

WASHINGTON COUNTY LOCAL  
DEVELOPMENT CORPORATION

Independent Auditor's Report  
Financial Statements  
December 31, 2018

WASHINGTON COUNTY LOCAL DEVELOPMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors  
Washington County Local Development Corporation  
Fort Edward, NY 12828

**Report on the Financial Statements**

We have audited the accompanying financial statement of Washington County Local Development Corporation (a nonprofit organization), a component unit of Washington County, which comprises the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year 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 risk 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 the management, as well as evaluating the overall presentation of the significant accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington County Local Development Corporation as of December 31, 2018, 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 February 09, 2018 on our consideration of Washington County Local Development Corporation's internal control over financial reporting and 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* in considering Washington County Local Development Corporation's internal control over financial reporting and compliance.

*Nolan Certified Public Accounting Services, PLLC*

Eagle Bridge, NY  
February 28, 2019

**WASHINGTON COUNTY LOCAL DEVELOPMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**YEAR ENDED DECEMBER 31, 2018**

<b>ASSETS</b>	Restricted					Unrestricted	Total
	Income After Closeout	Intermediary Relending Program	RBEG Grant	Empire Zone	CDBG Grant		
Current Assets:							
Cash- Checking	\$ -	\$ 18,096	\$ 18,047	\$ 511	\$ 150,323	\$ 711,347	\$ 898,324
Cash - Time Deposit	-	22,000	-	-	-	405,764	427,764
Accounts Receivable	-	-	-	-	-	1,598	1,598
Prepaid Expenses	-	-	-	-	-	1,665	1,665
Current Portion, Loans Receivable	13,628	28,339	-	-	-	400,301	442,268
Current Portion, Lease Payments Receivable	-	-	5,155	-	-	-	5,155
Interest Receivable	190	362	-	-	-	11,692	12,244
Total Current Assets	13,818	68,797	23,202	511	150,323	1,532,367	1,789,018
Other Assets:							
Loans receivable, net of current portion	176,688	253,261	-	-	-	2,645,237	3,075,186
Allowance for Doubtful Accounts	(711)	(22,000)	-	-	-	(304,587)	(327,298)
Lease Payments Receivable, net of current portion	-	-	12,886	-	-	-	12,886
Total Assets	189,795	300,058	36,088	511	150,323	3,873,017	4,549,792
<b>LIABILITIES AND FUND EQUITY</b>							
Current Liabilities:							
Accounts Payable	-	-	-	-	150,323	-	150,323
Current Portion of Loan Payable	-	11,046	-	-	-	-	11,046
Total Current Liabilities	-	11,046	-	-	150,323	-	161,369
Long-Term Liabilities:							
Long Term Loan Payable, net of current portion	-	105,470	-	-	-	-	105,470
Total Long term Liabilities	-	105,470	-	-	-	-	105,470
Total Liabilities	-	116,516	-	-	150,323	-	266,839
Fund Equity	189,795	183,542	36,088	511	-	3,873,017	4,282,953
Total Liabilities and Fund Equity	\$ 189,795	\$ 300,058	\$ 36,088	\$ 511	\$ 150,323	\$ 3,873,017	\$ 4,549,792

See Independent Auditor's Report and Notes

**WASHINGTON COUNTY LOCAL DEVELOPMENT CORPORATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

<b>REVENUES</b>	Restricted					Unrestricted	Total
	Income After Closeout	Intermediary Relending Program	RBEG Grant	Empire Zone	CDBG Grant		
Interest on Loans	\$ 7,972	\$ 13,703	\$ -	\$ -	\$ 8,451	\$ 153,917	\$ 184,043
Interest on Time Deposits	-	81	-	1	12	5,071	5,165
Contributions/Grants	-	-	-	-	-	80,000	80,000
Origination & Late Fees	-	699	-	-	1,376	21,628	23,703
Events	-	-	-	-	-	2,351	2,351
RBEG Grant Reimbursement	-	-	-	-	-	-	-
Net assets released from Unrestricted Income	(24,730)	-	-	-	-	24,730	-
Total Revenues	(16,758)	14,483	-	1	9,839	287,697	295,262
<b>EXPENDITURES</b>							
Salaries & Wages	-	-	-	-	-	68,558	68,558
Payroll Taxes	-	-	-	-	-	4,995	4,995
Fringe Benefits	-	-	-	-	-	17,223	17,223
Professional Fees	-	-	-	-	-	22,722	22,722
Interest Expense	-	1,452	-	-	-	-	1,452
Insurance	-	-	-	-	-	3,611	3,611
Office Expense	-	-	-	-	-	1,264	1,264
Marketing and Advertising	-	-	-	-	-	5,348	5,348
Meeting Expense	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	391	391
Grant Expenses	-	-	-	-	189,308	-	189,308
Bad Debt Expense (Recovery)	(731)	-	-	-	-	136,860	136,129
Total Expenditures	(731)	1,452	-	-	189,308	260,972	451,001
Excess (Deficit) of Revenue Over Expenditures	(16,027)	13,031	-	1	(179,469)	26,725	(155,739)
Fund Equity - Beginning of Year	\$ 205,822	\$ 170,511	\$ 36,088	\$ 510	\$ 179,469	\$ 3,846,292	\$ 4,438,692
Fund Equity - End of Year	\$ 189,795	\$ 183,542	\$ 36,088	\$ 511	\$ -	\$ 3,873,017	\$ 4,282,953
	189,795	183,542	36,088	511	-	3,873,017	4,282,953

