

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of Columbia County, New York)
EIN 14-1755710
FINANCIAL STATEMENTS
(and Reports of Independent Auditors Required by Office
Of Management and Budget Circular A-133)

December 31, 2013

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of Columbia County, New York)

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PART I

Financial Statements

And Schedule of Expenditures of Federal Awards



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INDEPENDENT AUDITORS' REPORT

To the Chairman and Board of
Columbia Economic Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Columbia Economic Development Corporation (a component unit of the County of Columbia, New York) (The "Corporation"), as of December 31, 2013, and for the year then ended, and the related notes to the financial statements which collectively comprise Columbia Economic Development Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Columbia Economic Development Corporation's 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Columbia Economic Development Corporation, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Columbia Economic Development Corporation's basic financial statements. The Statement of Revenues and Expenditures – Budget to Actual on page 33 and Schedule of Expenditures of Federal Awards (required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations) on pages 31 to 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information and the Schedule of Expenditures and Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Revenues and Expenditures – Budget to Actual and the Schedule of Expenditures and Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2014 on our consideration of Columbia Economic Development Corporation's internal control over financial reporting and on 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 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 Columbia Economic Development Corporation's internal control over financial reporting and compliance.

Pattison, Koskey, Howe + Rucci, CPAs, P.C.

Valatie, New York
March 26, 2014

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS

1. Introduction:

Within this section of the Columbia Economic Development Corporation's (the "Corporation") financial statements, the Corporation's management provides narrative discussion and analysis of the financial activities of the Corporation for the year ended December 31, 2013. This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements for the year ended December 31, 2013.

2. Overview of the Financial Statements:

The Corporation's basic financial statements include: (1) financial statements, (2) notes to the financial statements, and (3) supplementary information.

Financial Statements:

The Corporation's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Corporation is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and are depreciated over their useful lives. See notes to the financial statements for a summary of the Corporation's significant accounting policies.

The *Statement of Net Position* presents information on the Corporation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Corporation's financial position.

The *Statement of Revenues, Expenses and Change in Net Position* presents information showing how the Corporation's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future periods.

The *Statement of Cash Flows* relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Corporation's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the statement of cash flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

Notes to Financial Statements:

The accompanying notes to the financial statements provide information essential to a full understanding of the basic financial statements.

Supplementary Information:

The Statement of Revenues and Expenditures - Budget and Actual provides a comparison of budget and actual information for the Corporation's operating accounts. Supplementary information begins immediately following the notes to the financial statements.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Financial Highlights:

The revenue budget for 2013 was \$529,897 with a projected loss of \$49,556.

Total operating fund revenues were 12% more than budget, primarily due to a combination of Grant revenue for the amount of \$21,052 not accounted for in the budget, and additional administrative fees of \$6,137 over the budgeted amount. There was also unbudgeted miscellaneous income and F499 interest of \$3,286 and \$3,306, respectively, and unanticipated SBA Grant revenue of \$40,832. Total expenditures were more than budget by 13%, due to a professional fees being \$9,612 more than was expected and \$112,900 in transfers to other programs, which was \$97,900 more than the budgeted amount. This increase was offset by being under budget by the amount of \$18,790 related to office and personnel expenses.

4. Financial Statement Analysis:

Below is a comparative summary of the Corporation's operating fund Statement of Net Position as of December 31:

	2013	2012
Assets	\$ 1,045,710	\$ 1,116,123
Liabilities		
Current liabilities	\$ 13,500	\$ 18,846
Long term liabilities	-	3,278
Net position	1,032,210	1,093,999
Total liabilities and net position	\$ 1,045,710	\$ 1,116,123

The Corporation's operating fund assets primarily consist of cash in banks and money market funds (\$872,708 and \$907,633 at December 31, 2013 and 2012, respectively). Assets also include property and equipment (\$123,294 and \$123,170 at December 31, 2013 and 2012, respectively) as well as loans receivable (\$17,918 and \$74,598 at December 31, 2013 and 2012, respectively) consisting of F499 grants and Commerce Park. In addition, there is a SBA receivable outstanding at December 31, 2013 for \$20,311.

The Corporation's operating fund liabilities consist of trade payables, accruals, Commerce Park loans to Columbia County and land deposits.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. Financial Statement Analysis (continued):

Below is a comparative summary of the Corporation's operating fund statement of Revenues, Expenses and Change in Net Position for the years ended December 31, 2013 and 2012:

	2013	2012
Revenues		
Interest on loans	\$ 4,011	\$ 7,537
Administration fees	56,137	67,568
Membership	4,350	10,200
Columbia County appropriation	460,000	460,000
SBA Grant	40,832	7,260
CDBG Grant	6,692	21,212
Agricultural and market Grant	6,861	-
Grant revenue	7,499	-
Bank interest	2,908	2,071
Service fee Commerce Park loan	443	984
Other income	3,286	800
Total revenue	<u>593,019</u>	<u>577,632</u>
Expenses	<u>654,808</u>	<u>490,697</u>
Total revenue in excess of expenses	(61,789)	86,935
Net position at the beginning of the year	<u>1,093,999</u>	<u>1,007,064</u>
Net position at the end of the year	<u>\$ 1,032,210</u>	<u>\$ 1,093,999</u>

Revenues are derived primarily from administrative fees and Columbia County's appropriation and stayed comparable in 2013 with 2012. The County appropriation of \$460,000 was the same for both 2013 and 2012, and there was more SBA Grant revenue in 2013 than in 2012, but those increases were offset by lower membership and less income from CDBG grants. Expenses increased by 33% in 2013 compared to 2012. This increase is primarily due to increased personnel expenses of \$353,983 in 2013 compared to \$339,029 in 2012 and professional fees of \$29,612 in 2013 compared to \$13,286 in 2012. In addition, there was an increase in consulting fees of \$19,749 (\$26,050 and \$6,301 for December 31, 2013 and 2012, respectively). However, the main increase is attributed to the increase in transfers of \$97,900 (\$112,900 and \$15,000 for December 31, 2013 and 2012, respectively).

The loan program's operating revenues increased from 2012 (\$34,228) to 2013 (\$37,112). One loan was paid off while six were added to the program. However, the other existing loans continued to be paid off, which resulted in loans receivable decreasing by \$4,103. In addition, the Corporation recorded a provision for loan losses of \$411,000 for 2013.

The CDBG fund decreased operating revenue in 2013 (\$109,338) compared to 2012 (\$119,283) mainly due to a decrease in grant revenue of \$110,155 from CDBG, offset by new grants received of \$40,144 in 2013 and realization of \$20,000 from a \$100,000 grant where the revenue was deferred until earned through continued employment figures. 20% of this grant was earned in 2013. Expenses decreased in 2013 compared to 2012 due to grant expense being \$46,700 less in 2013. Loans receivables decreased by \$163,151 due to one loan being paid, a portion of the contingent grant noted above being earned and payments on the remaining loans outstanding at December 31, 2013.

The MicroBusiness program stayed consistent with 2012 in all financial respects.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. Financial Statement Analysis (continued):

During 2013, the Small Business Administration (SBA) Microloans operating revenue increased \$6,536 primarily due to interest income. Interest on loans increased from \$13,098 in 2012 to \$19,774 in 2013. Microloan operating expenses increased from \$3,634 in 2012 to \$13,297 in 2013 primarily due to an increase in bad debt expense of \$9,453 in 2013 to increase the loan loss. Thirteen new loans were added and two were paid off, increasing loan receivables in 2013 by \$126,058.

