

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Independent Auditors' Report

Financial Statements

December 31, 2011



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

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Washington County Local Development Corporation, a component unit of Washington County, as of December 31, 2011, 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, 2011, 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 13, 2012 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 13, 2012

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2011

ASSETS	Restricted			Unrestricted	
	Income After Closeout	Intermediary Relending Program	Empire Zone		Total
Current Assets:					
Cash-checking	\$ -	\$ 43,154	\$ 13,298	\$ 587,677	\$ 644,129
Cash-time deposit	-	22,000	-	675,643	697,643
Accounts receivable	-	-	-	380	380
Current portion, loans receivable	55,547	30,961	-	219,013	305,521
Interest receivable	5,977	-	-	-	5,977
Total Current Assets	61,524	96,115	13,298	1,482,713	1,653,650
Other Assets:					
Loans receivable, net of current portion	280,414	226,111	-	1,885,524	2,392,049
Allowance for doubtful accounts	(5,062)	(22,000)	-	(35,849)	(62,911)
Total Other Assets	275,352	204,111	-	1,849,675	2,329,138
Total Assets	\$ 336,876	\$ 300,226	\$ 13,298	\$ 3,332,388	\$ 3,982,788
LIABILITIES AND FUND EQUITY					
Current Liabilities:					
Accounts payable	\$ 638	\$ -	\$ -	\$ -	\$ 638
Current portion of loan payable	-	10,419	-	-	10,419
Total Current Liabilities	638	10,419	-	-	11,057
Long-Term Liabilities:					
Long-term loan payable, net of current portion	-	181,320	-	-	181,320
Total Long-Term Liabilities	-	181,320	-	-	181,320
Total Liabilities	638	191,739	-	-	192,377
Fund Equity	336,238	108,487	13,298	3,332,388	3,790,411
Total Liabilities and Fund Equity	\$ 336,876	\$ 300,226	\$ 13,298	\$ 3,332,388	\$ 3,982,788

See Independent Auditors' Report and Notes

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Statement of Activities

Year Ended December 31, 2011

REVENUES	Restricted			Unrestricted	Total
	Income After Closeout	Intermediary Relending Program	Empire Zone		
Interest on loans	\$ 4,430	\$ 8,337	\$ -	\$ 101,534	\$ 114,301
Interest on time deposits	-	206	17	2,664	2,887
Contributions/grants	-	-	-	85,000	85,000
Origination fees	-	3,185	-	11,755	14,940
Events	-	-	-	19,310	19,310
Miscellaneous	-	58	-	3,854	3,912
Net assets released from unrestricted income	(350,440)	-	-	350,440	-
Total Revenues	(346,010)	11,786	17	574,557	240,350
EXPENDITURES					
Payroll expenses	-	-	18,430	86,821	105,251
Professional fees	-	-	2,000	15,420	17,420
Interest expense	-	2,185	-	-	2,185
Office expense	-	-	-	4,896	4,896
Planning expense	-	-	-	43,605	43,605
Events expense	-	-	-	4,350	4,350
Miscellaneous	-	-	-	13,329	13,329
Bad debt expense	-	-	-	(25,668)	(25,668)
Total Expenditures	-	2,185	20,430	142,753	165,368
Excess (Deficit) of Revenues Over Expenditures	(346,010)	9,601	(20,413)	431,804	74,982
Fund Equity at Beginning of Year	682,248	98,886	33,711	2,900,584	3,715,429
Fund Equity at End of Year	\$ 336,238	\$ 108,487	\$ 13,298	\$ 3,332,388	\$ 3,790,411

See Independent Auditors' Report and Notes

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Statement of Cash Flows

Year Ended December 31, 2011

Cash Flows From Operating Activities:	
Excess of Revenues Over Expenditures	\$ 74,982
Adjustments to Reconcile Excess of Revenues Over Expenditures to Net Cash Provided (Used) by Operating Activities:	
(Increase) Decrease in:	
Accounts receivable	1,567
Loans receivable	(210,873)
Interest receivable	(575)
Increase (Decrease) in:	
Accounts payable	(4,469)
Allowance for doubtful accounts	(63,960)
Intermediary relending program loan payable	<u>(10,154)</u>
Net Cash Provided (Used) by Operating Activities	(213,482)
Cash and Cash Equivalents at Beginning of Year	<u>1,555,254</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,341,772</u>
 Supplemental Disclosures of Cash Flow Information:	
Cash Paid During the Year for:	
Interest	<u>\$ 2,185</u>

See Independent Auditors' Report and Notes

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2011

Summary of Significant Accounting Policies

The summary of significant accounting policies of Washington County Local Development Corporation is presented to assist in understanding the Washington County Local Development Corporation's financial statements. The financial statements and notes are representations of the Washington County Local Development Corporation's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Organization

Washington County Local Development Corporation was incorporated in 1985 under the Not-for-Profit Law of the State of New York for the purpose of relieving and reducing unemployment by promoting and providing job opportunities for low to moderate income residents of Washington County. This is accomplished through loans to qualifying employers. In 1986, Washington County contracted with the Local Development Corporation to administer a revolving loan program created by the repayments of low interest loans issued by the Washington County Community Development Program. The County Board of Supervisors assigned all loans to the Local Development Corporation for no consideration. The Local Development Corporation is a component unit of Washington County and is included as such in the County's general-purpose financial statements.