See Independent Auditor's Report and Notes

**WASHINGTON COUNTY LOCAL DEVELOPMENT CORPORATION**  
**Statement of Cash Flows**  
**Year Ended December 31, 2018**

Cash Flows From Operating Activities:	
Excess of Revenues Over Expenditures	\$ (155,739)
Adjustments to Reconcile Excess of Revenues Over Expenditures to	
Net Cash Provided (Used) by Operating Activities:	
(Increase) Decrease in:	
Accounts Receivable	(839)
Loans Receivable	91,814
Lease Payments Receivable	5,156
Interest Receivable	25,679
Increase (Decrease) in:	
Accounts Payable	148,736
Allowance for Doubtful Accounts	(494)
Intermediary Relending Program Loan Payable	<u>(10,887)</u>
Net Cash Provided (Used) by Operating Activities	103,426
Cash and Cash Equivalents at Beginning of Year	<u>1,222,662</u>
Cash and Cash Equivalents at End of Year	<u><u>1,326,088</u></u>
Supplemental Disclosures of Cash Flow Information:	
Cash Paid During the Year for:	
Interest	<u><u>\$ 1,452</u></u>

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**Summary of Significant Accounting Policies**

The summary of significant accounting policies of Washington County Local Development Corporation is presented to assist in understanding the Washington County Local Development Corporation's financial statements. The financial statements and notes are representations of Washington County Local Development Corporation's management, which is responsible for their integrity and objectivity. These accounting policies are in accordance with accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization

Washington County Local Development Corporation was incorporated in 1985 under the Not-for-Profit Law of the State of New York for the purpose of relieving and reducing unemployment by promoting and providing job opportunities for low to moderate income residents of Washington County. This is accomplished through loans to qualifying employers. In 1986, Washington County contracted with the Local Development Corporation to administer a revolving loan program created by the repayments of low interest loans issued by the Washington County Community Development Program. The County Board of Supervisors assigned all loans to the Local Development Corporation for no consideration. The Local Development Corporation is a component unit of Washington County and is included as such in the County's general-purpose financial statements.

Revenue Recognition

The Washington County Local Development Corporation's primary source of revenue is from principal and interest repayments received on loans issued by the Local Development Corporation through the Washington County Community Development & Economic Loan Funds and the Intermediary Relending Program.

Accounting Method

The Washington County Local Development Corporation accounts for all transactions on the accrual method of accounting.

Allowance for Doubtful Accounts

Bad debts are provided on the allowance method based on historical experience and management's evaluation of outstanding loans receivable at the end of each year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements

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and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Washington County Local Development Corporation is an exempt organization under Sec. (501)(c)(4) of the Internal Revenue Code. As of December 31, 2018, the tax years that remain subject to examination by taxing authorities begin with 2014.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Washington County Local Development Corporation considers all highly liquid debt instruments purchased with a maturity of 90 days or less to be cash equivalents.

**Concentration of Credit Risk**

Financial instruments which potentially expose the organization to concentration of credit risk consist primarily of loans receivable. Management considers the loans net of allowances to be fully collectible.

Washington County Local Development Corporation had funds on deposit at local banks totaling \$1,326,088 at December 31, 2018. These deposits are fully insured by Federal Deposit Insurance Corporation, pledged collateral and a letter of credit.

