

WASHINGTON COUNTY LOCAL  
DEVELOPMENT CORPORATION

Independent Auditors' Report

Financial Statements

December 31, 2008

WASHINGTON COUNTY LOCAL  
DEVELOPMENT CORPORATION

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# WHITTEMORE, DOWEN & RICCIARDELLI, LLP

Certified Public Accountants

333 Aviation Road, Bldg. B Queensbury, New York 12804

Phone (518) 792-0918 Fax (518) 743-0882

Phillip K. Whittemore, CPA  
Paul L. Downen, CPA  
Robert A. Ricciardelli, JD, CPA  
Donna J. Farrar, CPA  
Timothy S. Smith, CPA

Saratoga Office  
57 Phila Street  
Saratoga Springs, NY 12866  
Phone (518) 584-0770

Anthony P. Ricciardelli, CPA  
Stephen P. Sheehan, CPA  
Roy L. Steves, CPA

## INDEPENDENT AUDITORS' REPORT

To The Board of Directors  
Washington County Local  
Development Corporation:

We have audited the accompanying statement of financial position of Washington County Local Development Corporation, a component unit of Washington County, as of December 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, 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.

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2009 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 and important for assessing the results of our audit.

*Whittemore, Downen & Ricciardelli, LLP*

Whittemore, Downen & Ricciardelli, LLP

February 27, 2009

WASHINGTON COUNTY LOCAL  
DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2008

ASSETS	Restricted			Unrestricted	Total
	Income After Closeout	Intermediary Relending Program	Empire Zone		
Current Assets:					
Cash-checking	\$ 84,444	\$ 171,382	\$ 31,993	\$ 541,544	\$ 829,363
Cash-time deposit	1,044,601	22,000	-	421,679	1,488,280
Loans receivable, current portion	122,240	46,457	-	163,193	331,890
Interest receivable	1,098	199	-	-	1,297
Total Current Assets	1,252,383	240,038	31,993	1,126,416	2,650,830
Other Assets:					
Loans receivable, long-term portion	511,198	91,461	-	813,791	1,416,450
Allowance for doubtful accounts	(16,851)	(22,000)	-	-	(38,851)
Total Other Assets	494,347	69,461	-	813,791	1,377,599
Total Assets	\$ 1,746,730	\$ 309,499	\$ 31,993	\$ 1,940,207	\$ 4,028,429
LIABILITIES AND FUND EQUITY					
Current Liabilities:					
Accounts payable	\$ 7,306	\$ -	\$ -	\$ -	\$ 7,306
Current portion of loan payable	-	10,113	-	-	10,113
Total Current Liabilities	7,306	10,113	-	-	17,419
Long-Term Liabilities:					
Long-term loan payable, net of current portion	-	212,230	-	-	212,230
Total Long-Term Liabilities	-	212,230	-	-	212,230
Total Liabilities	7,306	222,343	-	-	229,649
Fund Equity	1,739,424	87,156	31,993	1,940,207	3,798,780
Total Liabilities and Fund Equity	\$ 1,746,730	\$ 309,499	\$ 31,993	\$ 1,940,207	\$ 4,028,429

See Auditors' Report and Notes

WASHINGTON COUNTY LOCAL  
DEVELOPMENT CORPORATION

Statement of Activities

Year Ended December 31, 2008

REVENUES	Restricted			Unrestricted	Total
	Income After Closeout	Intermediary Relending Program	Empire Zone		
Interest on loans	\$ 41,876	\$ 10,128	\$ -	\$ 47,681	\$ 99,685
Interest on time deposits	-	977	55	34,239	35,271
Contributions/grants	-	-	73,500	-	73,500
Origination fees	-	-	-	1,300	1,300
Miscellaneous	-	-	5	2,000	2,005
Net assets released to unrestricted income	(521,710)	-	-	521,710	-
<b>Total Revenues</b>	<b>(479,834)</b>	<b>11,105</b>	<b>73,560</b>	<b>606,930</b>	<b>211,761</b>
<b>EXPENDITURES</b>					
Payroll expenses	1,673	-	62,553	-	64,226
Professional fees	11,523	-	3,240	550	15,313
Interest expense	-	2,333	-	-	2,333
Office expense	1,848	-	392	-	2,240
Miscellaneous	6,934	40	1,877	28,386	37,237
<b>Total Expenditures</b>	<b>21,978</b>	<b>2,373</b>	<b>68,062</b>	<b>28,936</b>	<b>121,349</b>
Excess of Revenues Over Expenditures	(501,812)	8,732	5,498	577,994	90,412
Fund Equity at Beginning of Year	2,241,236	78,424	26,495	1,362,213	3,708,368
Fund Equity at End of Year	\$ 1,739,424	\$ 87,156	\$ 31,993	\$ 1,940,207	\$ 3,798,780