Revenue Recognition

The Washington County Local Development Corporation's primary source of revenue is from principal and interest repayments received on loans issued by the Local Development Corporation through the HUD Program and the Intermediary Relending Program.

Accounting Method

The Washington County Local Development Corporation accounts for all transactions on the accrual method of accounting.

Allowance for Doubtful Accounts

Bad debts are provided on the allowance method based on historical experience and management's evaluation of outstanding loans receivable at the end of each year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Washington County Local Development Corporation is an exempt organization under Sec. (501)(c)(3) of the Internal Revenue Code. As of December 31, 2011, the tax years that remain subject to examination by taxing authorities begin with 2008.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Washington County Local Development Corporation considers all highly liquid debt instruments purchased with a maturity of 90 days or less to be cash equivalents.

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2011

Concentration of Credit Risk

Financial instruments which potentially expose the organization to concentration of credit risk consist primarily of loans receivable. Management considers the loans net of allowances to be fully collectible.

Washington County Local Development Corporation had funds on deposit at local banks totaling \$1,344,877 at December 31, 2011. 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, 2011:

	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 \$50 per month payment).	\$ 5,062	
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.	20,790	
3) 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.	36,448	
4) Loaned \$350,000 on June 30, 2003 due in monthly payments of \$3,178 through January 22, 2015, including interest at 4% per annum. On January 19, 2010 the loan was modified reducing the monthly payments to \$1,500 with the entire principle balance due, January 22, 2015.	265,606	
5) Loaned \$139,000 on August 22, 2003 due in monthly payments of \$1,904 through August 22, 2010, including interest at 4% per annum.	8,055	
6) Loaned \$35,000 on August 20, 2004 due in monthly payments of \$249 through July 20, 2014, including interest at 4% per annum.	20,828	
7) 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.	1,946	
8) 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.	297,151	

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2011

Loans Receivable – Continued

		CDBG Loans	IRP Loans
9)	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.	108,725	
10)	Loaned \$45,000 on July 26, 2007 due in monthly payments of \$483 through July 26, 2017, including interest at 5.19% per annum.	26,758	
11)	Loaned \$10,000 on March 27, 2007 due in monthly payments of \$213 through September 27, 2013, including interest at 6.19% per annum.	4,804	
12)	Loaned \$36,000 on June 20, 2007 due in monthly payments of \$750 through June 20, 2012, including interest at 5.2% per annum.	4,419	
13)	Loaned \$25,000 on May 5, 2008 due in monthly payments of \$519 through May 5, 2013, including interest at 5% per annum.	8,506	
14)	Loaned \$55,000 on June 27, 2008 due in monthly payments of \$753 through June 27, 2015, including interest at 4% per annum.	35,849	
15)	Loaned \$19,539 on December 31, 2009 due in monthly payments of \$295 through March 18, 2016, including interest at 4% per annum.	14,164	
16)	Loaned \$60,000 on August 24, 2009 due in monthly payments of \$822 through July 24, 2016, including interest at 4% per annum.	41,882	
17)	Loaned \$65,000 on July 2, 2009 due in monthly payments of \$660 through June 2, 2019, including interest at 4% per annum.	50,794	
18)	Loaned \$150,000 on May 28, 2009 due in monthly payments of \$2,351 through June 28, 2015, including interest at 4% per annum.	92,496	
19)	Loaned \$125,000 on October 5, 2009 due in monthly payments of \$993 through August 8, 2024, including interest at 5% per annum.	111,457	
20)	Loaned \$210,000 on November 3, 2009 due in monthly payments of \$1,599 through October 3, 2024, including interest at 4% per annum.	187,876	

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2011

Loans Receivable – Continued

		CDBG Loans	IRP Loans
21)	Loaned \$150,000 on November 11, 2009 due in monthly payments of \$1,114 through October 19, 2024, including interest at 4% per annum.	134,192	
22)	Loaned \$20,000 on September 10, 2009 due in monthly payments of \$378 through March 10, 2015, including interest at 5% per annum.	13,573	
23)	Loaned \$6,000 on December 16, 2009 due in monthly payments of \$122 through July 16, 2014, at 0% interest.	4,121	
24)	Loaned \$25,000 on August 19, 2010 due in monthly payments of \$478 through February 19, 2016 including interest at 5.5% per annum.	21,692	
25)	Loaned \$180,000 on August 5, 2010 due in monthly payments of \$1,915 through August 5, 2017 including interest at 5% per annum.	165,776	
26)	Loaned \$120,000 on December 21, 2011 at 5.5% interest. Payments of interest only to begin on January 21, 2012 through May 8, 2016 when the entire principal balance will be due.	120,000	
27)	Loaned \$8,149 on April 1, 2010 due in monthly payments of \$169 through March 1, 2015 including interest at 5.5% per annum.	6,214	
28)	Loaned \$20,000 on November 18, 2010 due in monthly payments of \$383 through November 18, 2015 including interest at 5.5% per annum.	16,124	
29)	Loaned \$85,000 on April 8, 2010 due in monthly payments of \$1,607 through June 8, 2015 including interest at 5% per annum.	70,473	
30)	Loaned \$145,000 on August 4, 2011 due in monthly payments of \$1,616 through July 4, 2012 including interest at 6% per annum.	141,463	
31)	Loaned \$140,000 on October 27, 2011 due in monthly payments of \$1,150 through October 27, 2018 including interest at 6% per annum.	139,003	
32)	Loaned \$97,000 on June 21, 2011 due in monthly payments of \$1,421 through June 21, 2019 including interest at 6% per annum.	92,325	