**Loans Receivable**

Loans receivable consisted of the following at December 31, 2018:

	<u>Restricted Income After Closeout:</u>	CDLF/ EDLF/ MAP LOANS	IRP  LOANS
1)	Loaned \$25,000 on November 14, 1995 due in monthly payments of \$403 through October 1, 2002, including interest at 7.25% per annum. (Receiving \$50 per month payment).	712	
2)	Loaned \$350,000 on June 30, 2003 due in monthly payments of \$3,178 through January 22, 2016, including interest at 4% per annum. On February 23, 2015 the loan was modified with monthly payments of \$1,750 extended through February 23, 2025 with		

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the entire principle balance due February 23, 2025. 189,604

Unrestricted:

- 3) Loaned \$390,000 on October 31, 2006 interest only payments beginning on November 30, 2006, at 5.19% per annum. Principal payments due in monthly payments of \$3,208 beginning on May 31, 2007 through October 31, 2021, including interest at 5.19% per annum. 101,418
- 4) Loaned \$150,000 on December 15, 2006 due in monthly payments of \$1,207 through December 1, 2021, including interest at 5.19% per annum. 34,901
- 5) Loaned \$65,000 on July 2, 2009 due in monthly payments of \$660 through June 2, 2019, including interest at 4% per annum. 3,050
- 6) Loaned \$210,000 on November 3, 2009 due in monthly payments of \$1,559 through November 3, 2024, including interest at 4% per annum. 98,376
- 7) Loaned \$150,000 on November 19, 2009 due in monthly payments of \$1,114 through October 19, 2024, including interest at 4% per annum. On December 19, 2016 the loan was modified extending monthly payments of \$1,713 through December 19, 2021 58,512
- 8) Loaned \$180,000 on April 29, 2010 due in monthly payments of \$1,915 through August 5, 2016, including interest at 5% per annum. On August 05, 2018 the loan was modified extending monthly payments of \$1,681 through August 5, 2022, including interest at 5% per annum. 66,372

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9)	Loaned \$140,000 on October 27, 2011 due in monthly payments of \$1,150 through October 27, 2018, including interest at 5.5% per annum. On October 27, 2018 the loan was modified extending monthly payments of \$1,058.88 through October 27, 2027 including interest at 5.5% per annum.	88,996
10)	Loaned \$145,000 on August 3, 2011 due in monthly payments of \$1,191 through August 3, 2026, including interest at 5.5% per annum.	1,132
11)	Loaned \$100,000 on October 26, 2012 due in monthly payments of \$1,441 through February 26, 2020, including interest at 5.5% per annum.	20,819
12)	Loaned \$10,000 on August 23, 2013 due in monthly payments of \$194 through December 23, 2018, including interest at 6% per annum.  Currently Receiving \$50 per month.	7,925
13)	Loaned \$150,000 on March 18, 2013 due in monthly payments of \$2,198 through June 18, 2020, including interest at 6% per annum.	37,726
14)	Loaned \$37,500 on December 20, 2013 due in monthly payments of \$718 through June 20, 2018, including interest at 5.5% per annum.	4,121
15)	Loaned \$45,000 on July 3, 2014, due in monthly payments of \$477 through July 3, 2025, including interest at 5% per annum.	20,910
16)	Loaned \$45,000 on February 10, 2014 due in monthly payments of \$880 through August 10, 2019,	

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	including interest at 6.5% per annum.	3,367
17)	Loaned \$40,000 on May 6, 2014 due in monthly payments of \$575 through November 6, 2021, including interest at 5.5% per annum.	15,901
18)	Loaned \$50,000 on February 21, 2014 due in monthly payments of \$719 through August 21, 2021, including interest at 5.5% per annum.	21,421
19)	Loaned \$75,000 on March 27, 2014 due in monthly payments of \$1,078 through September 27, 2021, including interest at 5.5% per annum.	33,087
20)	Loaned \$150,000 on February 11, 2015 due in monthly payments of \$2,191 through August 11, 2022, including interest at 6% per annum.	85,755
21)	Loaned \$25,000 on June 4, 2015 due in monthly payments of \$365 through June 4, 2022, including interest at 6% per annum.	9,680
22)	Loaned \$80,000 on June 30, 2015 due in monthly payments of \$675 through October 31, 2030, including interest at 6% per annum.	68,752
23)	Loaned \$235,000 on September 16, 2015 due in monthly payments of \$2,609 through March 16, 2026, including interest at 6% per annum. On December 27, 2017 the loan was modified, due in monthly payments of \$1,572, including interest, through July 27, 2038 at 6% per annum.	217,162
24)	Loaned \$125,000 on September 25, 2015 due in monthly payments of \$1,388 through January 25,	

