

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Independent Auditors' Report

Financial Statements

December 31, 2012



Whittemore, Downen & Ricciardelli, LLP
333 Aviation Road - Building B
Queensbury, NY 12804

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Washington County Local Development Corporation, a component unit of Washington County, as of December 31, 2012, 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 of 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 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, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity 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 8, 2013 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.

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP
Queensbury, New York

February 8, 2013

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2012

ASSETS	Restricted			Unrestricted	
	Income After Closeout	Intermediary Relending Program	Empire Zone		Total
Current Assets:					
Cash-checking	\$ -	\$ 34,395	\$ 4,976	\$ 684,592	\$ 723,963
Cash-time deposit	-	22,000	-	676,996	698,996
Accounts receivable	-	-	-	152	152
Current portion, loans receivable	11,566	34,321	-	223,700	269,587
Interest receivable	6,306	443	-	-	6,749
Total Current Assets	17,872	91,159	4,976	1,585,440	1,699,447
Other Assets:					
Loans receivable, net of current portion	248,196	231,810	-	1,893,225	2,373,231
Allowance for doubtful accounts	(4,512)	(22,000)	-	-	(26,512)
Total Other Assets	243,684	209,810	-	1,893,225	2,346,719
Total Assets	\$ 261,556	\$ 300,969	\$ 4,976	\$ 3,478,665	\$ 4,046,166
LIABILITIES AND FUND EQUITY					
Current Liabilities:					
Accounts payable	\$ 1,142	\$ -	\$ -	\$ -	\$ 1,142
Current portion of loan payable	-	10,523	-	-	10,523
Total Current Liabilities	1,142	10,523	-	-	11,665
Long-Term Liabilities:					
Long-term loan payable, net of current portion	-	170,784	-	-	170,784
Total Long-Term Liabilities	-	170,784	-	-	170,784
Total Liabilities	1,142	181,307	-	-	182,449
Fund Equity	260,414	119,662	4,976	3,478,665	3,863,717
Total Liabilities and Fund Equity	\$ 261,556	\$ 300,969	\$ 4,976	\$ 3,478,665	\$ 4,046,166

See Independent Auditors' Report and Notes

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Statement of Activities

Year Ended December 31, 2012

REVENUES	Restricted			Unrestricted	Total
	Income After Closeout	Intermediary Relending Program	Empire Zone		
Interest on loans	\$ 9,005	\$ 12,083	\$ -	\$ 104,201	\$ 125,289
Interest on time deposits	-	108	4	2,122	2,234
Contributions/grants	-	-	-	116,500	116,500
Origination fees	-	-	-	6,549	6,549
Loan late charge fee	-	-	-	1,000	1,000
Events	-	-	-	23,823	23,823
Miscellaneous	-	-	-	115	115
Net assets released from unrestricted income	(84,829)	891	111	83,827	-
Total Revenues	(75,824)	13,082	115	338,137	275,510
EXPENDITURES					
Payroll expenses	-	-	5,826	108,752	114,578
Professional fees	-	-	2,500	15,555	18,055
Interest expense	-	1,907	-	-	1,907
Office expense	-	-	-	4,896	4,896
Planning expense	-	-	-	56,048	56,048
Marketing and advertising	-	-	-	12,293	12,293
Miscellaneous	-	-	111	5,801	5,912
Bad debt expense	-	-	-	(11,485)	(11,485)
Total Expenditures	-	1,907	8,437	191,860	202,204
Excess (Deficit) of Revenues Over Expenditures	(75,824)	11,175	(8,322)	146,277	73,306
Fund Equity at Beginning of Year	336,238	108,487	13,298	3,332,388	3,790,411
Fund Equity at End of Year	\$ 260,414	\$ 119,662	\$ 4,976	\$ 3,478,665	\$ 3,863,717

See Independent Auditors' Report and Notes

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Statement of Cash Flows

Year Ended December 31, 2012

Cash Flows From Operating Activities:	
Excess of Revenues Over Expenditures	\$ 73,306
Adjustments to Reconcile Excess of Revenues Over Expenditures to Net Cash Provided (Used) by Operating Activities:	
(Increase) Decrease in:	
Accounts receivable	228
Loans receivable	54,752
Interest receivable	(772)
Increase (Decrease) in:	
Accounts payable	504
Allowance for doubtful accounts	(36,399)
Intermediary relending program loan payable	<u>(10,432)</u>
Net Cash Provided (Used) by Operating Activities	81,187
Cash and Cash Equivalents at Beginning of Year	<u>1,341,772</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,422,959</u></u>
 Supplemental Disclosures of Cash Flow Information:	
Cash Paid During the Year for:	
Interest	<u><u>\$ 1,907</u></u>

See Independent Auditors' Report and Notes

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2012

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 the Washington County Local Development Corporation's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles 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 HUD Program 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 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, 2012, the tax years that remain subject to examination by taxing authorities begin with 2009.

