WASHINGTON COUNTY LOCAL DEVELOPMENT CORPORATION

Independent Auditor's Report

Financial Statements

December 31, 2016

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, 2016, 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 audition 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, 2016, 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 January 27, 2017 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

Saratoga Springs, NY
January 27, 2017

WASHINGTON COUNTY LOCAL DEVELOPMENT CORPORATION
STATEMENT OF FINACIAL POSITION
YEAR ENDED DECEMBER 31, 2016

	Restricted						
ASSETS	Income After Closeout	Intermediary Relending Program	RBEG Grant	Empire Zone	CDBG Grant	Unrestricted	Total
Current Assets:							
Cash- Checking	$ -	$ 7,074	$ 7,734	$ 510	$ 10,826	$ 962,315	$ 988,459
Cash - Time Deposit	-	22,000	-	-		400,455	422,455
Accounts Receivable	-	-	-	-		1,291	1,291
Current Portion, Loans Receivable	12,580	42,495	-	-	12,572	410,273	477,920
Current Portion, Lease Payments Receivable	-	-	5,155	-		-	5,155
USDA Receivable	-	-	-	-			-
Interest Receivable	950	1,138	-	-	1,934	22,808	26,830
Total Current Assets	13,530	72,707	12,889	510	25,332	1,797,142	1,922,110
Other Assets:							
Loans receivable, net of current portion	208,423	244,483	-	-	143,995	2,200,779	2,797,680
Allowance for Doubtful Accounts	(2,062)	(22,000)	-	-	-	(10,551)	(34,613)
Lease Payments Receivable, net of current portion	-	-	23,199	-		-	23,199
	206,361	222,483	23,199	-	143,995	2,190,228	2,786,266
Total Assets	219,891	295,190	36,088	510	169,327	3,987,370	4,708,376
LIABILITIES AND FUND EQUITY							
Current Liabilities:							
Accounts Payable	-	-	-	-	-	-	-
Current Portion of Loan Payable	-	10,951	-	-	-	-	10,951
Total Current Liabilities	-	10,951	-	-	-	-	10,951
Long-Term Liabilities:							
Long Term Loan Payable, net of current portion	-	127,421	-	-	-	-	127,421
Total Long term Liabilities	-	127,421	-	-	-	-	127,421
Total Liabilities	-	138,372	-	-	-	-	138,372
							-
Fund Equity	219,891	156,818	36,088	510	169,327	3,987,370	4,570,004
							$ -
Total Liabilities and Fund Equity	$ 219,891	$ 295,190	$ 36,088	$ 510	$ 169,327	$ 3,987,370	$ 4,708,376

See Independent Auditor's Report and Notes

WASHINGTON COUNTY LOCAL DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	Restricted						
REVENUES	Income After Closeout	Intermediary Relending Program	RBEG Grant	Empire Zone	CDBG Grant	Unrestricted	Total
Interest on Loans	$ 10,128.00	$ 9,752.00	$ -	$ -	$ 6,825.00	$ 133,551.00	$ 160,256.00
Interest on Time Deposits	-	80	-	-	2	1,198	1,280
Contributions/Grants	-	-	-	-	337,000	80,000	417,000
Origination Fees	-	-	-	-	-	18,612	18,612
Events	-	-	-	-	-	2,540	2,540
RBEG Grant Reimbursement	-	-	-	-	-	450	450
Net assets released from Unrestricted Income	(21,650)	-	-	-	-	21,650	-
Total Revenues	(11,522)	9,832	-	-	343,827	258,001	600,138
EXPENDITURES							
Salaries & Wages	-	-	-	-	11,147	51,924	63,071
Payroll Taxes	-	-	-	-	853	4,448	5,301
Fringe Benefits	-	-	-	-	-	20,564	20,564
Professional Fees	-	-	-	-	-	17,889	17,889
Interest Expense	-	1,477	-	-	-	-	1,477
Insurance	-	-	-	-	-	2,152	2,152
Office Expense	-	-	-	-	-	1,588	1,588
Marketing and Advertising	-	-	-	-	-	8,633	8,633
Meeting Expense	-	-	-	-	-	803	803
Miscellaneous	-	-	-	-	-	496	496
CDBG Grant Expenses	-	-	-	-	162,500	-	162,500
Bad Debt Expense (Recovery)	(650)	-	-	-	-	9,887	9,237
Total Expenditures	(650)	1,477	-	-	174,500	118,384	293,711
Excess (Deficit) of Revenue Over Expenditures	(10,872)	8,355	-	-	169,327	139,617	306,427
Fund Equity - Beginning of Year	230,763	148,463	36,088	510		3,847,753	4,263,577
Fund Euity - End of Year	$ 219,891	$ 156,818	$ 36,088	$ 510	$ 169,327	$ 3,987,370	$ 4,570,004

