

WASHINGTON COUNTY LOCAL  
DEVELOPMENT CORPORATION

Independent Auditor's Report  
Financial Statements  
December 31, 2017

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, 2017, 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, 2017, 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.

Eagle Bridge, NY  
February 09, 2018

**WASHINGTON COUNTY LOCAL DEVELOPMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**YEAR ENDED DECEMBER 31, 2017**

<b>ASSETS</b>	Restricted					Unrestricted	Total
	Income After Closeout	Intermediary Relending Program	RBEG Grant	Empire Zone	CDBG Grant		
Current Assets:							
Cash- Checking	\$ -	\$ 70,561	\$ 12,891	\$ 510	\$ 35,372	\$ 678,909	\$ 798,243
Cash - Time Deposit	-	22,000	-	-	-	402,419	424,419
Accounts Receivable	-	-	-	-	-	759	759
Current Portion, Loans Receivable	13,094	38,137	-	-	13,360	470,312	534,903
Current Portion, Lease Payments Receivable	-	-	5,155	-	-	-	5,155
USDA Receivable	-	-	-	-	-	-	-
Interest Receivable	275	832	-	-	1,103	35,713	37,923
Total Current Assets	13,369	131,530	18,046	510	49,835	1,588,112	1,801,402
Other Assets:							
Loans receivable, net of current portion	193,915	188,384	-	-	129,634	2,563,109	3,075,042
Allowance for Doubtful Accounts	(1,462)	(22,000)	-	-	-	(303,342)	(326,804)
Lease Payments Receivable, net of current portion	-	-	18,042	-	-	-	18,042
	192,453	166,384	18,042	-	129,634	2,259,767	2,766,280
Total Assets	205,822	297,914	36,088	510	179,469	3,847,879	4,567,682
<b>LIABILITIES AND FUND EQUITY</b>							
Current Liabilities:							
Accounts Payable	-	-	-	-	-	1,587	1,587
Current Portion of Loan Payable	-	10,951	-	-	-	-	10,951
Total Current Liabilities	-	10,951	-	-	-	1,587	12,538
Long-Term Liabilities:							
Long Term Loan Payable, net of current portion	-	116,452	-	-	-	-	116,452
Total Long term Liabilities	-	116,452	-	-	-	-	116,452
Total Liabilities	-	127,403	-	-	-	1,587	128,990
							-
Fund Equity	205,822	170,511	36,088	510	179,469	3,846,292	4,438,692
							\$ -
Total Liabilities and Fund Equity	\$ 205,822	\$ 297,914	\$ 36,088	\$ 510	\$ 179,469	\$ 3,847,879	\$ 4,567,682

See Independent Auditor's Report and Notes

**WASHINGTON COUNTY LOCAL DEVELOPMENT CORPORATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017**

<b>REVENUES</b>	Restricted					Unrestricted	Total
	Income After Closeout	Intermediary Relending Program	RBEG Grant	Empire Zone	CDBG Grant		
Interest on Loans	\$ 8,681.00	\$ 14,780.00	\$ -	\$ -	\$ 9,267.00	\$ 140,824.00	\$ 173,552.00
Interest on Time Deposits	-	83	-	-	10	2,930	3,023
Contributions/Grants	-	-	-	-	-	145,000	145,000
Origination & Late Fees	-	200	-	-	865	20,846	21,911
Events	-	-	-	-	-	1,404	1,404
RBEG Grant Reimbursement	-	-	-	-	-	-	-
Net assets released from Unrestricted Income	(23,350)	-	-	-	-	23,350	-
Total Revenues	(14,669)	15,063	-	-	10,142	334,354	344,890
<b>EXPENDITURES</b>							
Salaries & Wages	-	-	-	-	-	60,000	60,000
Payroll Taxes	-	-	-	-	-	4,752	4,752
Fringe Benefits	-	-	-	-	-	20,383	20,383
Professional Fees	-	-	-	-	-	20,589	20,589
Interest Expense	-	1,370	-	-	-	-	1,370
Insurance	-	-	-	-	-	3,413	3,413
Office Expense	-	-	-	-	-	1,643	1,643
Marketing and Advertising	-	-	-	-	-	5,987	5,987
Meeting Expense	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	874	874
Grant Expenses	-	-	-	-	-	65,000	65,000
Bad Debt Expense (Recovery)	(600)	-	-	-	-	292,791	292,191
Total Expenditures	(600)	1,370	-	-	-	475,432	476,202
Excess (Deficit) of Revenue Over Expenditures	(14,069)	13,693	-	-	10,142	(141,078)	(131,312)
Fund Equity - Beginning of Year	\$ 219,891	\$ 156,818	\$ 36,088	\$ 510	\$ 169,327	\$ 3,987,370	\$ 4,570,004
Fund Equity - End of Year	\$ 205,822	\$ 170,511	\$ 36,088	\$ 510	\$ 179,469	\$ 3,846,292	\$ 4,438,692

