

**WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION**



**REPORT ON AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

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WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION

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TABLE OF CONTENTS  
JUNE 30, 2010 AND 2009

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	<b>Page Number(s)</b>
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-12
<b><i>Additional Information:</i></b>	
Schedules of Functional Expenses	13
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>	14-15

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**POULSEN & PODVIN, CPA, P.C.**

Certified Public Accountants

145 Clinton St.

Watertown NY 13601

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Watertown Industrial Center  
Local Development Corporation

We have audited the accompanying statement of financial position of Watertown Industrial Center Local Development Corporation (a nonprofit organization) as of June 30, 2010 and 2009, 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 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 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 the 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, 2010 and 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Watertown Industrial Center Local Development Corporation taken as a whole. The schedules of functional expenses on page 13 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, CPA, P.C.*

September 17, 2010  
Watertown, New York

WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION

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STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2010 AND 2009

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<b>ASSETS</b>	<b>2010</b>	<b>2009</b>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 918,066	\$ 647,835
Accounts receivable	25,290	1,417
Rents receivable	11,338	3,951
Note receivable (Note 3) - current	-	38,385
Prepaid insurance	13,291	13,439
Total Current Assets	967,985	705,027
Note receivable (Note 3)	-	159,308
Receivable - leasehold improvement (Note 7)	120,998	170,691
Fixed assets - net of accumulated depreciation (Notes 1 and 2)	1,546,274	1,682,198
<b>TOTAL ASSETS</b>	<b>\$ 2,635,257</b>	<b>\$ 2,717,224</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 31,173	\$ 6,860
Other payables	33	258
<b>Deferred revenue:</b>		
Prepaid rent	13,880	10,170
Leasehold improvement (Note 7)	120,998	170,691
Total Current Liabilities/Total Liabilities	166,084	187,979
<b>Net Assets:</b>		
<b>Unrestricted Net Assets:</b>		
Operating	791,163	790,830
Board designated	131,736	56,217
Fixed assets	1,546,274	1,682,198
Total Unrestricted Net Assets/Total Net Assets	2,469,173	2,529,245
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,635,257</b>	<b>\$ 2,717,224</b>

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

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WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION

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STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2010 AND 2009

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	2010	2009
<b>Revenues and Support:</b>		
Rental income	\$ 506,068	\$ 442,469
Investment income	5,368	23,868
Miscellaneous	<u>19,296</u>	<u>438</u>
Total Revenues and Support	<u>530,732</u>	<u>466,775</u>
<b>Expenses:</b>		
Program Services - Development of Industrial Center	545,728	609,850
Support Services - General and administrative	<u>45,076</u>	<u>41,028</u>
Total Expenses	<u>590,804</u>	<u>650,878</u>
Changes in Net Assets	(60,072)	(184,103)
Net Assets - Beginning of Year	<u>2,529,245</u>	<u>2,713,348</u>
Net Assets - End of Year	<u>\$ 2,469,173</u>	<u>\$ 2,529,245</u>

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

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WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION

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STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2010 AND 2009

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	2010	2009
<b>Operating Activities:</b>		
Change in net assets	\$ (60,072)	\$ (184,103)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	182,314	178,021
(Increase) decrease in:		
Accounts receivable	(23,873)	3,732
Rents receivable	(7,387)	(6)
Accrued interest receivable	-	2,004
Note receivable	197,693	36,215
Prepaid insurance	148	89
Receivable - leasehold improvement	49,693	(42,541)
Increase (decrease) in:		
Accounts payable	24,313	(14,274)
Other liabilities	(225)	(1,603)
Deferred revenue - rent	3,710	1,060
Deferred revenue - leasehold improvement	(49,693)	42,541
Net Cash Provided by Operating Activities	<u>316,621</u>	<u>21,135</u>
<b>Investing Activities:</b>		
Investment in fixed assets	(46,390)	(94,244)
Proceeds from sale of investments - matured certificates of deposit	-	500,000
Net Cash Provided (Used) by Investing Activities	<u>(46,390)</u>	<u>405,756</u>
Net Increase in Cash and Cash Equivalents	270,231	426,891
Cash and Cash Equivalents - Beginning of Year	<u>647,835</u>	<u>220,944</u>
Cash and Cash Equivalents - End of Year	<u>\$ 918,066</u>	<u>\$ 647,835</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	-	-

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

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WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

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**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.

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.

**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 recommendation of FASB Accounting Standards Codification No. 958, *Not-for-Profit Entities: Presentation of Financial Statements* and the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. 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.



WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

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**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.

**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, 2010 and 2009 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, 2010 and 2009.

WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION

=====

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

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**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

**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,	
	2010	2009
Leasehold improvement	\$ 88,007	\$ 34,114
Capital improvement fund	<u>43,729</u>	<u>22,103</u>
	<u>\$ 131,736</u>	<u>\$ 56,217</u>

WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION

=====

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

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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.

**Fair Value of Financial Instruments**

The carrying value of the note receivable approximates fair value because it bears interest at a rate that approximates current market rates for notes with similar maturities and credit quality. Refer to Note 3.

**Date of Management's Review**

Management has evaluated subsequent events through September 17, 2010, the date which the financial statements were available to be issued.