5. Additional Information:

This report is prepared for the use of the Corporation's audit committee, management, federal awarding agencies and pass through entities, and members of the public interested in the affairs of the Corporation. Questions with regard to this financial report or requests for additional information may be addressed to the Executive Director, Columbia Economic Development Corporation, 4303 Route 9, Hudson, NY 12534.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION
December 31, 2013

ASSETS

	Operating Fund	Loan Program	CDBG Small Cities	MicroBusiness Program	SBA-Microloan	Elimination	Total
Current assets:							
Cash and cash equivalents	\$ 872,708	\$ 240,372	\$ 304,112	\$ 2,703	\$ -	\$ -	\$ 1,419,895
Restricted cash	-	-	-	-	169,850	-	169,850
Prepaid insurance	836	-	-	-	-	-	836
Interfund receivable	10,643	-	-	-	-	(10,643)	-
SBA receivable	20,311	-	-	-	-	-	20,311
Grants receivable	-	-	16,530	-	-	-	16,530
Loans receivable, current portion	8,384	421,731	45,143	-	85,569	-	560,827
Total current assets	912,882	662,103	365,785	2,703	255,419	(10,643)	2,188,249
Property and equipment, net:							
Equipment, net of \$9,576 of accumulated depreciation	8,560	-	-	-	-	-	8,560
Land	114,734	-	-	-	-	-	114,734
Total property and equipment, net	123,294	-	-	-	-	-	123,294
Other assets:							
Loans receivable, less current portion, net of allowance of \$512,000	9,534	429,415	312,808	-	211,309	-	963,066
Interest receivable	-	21,656	-	-	-	-	21,656
Total other assets	9,534	451,071	312,808	-	211,309	-	984,722
Total assets	\$ 1,045,710	\$ 1,113,174	\$ 678,593	\$ 2,703	\$ 466,728	\$ (10,643)	\$ 3,296,265

See independent auditors' report and accompanying notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION (CONTINUED)
December 31, 2013

LIABILITIES AND NET POSITION

	Operating Fund	Loan Program	CDBG Small Cities	MicroBusiness Program	SBA-Microloan	Elimination	Total
Current liabilities:							
Accounts payable	\$ 379	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 379
Interfund payable	-	7,673	2,970	-	-	(10,643)	-
Accrued expenses	6,543	-	-	-	-	-	6,543
Land deposits	3,300	-	-	-	-	-	3,300
Loan payable due to Columbia County for land sales, current portion	3,278	-	-	-	-	-	3,278
Loans payable - SBA	-	-	-	-	373,569	-	373,569
Unearned revenue	-	-	283,067	4,125	-	-	287,192
Total current liabilities	13,500	7,673	286,037	4,125	373,569	(10,643)	674,261
Total liabilities	13,500	7,673	286,037	4,125	373,569	(10,643)	674,261
Net position:							
Unrestricted	837,099	1,105,501	392,556	(1,422)	-	-	2,333,734
Invested in capital assets	123,294	-	-	-	-	-	123,294
Restricted							
Commerce Park principal	71,817	-	-	-	-	-	71,817
SBA microloan	-	-	-	-	93,159	-	93,159
Total net position	1,032,210	1,105,501	392,556	(1,422)	93,159	-	2,622,004
Total liabilities and net position	\$ 1,045,710	\$ 1,113,174	\$ 678,593	\$ 2,703	\$ 466,728	\$ (10,643)	\$ 3,296,265

See independent auditors' report and accompanying notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
 STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
 Year ended December 31, 2013

	Operating Fund	Loan Program	CDBG Small Cities	MicroBusiness Program	SBA-Microloan	Elimination	Total
Operating Revenues:							
Administrative fees - related parties	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000
Interfund administrative fees	36,137	-	-	-	-	(36,137)	-
Grant revenue	7,499	-	20,000	-	-	-	27,499
Grant revenue - CDBG	6,692	-	32,276	-	-	-	38,968
Grant revenue - Agriculture & Market	6,861	-	40,144	-	-	-	47,005
Grant revenue - SBA	33,636	-	-	-	7,096	-	40,732
Service fee on Commerce Park loan	443	-	-	-	-	-	443
Interest on loans	4,011	37,112	16,918	-	19,774	-	77,815
Membership fees	4,350	-	-	-	-	-	4,350
Other income	3,286	-	-	-	784	-	4,070
Total operating revenues	122,915	37,112	109,338	-	27,654	(36,137)	260,882

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION (CONTINUED)

For the year ended December 31, 2013

	Operating Fund	Loan Program	CDBG Small Cities	MicroBusiness Program	SBA-Microloan	Elimination	Total
Operating Expenses:							
Personnel expense	\$ 353,983	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 353,983
Interfund administrative fees	-	36,137	-	-	-	(36,137)	-
Grant expense	-	-	20,000	-	-	-	20,000
Grant expense - CDBG	-	-	1,997	-	-	-	1,997
Grant expense - Agriculture & Market	-	-	40,144	-	-	-	40,144
Office expense	59,738	-	-	-	-	-	59,738
Contribution - HVADC	46,692	-	-	-	-	-	46,692
Program delivery fees	-	-	-	8,394	-	-	8,394
Professional fees	29,612	2,000	2,000	-	-	-	33,612
Consulting	26,050	-	-	-	-	-	26,050
Insurance	5,325	-	-	-	-	-	5,325
Marketing	17,763	-	-	-	-	-	17,763
Depreciation	2,098	-	-	-	-	-	2,098
Bad debt expense	-	411,000	-	-	13,000	-	424,000
Interest- Commerce Park Loan	635	-	-	-	-	-	635
Miscellaneous	12	-	-	-	297	-	309
Total operating expenses	541,908	449,137	64,141	8,394	13,297	(36,137)	1,040,740
Operating (loss) income	(418,993)	(412,025)	45,197	(8,394)	14,357	-	(779,858)

See independent auditors' report and accompanying notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION (CONTINUED)

For the year ended December 31, 2013

	Operating Fund	Loan Program	CDBG Small Cities	MicroBusiness Program	SBA-Microloan	Total
Non-Operating Revenues (Expenses):						
Bank interest	\$ 2,908	\$ 163	\$ 165	\$ -	\$ 135	\$ 3,371
Interest expense	-	-	-	-	(3,499)	(3,499)
Interfund transfer in	7,196	90,000	-	10,000	22,900	130,096
Interfund transfer out	(112,900)	(10,100)	-	-	(7,096)	(130,096)
Total Non-Operating Revenues (Expenses)	<u>(102,796)</u>	<u>80,063</u>	<u>165</u>	<u>10,000</u>	<u>12,440</u>	<u>(128)</u>
Appropriation from County of Columbia, NY	<u>460,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>460,000</u>
Change in net position	<u>(61,789)</u>	<u>(331,962)</u>	<u>45,362</u>	<u>1,606</u>	<u>26,797</u>	<u>(319,986)</u>
Net position beginning of the year	<u>1,093,999</u>	<u>1,437,463</u>	<u>347,194</u>	<u>(3,028)</u>	<u>66,362</u>	<u>2,941,990</u>
Net position, end of year	<u>\$ 1,032,210</u>	<u>\$ 1,105,501</u>	<u>\$ 392,556</u>	<u>\$ (1,422)</u>	<u>\$ 93,159</u>	<u>\$ 2,622,004</u>

See independent auditors' report and accompanying notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

Year ended December 31, 2013

	Operating Fund	Loan Program	CDBG Small Cities	MicroBusiness Program	SBA-Microloan	Total
Cash flows from operating activities:						
Administrative fees - related parties	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ 20,000
Principal disbursed on loans receivable	-	(154,545)	-	-	(214,550)	(369,095)
Principal received on loans receivable	48,238	158,648	143,150	-	88,492	438,528
Principal received from Commerce Park	8,441	-	-	-	-	8,441
Interfund administrative fees	35,688	-	-	-	-	35,688
Grant revenue	7,499	-	20,000	-	-	27,499
Grant-Agricultural and market	6,861	-	23,614	-	-	30,475
Grant-SBA	13,325	-	-	-	7,096	20,421
Grant-CDBG	6,692	-	1,997	-	-	8,689
Interest on loans	4,011	32,309	16,918	-	19,774	73,012
Service fee Commerce Park	443	-	-	-	-	443
Membership fees	4,350	-	-	-	-	4,350
Operating expenses	(540,300)	(33,398)	(61,171)	(8,694)	(297)	(643,860)
Other income	3,286	-	-	-	784	4,070
Net cash (used for) provided by operating activities	<u>(381,466)</u>	<u>3,014</u>	<u>144,508</u>	<u>(8,694)</u>	<u>(98,701)</u>	<u>(341,339)</u>
Cash flows from noncapital financing activities:						
Principal disbursed on Commerce Park	(8,441)	-	-	-	-	(8,441)
Appropriation from County of Columbia, NY	460,000	-	-	-	-	460,000
Payments on loans	-	-	-	-	(27,728)	(27,728)
Proceeds from loans	-	-	-	-	150,000	150,000
Interfund transfer (out) in	(105,704)	79,900	-	10,000	15,804	-
Net cash provided by noncapital financing activities	<u>345,855</u>	<u>79,900</u>	<u>-</u>	<u>10,000</u>	<u>138,076</u>	<u>423,831</u>
Cash flows from investing activities:						
Purchase of equipment	(2,222)	-	-	-	-	(2,222)
Interest paid	-	-	-	-	(3,499)	(3,499)
Interest received	2,908	164	166	-	135	3,373
Net cash provided by (used for) investing activities	<u>686</u>	<u>164</u>	<u>166</u>	<u>-</u>	<u>(3,364)</u>	<u>(2,348)</u>

See independent auditors' report and accompanying notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS (CONTINUED)

Year ended December 31, 2013

	Operating Fund	Loan Program	CDBG Small Cities	MicroBusiness Program	SBA-Microloan	Total
Cash flows from capital and related financing activities:						
Restricted cash	\$ -	\$ -	\$ -	\$ -	\$ (36,011)	\$ (36,011)
Net cash used for capital and related financing activities	-	-	-	-	(36,011)	(36,011)
Net (decrease) increase in cash and cash equivalents	(34,925)	83,078	144,674	1,306	-	194,133
Cash and cash equivalents at beginning of year	907,633	157,294	159,438	1,397	-	1,225,762
Cash and cash equivalents at end of year	\$ 872,708	\$ 240,372	\$ 304,112	\$ 2,703	\$ -	\$ 1,419,895
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:						
Operating income (loss)	\$ (418,993)	\$ (412,025)	\$ 45,197	\$ (8,394)	\$ 14,357	\$ (779,858)
Depreciation expense	2,098	-	-	-	-	2,098
Provision for loan loss	-	411,000	-	-	13,000	424,000
Changes in assets and liabilities:						
Prepays	(308)	-	-	-	-	(308)
Loans receivable	48,238	4,103	163,150	-	(126,058)	89,433
Interfund receivable	(449)	-	2,970	-	-	2,521
SBA receivable	(20,311)	-	-	-	7,260	(13,051)
Grant receivable	-	-	(16,530)	-	-	(16,530)
Commerce Park principal	8,441	-	-	-	-	8,441
Accounts payable	(792)	-	-	(300)	-	(1,092)
Interfund payable	-	4,739	-	-	(7,260)	(2,521)
Unearned Revenue	-	-	(50,279)	-	-	(50,279)
Accrued expenses	610	-	-	-	-	610
Interest receivable	-	(4,803)	-	-	-	(4,803)
Net cash (used in) provided by operating activities	\$ (381,466)	\$ 3,014	\$ 144,508	\$ (8,694)	\$ (98,701)	\$ (341,339)

See independent auditors' report and accompanying notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization:

Financial Reporting Entity:

The Columbia Economic Development Corporation (CEDC or “the Corporation”) was organized for the purpose of promoting and developing industry and job development in Columbia County, New York. The Corporation is a component unit of Columbia County, is a separate entity, and operates independently of the County.

In February 1995, the Corporation agreed to consolidate administrative operations with Hudson Development Corporation (HDC) to better coordinate efforts in promoting economic development in Columbia County. The new entity, Columbia Hudson Partnership, LLC, managed both organizations’ operations. In 2003, an agreement was signed to dissolve The Partnership and in 2006 the CEDC purchased the entire equity share of HDC. The Corporation now, in effect, solely owns the assets of the Partnership.

Programs of the Corporation:

Operating Fund

The operating fund derives its revenues primarily from Columbia County appropriations and from administrative fees from other programs within CEDC and related parties, Capital Resource Corporation (CRC) and Columbia County Industrial Development Agency (CCIDA). The fund also derives revenue from interest and principal from loan receivables. The operating programs include:

F499

The Corporation offers assistance to local corporations by using grant income from New York State to promote economic development, targeting companies looking to purchase equipment.

Loan Program – Revolving loan fund

The loan program offers loans to local businesses at a discounted interest rate to attract business to the county as well as expand business growth from existing businesses already located in the county. The fund also is used to continue offering the Microbusiness seminar series and is used to fund expenses as it applies to the administration and delivery of programs.

The loan program receives grant money from time to time from CDBG-NYS. As a requirement of the grant, the loan program awards a contingent grant (usually based on employment goals) to local organizations after meeting certain NYS grant requirements. If requirements of the grant are not met by the local organization, the grant converts to a loan. The Corporation treats these arrangements as loans until the contingencies are met. As of December 31, 2013, the Corporation’s loans receivables include \$467,500 of these loan types.

COLUMBIA COUNTY CAPITAL RESOURCE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Nature of Organization (Continued):

CDBG Small Cities

The program was funded by a 267HR32-04 grant and 267ED424-02 grant. In 2012, 2 new Grants were added, 267IT158-11 and 267ED760-11. These grants are described as follows:

Grant funds received with performance requirements are recorded as unearned revenue in the period granted. The Corporation records a receivable for the amount of the loan lent out or grant made to the third party business. As obligations are met, the loan is paid off or written down and the loan balance is earned or forfeited. Unearned revenue is recognized in income as performance obligations are met and contingent grants made are recognized in expense as earned by the grantee.

267ED424-02 Grant

The 267ED424-02 grant offered assistance to local businesses by offering low interest business loans. The Corporation receives interest and principal payments on a monthly basis. At December 31, 2013, the loan balance outstanding was \$57,235.

267HR32-04 Grant

This grant is a farm work housing protection program that offered loans to local farmers for upgraded housing provided to migrant farm workers throughout the county. The recipients received an interest free loan as long as certain requirements were met. There are no continuing compliance requirements for this grant program. At December 31, 2013, there were no balances remaining on these loans.

267IT158-11 Grant

This grant was offered under the conditions of imminent threat and is available to farmers that suffered losses due to hurricanes and flooding to help them recover and continue servicing the communities. There are no continuing compliance requirements for this grant program.

267ED760-11 Grant

The 267ED760-11 grant offered assistance to local businesses to promote growth in the area and increase employment. The Corporation receives interest and principal payments on a monthly basis for the outstanding loan and the grant has contingent terms (e.g. employment targets) that must be met over a period of time. If the recipient fails to meet the requirements of the grant, the proceeds are to be paid back to the Corporation. The Corporation in turn is obligated to remit the funds back to the CDBG unless permission is granted to re-distribute the funds. At December 31, 2013, the outstanding balance was \$225,832.

Microbusiness Program

The microbusiness program is funded by the loan program. The program offers technical assistance to local businesses. The program also offers seminars taught by local business owners and professionals.

SBA-Microloan Program

Loans are provided to small businesses in the county funded by the Small Business Administration (SBA). Loans over 120 days past due are required to be charged off. The loan maturity date should not exceed six years on Microloans. The Corporation may charge up to 7.75% over the Corporation's cost of funds on a microloan of more than \$10,000 and up to 8.5% over the Intermediary's cost of funds on a microloan of \$10,000 or less. Amounts granted to the Corporation are maintained in a restricted revolving loan fund. The Corporation is also required to maintain a separate loan loss reserve fund with its own funds representing at least 15% of SBA funds received.

See independent auditors' report

COLUMBIA COUNTY CAPITAL RESOURCE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of Significant Accounting Policies:

Basis of Presentation:

The accounts of the Corporation are organized on the basis of funds. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. Resources are accounted for in individual funds based upon the purposes for which they are to be spent and the restriction, if any, on the spending activities.

The Corporation uses the following types of funds:

Unrestricted Fund:

The unrestricted fund is the principal operating fund of the Corporation and is used to account for all financial resources except those required to be accounted for in other funds. Grants received by third parties, accounted for in this fund, are recorded as gross revenue with the expenditures related to such recorded as part of the Corporation's operating expenses.

Restricted Funds:

The restricted funds are used to account for Commerce Park, CDBG Small Cities funds not yet de-federalized, and the Small Business Administration Loan fund. The loan programs, de-federalized CDBG Small Cities funds, MicroBusiness Program, and SBA Microloan are considered unrestricted because the purpose of the money is for the activities within that fund. The Corporation has limitations as to what funds, if any, it is allowed to transfer in/out of each individual fund.

Basis of Accounting:

The financial statements of the Corporation have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities. Revenues are recorded when earned and expenses are recorded when incurred. In accordance with accounting principles generally accepted in the United States of America, the Agency applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", was adopted by the Corporation in 2012. The government-wide financial statements include the Corporation's only governmental fund (single enterprise fund).

Deferred Outflows/Inflows of Resources

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, defined and classified deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net assets that applies to future period(s), and as such, will not be recognized as an outflow of resources (expense/expenditure) until that time. A deferred inflow of resources is an acquisition of net assets that applies to future period(s), and as such, will not be recognized as an inflow of resources (revenue) until that time. GASB Statement No. 65 was effective for the first time in 2013.

Statement 63 changed how governments organize their statements of financial position (such as the current government-wide statement of net assets and the governmental funds balance sheet).

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of Significant Accounting Principles (Continued):

Basis of Accounting (Continued):

Deferred Outflows/Inflows of Resources (Continued):

As a result of Statement 63, financial statements will include deferred outflows of resources and deferred inflows of resources (“deferrals”), in addition to assets and liabilities, and will report net position instead of net assets.

The Corporation’s implementation of GASB Statement No. 65 had no material impact on the Corporation’s 2013 financial statements.

Fund Balances:

Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” (GASB 54) became effective during the year ended December 31, 2011. The Corporation is considered an enterprise fund and therefore, presents net position instead of fund balances.

Budgetary Data:

The budget policies are as follows:

In October of each year the executive director submits a tentative budget for the operating fund to the Board of Directors for the next fiscal year which begins the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing. Budgets are not prepared for the other funds that comprise the financial statements.

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 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 amounts.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions.

In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Corporation’s loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Corporation has a diversified loan portfolio, a substantial portion of its debtors’ ability to honor their contracts is dependent on local economic conditions in Columbia County, New York.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of Significant Accounting Policies (Continued):

Revenue Recognition:

Administrative revenue is recognized in the period services are provided and payments are generally received from related parties on a quarterly basis. Grant revenue is recognized on cost reimbursable contracts in the period the costs are incurred. Advances on grants prior to costs being incurred in accordance with the terms of the grant agreement are deferred until the period costs are incurred.

Interest on loans is recognized in the period earned over the life of the related loans receivable.

Operating revenues include revenue generated from ongoing operating activities. Non-operating revenues include investing, financing and other non-recurring activities (i.e., forgiveness of Commerce Park loan principal).

Income Taxes:

A provision for income tax has not been provided for in these financial statements, as the Corporation is a not-for-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization has evaluated any uncertain tax positions and related income tax contingencies and determined uncertain positions, if any, are not material to the financial statements, according to FASB ASC 740-10. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred. The Organization is no longer subject to examination by federal and state taxing authorities for years prior to fiscal year ended December 31, 2010.

Columbia County Appropriation:

For the year ended December 31, 2013, Columbia County appropriated \$460,000 for unrestricted use by the Corporation. The Corporation recognizes appropriated income in the period appropriated.

Cash and Cash Equivalents:

The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Property and Equipment:

Property and equipment are stated at cost and fair market value for donated items. Maintenance and repairs are expensed as incurred whereas major repairs and betterments are capitalized. Property and equipment comprise office equipment, furniture and software. Depreciation is provided for using the straight-line method over the estimated useful lives of the respective assets, which are:

Computer/Software	3 years
Furniture and Equipment	5 – 10 years

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of Significant Accounting Policies (Continued):

Loans and Allowance for Loan Losses:

Loans are stated at their recorded investment, which is the amount of unpaid principal, reduced by an allowance for loan losses. Interest is calculated by using the simple interest method.

The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. The Corporation uses a disciplined process and methodology to establish the allowance for loan losses each quarter. To determine the total allowance for loan losses, management estimates the reserves needed for each segment of the portfolio. The allowance for loan losses consists of amounts applicable to: (i) F499 loans, (ii) Operating Fund loans, (iii) Loan Fund loans, (iv) Small Cities Fund loans, and (v) loans in the SBA loan fund.

To determine the balance of the allowance account, loans are evaluated case by case, by portfolio segment and future losses are projected using historical experience adjusted for current economic and industry conditions. Management exercises significant judgment in determining the estimation method that fits the credit risk characteristics of each case. Management must use judgment in establishing additional input factors for estimating purposes. The assumptions used to determine the allowance are periodically reviewed by management to ensure that their theoretical foundation, assumptions, data integrity, computational processes, and reporting practices are appropriate and properly documented.

The establishment of the allowance for loan losses relies on a consistent process that requires multiple layers of management review and judgment and responds to changes in economic conditions, customer behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to, or release balances from, the allowance for loan losses. The Corporation's allowance for loan losses is sensitive to risk ratings assigned to individually evaluated loans, economic assumptions and delinquent trends driving reserves. Individual loan risk ratings are evaluated based on each situation by experienced senior management employees.

Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by senior management of loan portfolios and the assumptions used to estimate incurred losses in those portfolios. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of Significant Accounting Policies (Continued):

Loan Charge-offs:

The Corporation generally fully or partially charges down loans to the estimated fair value of the collateral securing the asset (where applicable) when:

- management judges the asset to be uncollectible;
- repayment is deemed to be protracted beyond reasonable time frames;
- the asset has been classified as a loss by either the Corporation's internal loan review process or governmental regulators;
- the customer has filed bankruptcy and the loss becomes evident as a result of a lack of assets;
- the loan is 180 days past due unless both well secured and in the process of collection; or
- for the SBA-Mircoloan program when the loan is 120 past days due.

In addition, the Corporation generally fully charges off uncollectible trade receivables that have a contractual maturity of one year or less and arose from services provided when the receivable is 120 days past due. Generally, collateral is not required for these types of trade receivables.

Troubled Debt Restructurings:

In situations where, for economic or legal reasons related to a customer's financial difficulties, the Corporation grants a concession for other than an insignificant period of time to the customer that the Corporation would not otherwise consider, the related loan is classified as a troubled debt restructuring (TDR). The Corporation strives to identify customers in financial difficulty early and work with them to modify the loan to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where the Corporation grants the customer new terms that provide for a reduction of either interest or principal, the Corporation measures any impairment on the restructuring as previously noted for impaired loans.

Concentration of Credit and Market Risk:

Financial instruments that potentially expose the Corporation to concentrations of credit and market risk consist primarily of cash and cash equivalents and loans receivable. Cash and cash equivalents are maintained at Federal Deposit Insurance Corporation insured financial institutions and credit exposure is limited to any one institution.

Concentrations of credit risk with respect to notes receivables are limited due to the diverse industry backgrounds of its borrowers. Furthermore, management feels its borrower approval processes and regular review of provisions for loan losses, adequately provides for any material credit risks. Generally, sufficient collateral or a personal guarantee is obtained for all loans at the time of disbursement. Collateral is generally in the form of a mortgage on real property or a chattel lien on equipment title.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of Significant Accounting Policies (Continued):

Related Party Transactions:

In the ordinary course of business, the Corporation has and expects to continue to have transactions, including borrowings, with its officers, directors, and their affiliates.

Balance, December 31, 2012	\$	90,118
Disbursements (repayments), net		(34,421)
Balance, December 31, 2013	\$	<u>55,697</u>

The above balance at December 31, 2013 represents a loan with a company that is controlled by a former board member. The original loan amount was for \$400,000 with an interest rate of 1.0%. The company makes a monthly payment of \$3,504 and the loan matures in March 2015. Total interest income for 2013 was \$621.

The Corporation receives an administrative fee from the Capital Resource Corporation (CRC), and the Columbia County Industrial Development Agency (CCIDA) in the amount of \$20,000 for support services to carry out each of the entity's functions and purpose.

The Corporation participates in Commerce Center Land Sales with the Columbia County Industrial Development Agency. The Corporation pays a stipend, called Commerce Park Expense as the Agency plays an administrative role in the transfer of the land.

The Corporation paid legal services to a former Board member's firm for the amount of \$2,811 during the year ended December 31, 2013.

Interest Income on Loans:

Interest on loans is accrued and credited to income based on the principal amount outstanding. The accrual of interest on loans is discontinued when, in accordance with adopted policies, there is an indication that the borrower may be unable to meet payments as they become due. Upon such discontinuance, all unpaid accrued interest is reversed.

Subsequent Events:

Subsequent events have been evaluated through March 26, 2014, which is the date the financial statements were available to be issued.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Cash and Cash Equivalents:

Cash and cash equivalents at December 31, 2013 comprised the following:

Bank	Book Balance	Bank Balance	FDIC Insurance	In Excess
First Niagara Bank	\$ 617,668	\$ 622,837	\$ 250,000	\$ 372,837
National Union Bank of Kinderhook	799,524	801,417	250,000	551,417
TD Bank	2,703	3,453	250,000	-
	<u>\$ 1,419,895</u>	<u>\$ 1,427,707</u>	<u>\$ 750,000</u>	<u>\$ 924,254</u>

4. Restricted Cash:

Restricted cash at December 31, 2013 consisted of the following:

Small Business Administration program	\$ 169,850
Total Restricted Cash	<u>\$ 169,850</u>

The Small Business Administration requires the Corporation to keep the SBA bank accounts restricted as they only can be used for small business loans.

5. Loans:

Loan classification as of December 31, 2013 is as follows:

F499s	\$ 14,640
Operating Fund	3,278
Loan Fund	1,334,146
Small Cities Fund	357,951
SBA Fund	325,878
	<u>2,035,893</u>
Less: allowance for loan losses	(512,000)
Total loans	<u>\$ 1,523,893</u>

Allowance for Loan Losses

The Corporation has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the Corporation's portfolio. For purposes of determining the allowance for loan losses, the Corporation segments certain loans in its portfolio by type. The Corporation's portfolio consists of the following loans by segment: F499s, Operating fund, Loan fund, Small Cities fund, and SBA fund. Each category of loan requires significant judgment to

See independent auditors' report

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Loans (Continued):

The Allowance for loan losses (continued)

determine the estimation method that fits the credit risk characteristics of its portfolio segment. The Corporation uses internally developed methods in this process. Management must use judgment in establishing additional input criteria for the estimation process. The methods and assumptions the Corporation uses to determine the allowance are validated and reviewed to ensure that their theoretical foundation, assumptions, data integrity, computational processes, and reporting practices are appropriate and properly documented.

The Corporation evaluates loans individually for impairment. All loans identified as higher risk are included in the Corporation's loan loss review. Prior to write off, the Corporation evaluates each loan identified to determine the likelihood of loss based on several factors such as: financial strength, past performance, industry, management strength, and collateral. An allowance is established for certain loans impaired and those probable of future impairment based on an evaluation of these factors.

The Corporation's Estimation Process

The Corporation estimates loan losses under the most probable scenario to establish a potential outcome for each criterion the Corporation applies to the allowance calculation. Management applies judgment to develop its own view of loss probability, using external and internal parameters with the objective of establishing an allowance for the losses inherent within these portfolios as of the reporting date.

Substantially all of the Corporation's loans are secured by collateral.

Reflected in the portions of the allowance previously described is an amount for imprecision or uncertainty that incorporates the range of probable outcomes inherent in estimates used for the allowance, which may change from period to period. This amount is the result of management's judgment of risks inherent in the portfolios, economic uncertainties, historical loss experience and other subjective factors, including industry trends, calculated to better reflect the Corporation's view of risk in each loan portfolio. No single statistic or measurement determines the adequacy of the allowance for loan loss. Changes in the allowance for loan loss and the related provision expense can materially affect changes in net assets.