**WASHINGTON COUNTY LOCAL DEVELOPMENT CORPORATION**  
**Statement of Cash Flows**  
**Year Ended December 31, 2017**

Cash Flows From Operating Activities:	
Excess of Revenues Over Expenditures	\$ (131,312)
Adjustments to Reconcile Excess of Revenues Over Expenditures to	
Net Cash Provided (Used) by Operating Activities:	
(Increase) Decrease in:	
Accounts Receivable	(532)
Loans Receivable	(332,081)
Lease Payments Receivable	5,157
Interest Receivable	(11,093)
Increase (Decrease) in:	
Accounts Payable	1,587
Allowance for Doubtful Accounts	292,191
Intermediary Relending Program Loan Payable	<u>(10,969)</u>
Net Cash Provided (Used) by Operating Activities	(187,052)
Cash and Cash Equivalents at Beginning of Year	<u>1,410,914</u>
Cash and Cash Equivalents at End of Year	<u><u>1,223,862</u></u>
Supplemental Disclosures of Cash Flow Information:	
Cash Paid During the Year for:	
Interest	<u><u>\$ 1,370</u></u>

See Independent Auditor's Report and Notes

WASHINGTON COUNTY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2017

**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.

WASHINGTON COUNTY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements

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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, 2017, 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 not of allowances to be fully collectible.

Washington County Local Development Corporation had funds on deposit at local banks totaling \$1,222,662 at December 31, 2017. 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, 2017:

	<u>Restricted Income After Closeout:</u>	<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 0 % per annum. (Receiving \$50 per month payment).	1,462	
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.	205,547	

WASHINGTON COUNTY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2017

Unrestricted:

- |     |  |         |
|-----|--|---------|
| 3)  | 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.          | 133,670 |
| 4)  | 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.  | 47,179  |
| 5)  | Loaned \$60,000 on July 24, 2009 due in monthly payments of \$822 through July 24, 2016, including interest at 4% per annum.   | -       |
| 6)  | Loaned \$65,000 on July 2, 2009 due in monthly payments of \$660 through June 2, 2019, including interest at 4% per annum.   | 11,354  |
| 7)  | Loaned \$210,000 on November 3, 2009 due in monthly payments of \$1,559 through November 3, 2024, including interest at 4% per annum.  | 112,768 |
| 8)  | Loaned \$150,000 on November 19, 2009 due in monthly payments of \$1,114 through October 19, 2024, including interest at 4% per annum.<br>On December 19, 2016 the loan was modified extending monthly payments of \$1,713 through December 19, 2021                         | 76,298  |
| 9)  | 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, 2017 the loan was modified extending monthly payments of \$1,681 through August 5, 2022, including interest at 5% per annum. | 81,972  |
| 10) | 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   |         |

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Notes to Financial Statements

December 31, 2017

loan was modified, due in monthly payments of \$1,845 through July 7, 2021, including interest at 6% per annum.	91,845
11) 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.	96,076
12) 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.	96,440
13) 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.	35,188
14) Loaned \$10,000 on August 23, 2013 due in monthly payments of \$194 through December 23, 2018, including interest at 6% per annum.	8,065
15) Loaned \$150,000 on March 18, 2013 due in monthly payments of \$2,198 through June 18, 2020, including interest at 6% per annum.	61,026
16) Loaned \$37,500 on December 20, 2013 due in monthly payments of \$718 through June 20, 2018, including interest at 5.5% per annum.	11,614
17) Loaned \$45,000 on July 3, 2014, due in monthly payments of \$477 through July 3, 2025, including interest at 5% per annum.	26,624
18) Loaned \$45,000 on February 10, 2014 due in monthly payments of \$880 through August 10, 2019, including interest at 6.5% per annum.	15,789
19) Loaned \$40,000 on May 6, 2014 due in monthly payments of \$575 through November 6, 2021, including interest at 5.5% per annum.	23,702
20) Loaned \$50,000 on February 21, 2014 due in	

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	monthly payments of \$719 through August 21, 2021, including interest at 5.5% per annum.	28,644
21)	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.	43,874
22)	Loaned \$150,000 on February 11, 2015 due in monthly payments of \$2,191 through August 11, 2022, including interest at 6% per annum.	107,108
23)	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
24)	Loaned \$25,000 on June 4, 2015 due in monthly payments of \$365 through June 4, 2022, including interest at 6% per annum.	17,303
25)	Loaned \$80,000 on June 30, 2015 due in monthly payments of \$675 through October 30, 2030, including interest at 6% per annum.	72,856
26)	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.	219,454
27)	Loaned \$125,000 on September 25, 2015 due in monthly payments of \$1,388 through January 25, 2026, including interest at 6% per annum.	109,755
28)	Loaned \$150,000 on February 18, 2016 monthly payments of \$2,899 through June 18, 2012 including interest at 6% per annum.	109,800
29)	Loaned \$100,000 on December 3, 2009 due in monthly payments of \$743 through December 3,	

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2025, including interest at 5% per annum.	62,245
30) Loaned \$40,000 on November 27, 2012 due in monthly payments of \$329 through November 27, 2027, including interest at 5.5% per annum.	29,933
31) 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.	33,447
32) Loaned \$55,000 on February 16, 2016 due in monthly payments of \$1063.30 through August 16, 2021 including interest at 6% per annum.	41,339
33) Loaned \$65,000 on March 16, 2016 due in monthly payments of \$465.68 through July 16, 2036 including interest at 6% per annum.	62,587
34) Loaned \$110,000 on April 06, 2016 due in monthly payments of \$1606.94 through August 06, 2023 including interest at 6% per annum.	91,383
35) 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.	135,211
36) Loaned \$77,000 on June 29, 2016 due in monthly payments of \$854.86 through October 29, 2026 including interest at 6% per annum.	70,273
37) Loaned \$50,000 on October 12, 2016 due in monthly payments of \$555.10 through March 12, 2027 including interest at 6% per annum.	47,225
38) 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.	134,343
39) Loaned \$162,500 on April 19, 2016 due in monthly	

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payments of \$1,804.08 through April 19, 2026 including interest at 6% per annum.	142,995	
40) Loaned \$75,000 on April 14, 2017 due in monthly payments of \$1,450 through April 14, 2021 including interest at 6% per annum.	71,761.00	
41) Loaned \$124,625 on April 18, 2017 due in monthly payments of \$1,791 through April 14, 2024 including interest at 6% per annum.	121,035.00	
42) Loaned \$80,000 on April 18, 2017 due in monthly payments of \$1,169 through October 18, 2024 including interest at 6% per annum.	78,472.00	
43) Loaned \$101,400 on July 06, 2017 due in monthly payments of \$856 through October 06, 2032 including interest at 6% per annum.	100,718.00	
44) Loaned \$145,000 on August 28, 2017 due in monthly payments of \$1,224 through December 28, 2032 including interest at 6% per annum.	145,000.00	
45) Loaned \$250,000 on October 25, 2017 due in monthly payments of \$1,791 through March 25,2038 including interest at 6% per annum.	250,000.00	
Total	3,383,424	226,521
Less: Current Portion	<u>496,766</u>	<u>38,137</u>
Total Long Term	<u>\$ 2,886,658</u>	<u>\$ 188,384</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, 2017.

WASHINGTON COUNTY LOCAL DEVELOPMENT CORPORATION

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The allowance for doubtful accounts of \$1,462 in the Income after Closeout Programs represents that balance due on one loan and \$303,342 in unrestricted funds represents 10% of the current outstanding loan portfolio.

**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, 2017 was \$23,198.

Lease payments receivable consisted of the following at December 31, 2017:

Years ending		
December 31,		
2018	\$	5,155
2019		5,155
2020		5,155
2021		5,155
2022		<u>2,758</u>
Total	\$	23,198

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.

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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 12/31/2016	\$ -	\$ 29,074	\$ 7,734	\$ 510	\$ 10,826	\$ 1,362,770	\$ 1,410,914
Receipts:							
Interest on deposits	-	83	-	-	10	2,930	3,023
Principal, Interest, and late charge payments	23,350	75,743	-	-	24,535	504,402	628,030
Origination Fees	-	-	-	-	-	21,901	21,901
Events	-	-	-	-	-	1,404	1,404
Grants/Contributions	-	-	-	-	-	145,000	145,000
Lease Payments	-	-	5,157	-	-	-	5,157
<b>Total Receipts</b>	<b>23,350</b>	<b>75,826</b>	<b>5,157</b>	<b>-</b>	<b>24,545</b>	<b>675,637</b>	<b>804,515</b>
Disbursements							
New Loans	23,350	-	-	-	-	776,025	799,375
Payroll & related Expenses	-	-	-	-	-	83,548	83,548
Professional Fees	-	-	-	-	-	20,589	20,589
Insurances	-	-	-	-	-	3,413	3,413
Principal & Interest	-	12,339	-	-	-	-	12,339
Marketing	-	-	-	-	-	5,987	5,987
Office Meeting Expenses	-	-	-	-	-	1,643	1,643
Grant Expenses	-	-	-	-	-	65,000	65,000
Misc Exp	-	-	-	-	-	874	874
<b>Total Disbursements</b>	<b>23,350</b>	<b>12,339</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>957,079</b>	<b>992,768</b>
Cash Balances 12/31/17	\$ -	\$ 92,561	\$ 12,891	\$ 510	\$ 35,371	\$ 1,081,328	\$ 1,222,661
Cash, Checking	\$ -	\$ 70,561	\$ 12,891	\$ 510	\$ 35,371	\$ 678,909	\$ 798,243
Cash, Savings	\$ -	\$ 22,000	\$ -	\$ -	\$ -	\$ 402,419	\$ 424,419

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**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.

