes rent surcharges of \$81,000, which will be collected over the life of the lease at \$1,455.46 a month beginning November 1, 2005. At June 30, 2007, current monthly rental payments are \$1,006.94. Rental income, including rent surcharges, received during the years ended June 30, 2007 and 2006 was \$32,477 and \$25,182 respectively.
- On May 20, 2003, the Organization issued a non-interest bearing note to Jefferson County Industrial Development Agency (JCIDA) in the amount of \$350,000. Repayment was to come from the receipt of over \$500,000 in grant reimbursements due from New York State for the road project at its industrial park. However, on January 20, 2004, the Board of Directors approved a note modification converting to a ten-year term, beginning May 1, 2004 through April 1, 2014 with interest at prime, currently 8.25%, to be adjusted semi-annually. No collateral was required on the note. The following is outstanding at year end:

Note Receivable	Interest Rate	June 30, 2007		June 30, 2006	
		Current	Long-Term	Current	Long-Term
JCIDA	8.25%	<u>\$ 30,119</u>	<u>\$ 234,334</u>	<u>\$ 25,159</u>	<u>\$ 266,910</u>

WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

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, 2007:

Land	\$ 205,000
Buildings and improvements	\$ 2,990,501
Work-in-progress	6,067
Total	<u>\$ 3,201,568</u>
Less - accumulated depreciation	<u>(1,394,929)</u>
Net	<u><u>\$ 1,806,639</u></u>

(SEE NOTE 6)

Note 6 – Rentals Under Operating Leases:

The Organization leases office space to tenants under non-cancelable operating leases with terms of one to ten years. The following is a schedule of years of future minimum rentals under the leases after June 30, 2007:

2008	\$ 338,714
2009	287,907
2010	222,580
2011	53,906
	<u>\$ 903,107</u>

Note 7 – Contingencies:

The Organization obtained a \$40,000 loan on behalf of one of the Organization's tenants. The loan is secured by assignment of lease payments and machinery and equipment. The Organization's only liability regarding this loan is to collect monthly loan payments from the tenant and remittances of same to the financial institutions. The loan balance at June 30, 2007 and 2006 was \$1,027 and \$6,969, respectively.

The Organization is involved in various claims and lawsuits against the Organization arising in the normal course of business and from the fire loss in Building "C". Management believes that part or all of these claims should be covered by the Organization's liability insurance, however, the likely outcome of these lawsuits cannot be assessed.

WATERTOWN INDUSTRIAL CENTER
LOCAL DEVELOPMENT CORPORATION

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

Note 8 – Concentrations of Credit Risk:

The Organization maintains its cash balances in two financial institutions located in Watertown, NY. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 at each bank. At June 30, 2007 and 2006 the Organization's uninsured cash balances totaled \$367,130 and \$-0-, respectively.

Note 9 – Receivable Leasehold Improvements/Deferred Revenue Leasehold Improvements

At June 30, 2007 and 2006, a receivable and corresponding deferred revenue were recorded in the amount of \$60,832 and \$104,865, 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 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 a 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
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SCHEDULES OF FUNCTIONAL EXPENSES
 YEARS ENDED JUNE 30, 2007 AND 2006

 2 0 0 7		
	Program Services - Development of Industrial Center	Support Services General and Administrative	Total Expenses
Administrative services	\$ 25,000	\$ 25,000	\$ 50,000
Salaries	69,008		69,008
Depreciation	177,017		177,017
Professional services	5,439	6,543	11,982
Repairs and maintenance	55,429		55,429
Insurance	55,399	1,842	57,241
Office expense		4,712	4,712
Payroll taxes	4,997		4,997
Miscellaneous		352	352
Travel and entertainment	2,136		2,136
Telephone and utilities	53,894		53,894
Employee benefits	24,297		24,297
Real property taxes	26,778		26,778
Materials, equipment and advertisement	6,534		6,534
Bad debt expense		1,611	1,611
	\$ 505,928	\$ 40,060	\$ 545,988
Total			

See Paragraph on Supplementary Schedules Included in Auditor's Report.

 2 0 0 6		
	Program Services - Development of Industrial Center	Support Services General and Administrative	Total Expenses
Administrative services	\$ 17,539	\$ 17,538	\$ 35,077
Salaries	62,500		62,500
Depreciation	170,421		170,421
Professional services	7,836	17,683	25,519
Repairs and maintenance	118,571		118,571
Insurance	66,894	1,842	68,736
Office expense		8,291	8,291
Payroll taxes	4,538		4,538
Miscellaneous		783	783
Travel and entertainment	2,105		2,105
Telephone and utilities	64,872		64,872
Employee benefits	24,767		24,767
Real property taxes	27,185		27,185
Materials, equipment and advertisement	3,190		3,190
Bad debt expense			-
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 570,418</u>	<u>\$ 46,137</u>	<u>\$ 616,555</u>

POULSEN & PODVIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Members of:
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Public Accountants

JOAN McCREADIE
OFFICE MANAGER

Board of Directors
Watertown Industrial Center
Local Development Corporation

We have audited the financial statements of the Watertown Industrial Center Local Development Corporation for the year ended June 30, 2007 and have issued our report thereon dated October 23, 2007. Professional standards require that we provide you with the following information relating to our audit.

Auditor's Responsibilities Under U.S. Generally Accepted Auditing Standards

1. Financial statements are the responsibility of management.
2. Reasonable rather than absolute assurance.

Significant Accounting Policies

1. Described in Note 1 to the financial statements.
2. Quality: Consistency, clarity, completeness, conservatism.
3. Management is responsible for selecting –no new policies were adopted.
4. No transactions that were both significant and unusual: no transactions with a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

1. Use of estimates is required.
2. No sensitive estimates affecting the financial statements.

Significant Audit Adjustments

- None

Disagreements with Management

- None

Major Issues Discussed with Management Prior to Retention

- None

Consultation with Other Independent Accountants

- None

Difficulties Encountered

- None, excellent cooperation from management.

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

Very truly yours,

Poulsen & Podvin, P.C.

POULSEN & PODVIN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS