

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Independent Auditor's Report

Financial Statements

December 31, 2013



WHITTEMORE, DOWEN
& RICCIARDELLI, LLP

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, as of December 31, 2013, which comprise the statement of financial position 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, 2013, 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 7, 2014 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 7, 2014

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2013

ASSETS	Restricted			Unrestricted	
	Income After Closeout	Intermediary Relending Program	Empire Zone		Total
Current Assets:					
Cash-checking	\$ -	\$ 69,241	\$ 4,978	\$ 954,889	\$ 1,029,108
Cash-time deposit	-	22,000	-	678,298	700,298
Current portion, loans receivable	12,013	33,622	-	250,495	296,130
Interest receivable	-	209	-	2,518	2,727
Total Current Assets	12,013	125,072	4,978	1,886,200	2,028,263
Other Assets:					
Loans receivable, net of current portion	236,386	198,301	-	1,705,367	2,140,054
Allowance for doubtful accounts	(3,862)	(22,000)	-	-	(25,862)
Total Other Assets	232,524	176,301	-	1,705,367	2,114,192
Total Assets	\$ 244,537	\$ 301,373	\$ 4,978	\$ 3,591,567	\$ 4,142,455
LIABILITIES AND FUND EQUITY					
Current Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 67	\$ 67
Current portion of loan payable	-	10,629	-	-	10,629
Total Current Liabilities	-	10,629	-	67	10,696
Long-Term Liabilities:					
Long-term loan payable, net of current portion	-	160,033	-	-	160,033
Total Long-Term Liabilities	-	160,033	-	-	160,033
Total Liabilities	-	170,662	-	67	170,729
Fund Equity	244,537	130,711	4,978	3,591,500	3,971,726
Total Liabilities and Fund Equity	\$ 244,537	\$ 301,373	\$ 4,978	\$ 3,591,567	\$ 4,142,455

See Independent Auditor's Report and Notes

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Statement of Activities

Year Ended December 31, 2013

REVENUES	Restricted			Unrestricted	Total
	Income After Closeout	Intermediary Relending Program	Empire Zone		
Interest on loans	\$ 2,632	\$ 12,658	\$ -	\$ 117,637	\$ 132,927
Interest on time deposits	-	85	2	1,935	2,022
Contributions/grants	-	-	-	89,125	89,125
Origination fees	-	-	-	5,425	5,425
Loan late charge fee	-	-	-	1,410	1,410
Events	-	-	-	4,915	4,915
Miscellaneous	-	-	-	100	100
Net assets released from unrestricted income	(19,035)	-	-	19,035	-
Total Revenues	(16,403)	12,743	2	239,582	235,924
EXPENDITURES					
Payroll expenses	-	-	-	98,441	98,441
Professional fees	-	-	-	15,938	15,938
Interest expense	-	1,694	-	-	1,694
Insurance	-	-	-	2,414	2,414
Office expense	-	-	-	997	997
Planning expense	-	-	-	26	26
Marketing and advertising	-	-	-	6,338	6,338
Meeting expense	-	-	-	2,531	2,531
Miscellaneous	-	-	-	62	62
Bad debt expense	(526)	-	-	-	(526)
Total Expenditures	(526)	1,694	-	126,747	127,915
Excess (Deficit) of Revenues Over Expenditures	(15,877)	11,049	2	112,835	108,009
Fund Equity at Beginning of Year	260,414	119,662	4,976	3,478,665	3,863,717
Fund Equity at End of Year	\$ 244,537	\$ 130,711	\$ 4,978	\$ 3,591,500	\$ 3,971,726