Loans by Segment

The total allowance reflects management's estimate of loan losses inherent in the loan portfolio at the balance sheet date. The Corporation considers the allowance for loan losses of \$512,000 adequate to cover loan losses inherent in the loan portfolio, at December 31, 2013. The following table presents by loan category, the changes in the allowance for loan losses and the recorded investment in loans.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Loans (Continued):

Allowance for Loan Losses (Continued)

Loans by Segment (Continued)

	F499s	Operating Fund	Loan fund	Small Cities Fund	SBA Fund	Total
Allowance for loan losses:						
Balance, beginning of year	\$ -	\$ -	\$ 72,000	\$ -	\$ 16,000	\$ 88,000
Provision charged to expense	-	-	411,000	-	13,000	424,000
Loans charged off	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 483,000</u>	<u>\$ -</u>	<u>\$ 29,000</u>	<u>\$ 512,000</u>
Ending Balance: individually evaluated for impairment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 483,000</u>	<u>\$ -</u>	<u>\$ 29,000</u>	<u>\$ 512,000</u>
Ending Balance: collectively evaluated for impairment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Ending Balance: loans acquired with deteriorated credit quality	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Loans:						
Ending Balance	<u>\$ 14,640</u>	<u>\$ 3,278</u>	<u>1,334,146</u>	<u>\$ 357,951</u>	<u>\$ 325,878</u>	<u>\$ 2,035,893</u>
Ending Balance: individually evaluated for impairment	<u>\$ 14,640</u>	<u>\$ 3,278</u>	<u>\$ 1,334,146</u>	<u>\$ 357,951</u>	<u>\$ 325,878</u>	<u>\$ 2,035,893</u>
Ending Balance: collectively evaluated for impairments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Ending Balance: loans acquired with deteriorated credit quality	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Changes in Accounting Methodology

There were no material changes to the Corporation's allowance for loan loss methodology in the current period.

Credit Quality Information

The following table represents credit exposures by creditworthiness category for the year ended December 31, 2013. The use of creditworthiness categories to grade loans permits management to estimate a portion of credit risk. The Corporation's internal creditworthiness grading system is based on experiences with similarly graded loans. Category ratings are reviewed annually, at which time management analyzes the resulting scores, as well as other external statistics and factors, to track loan performance. Loans that trend upward toward higher levels generally have a lower risk factor associated; whereas, loans that migrate toward lower ratings generally will result in a higher risk factor being applied to those related loan balances.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Loans (Continued):

Credit Quality Information (Continued)

The Corporation's internal risk ratings are based for all loans as follows:

High quality- Customer poses little to no additional risk.

Average quality- Composed of the Corporation's average customer profile. The additional risk based analysis of this part of the portfolio is based on whether the movement of the portfolio is remaining constant or moving higher or lower.

Below average - Customers are experiencing some degree of stress and/or showing above average risk.

As of December 31, 2013, the credit risk profile by credit worthiness category for loans are as follows:

	F499s	Operating Fund	Loan Fund	Small Cities	SBA Fund	Total
Rating:						
High quality	\$ 14,640	\$ 3,278	\$ 652,666	\$ 357,951	\$ 253,334	\$ 1,281,869
Average quality	-	-	76,918	-	36,624	113,542
Below average	-	-	604,562	-	35,920	640,482
Total	\$ 14,640	\$ 3,278	\$ 1,334,146	\$ 357,951	\$ 325,878	\$ 2,035,893

Payment activity is reviewed by management on a monthly basis to determine how loans are performing. Loans are considered to be nonperforming when days delinquent is greater than 90 days at the present time. Net additions to nonperforming loans in 2013 were driven primarily by the economy, seasoning of loans originated in periods of higher growth and performing loans that were accelerated into nonperforming loan status upon modification in a TDR.

Nonperforming loans also include certain loans that have been modified in TDRs where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Corporation's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Certain TDRs are classified as nonperforming at the time of restructure and may only be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally six months. Management believes the likelihood of loss for nonperforming loans is increased for the current period due to the continued weak economy and the growth of performing loans transferred to nonperforming status upon modification in a TDR.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Loans (Continued):

Age Analysis of Past Due Financing Receivables by Class

Following is a table which includes an aging analysis of the recorded investment of past due receivables as of December 31, 2013. Also included are loans that are 90 days or more past due as to interest and principal and still accruing, because they are well-secured and in the process of collection.

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days and Accruing
F499s	\$ -	\$ -	\$ -	\$ -	\$ 14,640	\$ 14,640	\$ -
Operating Fund	-	-	-	-	3,278	3,278	-
Loan Fund	126,648	32,195	522,638	681,481	652,665	1,334,146	60,000
Small Cities Fund	-	-	-	-	357,951	357,951	-
SBA Fund	72,544	-	-	72,544	253,334	325,878	-
Total	\$ 199,192	\$ 32,195	\$ 522,638	\$ 754,025	\$ 1,281,868	\$ 2,035,893	\$ -

As discussed in Note 7, the loan classified in the over 90 days and accruing interest relates to a non performing loan where the Organization subsequently took legal action and the company has agreed to pay back the loan and accrued interest. The Organization will continue to accrue interest until the loan is paid back in full.

Impaired Loans

The Corporation considers a loan to be impaired when, based on current information and events, the Corporation determines that they will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. Determination of impairment is treated the same across all classes of loans. When the Corporation identifies a loan as impaired, the Corporation measures the impairment based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases, the Corporation uses the current fair value of the collateral, less selling costs when foreclosure is probable, instead of discounted cash flows. If the Corporation determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), the Corporation recognizes impairment through an allowance estimate or a charge-off to the allowance. The Corporation determines impairment based on a 90 day default period and loans classified as TDRs.

When the ultimate collectability of the total principal of an impaired loan is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectability of the total principal of an impaired loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method. At December 31, 2013 impaired loans totaled \$543,707.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Loans (Continued):

Nonaccrual Loans

The Corporation generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, part of the principal balance has been charged off and no restructuring has occurred or the loans reach a certain number of days past due. The Corporation's loans are generally placed on nonaccrual status once they are 90 days past due.

Generally, installment loans not secured by real estate are placed on nonaccrual status only when part of the principal has been charged off. These loans are charged off or charged down to the net realizable value of the collateral when deemed uncollectible, due to bankruptcy or other factors, or when they reach a defined number of days past due based on loan product, industry practice, and other factors.

When the Corporation places a loan on nonaccrual status, the Corporation reverses the accrued unpaid interest receivable against interest income and accounts for the loan on the cash or cost recovery method, until it qualifies for return to accrual status. Generally, the Corporation returns a loan to accrual status when (a) all delinquent interest and principal become current under the terms of the loan agreement or (b) the loan is both well-secured and in the process of collection and collectability is no longer doubtful.

The Corporation has determined that the entire balance of a loan is contractually delinquent for all classes if the minimum payment is not received by the specified due date on the customer's statement. Interest and fees continue to accrue on past due loans until the date the loan goes into nonaccrual status, if applicable.

There were no loans on nonaccrual status as of December 31, 2013.

Troubled Debt Restructurings

	<u>Number of Loans</u>	<u>Pre-Modification Outstanding Recorded Balance</u>	<u>Post-Modification Outstanding Recorded Balance</u>
Loan Fund	1	\$ 60,000	\$ 60,000

The loan restructured in 2013 was with one customer. The payment terms were modified and the scheduled payments were adjusted to reflect the change.

There were no troubled debt restructurings subsequently defaulted during the year ended December 31, 2013.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Property and Equipment:

A summary of property and equipment is as follows as of December 31, 2013:

Computer equipment	\$	18,136
Land		114,734
		132,870
Accumulated depreciation		(9,576)
Total Property and Equipment	\$	123,294

Depreciation expense was \$2,098 during the year ended December 31, 2013.

7. Interest Receivable:

During 2009, the Organization gave a loan in the amount of \$75,000 that did not have to be paid back in full until December 1, 2012, the end of the term, when all unpaid principal and interest was due and payable in full. Interest accrued from the date the loan started through the date of payment. The Organization accrued interest of \$21,656 as of December 31, 2013. The loan requirements were not met and the Organization subsequently took legal action and the company has agreed to pay back the loan and earned interest.