WASHINGTON COUNTY LOCAL DEVELOPMENT CORPORATION
Statement of Cash Flows
Year Ended December 31, 2016

Cash Flows From Operating Activities:	
Excess of Revenues Over Expenditures	$306,427
Adjustments to Reconcie Excess of Revenues Over Expenditures to Net Cash Provided (Used) by Operating Activities:	
(Increase) Decrease in:	
Accounts Receivable	(419)
Loans Receivable	(483,233)
Lease Payments Receivable	5,156
USDA Receivable	90,220
Interest Receivable	(22,178)
Increase (Decrease) in:	
Accounts Payable	(101)
Allowance for Doubtful Accounts	9,901
Intermediary Relending Program Loan Payable	(10,862)
Net Cash Provided (Used) by Operating Activities	(105,089)
Cash and Cash Equivalents at Beginning of Year	1,516,003
Cash and Cash Equivalents at End of Year	$ 1,410,914

Supplemental Disclosures of Cash Flow Information:

Cash Paid During the Year for:	
Interest	$ 1,477

See Independent Auditor's Report and Notes

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 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, 2016, the tax years that remain subject to examination by taxing authorities begin with 2013.

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 not of allowances to be fully collectible.

Washington County Local Development Corporation had funds on deposit at local banks totaling $1,410,916 at December 31, 2016. 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, 2016:

Restricted Income After Closeout:	CDBG 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. Loan was modified to 0% interest and payment of $50 per month.	2.062	
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, 2016 the loan was modified with monthly payments of $1,750 extended through January 23, 2025 with the entire principle balance due February 23, 2025.	218,941	

Loans Receivable, Cont'd	CDBG	IRP
Unrestricted:		
3) LOANS payments of $355 through September 20, 2014, including interest at 4% per annum. On September 20, 2014, the loan was modified extending monthly payments of $533 through September 20, 2017, including interest at 4% per annum.	3,439	
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.	164,272	
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.	58,829	
6) Loaned $60,000 on July 24, 2009 due in monthly payments of $822 through July 24, 2016, including interest at 4% per annum.	10,352	
7) Loaned $65,000 on July 2, 2009 due in monthly payments of $660 through June 2, 2019, including interest at 4% per annum.	18,643	
8) Loaned $210,000 on November 3, 2009 due in monthly payments of $1,559 through October 3, 2024, including interest at 4% per annum.	126,590	
9) Loaned $150,000 on November 19, 2009 due in monthly payments of $1,114 through October 19, 2021, including interest at 4% per annum.	91,997	

Loans Receivable, Cont'd	CDBG	IRP
10) 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 April 5, 2014 the loan was modified extending monthly payments of $1,915 through August 5, 2017, including interest at 5% per annum.	97,611	
11) Loaned $85,000 on April 8, 2010 due in monthly payments of $1,607 through June 8, 2016 including the default interest rate at 16% per annum. On July 30, 2014 the loan terms were modified, due in monthly payments of $1,235 through July 30, 2017, including interest at 8% annum.	10,421	
12) Loaned $145,000 on August 4, 2011 due in monthly payments of $1.616 through July 4, 2012 including interest at 6% per annum. On November 7, 2014 the loan was modified, due in monthly payments of $1,845 through July 7, 2021, including interest at 6% per annum.	96,483	
13) 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.	104,268	
14) 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.	105,208	
15) 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.	51,258	
16) Loaned $10,000 on August 23, 2013 due in monthly payments of $194 through December 23, 2018, including interest at 6% per annum. On April 04, 2015 loan was modified to 0% interest and $50 per month payments.	8,365	

