

COLUMBIA ECONOMIC
DEVELOPMENT CORPORATION
(a component unit of the County of Columbia, New York)
FINANCIAL STATEMENTS
(and Reports of Independent Auditors)

December 31, 2016
(with memorandum totals for December 31, 2015)

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of County of Columbia, New York)
December 31, 2016
(with memorandum totals for December 31, 2015)

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To the Board of Directors and
F. Michael Tucker of the Columbia Economic Development Corporation

In planning and performing our audit of the basic financial statements of Columbia Economic Development Corporation as of and for the year ended December 31, 2016, 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, we considered Columbia Economic Development Corporation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of Columbia Economic Development Corporation's internal control over financial reporting.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

The observations and recommendations included in the attachment to this letter are control deficiencies that did not raise to the level of significant deficiencies or material weaknesses. Columbia Economic Development Corporation's written responses to the comments identified in the attachment have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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

March 28, 2017
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ATTACHMENT

Other Matters:

Prior Year Observations and Recommendations

1. Monthly Reporting

Observation

The Board of Directors approves an annual budget that it uses to set expectations when monitoring actual financial results that transpire over the course of the year. Management enters the budget into the Organization's QuickBooks general ledger for reporting purposes. The budget is entered into QuickBooks for each month by dividing 1/12th of the annual budget. Management accounts for financial transactions primarily using the cash basis each month and makes accrual adjustments primarily at the end of the year prior to the annual audit.

By entering the budget on a straight-line basis, actual financial transactions that do not occur in that pattern could appear unusual over the course of the year when in fact the results could meet expectations. In addition, recording activity on the cash basis does not necessarily reflect the Organization's earnings for the period which may ultimately be significantly different if such accrual adjustments are not prepared until the end of the year.

Recommendation

We recommend management prepare its monthly budget in QuickBooks on the accrual basis and enter each month based on the actual timing anticipated for the underlying transactions. In addition, we recommend management formalize a monthly closing checklist that outlines each procedure that is necessary to ensure that all accrual adjustments are recorded prior to management's monitoring of actual monthly results versus budget.

Management Updated Response

During 2016, the Organization made the recommended changes to its budget process.

2. General Ledger Structure / Chart of Accounts

Observation

The Organization has established a number of QuickBooks company files to track its "funds". In addition, the Company has established a multitude of bank accounts and general ledger accounts to track financial activity for specific funding sources (i.e. grants, revolving loan funds) as well as its lending activity. Certain activity is required by law and/or the funding source to be tracked separately and in certain instances in separate bank accounts. However, other activity could be consolidated to increase efficiency and to simplify reporting. The current volume of general ledger and bank accounts increases the amount of effort needed to prepare financial reports. Given the number of QuickBooks files, the current reporting process is not designed to consolidate the activity to facilitate management and the Board of Director's monitoring procedures.

Recommendation

We recommend management update its chart of accounts and consider consolidating QuickBooks Company files and bank accounts where permitted by law and/or funding sources. We recommend

management improve its reporting by consolidating financial results in an automated fashion. For example, customize the Organization's QuickBooks file to track program and administrative activity by use of class codes. In addition, management should consider when consolidating bank accounts which banks offer direct deposit scanners to improve efficiencies.

Management Updated Response

During 2016, the Organization worked with a consultant to consolidate its QuickBooks reporting into one company file which was placed into operations for the fiscal year ending December 31, 2017. The Organization eliminated unnecessary accounts and streamlined its general ledger. The new QuickBooks file now allows the Organization to easily produce consolidated financial statements.

3. Grant Agreement

Observation

We found during our audit that one of the Organization's contingent grant agreements included language related to the recipient's compliance with employment goals that was different than what was communicated and understood by management.

Recommendation

We recommend the Organization formalize a policy and procedure that outlines the criteria to be addressed in each contingent grant agreement, and that electronic schedules be maintained and updated to insure compliance with all grant and loan covenants. We recommend that each material agreement be reviewed by the Organization's audit committee to ensure that the language in the agreement meets specific criteria outlined in the Organization's policy.

Management Updated Response

The Organization has formalized the recommended policies and procedures.

4. Commerce Park

Observation

During 2015, a certain Commerce Park transaction was treated differently than what has been done historically. For example, the Limz Group transaction was accounted for by the Columbia County IDA ("IDA") instead of the Organization and certain of the financial activity was accounted for and processed by the Organization instead of the IDA. In addition, during the year, certain commerce park activity transpired but was not formalized with an agreement in a timely manner.

Recommendation

We recommend management formalize a policy and procedure, for Board review and approval, as it relates to entering into Commerce Park agreements. The procedure should ensure that the key terms of the agreement are communicated to finance, the terms are consistent with the Organization's policy, and the participant meets the Organization's criteria for qualification. In addition, all cash receipts should be accompanied by appropriate workpaper backup, including legal documents, where applicable.

Management Updated Response

The Organization formalized the recommended policies and procedures.

5. Membership Accounting Integration

Observation

During 2015, the Organization implemented a new membership program.

Recommendation

We recommend management consider the following as it pertains to the new membership program:

- Consider purchasing membership database software that integrates with QuickBooks and the Organization's web site to increase efficiencies and to implement an automated procedure for interacting with members and prospective members.
- Until such software is purchased, track membership revenue and billings directly in QuickBooks and empower Finance to track billings and collections.
- Simplify the accounting by billing annual membership renewals quarterly (for the upcoming year) and amortize such annual membership revenue monthly.

Management Updated Response

The Organization instituted quarterly membership invoicing and in the future will track membership in QuickBooks or via a spreadsheet.

6. Human Resources and Payroll

Observation

The Organization's personnel policies and procedures are limited and not robust. There is risk that such policies may not comply with updated laws and regulations.

Recommendation

We recommend the Organization engage a qualified human resource professional to perform a comprehensive review of the Organization's human resource policies and procedures. In particular, this review should address the following:

- Exempt vs. non-exempt employee classifications (overtime, comp time, vacation, etc.)
- Health insurance and cafeteria plan
- Pension benefits / ERISA compliance / 401(k) and 403(b) options

Management Updated Response

The Organization established and adopted a more robust updated employee handbook during the year ended December 31, 2016.

7. Loan Programs

Observation

The Organization is a qualified Small Business Administration (SBA) lender. In addition, the Organization offers other loans to applicants under other loan programs. Certain loan applicants are

awarded loans under multiple loan programs including the SBA. The SBA is more restrictive as it pertains to charging off loans when they become past due. In recent years, management has “spread the risk” of an individual borrower by allocating the total loan between SBA and general loan funds. This practice could be perceived as avoiding the more stringent SBA rules.

As an SBA lender, the Organization is also required to lend a certain amount of the funds over a period of time and if such money is not lent out expeditiously, the SBA may remove the Organization’s privileges.

Recommendation

We recommend the Organization formalize a policy and procedure over lending to a single borrower. The policy should be clear as to the borrower’s participation and qualification for each of the loan programs. In addition, the policy should be clear as to how payments received from a borrower are applied to outstanding loan balances not to favor the more restrictive SBA program. In addition, a complete review of all policies and approvals (from application, underwriting, closing, and post-closing) should be completed with revised policies and procedures reviewed and approved by the Loan Committee and Board.

Management Updated Response

The Organization adopted a new loan policy which incorporates the recommendations above.

8. Internal Controls and Efficiencies

Observation

Over the years, the Organization has grown and expanded its programs. Procedures have developed to accommodate such change and have incorporated internal controls procedures to mitigate risk. Certain of the procedures have become redundant and new procedures may be more efficient while maintaining adequate internal controls.

Recommendation

We recommend management engage someone independent of management to review certain procedures in finance to identify inefficiencies and make recommendations (including additional technology applications) for management to consider with the objective to improve overall organizational efficiencies, as well as improved communications amongst departments.

Management Updated Response

The Organization retained a consultant who provided a report of his findings. We have implemented the recommendations of his report.

9. Risk Assessment

Observation

The Organization operates in an environment that is highly regulated and warrants robust policies and procedures to ensure compliance. In addition, non-compliance could result in significant negative consequences in the areas of reputation and funding.

Recommendation

We recommend management formalize an enterprise wide risk assessment and develop policies and procedures to mitigate significant risks with a focus on compliance with laws and regulations.

Management Updated Response

The Organization prepared a risk assessment and it was presented to the Organization's board of directors.

10. Fiscal Sponsorships

Observation

In recent years, the Organization has been approached to act in the capacity of a fiscal sponsor/agent for certain organizations that are aspiring to be non-profit organizations.

Recommendation

We recommend the Organization formalize a policy that spells out what criteria are necessary for the Organization to consider acting in the capacity of a fiscal sponsor or agent. The risks of acting in this capacity must be evaluated against the reward (i.e. fee earned) taking into account the amount of effort the Organization must incur to carry out the administrative services. Since acting in this capacity is not the primary objective of the Organization's mission, we first recommend the Organization consider identifying and recommending other non-profit organizations that are designed to act in this capacity.

Management Updated Response

The Organization will no longer act as a fiscal agent or sponsor for other organizations.

11. Public Authorities Reporting Information System (PARIS)

Observation

Since the Organization has been designated a Public Authority, we have assisted management with the preparation of its annual reporting in PARIS. The information that is input in PARIS is derived directly from data we receive from management and ties directly back to the Organization's books and records. This process is very time consuming. Ultimately, the filing of the PARIS report is the Organization's obligation.

Recommendation

We recommend the Organization develop procedures and seek the appropriate training in order to have the capability to prepare the reporting in PARIS by March 31st each year. We can assist management and transfer our knowledge to make this transition more effective and efficient. Our role will then be to ensure that the information management is presenting is consistent with the financial statements and supplemental schedules we report on.

Management Updated Response

Staff has had training and will be preparing the PARIS report for the year ended December 31, 2016.



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March 28, 2017

To the Board of Directors of
the Columbia Economic Development Corporation

We have audited the financial statements of Columbia Economic Development Corporation as of and for the year ended December 31, 2016, and have issued our report thereon dated March 28, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated December 9, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Columbia Economic Development Corporation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding control deficiencies over financial reporting and other matters noted during our audit in a separate letter to you dated March 28, 2017.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

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Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our firm, as appropriate, have complied with all relevant ethical requirements regarding independence.

Non-attest services we performed included: 1) drafting of the Corporation's financial statements, 2) proposing adjusting journal entries as a result of our audit, if applicable, 3) providing observations and recommendations over the course of the year, as needed, 4) reviewing the Organization's compliance with its annual risk assessment, and 5) preparing the Corporation's annual IRS Form 990 and CHAR 500. F. Michael Tucker and Erin McNary were designated the responsible management employees to oversee our non-attest services.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Columbia Economic Development Corporation is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2016. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements was-

Management's estimate of the allowance for loan losses is based on management's evaluation of the collectability of the loan portfolio, including the nature and volume of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans and economic conditions. We evaluated the key factors and assumptions used to develop the allowance for loan losses and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Columbia Economic Development Corporation's financial statements relate to: Restricted Net Position and Commerce Park Land.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also

communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Columbia Economic Development Corporation's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in a separate letter dated March 28, 2017.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Columbia Economic Development Corporation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Columbia Economic Development Corporation's auditors.

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

Very truly yours,

A handwritten signature in black ink, reading "Matthew J. L. DeBach, CPA". The signature is fluid and cursive, with the initials "MJD" being prominent at the start.

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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 not-for-profit component unit of the County of Columbia, New York) (the "Corporation"), as of and for the year ended December 31, 2016, 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, 2016, 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.

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 3 to 6 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2017 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.

Report on Summarized Comparative Information

We have previously audited Columbia Economic Development Corporation's 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 30, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Pattison Kos Key, Howe & Bucci, CPAs, P.C.

Valatie, New York
March 28, 2017

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2016

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 not-for profit Corporation for the year ended December 31, 2016. This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements for the year ended December 31, 2016.

2. Overview of the Financial Statements:

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

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.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2016

3. Financial Highlights:

Net position increased \$87,770 during the year ended December 31, 2016. Operating expenses decreased \$148,052 or 18.1%, primarily due to decreases in bad debt expense of \$100,000, grant expense of \$64,734, and marketing expense of \$25,806, respectively. Operating revenues increased \$70,959 or 28.6% primarily due to an increase in membership dues of \$33,819 and land sale income of \$48,889, respectively. Non-operating activity in 2016 resulted in a loss of \$254 as a result of interest expenses exceeding interest income.

Total assets increased by \$39,778 or 1.2% and total liabilities decreased \$52,348 or 7.61% for the year ended December 31, 2016. Cash and cash equivalents was \$1,666,520 at December 31, 2016, an increase of \$193,918 from December 31, 2015. The Corporation borrowed \$75,000 from the Small Business Administration (SBA) for the SBA loan program and overall total loans decreased by \$233,467 to \$1,193,386 net of an allowance for loan loss of \$193,697 at December 31, 2016.

4. Financial Statement Analysis:

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

	2016	2015
Assets		
Capital assets	\$ 12,749	\$ 6,540
Current assets	2,288,891	2,073,132
Long-term assets	943,730	1,125,920
Total assets	<u>\$ 3,245,370</u>	<u>\$ 3,205,592</u>
Current liabilities	\$ 137,271	\$ 160,262
Long-term liabilities	498,512	527,869
Deferred inflow of resources	18,581	14,225
Net position		
Unrestricted	2,314,727	2,314,340
Capital	12,749	6,540
Restricted	263,530	182,356
Total liabilities, deferred inflows, and net position	<u>\$ 3,245,370</u>	<u>\$ 3,205,592</u>

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2016

4. Financial Statement Analysis (Continued):

Below is a comparative summary of the Corporation's statements of Revenues, Expenses and Changes in Net Position for the years ended December 31:

	2016	2015
Operating revenues		
Charges for services	\$ 25,000	\$ 35,675
Interest from loans	82,496	84,708
Grant revenues	123,565	124,945
Membership fees	33,819	-
Land sale	48,889	-
Other operating revenues	4,957	2,439
Total operating revenues	<u>318,726</u>	<u>247,767</u>
Non-operating revenues		
Columbia County appropriation	437,000	437,000
Interest earnings	358	668
Total non-operating revenues	<u>437,358</u>	<u>437,668</u>
Total revenues	<u>756,084</u>	<u>685,435</u>
Operating expenditures		
Personnel and benefits	332,517	339,615
Professional service contracts	40,848	40,615
Grants and contributions	30,000	94,734
Rent and office	80,162	62,227
Consulting	143,942	88,647
Other operating expenditures	40,233	189,916
Total operating expenditures	<u>667,702</u>	<u>815,754</u>
Nonoperating expenditures		
Reimbursement to related party	-	114,000
Interest	612	1,658
Total nonoperating expenditures	<u>612</u>	<u>115,658</u>
Total expenditures	<u>668,314</u>	<u>931,412</u>
Total revenues in excess of expenditures/(expenditures in excess of revenues)	87,770	(245,977)
Net position at the beginning of the year	2,503,236	2,749,213
Net position at the end of the year	<u>\$ 2,591,006</u>	<u>\$ 2,503,236</u>

The revenue budget for 2016 was \$614,000 with a projected loss of \$75,384.

Total revenues were 23.1% more than budget, primarily due to greater than anticipated interest revenue generated from the outstanding loans, land sale revenue and grant revenue. Total expenditures were less than budget by 3.06%.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2016

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 President/CEO, Columbia Economic Development Corporation, 4303 Route 9, Hudson, NY 12534.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
STATEMENT OF NET POSITION
December 31, 2016
(with memorandum only totals at December 31, 2015)

	2016	2015 (memorandum only)
Current assets:		
Cash and cash equivalents	\$ 1,666,520	\$ 1,472,602
Restricted cash	306,903	240,229
Prepaid expenses	904	447
Grants receivable	-	35,000
Land sale receivable, current portion	8,317	-
SBA receivable	19,408	23,921
Loans receivable, current portion	286,839	300,933
Total current assets	<u>2,288,891</u>	<u>2,073,132</u>
Furniture and equipment, net:		
Furniture and equipment, net of \$14,217 of accumulated depreciation	<u>12,749</u>	<u>6,540</u>
Total furniture and equipment, net	<u>12,749</u>	<u>6,540</u>
Other assets:		
Land sale receivable, long term portion	37,183	-
Loans receivable, less current portion, net of allowance of \$193,697	<u>906,547</u>	<u>1,125,920</u>
Total other assets	<u>943,730</u>	<u>1,125,920</u>
Total assets	<u>3,245,370</u>	<u>3,205,592</u>
Current liabilities:		
Accounts payable	18,407	10,607
Accrued expenses	10,745	8,202
Land deposits	3,300	12,050
Due to BEHOLD! New Lebanon	-	5,201
Due to related party	-	1,240
Loans payable - SBA, current portion	68,363	68,363
Unearned revenue, current portion	<u>36,456</u>	<u>54,599</u>
Total current liabilities	<u>137,271</u>	<u>160,262</u>
Non-Current Liabilities:		
Loans payable-SBA, long-term portion	410,413	403,163
Unearned revenue, long-term portion	<u>88,099</u>	<u>124,706</u>
Total non-current liabilities	<u>498,512</u>	<u>527,869</u>
Total liabilities	<u>635,783</u>	<u>688,131</u>
Deferred inflows of resources		
Deferred membership income	<u>18,581</u>	<u>14,225</u>
Total deferred inflows of resources	<u>18,581</u>	<u>14,225</u>
Net position:		
Unrestricted	2,314,727	2,314,340
Invested in capital assets	12,749	6,540
Restricted		
Commerce Park principal	71,817	71,817
County directed	48,889	-
SBA microloan	<u>142,824</u>	<u>110,539</u>
Total net position	<u>\$ 2,591,006</u>	<u>\$ 2,503,236</u>

See independent auditors' report and accompanying notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the year ended December 31, 2016
(with memorandum only totals for the year ended December 31, 2015)

	2016	2015 (memorandum only)
Operating Revenues:		
Administrative fees - related parties	\$ 25,000	\$ 28,751
Grant revenue	123,565	124,945
Fiscal agent administrative income	-	6,924
Interest on loans	82,496	84,708
Membership fees	33,819	-
Land sale	48,889	-
Other income	4,957	2,439
Total operating revenues	<u>318,726</u>	<u>247,767</u>
Operating Expenses:		
Personnel expense	332,517	339,615
Grant expense	20,000	94,734
Grant expense- CRC	10,000	-
Office expense	80,151	62,227
Program delivery fees	19,034	40,917
Professional fees	40,848	40,615
Consulting	143,942	88,647
Insurance	5,218	5,040
Marketing	13,256	39,062
Depreciation	2,736	2,563
Bad debt expense	-	100,000
Interest- Commerce Park Loan	-	201
Miscellaneous	-	2,133
Total operating expenses	<u>667,702</u>	<u>815,754</u>
Operating loss	<u>(348,976)</u>	<u>(567,987)</u>
Non-Operating Revenues (Expenses):		
Bank interest	358	668
Reimbursement to related party	-	(114,000)
Interest expense	(612)	(1,658)
Total Non-Operating Revenues (Expenses)	<u>(254)</u>	<u>(114,990)</u>
Appropriation from the County of Columbia, NY	<u>437,000</u>	<u>437,000</u>
Change in net position	<u>87,770</u>	<u>(245,977)</u>
Net position, beginning of the year	<u>2,503,236</u>	<u>2,749,213</u>
Net position, end of year	<u>\$ 2,591,006</u>	<u>\$ 2,503,236</u>