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2011

Loans Receivable – Continued

	CDBG Loans	IRP Loans
33) 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.	142,363	
34) Loaned \$30,000 on November 29, 2011 due in monthly payments of \$574 through November 29, 2016 including interest at 5.5% per annum.	29,563	
35) Loaned \$75,000 on November 5, 2004 due in monthly payments of \$798 through September 1, 2014, including interest at 5% per annum.		24,479
36) Loaned \$100,000 on December 3, 2009 due in monthly payments of \$743 through December 3, 2024, including interest at 5% per annum.		91,940
37) Loaned \$145,000 on September 21, 2011 due in monthly payments of \$2,054 through September 21, 2018, including interest at 5% per annum.	140,653	140,653
Total loans receivable	2,440,498	257,072
Less: current portion	(274,560)	(30,961)
Long-term portion	\$ 2,165,938	\$ 226,111

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, 2011.

The allowance for doubtful accounts of \$40,911 in the Income After Closeout Programs and CDBG represents the balance due on two loans.

WASHINGTON COUNTY LOCAL
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2011

Restricted and Unrestricted Assets

Receipts, disbursements, and cash balances related to Federal funds which are subject to certain restrictions and unrestricted funds not subject to Federal restrictions are comprised of the following:

	<u>Restricted</u>			<u>Unrestricted</u>	<u>Total</u>
	<u>Income After Closeout</u>	<u>Intermediary Relending Program</u>	<u>Empire Zone</u>		
Cash balances at 12/31/10	\$ 289,196	\$ 173,665	\$ 33,711	\$ 1,058,683	\$ 1,555,255
Receipts:					
Interest in time deposit	-	206	17	2,664	2,887
Principal, interest and late charge payments received	79,237	45,514	-	443,660	568,411
Contributions	-	-	-	85,000	85,000
Origination fees	-	3,050	-	11,755	14,805
Events	-	-	-	18,930	18,930
Miscellaneous	-	58	-	4,084	4,142
Total receipts	<u>79,237</u>	<u>48,828</u>	<u>17</u>	<u>566,093</u>	<u>694,175</u>
Disbursements:					
New loans	368,433	145,000	-	188,567	702,000
Payroll expense	-	-	18,430	86,380	104,810
Professional fees	-	-	2,000	12,756	14,756
Insurance(s)	-	-	-	2,286	2,286
Interest expense	-	12,339	-	-	12,339
Marketing/advertising	-	-	-	14,301	14,301
Office expense	-	-	-	2,554	2,554
Planning expense	-	-	-	48,262	48,262
Miscellaneous expense	-	-	-	6,350	6,350
Total disbursements	<u>368,433</u>	<u>157,339</u>	<u>20,430</u>	<u>361,456</u>	<u>907,658</u>
Cash balances at 12/31/11	<u>\$ -</u>	<u>\$ 65,154</u>	<u>\$ 13,298</u>	<u>\$ 1,263,320</u>	<u>\$ 1,341,772</u>
Cash, checking	<u>\$ -</u>	<u>\$ 43,154</u>	<u>\$ 13,298</u>	<u>\$ 587,677</u>	<u>\$ 644,129</u>
Cash, savings	<u>\$ -</u>	<u>\$ 22,000</u>	<u>\$ -</u>	<u>\$ 675,643</u>	<u>\$ 697,643</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, 2011

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, 2011, the Washington County Local Development Corporation has drawn down \$300,000 and has made eight loans.

An installment contract to the U.S. Department of Agriculture payable in annual installments of \$12,339, including interest at 1%, through November 2028.

\$ 191,739

Less: current portion

(10,419)

Long-term loan payable, net of current portion

\$ 181,320

Maturities of long-term loan payable are as follows:

Years ending
December 31,
2012
2013
2014
2015
2016
Thereafter

\$ 10,419

10,523

10,629

10,735

10,842

138,591

Total

\$ 191,739

Subsequent Events

The Corporation has evaluated all events through February 13, 2012, the date which these financial statements were available to be issued, and determined that there are no subsequent events which require disclosure.



WHITTEMORE, DOWEN & RICCIARDELLI, LLP
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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of Washington County Local Development Corporation, a component unit of Washington County, as of and for the year ended December 31, 2011, and have issued our report thereon dated February 13, 2012. 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 Corporation's internal control over financial reporting.

A deficiency in internal controls 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 13, 2012