8. Restricted Net Position:

Restricted net position at December 31, 2013 consist of Commerce Park Land principal and interest within the operating fund. Also included is the SBA microloan fund. All activities, assets and liabilities of each of these programs are reported within a restricted fund. These funds are as follows:

Commerce Park	\$	71,817
SBA loan program		93,159
Total Restricted Net Position	\$	164,976

For one year only the Organization did not remit the principal back to Columbia County, New York for Commerce Park loans. The principal is to be retained by the Organization to aide in the construction of the water tower within Commerce Park.

9. SBA Microloan Program:

Since 2003 the Corporation took the steps toward acquiring the Hudson Development Corporation's SBA loan portfolio by establishing a small business loan program. The Corporation acquired the SBA loan program in 2008. Total loans outstanding, net of an allowance under this program totaled \$296,878 at December 31, 2013.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Commerce Park Land:

Beginning in 2005 and continuing through 2011, Columbia County initiated a program to sell undeveloped land it owns in Commerce Park through a component unit, the Columbia County IDA. The Corporation works directly with the buyer on the County's behalf. The Corporation receives a deposit from the buyer and in turn uses this money to pay for surveying and legal fees associated with the transfer of the land. At the closing of the parcel, the CEDC will assume a mortgage for the purchase price of the land.

The Corporation recognizes a receivable due from the buyer and a liability to the County for the same amount. The CCIDA plays an administrative role in the transfer of the land and receives a stipend from the first payment made. The CEDC retains the interest portion as payment for servicing the loans and the remaining principal portion is forwarded to the County. In 2008 and only for 2008, the CEDC retained the principal and interest payments. No amounts were remitted in 2008 to the County. The Corporation will use the principal payments not remitted to the County to build a water tower in Commerce Park for the County of Columbia. The principal forgiven during 2008 was recognized as revenue.

11. Pension Plan:

The Corporation has a SARSEP pension plan. The Corporation pays 5% of eligible employee's gross wages each year. For the year ended December 31, 2013, the Corporation recorded \$9,498 in pension expense.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Federal Grantor/Program Title/Pass Through Entity	Program	Award#	Federal Expenditures	CFDA Number
Department of Housing and Urban Development – Community Development Block Grant	CDBG	267ED760-11	\$ 269,112	14.228
Pass through- Columbia County, New York		267IT158-11	1,997	14.228
Total CDBG Cluster			<u>271,109</u>	
 ARRA - Small Business Administration	 Microloan program	 5343184306 4813855005	 152,197 249,101	 59.046 59.046
Total Microloan Cluster			<u>401,298</u>	
Total Expenditures of Federal Awards			<u><u>\$ 672,407</u></u>	

See independent auditors' report and accompanying notes to Schedule of Federal Awards

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO SCHEDULE OF FEDERAL EXPENDITURES
December 31, 2013

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") has been prepared as required under OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. The purpose of the schedule is to present a summary of those activities of Columbia Economic Development Corporation for the year ended December 31, 2013 using the accrual basis of accounting. For purposes of this schedule, federal awards include any assistance provided by a federal agency directly or indirectly in the form of grants, contracts, cooperative agreements, direct appropriations, loans and loan guarantees, and other noncash assistance. Because the schedule presents only a selected portion of the activities of the Organization, it is not intended to, and does not, present either the financial position, or statement of activities and other changes in net assets of the Organization.

2. Indirect Costs

Indirect costs are charged to federal grants and contracts when applicable at a predetermined rate.

3. Sub-recipients

None of the federal awards presented in the accompanying schedule of expenditures of federal awards were provided to sub-recipients for the year ended December 31, 2013.

SUPPLEMENTARY INFORMATION

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
OPERATING FUND
Year ended December 31, 2013

	----- <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues:			
Administrative income and fees	\$ 50,000	\$ 56,137	\$ 6,137
Commerce Park principal income	8,442	-	(8,442)
Commerce Park interest	705	705	-
Service fee Commerce Park	-	443	443
Membership and fund-raising	10,000	4,350	(5,650)
SBA grant	-	40,832	40,832
Bank interest	750	2,908	2,158
Columbia County contribution	460,000	460,000	-
Grant revenue	-	21,052	21,052
Miscellaneous	-	3,286	3,286
F499 and Microloan interest	-	3,306	3,306
Total revenue	529,897	593,019	63,122
Expenditures:			
Commerce Park interest	-	635	(635)
Marketing	27,000	17,763	9,237
Insurance	6,000	5,325	675
Consulting	22,000	26,050	(4,050)
Commerce Park principle to county	8,442	-	8,442
Professional fees	20,000	29,612	(9,612)
HVADC contribution	40,000	46,692	(6,692)
Depreciation	-	2,098	(2,098)
Office and personnel	432,511	413,721	18,790
Transfer out to other programs	15,000	112,900	(97,900)
Direct program	8,500	-	8,500
Miscellaneous	-	12	(12)
Total expenditures	579,453	654,808	(75,355)
Total revenue in excess of expenditures	\$ (49,556)	\$ (61,789)	\$ (12,233)

See independent auditors' report

PART II

Reports on Internal Control and Compliance



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Jean Howe Lossi, EA
N. Thérèse Wolfe, EA
Carol LaMont Howe, EA

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*

Independent Auditors' Report

To the Chairman and the Board of
Columbia Economic Development Corporation

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 Columbia Economic Development Corporation as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Columbia Economic Development Corporation's basic financial statements, and have issued our report thereon dated March 26, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Columbia Economic 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 Columbia Economic Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Columbia Economic 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 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not

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identify any deficiencies in internal control over financial reporting 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 Columbia Economic Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattison, Koskey, Howe & Bucci, CPAs P.C.

Valatie, New York
March 26, 2014



PATTISON, KOSKEY, HOWE & BUCCI, CPAs, P.C.

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditors' Report

To the Chairman and the Board of
Columbia Economic Development Corporation

Report on Compliance for Each Major Federal Program

We have audited Columbia Economic Development Corporation's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Columbia Economic Development Corporation's major federal programs for the year ended December 31, 2013. Columbia Economic Development Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Columbia Economic Development Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Columbia Economic Development Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Columbia Economic Development Corporation's compliance.

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Members of the American Institute of Certified Public Accountants and New York State Society of Certified Public Accountants

Opinion on Each Major Federal Program

In our opinion, Columbia Economic Development Corporation complied, in all material respects, with the types of the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control over Compliance

The management of Columbia Economic Development Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Columbia Economic Development Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Columbia Economic Development Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Pattison, Koskey, Howe & Bucc, CPAs, P.C.

Valatie, New York
March 26, 2014

PART III

Schedule of Findings and Questioned Costs

And Summary Schedule of Prior Audit Findings

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 December 31, 2013

A. Summary of Audit Results

Financial Statements

Type of auditors' report issued.	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings required to be reported in accordance with Section 510(a) of Circular A-133?	No

Major Program:

Grant Title	CFDA Number	Federal Expenditures
Department of Housing and Urban Development- Community Development Block Grant	14.228	\$ 271,109
ARRA - Small Business Administration-Microloan program	59.046	\$ 401,298
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000	
Auditee qualified as a low-risk auditee?	No	

B. Findings Related to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Auditing Standards

None

C. Findings Related to Section 510 (a) of Circular A-133

None

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2013

D. Summary Schedule of Prior Audit Findings

2012-1: Monitoring (Significant Deficiency)

Federal Program Name(s) and CFDA#:

CFDA #59.046- Small Business Administration-Microloan program and CFDA #14.228 Department of Housing and Urban Development-Community Development Block Grant

Criteria:

Internal controls should be sufficient to provide assurance that the Corporation is reviewing the applicable compliance regulations and ensuring there is adequate monitoring over the programs.