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.

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2012

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 \$1,428,900 at December 31, 2012. 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, 2012:

	<u>CDBG Loans</u>	<u>IRP Loans</u>
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).	\$ 4,512	
2) Loaned \$350,000 on June 30, 2003 due in monthly payments of \$3,178 through January 22, 2015, including interest at 4% per annum. On January 19, 2010 the loan was modified reducing the monthly payments to \$1,500 with the entire principle balance due, January 22, 2015.	255,250	
3) Loaned \$35,000 on August 20, 2004 due in monthly payments of \$249 through July 20, 2014, including interest at 4% per annum.	18,649	
4) Loaned \$390,000 on December 31, 2006, interest only payments beginning on November 30, 2006 at 5.19% per annum. Principal payments due on May 31, 2007 through September 30, 2021, including interest at 5.19% per annum.	273,767	
5) Loaned \$150,000 on December 1, 2006 due in monthly payments of \$1,207 through November 1, 2021, including interest at 5.19% per annum.	99,767	
6) Loaned \$45,000 on July 26, 2007 due in monthly payments of \$483 through July 26, 2017, including interest at 5.19% per annum.	21,983	
7) Loaned \$10,000 on March 27, 2007 due in monthly payments of \$213 through September 27, 2013, including interest at 6.19% per annum.	2,483	

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2012

Loans Receivable – Continued

		CDBG Loans	IRP Loans
8)	Loaned \$25,000 on May 5, 2008 due in monthly payments of \$519 through May 5, 2013, including interest at 5% per annum.	2,066	
9)	Loaned \$19,539 on December 31, 2009 due in monthly payments of \$295 through March 18, 2016, including interest at 4% per annum.	11,153	
10)	Loaned \$60,000 on August 24, 2009 due in monthly payments of \$822 through July 24, 2016, including interest at 4% per annum.	34,419	
11)	Loaned \$65,000 on July 2, 2009 due in monthly payments of \$660 through June 2, 2019, including interest at 4% per annum.	45,269	
12)	Loaned \$150,000 on May 28, 2009 due in monthly payments of \$2,351 through June 28, 2015, including interest at 4% per annum.	69,720	
13)	Loaned \$125,000 on October 5, 2009 due in monthly payments of \$993 through August 8, 2024, including interest at 5% per annum.	104,948	
14)	Loaned \$210,000 on November 3, 2009 due in monthly payments of \$1,599 through October 3, 2024, including interest at 4% per annum.	176,599	
15)	Loaned \$150,000 on November 11, 2009 due in monthly payments of \$1,114 through October 19, 2024, including interest at 4% per annum.	126,135	
16)	Loaned \$20,000 on September 10, 2009 due in monthly payments of \$378 through March 10, 2015, including interest at 5% per annum.	9,635	
17)	Loaned \$180,000 on August 5, 2010 due in monthly payments of \$1,915 through August 5, 2017 including interest at 5% per annum.	157,201	
18)	Loaned \$120,000 on December 21, 2011 at 5.5% interest. Payments of interest only to begin on January 21, 2012 through May 8, 2016 when the entire principal balance will be due	120,000	
19)	Loaned \$8,149 on April 1, 2010 due in monthly payments of \$169 through March 1, 2015 including interest at 5.5% per annum.	3,852	