See Independent Auditor's Report and Notes

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Statement of Cash Flows

Year Ended December 31, 2013

Cash Flows From Operating Activities:	
Excess of Revenues Over Expenditures	\$ 108,009
Adjustments to Reconcile Excess of Revenues Over Expenditures to Net Cash Provided (Used) by Operating Activities:	
(Increase) Decrease in:	
Accounts receivable	152
Loans receivable	206,634
Interest receivable	4,022
Increase (Decrease) in:	
Accounts payable	(1,075)
Allowance for doubtful accounts	(650)
Intermediary relending program loan payable	<u>(10,645)</u>
Net Cash Provided (Used) by Operating Activities	306,447
Cash and Cash Equivalents at Beginning of Year	<u>1,422,959</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,729,406</u>
 Supplemental Disclosures of Cash Flow Information:	
Cash Paid During the Year for:	
Interest	<u>\$ 1,694</u>

See Independent Auditor's Report and Notes

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2013

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, 2013, the tax years that remain subject to examination by taxing authorities begin with 2010.

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, 2013

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 \$1,711,616 at December 31, 2013. 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, 2013:

	<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).	\$ 3,862	
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 \$1,750 with the entire principle balance due, January 21, 2015.	244,537	
3) Loaned \$35,000 on August 20, 2004 due in monthly payments of \$355 through September 20, 2014, including interest at 4% per annum.	15,074	
4) Loaned \$390,000 on December 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 September 30, 2021, including interest at 5.19% per annum.	246,976	
5) Loaned \$150,000 on December 15, 2006 due in monthly payments of \$1,207 through November 1, 2021, including interest at 5.19% per annum.	90,319	
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.	16,810	
7) Loaned \$19,539 on December 18, 2008 due in monthly payments of \$295 through March 18, 2016, including interest at 4% per annum.	7,997	

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2013

Loans Receivable – Continued

		CDBG Loans	IRP Loans
8)	Loaned \$60,000 on July 24, 2009 due in monthly payments of \$822 through July 24, 2016, including interest at 4% per annum.	25,814	
9)	Loaned \$65,000 on July 2, 2009 due in monthly payments of \$660 through June 2, 2019, including interest at 4% per annum.	38,433	
10)	Loaned \$150,000 on May 28, 2009 due in monthly payments of \$2,351 through June 28, 2015, including interest at 4% per annum.	43,873	
11)	Loaned \$125,000 on October 5, 2009 due in monthly payments of \$993 through August 8, 2024, including interest at 5% per annum.	98,662	
12)	Loaned \$210,000 on November 3, 2009 due in monthly payments of \$1,559 through October 3, 2024, including interest at 4% per annum.	164,840	
13)	Loaned \$150,000 on November 11, 2009 due in monthly payments of \$1,114 through October 19, 2024, including interest at 4% per annum.	117,732	
14)	Loaned \$20,000 on September 10, 2009 due in monthly payments of \$378 through March 10, 2015, including interest at 5% per annum.	5,492	
15)	Loaned \$180,000 on April 29, 2010 due in monthly payments of \$1,915 through August 5, 2017 including interest at 5% per annum.	143,854	
16)	Loaned \$120,000 on April 8, 2010 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.	119,984	
17)	Loaned \$8,149 on April 1, 2010 due in monthly payments of \$169 through March 1, 2015 including interest at 5.5% per annum.	1,232	
18)	Loaned \$20,000 on November 18, 2010 due in monthly payments of \$383 through November 18, 2015 including interest at 5.5% per annum.	8,331	

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2013

<u>Loans Receivable – Continued</u>		CDBG Loans	IRP Loans
19)	Loaned \$85,000 on April 8, 2010 due in monthly payments of \$1,607 through June 8, 2015 including the default interest rate at 16% per annum.	43,768	
20)	Loaned \$145,000 on August 4, 2011 due in monthly payments of \$1,616 through July 4, 2021 including interest at 6% per annum.	118,622	
21)	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.	126,262	
22)	Loaned \$97,000 on June 21, 2011 due in monthly payments of \$1,421 through June 21, 2019 including interest at 6% per annum.	68,142	
23)	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.	128,743	
24)	Loaned \$30,000 on November 29, 2011 due in monthly payments of \$574 through November 29, 2016 including interest at 5.5% per annum.	17,968	
25)	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.	90,009	
26)	Loaned \$25,000 on August 19, 2010 due in monthly payments of \$478 through January 19, 2016 including interest at 16% per annum.	15,195	
27)	Loaned \$10,000 on August 23, 2013 due in monthly payments of \$194 through December 23, 2018 including interest at 6% per annum.	10,000	
28)	Loaned \$150,000 on March 18, 2013 due in monthly payments of 2,198 through June 18, 2020 including interest at 6% per annum.	141,280	
29)	Loaned \$37,500 on December 20, 2013 due in monthly payments of \$718 through June 20, 2018 including interest at 5.5% per annum.	37,500	
30)	Loaned \$12,950 on December 20, 2013 due in monthly payments of \$251 through October 20, 2018 including interest at 6% per annum.	12,950	