Condition:

This was the first year the SBA Microloan and CDBG programs were subject to audit under the provisions of OMB Circular A-133. Management's procedures and controls failed to: 1) prevent the late filing of a CDBG report; 2) identify a loan over 120 past due from being written off and the "loan loss reserve fund" funded; 3) prevent a re-finance loan from being written that is not eligible under the SBA program; and 4) monitor compliance with employment requirements as stipulated in the grant agreement.

Context:

We reviewed the Microloan program handbook, CDBG contract, and compliance handbook to identify specific requirements that need to be monitored for compliance to ensure adequate controls were designed and operating effectively.

Cause/Effect:

Activity in recent years in these funds has grown substantially. The Organization hired an individual whose role was to monitor compliance with these regulations. The individual was let go during the year without being replaced. As a result, someone other than the administrator of these programs was not available to monitor compliance with certain aspects of the award programs.

Recommendation:

We recommend management implement and follow a policy for monitoring federal funds and ensuring the programs are compliant with laws and regulations.

Current Status:

Management has implemented a team of three staff members that have been assigned responsibility for reporting and monitoring all federal funds principally the SBA loan funds. Each of the matters discussed above have been addressed during 2013 to satisfy the program requirements. In addition, the Organization is beginning to implement a process that requires an annual visit to the business in order to ensure compliance.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
December 31, 2013

D. Summary Schedule of Prior Audit Findings (Continued)

2012-2: CDBG Reporting

Federal Program Name and CFDA#:

CFDA #14.228 Department of Housing and Urban Development-Community Development Block Grant

Compliance Requirement:

Reporting

Condition:

Management failed to submit an annual report (Annual Performance Report, Form 3-1) by January 15, 2013 for the December 31, 2012 year end. The report was filed shortly after the deadline.

Questioned Costs:

None

Context:

Periodic performance / status reports are required to be submitted to the funding source in accordance with program requirements.

Criteria:

This program requires an annual status report to be submitted no later than 15 days after year-end.

Cause/Effect:

Management attempted to complete the report timely but given the limited availability during that time of the year of the individuals responsible for signing the reports, it was submitted late.

Recommendation:

We recommend management adjust its procedures to ensure that the report is completed timely next year.

Current Status:

Management reviewed the reporting deadlines to ensure they were met in the current year. All reports were submitted on time.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

December 31, 2013

D. Summary Schedule of Prior Audit Findings (Continued)

2012-3: Servicing Microloans

Federal Program Name and CFDA#:

CFDA #59.046- Small Business Administration-Microloan program

Compliance Requirement:

Special Tests and Provisions

Questioned Costs:

\$3,547

Condition:

We identified one instance where a loan that was approved in 2005 was modified in 2008 and then subsequently restructured in 2012 due to the borrower's inability to pay according to the original terms. The loan has been over 120 days late which under the Microloan program should have been charged off. In addition, the maximum maturity of any Microloan is 6 years.

Criteria:

SBA loans that become 120 days past due are to be charged off and an equal amount of funds from the Corporation deposited in the loan loss reserve fund held in a separate restricted bank account. No loan repayments should exceed a 6 year period.

Cause/Effect:

Management's intent was to structure the loan in a way that would assist the borrower in paying back the loan even if that period of time exceeded a 6 year period. Management discussed with the Financial Analyst from the Microloan program the modification terms of the loan, which is why management believed this was acceptable. The borrower has been paying the loan back but over a period that exceeds 6 years.

Context:

We reviewed the Microloan program handbook specially reviewing section 3.F.10 Microloan maturity and section 3.F.14 Servicing Microloans.

Recommendation:

We recommend management implement and follow a policy to ensure that loans that become over 120 days past due are written off and no loan is structured to exceed a 6 year term.

Current Status:

Management has implemented a procedure to review loans on a monthly basis to ensure there are no loans 120 days past due. Loans that fall into this category will be written-off. During the year ended December 31, 2013, there were no loans that exceeded 120 days past due.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

December 31, 2013

D. Summary Schedule of Prior Audit Findings (Continued)

2012-4: Re-financing Existing Loans

Federal Program Name and CFDA#:

CFDA #59.046- Small Business Administration-Microloan program

Compliance Requirement:

Activities Allowed / Un-allowed

Questioned Costs:

\$11,500

Condition:

We identified one instance where management approved a new SBA microloan to pay off a non-performing loan held in another fund of the Corporation. The use of microloan proceeds specifically states in the Handbook that the intermediary should not refinance existing debt. Risk already existed with this borrower due to their payment history and the new loan was issued at a higher interest rate.

Criteria:

Microloans should be awarded to candidates who at the time of award are expected to have sufficient cash flow to pay back the loan. In addition, re-financing of existing debt (unless in certain circumstances it is done with an existing Micro-borrower) is unallowable.

Cause/Effect:

Management thought refinancing the loan was acceptable under the compliance requirements in this instance. The effect is that a borrower who may not have been eligible was able to refinance its debt.

Context:

We reviewed the Microloan program Handbook and Section 3.F.5 and web site which specifies the use of microloan proceeds.

Recommendation:

We recommend management update its procedures to ensure that the requirements of the Handbook are met and in instances where it is not clear that the loan proceeds are eligible, seek pre-approval from the SBA.

Current Status:

Management understands the importance of refinancing requirements. During the year, the Organization refinanced a loan to assist the borrower in meeting its goals. This is an acceptable practice.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

December 31, 2013

2012-5: Contingent Grant Award

Federal Program Name and CFDA#:

CFDA #14.228 Department of Housing and Urban Development-Community Development Block Grant

Compliance Requirement:

Special Tests and Provisions

Questioned Costs:

N/A

Condition:

The Corporation made a \$100,000 grant to borrower funded by CDBG during 2012. The grant was not required to be repaid in the first year and in subsequent years as long as the Company created 25 new positions, 51% of which remaining available to low to moderate income level candidates and these positions were expected to be created no later than September 1, 2012 per the grant agreement. However, the application between CDBG and Columbia County states the jobs need to be created after receiving the Award and before the end of the 24 month agreement period which is contradictory to the grant award. This level of jobs was not created by the date in the grant agreement.

Criteria:

The purpose of the CDBG grant was to generate jobs over a period of time and a portion of those jobs to be made available to low to moderate income level candidates.

Cause/Effect:

The parties to the grant did not identify the discrepancy between the grant agreement and the application. The grant application approved by CDBG discusses a 24 month period which is longer than the grant requirement.

Context:

We reviewed the grant agreement for this award to understand the requirements for eligibility and ongoing compliance monitoring and identified employment goals that have not been met.

Recommendation:

We recommend management work with the third party that executed the document and modify the agreement to be consistent with the loan application with the CDBG. The updated agreement should be signed by all participating parties.

Current Status:

The Organization modified the above document to be consistent with the loan application. In addition, management obtained employee reports from the grant recipient to monitor the employment goals stated in the agreement. At December 31, 2013, the employment goals were met.