See Auditors' Report and Notes

WASHINGTON COUNTY LOCAL  
DEVELOPMENT CORPORATION

Statement of Cash Flows

Year Ended December 31, 2008

Cash Flows From Operating Activities:	
Excess of Revenues Over Expenditures	\$ 90,412
Adjustments to Reconcile Revenues over Expenditures to Net Cash Provided (Used) by Operating Activities:	
(Increase) Decrease in:	
Decrease in loans receivable	853,709
Decrease in interest receivable	3,538
Increase (Decrease) in:	
Increase in accounts payable	2,400
Increase in allowance for doubtful accounts	8,139
Decrease in intermediary relending program loan payable	(10,004)
Net Cash Provided (Used) by Operating Activities	<u>948,194</u>
Cash and Cash Equivalents at Beginning of Year	<u>1,369,449</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 2,317,643</u></u>
Supplemental Disclosures of Cash Flow Information:	
Cash Paid During the Year for:	
Interest	<u><u>\$ 2,333</u></u>

See Auditors Report and Notes

WASHINGTON COUNTY LOCAL  
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2008

**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 exempt from income taxes as a not-for-profit corporation under tax section 501(c)(4) as determined by the Internal Revenue Service and, accordingly, these financial statements do not reflect a provision for income taxes.

Concentrations of Credit Risk

Financial instruments which potentially expose the organization to concentrations of credit risk, as defined by Financial Accounting Standards Board Statement No. 105, 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 \$2,313,395 at December 31, 2008. These deposits are fully insured by Federal Deposit Insurance Corporation, pledged collateral and a letter of credit.

WASHINGTON COUNTY LOCAL  
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2008

**Summary of Significant Accounting Policies – Continued**

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.

**Loans Receivable**

Loans receivable consisted of the following at December 31, 2008:

	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. (Receiving \$100 per month payment).	\$ 7,512	
2) Loaned \$200,000 on March 27, 1998 due in monthly payments of \$1,798 through April 27, 2013, including interest at 7% per annum.	74,986	
3) Loaned \$175,000 on May 12, 2000 due in monthly payments of \$1,549 through May 12, 2015, including interest at 6.75% per annum.	98,147	
4) Loaned \$175,000 on July 16, 2001 due in monthly payments of \$1,524 through July 16, 2016, including interest at 6.375% per annum.	109,097	
5) Loaned \$150,000 on May 6, 2003 due in monthly payments of \$2,054 through May 6, 2010, including interest at 4% per annum.	33,924	
6) Loaned \$350,000 on June 30, 2003 due in monthly payments of \$3,178 through June 30, 2015, including interest at 4% per annum.	245,852	
7) Loaned \$150,000 on August 7, 2003 due in monthly payments of \$2,054 through August 7, 2010, including interest at 4% per annum.	3,373	
8) Loaned \$139,000 on August 22, 2003 due in monthly payments of \$1,904 through August 22, 2010, including interest at 4% per annum.	60,547	
9) Loaned \$60,000 on June 24, 2004 due in monthly payments of \$1,134 through November 24, 2008, including interest at 5% per annum.	6,265	
10) Loaned \$35,000 on August 20, 2004 due in monthly payments of \$249 through July 20, 2014, including interest at 4% per annum.	26,865	

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Notes to Financial Statements

December 31, 2008

**Loans Receivable – Continued**

		CDBG Loans	IRP Loans
11)	Loaned \$171,823 on October 31, 2005 due in monthly payments of \$2,824 through May 31, 2011, including interest at 4% per annum.	91,918	
12)	Loaned \$24,200 on December 21, 2005 due in monthly payments of \$519 through April 11, 2008, including interest at 5% per annum.	9,845	
13)	Loaned \$180,000 on November 1, 2005, interest only payments beginning on December 22, 2005 at 4% per annum. Principal payments due on June 1, 2006 through October 1, 2011, including interest at 4% per annum.	100,391	
14)	Loaned \$87,000 on January 6, 2006 due in monthly payments of \$1,381 through February 6, 2012, including interest at 4.4375% per annum.	46,951	
15)	Loaned \$68,500 on February 21, 2006 due in monthly payments of \$1,271 through February 21, 2011, including interest at 4.25 % per annum.	31,423	
16)	Loaned \$390,000 on December 31, 2006, interest only payments beginning on November 30, 2006 at 5.19% per annum. Principal payments due on May 31, 2007 through September 30, 2021, including interest at 5.19% per annum.	358,896	
17)	Loaned \$150,000 on December 1, 2006 due in monthly payments of \$1,207 through November 1, 2021, including interest at 5.19% per annum.	132,939	
18)	Loaned \$45,000 on July 26, 2007 due in monthly payments of \$483 through July 26, 2017, including interest at 5.19% per annum.	39,247	
19)	Loaned \$10,000 on March 27, 2007 due in monthly payments of \$213 through March 27, 2012, including interest at 6.19% per annum.	9,339	
20)	Loaned \$36,000 on June 20, 2007 due in monthly payments of \$750 through June 20, 2012, including interest at 5.2% per annum.	28,722	
21)	Loaned \$25,000 on May 5, 2008 due in monthly payments of \$519 through May 5, 2013, including interest at 5% per annum.	24,178	