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	2026, including interest at 6% per annum.	97,872
25)	Loaned \$100,000 on December 3, 2009 due in monthly payments of \$743 through December 3, 2025, including interest at 5% per annum.	56,356
26)	Loaned \$40,000 on November 27, 2012 due in monthly payments of \$329 through November 27, 2027, including interest at 5.5% per annum.	27,597
27)	Loaned \$50,000 on February 16, 2016 due in monthly payments of \$966.64 through February 16, 2021, including interest at 6% per annum. On August 16, 2016 the loan was modified to extend payment to July 16, 2026 and monthly payments of \$515.	23,612
28)	Loaned \$55,000 on February 16, 2016 due in monthly payments of \$1063 through August 16, 2021 including interest at 6% per annum.	30,352
29)	Loaned \$65,000 on March 16, 2016 due in monthly payments of \$466 through July 16, 2036 including interest at 6% per annum.	60,702
30)	Loaned \$110,000 on April 06, 2016 due in monthly payments of \$1607 through August 06, 2023 including interest at 6% per annum.	78,427
31)	Loaned \$150,000 on May 12, 2016 due in monthly payments of \$1,665 through November 12, 2026 including interest at 6% per annum.	123,046
32)	Loaned \$77,000 on June 29, 2016 due in monthly payments of \$855 through October 29, 2026	

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	including interest at 6% per annum.	64,111	
33)	Loaned \$50,000 on October 12, 2016 due in monthly payments of \$555 through March 12, 2027 including interest at 6% per annum.	43,269	
34)	Loaned \$150,000 on June 30, 2016 due in monthly payments of \$1,665 through October 30, 2026 including interest at 6% per annum.		124,541
35)	Loaned \$75,000 on April 14, 2017 due in monthly payments of \$1,450 through April 14, 2021 including interest at 6% per annum.	59,046	
36)	Loaned \$124,625 on April 18, 2017 due in monthly payments of \$1,821 through April 14, 2024 including interest at 6% per annum.	106,153	
37)	Loaned \$80,000 on April 18, 2017 due in monthly payments of \$1,169 through October 18, 2024 including interest at 6% per annum.	69,798	
38)	Loaned \$101,400 on July 06, 2017 due in monthly payments of \$856 through October 06, 2032 including interest at 6% per annum.	96,832	
39)	Loaned \$145,000 on August 28, 2017 due in monthly payments of \$1,224 through December 28, 2032 including interest at 6% per annum.	139,499	
40)	Loaned \$250,000 on October 25, 2017 due in monthly payments of \$1,791 through March 25, 2038 including interest at 6% per annum.	245,242	
41)	Loaned \$20,000 on March 09, 2018 due in monthly		

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	payments of \$387 through March 9, 2023 including interest at 6% per annum.	17,376	
42)	Loaned \$100,000 on April 12, 2018 due in monthly payments of \$1,110 through October 12, 2028 including interest at 6% per annum.	98,794	
43)	Loaned \$55,000 on April 26, 2018 due in monthly payments of \$912 through April 26, 2024 including interest at 6% per annum.	49,855	
44)	Loaned \$74,000 on April 26, 2018 due in monthly payments of \$822 through October 26, 2028 including interest at 6% per annum.		73,107
45)	Loaned \$110,000 on April 26, 2018 due in monthly payments of \$1607 through August 26, 2025 including interest at 6% per annum.	106,836	
46)	Loaned \$150,000 on May 03, 2018 due in monthly payments of \$1,266 through May 03, 2033 including interest at 6% per annum.	146,437	
47)	Loaned \$40,700 on June 14, 2018 due in monthly payments of \$787 through June 14, 2023 including interest at 6% per annum.	37,176	
48)	Loaned \$150,000 on July 09, 2018 due in monthly payments of \$1266 through July 09, 2033 including interest at 6% per annum.	147,472	
49)	Loaned \$150,000 on October 31, 2018 due in monthly payments of \$1266 through April 30, 2033 including interest at 6% per annum.	150,000	

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50)	Loaned \$54,250 on November 14, 2018 due in monthly payments of \$458 through November 15, 2033 including interest at 6% per annum.	54,250	
	Total	3,235,852	281,600
	Less: Current Portion	<u>413,929</u>	<u>28,339</u>
	Total Long Term	<u><u>2,821,923</u></u>	<u><u>253,261</u></u>

**Allowance for Doubtful Accounts**

The allowance for doubtful accounts established in the Intermediary Relending Program (IRP) in the amount of \$22,000 is in accordance with a requirement by the U.S. Department of Agriculture. There are no delinquent IRP loans as of December 31, 2018.