Loans Receivable, Cont'd

		CDBG	IRP
17)	Loaned $150,000 on March 18, 2013 due in monthly payments of $2,198 through June 18, 2020, including interest at 6% per annum.	82,954	
18)	Loaned $37,500 on December 20, 2013 due in monthly payments of $718 through June 20, 2018, including interest at 5.5% per annum.	20,599	
19)	Loaned $45,000 on July 3, 2014, due in monthly payments of $477 through January 3, 2025, including interest at 5% per annum.	32,054	
20)	Loaned $45,000 on February 10, 2014 due in monthly payments of $880 through August 10, 2019, including interest at 6.5% per annum.	25,210	
21)	Loaned $40,000 on May 6, 2014 due in monthly payments of $575 through November 6, 2021, including interest at 5.5% per annum.	29,137	
22)	Loaned $50,000 on February 21, 2014 due in monthly payments of $719 through August 21, 2021, including interest at 5.5% per annum.	35,475	
23)	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.	54,056	
24)	Loaned $150,000 on February 11, 2015 due in monthly payments of $2,191 through August 11, 2022, including interest at 6% per annum.	126,250	
25)	Loaned $150,000 on April 28, 2015 due in monthly payments of $1,742 through September 28, 2025, including interest at 7% per annum.	146,565	

Loans Receivable, Cont'd	CDBG	IRP
26) Loaned $25,000 on June 4, 2015 due in monthly payments of $365 through June 4, 2022, including interest at 6% per annum.	20,524	
27) Loaned $80,000 on June 30, 2015 due in monthly payments of $675 through September, 2030, including interest at 6% per annum.	76,115	
28) Loaned $235,000 on September 16, 2015 due in monthly payments of $2,609 through March 16, 2026, including interest at 6% per annum.	224,958	
29) Loaned $125,000 on September 25, 2015 due in monthly payments of $1,388 through January 25, 2026, including interest at 6% per annum.	117,307	
30) Loaned $150,000 on February 18, 2016 monthly payments of $$2,899 through June 18, 2012 including interest at 6% per annum.	137,012	
31) Loaned $100,000 on December 3, 2009 due in monthly payments of $743 through December 3, 2024, including interest at 5% per annum.		67,845
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.		41,231
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.		32,141
34) 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 01, 2016 the loan was modified to extend payment to July 16 , 2026 and monthly payments of $515.	42,703	

Loans Receivable, Cont'd

		CDBG	IRP
35)	Loaned $55,000 on February 16, 2016 due in monthly payments of $1063.30 through August 16, 2021 including interest at 6% per annum.	51,690	
36)	Loaned $65,000 on March 16, 2016 due in monthly payments of $465.68 through July 16, 2036 including interest at 6% per annum.	64,322	
37)	Loaned $110,000 on April 06, 2016 due in monthly payments of $1606.94 through August 06, 2023 including interest at 6% per annum.	105,775	
38)	Loaned $150,000 on May 12, 2016 due in monthly payments of $1,665.31 through November 12, 2026 including interest at 6% per annum.	144,540	
39)	Loaned $77,000 on June 29,2016 due in monthly payments of $854.86 through October, 2026 including interest at 6% per annum.	76,070	
40)	Loaned $50,000 on October 12, 2016 due in monthly payments of $555.10 through March 12, 2027 including interest at 6% per annum.	50,000	
41)	Loaned $150,000 on June 30, 2016 due in monthly payments of $1,665.31 through October 30, 2026 including interest at 6% per annum.		145,762
42)	Loaned $162,500 on April 19, 2016 due in monthly payments of $1,804.08 through April 19, 2026 including interest at 6% per annum.	156,567	
	Total:	$2,988,621	$286,978
	Less: Current Portion	435,425	42,495
	Total Long Term	$2,553,196	$ 244,483

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, 2016.