WASHINGTON COUNTY LOCAL  
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Notes to Financial Statements

December 31, 2008

**Loans Receivable – Continued**

	CDBG Loans	IRP Loans
22) Loaned \$55,000 on June 27, 2008 due in monthly payments of \$753 through June 27, 2015, including interest at 4% per annum.	53,299	
23) Loaned \$16,707 on December 18, 2008 due in monthly payments of \$283 through November 18, 2014, including interest at 5% per annum.	16,706	
24) Loaned \$50,000 on January 22, 1999 due in monthly payments of \$561 through January 22, 2009, including interest at 6.25% per annum.		948
25) Loaned \$76,000 on April 28, 2000 due in monthly payments of \$902 through April 28, 2010, including interest of 7.5% per annum.		14,118
26) Loaned \$75,000 on November 5, 2004 due in monthly payments of \$798 through April 5, 2010, including interest at 5% per annum.		47,708
27) Loaned \$50,000 on December 16, 2004 due in monthly payments of \$685 through December 16, 2011, including interest at 4% per annum.		23,085
28) Loaned \$25,000 on August 1, 2005 due in monthly payments of \$461 through July 31, 2010, including interest at 4% per annum.		8,465
29) Loaned \$75,000 on August 18, 2006 due in monthly payments of \$1,417 through August 18, 2011, including interest at 5% per annum.		43,594
Total loans receivable	1,610,422	137,918
Less: current portion	(285,433)	(46,457)
Long-term portion	\$ 1,324,989	\$ 91,461

**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, 2008.

The allowance for doubtful accounts of \$16,851 in the Income After Closeout Program (CDBG) represents the balance due on two loans.

WASHINGTON COUNTY LOCAL  
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Notes to Financial Statements

December 31, 2008

**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>Income After Closeout</u>	<u>Restricted Intermediary Relending Program</u>	<u>Empire Zone</u>	<u>Unrestricted</u>	<u>Total</u>
Cash balances at 12/31/07	\$ 525,573	\$ 106,394	\$ 26,495	\$ 710,987	\$ 1,369,449
Receipts:					
Interest in time deposit	-	977	55	34,239	35,271
Principal, interest and late charge payments received	707,193	98,390	-	255,706	1,061,289
Contributions	-	-	73,500	-	73,500
Origination fees	-	-	-	1,300	1,300
Miscellaneous	10	-	5	2,000	2,015
<b>Total receipts</b>	<u>707,203</u>	<u>99,367</u>	<u>73,560</u>	<u>293,245</u>	<u>1,173,375</u>
Disbursements:					
New loans	86,273	-	-	16,707	102,980
Payroll expense	2,823	-	62,553	-	65,376
Professional fees	11,523	-	3,240	550	15,313
Interest expense	-	12,339	-	-	12,339
Office expense	1,848	-	392	-	2,240
Miscellaneous expense	1,264	40	1,877	23,752	26,933
<b>Total disbursements</b>	<u>103,731</u>	<u>12,379</u>	<u>68,062</u>	<u>41,009</u>	<u>225,181</u>
Cash balances at 12/31/08	<u>\$1,129,045</u>	<u>\$ 193,382</u>	<u>\$ 31,993</u>	<u>\$ 963,223</u>	<u>\$ 2,317,643</u>
Cash, checking	<u>\$ 84,444</u>	<u>\$ 171,382</u>	<u>\$ 31,993</u>	<u>\$ 541,544</u>	<u>\$ 829,363</u>
Cash, savings	<u>\$1,044,601</u>	<u>\$ 22,000</u>	<u>\$ -</u>	<u>\$ 421,679</u>	<u>\$ 1,488,280</u>

**Related Party**

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

WASHINGTON COUNTY LOCAL  
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2008

**Intermediary Relending Program Loan Payable**

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, 2008, the Washington County Local Development Corporation has drawn down \$300,000 and has made eight loans.

**Long-Term Debt**

	<u>2008</u>
An installment contract to the U.S. Department of Agriculture payable in monthly installments of \$12,339, including interest at 1%, through November 2028.	\$ 222,343
Less: current portion	<u>(10,113)</u>
Long-term debt, net of current portion	<u>\$ 212,230</u>

Maturities of long-term debt are as follows:

Years ending	
December 31,	
2009	\$ 10,113
2010	10,214
2011	10,316
2012	10,419
2013	10,523
Thereafter	<u>170,758</u>
Total	<u>\$ 222,343</u>

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## 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:

We have audited the financial statements of Washington County Local Development Corporation (a non-profit organization) as of and for the year ended December 31, 2008, and have issued our report thereon dated February 27, 2009. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Washington County Local Development Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Washington County Local Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### 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*.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP

February 27, 2009