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2013

<u>Loans Receivable – Continued</u>		CDBG Loans	IRP Loans
31)	Loaned \$75,000 on November 5, 2004 due in monthly payments of \$798 through September 1, 2014, including interest at 5% per annum.		\$ 6,942
32)	Loaned \$100,000 on December 3, 2009 due in monthly payments of \$743 through December 3, 2024, including interest at 5% per annum.		83,030
33)	Loaned \$145,000 on September 21, 2011 due in monthly payments of \$2,054 through September 21, 2018, including interest at 5% per annum.		103,880
34)	Loaned \$40,000 on November 27, 2012 due in monthly payments of \$329 through November 27, 2027, including interest at 5.5% per annum.		38,071
	Total loans receivable	2,204,261	231,923
	Less: current portion	(262,508)	(33,622)
	Long-term portion	\$ 1,941,753	\$ 198,301

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, 2013.

The allowance for doubtful accounts of \$3,862 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, 2013

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:

	<u>Restricted</u>			<u>Unrestricted</u>	<u>Total</u>
	<u>Income After Closeout</u>	<u>Intermediary Relending Program</u>	<u>Empire Zone</u>		
Cash balances at 12/31/12	\$ -	\$ 56,395	\$ 4,976	\$ 1,361,588	\$ 1,422,959
Receipts:					
Interest in time deposit	-	85	2	1,935	2,022
Principal, interest and late charge payments received	13,995	47,100	-	493,121	554,216
Contributions	-	-	-	89,125	89,125
Origination fees	-	-	-	6,935	6,935
Events	-	-	-	4,915	4,915
Total receipts	13,995	47,185	2	596,031	657,213
Disbursements:					
New loans	13,995	-	-	196,456	210,451
Payroll expense	-	-	-	98,441	98,441
Professional fees	-	-	-	15,938	15,938
Insurance(s)	-	-	-	2,414	2,414
Principal and interest expense	-	12,339	-	-	12,339
Marketing/advertising	-	-	-	6,414	6,414
Office expense	-	-	-	1,416	1,416
Planning expense	-	-	-	26	26
Miscellaneous expense	-	-	-	3,327	3,327
Total disbursements	13,995	12,339	-	324,432	350,766
Cash balances at 12/31/13	\$ -	\$ 91,241	\$ 4,978	\$ 1,633,187	\$ 1,729,406
Cash, checking	\$ -	\$ 69,241	\$ 4,978	\$ 954,889	\$ 1,029,108
Cash, savings	\$ -	\$ 22,000	\$ -	\$ 678,298	\$ 700,298

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, 2013

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, 2013, 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.

\$ 170,662

Less: current portion

(10,629)

Long-term loan payable, net of current portion

\$ 160,033

Maturities of long-term loan payable are as follows:

Years ending
December 31,
2014
2015
2016
2017
2018
Thereafter

\$ 10,629
10,735
10,842
10,951
11,060
116,445

Total

\$ 170,662

Subsequent Events

The Corporation has evaluated all events through February 7, 2014, the date which these financial statements were available to be issued, and determined that there are no subsequent events which require disclosure.



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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, 2013, 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 7, 2014.

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, Dowen & Ricciardelli, LLP

Whittemore, Dowen & Ricciardelli, LLP
Queensbury, NY

February 7, 2014