The allowance for doubtful accounts of $2,062 in the Income after Closeout Programs represents that balance due on one loan and $10,511 in CDBG program represents the accrued interest due in one loan.

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, 2016 was $28,534.

Lease payments receivable consisted of the following at December 31, 2016:

Years ending December 31,		
2017	$	5,155
2018		5,155
2019		5,155
2020		5,155
2021		5,155
2022		2,759
Total	$	28,534

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.

WASHINGTON COUNTY LOCAL DEVELOPMENT CORPORATION
Notes to Finánciał Statements
December 31, 2016

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						
	Income After Closeout	Intermediary Relending Program	RBEG Grant	Empire Zone	CDBG Grant	Unrestricted	Total
Cash balances 12/31/2015	$ -	$ 148,828	$ 2,578	$ 510	$ -	$ 1,364,087	$ 1,516,003
							-
Receipts:							-
Interest on deposits	-	81	-	-	2	1,198	1,281
Principal, Interest, and late charge payments	21,650	42,504	-	-	10,824	499,928	574,907
Origination Fees	-	-	-	-	-	18,612	18,612
Events	-	-	-	-	-	2,122	2,122
Grants/Contributi ons	-	-	-	-	337,000	170,670	507,670
Lease Payments	-	-	5,156	-	-		5,156
Total Receipts	21,650	42,585	5,156	-	347,826	692,530	1,109,747
							-
							-
							-
Disbursements	-						-
New Loans	21,650	150,000	-	-	162,500	585,350	919,500
Payroll & related Expenses	-	-	-	-	12,000	76,936	88,936
Professional Fees	-	-	-	-	-	17,889	17,889
Insurances	-	-	-	-	-	2,152	2,152
Principal & Interest	-	12,339	-	-	-	-	12,339
Markting	-	-	-	-	-	8,633	8,633
Office	-	-	-	-	-	1,588	1,588
Meeting Expenses	-	-	-	-	-	803	803
Grant Expenses	-	-	-	-	162,500	-	162,500
Misc Exp	-	-	-	-	-	496	496
Total Disbursements	21,650	162,339	-	-	337,000	693,847	1,214,836
							-
Cash Balances 12/31/16	$ -	$ 29,074	$ 7,734	$ 510	$ 10,826	$ 1,362,770	$ 1,410,914
Cash, Checking	$ -	$ 7,074	$ 7,734	$ 510	$ 10,826	$ 962,315	$ 988,460
Cash, Savings	$ -	$ 22,000	$ -	$ -	$ -	$ 400,455	$ 422,455

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.	$	138,372
Less: current portion		(10,951)
Long-term loan payable, net of current portion	$	127,421

Maturities of long-term loan payable are as follows:

Years ending December 31,		
2017	$	10,951
2018		11,060
2019		11,171
2020		11,283
2020		11,301
Thereafter		82,606
Total	$	138,372

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 $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. The Corporation expects that the recipient will fulfill the contract requirements and therefore the $162,500 will not be repaid.

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 resulted

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.

The balance of the CDBG revolving loan fund as of December 31, 2016 was $10,826.

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.

Subsequent Events

The Corporation has evaluated all events through January 27, 2017 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

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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 Count 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, 2016, 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 theron dated January 27, 2017.

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 I 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

Saratoga Springs, NY

January 27, 2016

WASHINGTON COUNTY
Local Development Corporation

January 27, 2017

Nolan Certified Public Accounting Services, PLLC
184 Edie Rd STE B
Saratoga Springs, NY 12866

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, 2016, 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 January 27, 2017, 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 January 20, 2017, 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.

County Municipal Center, 383 Broadway, Fort Edward, NY 12828
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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.

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: Deanna L. Denny

Title: President / Exec. Director

Signature: _____

Title: Vice Chair