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2012

<u>Loans Receivable – Continued</u>	CDBG Loans	IRP Loans
20) Loaned \$20,000 on November 18, 2010 due in monthly payments of \$383 through November 18, 2015 including interest at 5.5% per annum.	12,338	
21) Loaned \$85,000 on April 8, 2010 due in monthly payments of \$1,607 through June 8, 2015 including interest at 5% per annum.	52,617	
22) Loaned \$145,000 on August 4, 2011 due in monthly payments of \$1,616 through July 4, 2012 including interest at 6% per annum.	131,340	
23) Loaned \$140,000 on October 27, 2011 due in monthly payments of \$1,150 through October 27, 2018 including interest at 6% per annum.	132,821	
24) Loaned \$97,000 on June 21, 2011 due in monthly payments of \$1,421 through June 21, 2019 including interest at 6% per annum.	80,601	
25) 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.	136,878	
26) Loaned \$30,000 on November 29, 2011 due in monthly payments of \$574 through November 29, 2016 including interest at 5.5% per annum.	23,711	
27) 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.	100,000	
28) Loaned \$149,949 on November 26, 2012 due in monthly payments of \$1,749 through May 26, 2023 including interest at 7% per annum.	149,949	
29) Loaned \$25,000 on September 19, 2010 due in monthly payments of \$478 through January 19, 2016 including interest at 5.5% per annum.	19,024	
30) Loaned \$75,000 on November 5, 2004 due in monthly payments of \$798 through September 1, 2014, including interest at 5% per annum.		15,931
31) Loaned \$100,000 on December 3, 2009 due in monthly payments of \$743 through December 3, 2024, including interest at 5% per annum.		87,604

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2012

<u>Loans Receivable – Continued</u>	CDBG Loans	IRP Loans
32) Loaned \$145,000 on September 21, 2011 due in monthly payments of \$2,054 through September 21, 2018, including interest at 5% per annum.		122,741
33) Loaned \$40,000 on November 27, 2012 due in monthly payments of \$329 through November 27, 2027, including interest at 5.5% per annum.		39,855
Total loans receivable	2,376,687	266,131
Less: current portion	(235,266)	(34,321)
Long-term portion	\$ 2,141,421	\$ 231,810

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, 2012.

The allowance for doubtful accounts of \$4,512 in the Income After Closeout Programs and CDBG represents the balance due on one loan.

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2012

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	
	Income After Closeout	Intermediary Relending Program	Empire Zone	Total	
Cash balances at 12/31/11	\$ -	\$ 65,154	\$ 13,298	\$ 1,263,320	\$ 1,341,772
Receipts:					
Interest in time deposit	-	108	4	2,122	2,234
Principal, interest and late charge payments received	85,204	43,472	-	316,309	444,985
Contributions	-	-	-	116,500	116,500
Origination fees	-	-	-	6,549	6,549
Events	-	-	-	24,200	24,200
Miscellaneous	-	-	-	1,130	1,130
Total receipts	<u>85,204</u>	<u>43,580</u>	<u>4</u>	<u>466,810</u>	<u>595,598</u>
Disbursements:					
New loans	85,204	40,000	-	165,609	290,813
Payroll expense	-	-	5,826	109,192	115,018
Professional fees	-	-	2,500	12,913	15,413
Insurance(s)	-	-	-	2,947	2,947
Principal and interest expense	-	12,339	-	-	12,339
Marketing/advertising	-	-	-	13,049	13,049
Office expense	-	-	-	1,996	1,996
Planning expense	-	-	-	56,048	56,048
Miscellaneous expense	-	-	-	6,788	6,788
Total disbursements	<u>85,204</u>	<u>52,339</u>	<u>8,326</u>	<u>368,542</u>	<u>514,411</u>
Cash balances at 12/31/12	<u>\$ -</u>	<u>\$ 56,395</u>	<u>\$ 4,976</u>	<u>\$ 1,361,588</u>	<u>\$ 1,422,959</u>
Cash, checking	<u>\$ -</u>	<u>\$ 34,395</u>	<u>\$ 4,976</u>	<u>\$ 684,592</u>	<u>\$ 723,963</u>
Cash, savings	<u>\$ -</u>	<u>\$ 22,000</u>	<u>\$ -</u>	<u>\$ 676,996</u>	<u>\$ 698,996</u>

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 seven 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.

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2012

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, 2012, the Washington County Local Development Corporation has drawn down \$300,000 and has made eight 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.

\$ 181,307

Less: current portion

(10,523)

Long-term loan payable, net of current portion

\$ 170,784

Maturities of long-term loan payable are as follows:

Years ending
December 31,
2013
2014
2015
2016
2017
Thereafter

\$ 10,523

10,629

10,735

10,842

10,951

127,627

Total

\$ 181,307

Subsequent Events

The Corporation has evaluated all events through February 8, 2013, the date which these financial statements were available to be issued, and determined that there are no subsequent events which require disclosure.



WHITTEMORE, DOWEN & RICCIARDELLI, LLP
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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 positions as of December 31, 2012, 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 8, 2013.

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 instances 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

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP
Queensbury, NY

February 8, 2013