**Note 2 – Fixed Assets:**

The major categories of fixed assets as of June 30, 2010 and 2009 are as follows:

	June 30,	
	2010	2009
Land	\$ 205,000	\$ 205,000
Buildings and improvements	3,212,506	3,203,714
Furniture, fixtures and equipment	48,106	48,106
Work-in-progress	49,288	11,690
Total	<u>3,514,900</u>	<u>3,468,510</u>
Less - accumulated depreciation	<u>(1,968,626)</u>	<u>(1,786,312)</u>
Net	<u>\$ 1,546,274</u>	<u>\$ 1,682,198</u>

WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

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**Note 3 – 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, 2010 and 2009 was \$50,000 and \$50,000, respectively.
- Jefferson County Job Development Corporation rents office space from the Organization under a five-year lease agreement. A lease was executed for the period July 1, 2005 through June 30, 2010, as additional office space was built for JCJDC. The 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, 2010, current monthly rental payments are \$1,087.25. Rental income, including rent surcharges, received during the years ended June 30, 2010 and 2009 was \$30,025 and \$28,770 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 3.25%, to be adjusted semi-annually. No collateral was required on the note. The note was called in March 2010 and paid in full by JCIDA. The following is outstanding at year end:

Note Receivable	Interest Rate	June 30, 2010		June 30, 2009	
		Current	Long-Term	Current	Long-Term
JCIDA	3.25%	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,385</u>	<u>\$ 159,308</u>

WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

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**Note 4 – Property on Operating Leases:**

The following schedule provides an analysis of the Organization's investment in property on operating leases as of June 30, 2010:

Land	\$ 205,000
Buildings and improvements	3,212,506
Work-in-progress	49,288
Total	<u>3,466,794</u>
Less - accumulated depreciation	<u>(1,926,541)</u>
Net	<u>\$ 1,540,253</u>

(SEE NOTE 5)

**Note 5 – 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, 2010:

2011	\$ 340,951
2012	194,252
2013	161,124
2014	123,998
2015	122,170
2016-2020	481,760
	<u>\$ 1,424,255</u>

WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

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**Note 6 – Concentrations of Credit Risk:**

The Organization maintains its cash balances in financial institutions located in Watertown, NY. Interest-bearing deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. Non-interest bearing deposits are fully insured by the FDIC. At June 30, 2010, the Organization's uninsured cash balances totaled \$484,941.

The Organization has deposits in financial institutions that are covered by Securities Investor Protection Corporation up to \$500,000. At June 30, 2010, these investments totaled \$88,007. These deposits are covered by insurance and are excluded from collateral requirements.

**Note 7 – Receivable Leasehold Improvements/Deferred Revenue Leasehold Improvements**

At June 30, 2010 and 2009, the receivable and corresponding deferred revenue were recorded in the amount of \$120,998 and \$170,691, 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 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 Statements of Activities.

## **ADDITIONAL INFORMATION**

WATERTOWN INDUSTRIAL CENTER  
LOCAL DEVELOPMENT CORPORATION

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SCHEDULES OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2010 AND 2009

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	Program Services Development of Industrial Center	Support Services General and Administrative	Total Expenses
Administrative services	\$ 25,000	\$ 25,000	\$ 50,000
Management leasing fee	74,159		74,159
Depreciation	182,314		182,314
Professional services	1,568	9,838	11,406
Repairs and maintenance	73,526		73,526
Insurance	53,390	1,842	55,232
Office expense		7,929	7,929
Payroll taxes	5,361		5,361
Miscellaneous		467	467
Travel and entertainment	1,800		1,800
Telephone and utilities	72,000		72,000
Leased management benefits	25,664		25,664
Real property taxes	23,603		23,603
Materials, equipment and advertisement	7,343		7,343
	<u>7,343</u>	<u>          </u>	<u>7,343</u>
Total	<u>\$ 545,728</u>	<u>\$ 45,076</u>	<u>\$ 590,804</u>

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

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	<b>Program Services Development of Industrial Center</b>	<b>Support Services General and Administrative</b>	<b>Total Expenses</b>
Administrative services	\$ 25,000	\$ 25,000	\$ 50,000
Management leasing fee	73,053		73,053
Depreciation	178,021		178,021
Professional services	6,875	7,258	14,133
Repairs and maintenance	134,740		134,740
Insurance	53,925	1,842	55,767
Office expense		6,156	6,156
Payroll taxes	5,271		5,271
Miscellaneous		772	772
Travel and entertainment	1,850		1,850
Telephone and utilities	74,729		74,729
Leased management benefits	28,561		28,561
Real property taxes	20,351		20,351
Materials, equipment and advertisement	7,474		7,474
	<u>7,474</u>	<u>          </u>	<u>7,474</u>
Total	<u>\$ 609,850</u>	<u>\$ 41,028</u>	<u>\$ 650,878</u>

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**POULSEN & PODVIN, CPA, P.C.**  
Certified Public Accountants  
145 Clinton St.  
Watertown NY 13601

**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 the financial statements of Watertown Industrial Center Local Development Corporation (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 17, 2010. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Watertown Industrial Center Local Development Corporation's internal control over financial reporting 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 Watertown Industrial Center Local Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Watertown Industrial Center Local Development Corporation's financial statements are free of 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*.

We noted a certain matter that we reported to management of Watertown Industrial Center Local Development Corporation in a separate letter dated September 17, 2010.

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

*Poulsen & Podvin, CPA, P.C.*

September 17, 2010