The allowance for doubtful accounts of \$711 in the Income after Closeout Programs represents that balance due on one loan.

The allowance for doubtful accounts of \$304,587 of unrestricted loans represents 10% of the outstanding loan balances. Based on historical data, the Corporation estimates that 10% of the unrestricted loan balances will be uncollectable.

**Lease Payments Receivable**

As part of the Rural Business Enterprise Grant Agreement, the Washington County Local Development Corporation will lease the equipment to a local business. The total amount of the lease payment will be equal to 40% of the purchase price of the equipment, \$38,088. The business will make monthly lease payments of \$430 through June 1, 2022 the expected life of the equipment. The title to the equipment is to be held in the name of Washington County Local Development Corporation during the lease period. At the end of the lease period the equipment is to be conveyed to the business for the sum of \$1. The balance due as of December 31, 2018 was \$18,041.

Lease payments receivable consisted of the following at December 31, 2018:

2018	\$	5,155
2019		5,155

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2020	5,155
2022	<u>2,758</u>
Total	\$ 18,041

Upon receipt of the lease proceeds, Washington County Local Development Corporation is required to use the funds to provide term loans that support local farmer/agricultural related business. The appropriate use of loan proceeds include:

- Purchase and/or improve machinery, equipment, or other business assets to be used in connection with the Borrower's business.
- Working capital.
- Purchase an existing, operating entity.

**Loan Payable Intermediary Relending Program**

Washington County Local Development Corporation entered into a loan agreement on November 25, 1998 with the U.S. Department of Agriculture for \$300,000 to be paid back over 30 years at a fixed rate of 1%. Interest only was paid for the first two years. Principal and interest payments are made in 28 equal annual installments with any remaining balance being paid 30 years from the date of the note. A stipulation of this program is that the Washington County Local Development Corporation must match a portion of the loan. The Washington County Local Development Corporation's matching requirement was \$75,000 making the program funds total \$375,000. As of December 31, 2016, the Washington County Local Development Corporation has drawn down \$450,000 and has made nine loans.

An installment contract to the U.S. Department of Agriculture payable in annual installments of \$12,339, including interest at 1% through November 2028.

\$ 116,516

Less: current portion

(11,046)

Long-term loan payable, net of current portion

\$ 105,470

Maturities of long-term loan payable are as follows:

Years ending  
December 31,

2019	11,046
2020	11,171
2021	11,283
2022	11,301
2023	11,324
Thereafter	<u>60,391</u>
Total	\$ 116,516

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**Restricted and Unrestricted Assets**

Receipts, disbursements, and cash balances related to Federal funds which are subject to certain Restrictions and unrestricted funds not subject to Federal restrictions are comprised of the following:

	Restricted					Unrestricted	Total
	Income After Closeout	Intermediary Relending Program	RBEG Grant	Empire Zone	CDBG Grant		
Cash balances 12/31/2017	\$ -	\$ 92,561	\$ 12,891	\$ 510	\$ 35,371	\$ 1,081,328	\$ 1,222,661
Receipts:							
Interest on deposits	-	81	-	1	12	5,071	5,165
Principal, Interest, and late charge payments	24,730	33,793	-	-	153,924	920,152	1,132,599
Origination Fees	-	-	-	-	-	21,901	21,901
Events	-	-	-	-	-	1,404	1,404
Grants/Contributions	-	-	-	-	-	80,000	80,000
Lease Payments	-	-	5,156	-	-	-	5,156
Total Receipts	24,730	33,874	5,156	1	153,936	1,028,528	1,246,225
Disbursements:							
New Loans	24,730	74,000	-	-	-	805,220	903,950
Payroll & related Expenses	-	-	-	-	-	89,189	89,189
Professional Fees	-	-	-	-	-	22,722	22,722
Insurances	-	-	-	-	-	3,611	3,611
Principal & Interest	-	12,339	-	-	-	-	12,339
Marketing	-	-	-	-	-	5,348	5,348
Office Meeting Expenses	-	-	-	-	-	1,264	1,264
Grant Expenses	-	-	-	-	38,985	65,000	103,985
Misc Exp	-	-	-	-	-	391	391
Total Disbursements	24,730	86,339	-	-	38,985	992,745	1,142,799
Cash Balances 12/31/18	\$ -	\$ 40,096	\$ 18,047	\$ 511	\$ 150,323	\$ 1,117,111	\$ 1,326,087
Cash, Checking	\$ -	\$ 18,096	\$ 18,047	\$ 511	\$ 150,323	\$ 710,672	\$ 897,650
Cash, Savings	\$ -	\$ 22,000	\$ -	\$ -	\$ -	\$ 405,764	\$ 427,764