\$ 127,404

Less: current portion

(10,951)

Long-term loan payable, net of current portion

\$ 116,452

Maturities of long-term loan payable are as follows:

Years ending  
December 31,

2018

\$ 10,951

2019

11,060

2020

11,171

2021

11,283

2022

11,301

Thereafter

71,638

Total

\$ 127,404

**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 result

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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, 2017 was \$35,372.

**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 February 09, 2018 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 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, 2017, 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 09, 2018.

### **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.

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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.

Eagle Bridge, NY

February 09, 2018

# **NOLAN CERTIFIED PUBLIC ACCOUNTING SERVICES, PLLC**

Tara M. Nolan, CPA  
243 County Route 68  
Eagle Bridge, NY 12057

February 09, 2018

Board of Directors

Washington County Local Development Corporation

We have audited the financial statements of Washington County Local Development Corporation for the year ended December 31, 2017 and have issued our report thereon dated February 09, 2018 . Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standard as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 20, 2018. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Washington County Local Development Corporation are described in Note 1 to the financial statements. During 2017, the Organization adopted a new policy regarding the allowance for bad debt. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Management's estimate of the allowance for uncollectable doubtful accounts is based on historical collection percentages and is set at 10% of the outstanding loan balance. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. See attached journal entries with the corrected misstatements.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 09, 2018.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

This information is intended solely for the use of management and the board of directors of Washington County Local Development Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Nolan Certified Public Accounting Services PLLC*

Nolan Certified Public Accounting Services, PLLC

Eagle Bridge, NY

## **Audit Observations & Recommendations**

### **PRIOR YEAR:**

#### *Accounting Policies*

##### Bad Debt Allowance

The organization currently has no set policy regarding establishing an allowance for bad debts. While there is the \$22,000 allowance as required per one loan program, the other bad debt allowance appears to be set by the independent auditor each year. The Board should be setting the allowance and adjusting it each year.

While the LDC appears to have a history of minimal bad debt write offs, an allowance should still be considered especially if accrued interest on loans in default will not be collected.

There are several ways to set an allowance- there is no one correct method. Several suggestions would be

- 1) Percentage of Outstanding Loans
- 2) Percentage of Loans in default each year
- 3) Actual analysis of loans and outstanding interest receivable each year

**CURRENT YEAR COMMENT: THE ORGANIZATION HAS ADOPTED A POLICY REGARDING THE SETTING OF THE BAD DEBT ALLOWANCE AND WILL BE CONSISTENT GOING FORWARD**

##### Accruals

Interest accruals on outstanding loans should be made at the end of each year. This year, with the one loan not being paid on, the interest accrual was substantial. Glens Falls National bank provides this information and a spreadsheet can be made to set up and adjust the accrual each year.

**CURRENT YEAR COMMENT: INTEREST ACCRUAL WAS STILL HIGH DUE TO THE ONE OUTSTANDING LOAN**

#### *Internal Control Recommendations*

##### Handwritten Checks

I would recommend all checks be printed through QuickBooks. This would eliminate the potential issue of a manual check not being recorded in QuickBooks. If a manual check was not recorded- it would not be discovered until when the check clears on the bank statement and the bank reconciliation is performed.

**CURRENT YEAR COMMENT: ORGANIZATION NO LONGER USES MANUAL CHECKS.**

##### Time Sheets

While Deanna is salaried, she does fill out detailed time sheets regarding her hours worked, paid time off taken etc. These sheets however should be reviewed and signed by a board member at least monthly, since due to the nature of the organization it is not feasible for them to be signed before each payroll. However, providing this review is an important part of internal control.

**CURRENT YEAR COMMENT: EXECUTIVE DIRECTOR KEEPS TIMESHEETS WHICH ARE SIGNED BY A BOARD MEMBER.**

**SEP Contributions**

Sep Contributions should be made per the contract with the employee. Prepaying the SEP contribution would create an issue is the employee were to leave during the middle of the year, then the SEP contribution would have to be refunded by the employee back to the organization. SEP IRA contributions are 100% vested as soon as the contribution is paid, therefore, the only recourse the organization would have would be to try to be refunded by the employee.

**CURRENT YEAR COMMENT: SEP CONTRIBUTIONS ARE NO LONGER PREPAID.**