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**CDBG Funds**

In 2016, the Corporation was the sub-recipient of a \$337,000 Community Block Development Grant. The funds were used to provide a \$325,000 loan to a local business. Of the \$325,000 loaned, \$162,500 is due back to the Organization, and the remaining \$162,500 is to be forgiven if the recipient fulfills job creation stipulations as noted in the loan agreement. Upon completion of the restriction, the note will be deemed forgiven. In 2018, the note of 162,500 was repaid in full and the remaining \$162,500 was forgiven based on satisfaction of job creation requirements.

The Corporation has adopted a CDBG Program Income Reuse Plan that establishes guidelines on the policies and procedures for the administration and utilization of program income received as a result of activities funded with the CDBG monies. All funds will be transferred in the Corporation's CDBG revolving loan fund. These funds will be used to fund additional loans that meet the CDBG criteria, mainly job creation among other additional criteria.

In 2018, the Corporation was notified of the cessation of the CDBG program and the requirement to return any amount of the revolving loan fund, including all principle, interest, late fees, and interest earnings on the account back to the grantor. As of December 31, 2018, the balance of the revolving loan fund was \$150,323. The amount is reflected as an expense and payable as of December 31, 2018. The Corporation transferred the remaining funds back to the grantor on January 03, 2019.

**Related Party**

The LDC by-laws were amended in 1996 to allow for non-supervisors to be Directors of the Corporation. Each town (17) is represented by the chief elected official or his/her designee. Currently, there are five non-supervisors on the Board. The Washington County Local Development Corporation is provided office space, administrative and secretarial services, office equipment, and supplies by Washington County without charge.

**Subsequent Events**

The Corporation has evaluated all events through February 28, 2019 the date which these financial statements were available to be issued and determined that there are no subsequent events which require disclosure.

# NOLAN CERTIFIED PUBLIC ACCOUNTING SERVICES, PLLC

TARA M. NOLAN, CPA

243 County Route 68

Eagle Bridge, NY 12057

## INDEPENDENT AUDITOR'S 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  
Washington County Local  
Development Corporation  
Fort Edward, NY 12828

We have audited, 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, the financial statements of Washington County Local Development Corporation, a component unit of Washington County, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Washington County 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 Washington County Local Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Washington County Local Development Corporation'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.

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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Washington County 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Nolan Certified Public Accounting Services, PLLC*

Eagle Bridge, NY

February 28, 2019



## WASHINGTON COUNTY Local Development Corporation

February 28, 2019

Nolan Certified Public Accounting Services, PLLC  
243 County Route 68  
Eagle Bridge, NY 12057

This representation letter is provided in connection with your audit of the financial statements of Washington County Local Development Corporation, which comprise the statements of financial position as of December 31, 2018, and the related statements of activities and cash flows for the period then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of a February 09, 2018, the following representations made to you during your audit.

### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 01, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

County Municipal Center, 383 Broadway, Fort Edward, NY 12828  
P: (518) 746-2292 F: (518) 746-2293 E: [info@wcldc.org](mailto:info@wcldc.org) Website: [www.wcldc.org](http://www.wcldc.org)

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The Washington County LDC is a Equal Opportunity Lender, Provider and Employer  
Complaints of discrimination should be sent to: USDA, Director, Office of Civil Rights, 1400 Independence Avenue,  
S.W. Washington DC 20250-9410 or Call (800) 795-3272 (voice) or (202) 720-6382 (TDD).

- 10) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

**Information Provided**

- 12) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 17) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 18) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.
- 19) We have disclosed to you the identity of the Organization's related parties and all the related-party relationships and transactions of which we are aware.
- 20) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 22) Washington County Local Development Corporation is an exempt organization under Section 501c4 of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

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