See independent auditors' report and accompanying notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
STATEMENT OF CASH FLOWS
For the year ended December 31, 2016
(with memorandum only totals for the year ended December 31, 2015)

	2016	2015 (memorandum only)
Cash flows from operating activities:		
Administrative fees - related parties	\$ 25,000	\$ 28,751
Principal disbursed on loans receivable	(129,000)	(342,228)
Principal received on loans receivable	342,467	291,316
Membership contributions	38,175	14,225
Grant revenue	108,328	34,219
Cash on behalf of BEHOLD	(5,201)	5,201
Cash collected on behalf of related party	(1,240)	1,240
Land sale	3,389	-
Fiscal agent administrative income	-	6,924
Interest on loans	82,496	84,708
Payments to employees	(332,517)	(339,615)
Payments to vendors	(302,563)	(290,419)
Other income	4,957	2,439
Net cash used for operating activities	<u>(165,709)</u>	<u>(503,239)</u>
Cash flows from noncapital financing activities:		
Appropriation from the County of Columbia, NY	437,000	437,000
Payments on SBA loans	(67,750)	(66,707)
Proceeds from SBA loans	<u>75,000</u>	<u>100,000</u>
Net cash provided by noncapital financing activities	<u>444,250</u>	<u>470,293</u>
Cash flows from investing activities:		
Purchase of equipment	(8,945)	(2,770)
Reimbursement to related party for land	-	(114,000)
Interest paid	(612)	(1,658)
Interest received	<u>358</u>	<u>668</u>
Net cash used for investing activities	<u>(9,199)</u>	<u>(117,760)</u>

See independent auditors' report and accompanying notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION

(A Component Unit of the County of Columbia, New York)

STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended December 31, 2016

(with memorandum only totals for the year ended December 31, 2015)

Cash flows from capital and related financing activities:

Land deposits	\$ (8,750)	\$ (250)
Restricted cash	(66,674)	33,050

Net cash (used for) provided by capital and related financing activities

(75,424)	32,800
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Net increase (decrease) in cash and cash equivalents

193,918	(117,906)
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Cash and cash equivalents at beginning of year

1,472,602	1,590,508
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Cash and cash equivalents at end of year

\$ 1,666,520	\$ 1,472,602
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Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ (348,976)	\$ (567,987)
Depreciation expense	2,736	2,563
Provision for loan loss	-	100,000
Contingent grant	-	(40,000)
Loss on grant of land	-	114,734
Deferred membership income	-	(14,225)

Changes in assets, liabilities, and deferred inflows:

Prepays	(457)	(40)
Loans receivable	213,467	(70,912)
Land sale receivable	(45,500)	-
SBA receivable	4,513	(23,921)
Grant receivable	35,000	(10,422)
Accounts payable	7,800	7,076
Due to BEHOLD! New Lebanon	(5,201)	5,201
Due to related party	(1,240)	1,240
Unearned Revenue	(34,750)	(7,933)
Accrued expenses	2,543	1,387
Deferred inflows of resources	4,356	-

Net cash used in operating activities:

\$ (165,709)	\$ (503,239)
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Non-Cash Activity

Contingent grant earned	\$ 20,000	\$ 20,000
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See independent auditors' report and accompanying notes notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016
(with memorandum totals for December 31, 2015)

1. Nature of Organization:

Financial Reporting Entity:

The Columbia Economic Development Corporation ("CEDC" or the "Corporation") was organized as a not-for-profit entity for the purpose of promoting and developing industry and job development in Columbia County, New York (the "County"). The Corporation is a component unit of the 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 the County. The new entity, Columbia Hudson Partnership, LLC (the "Partnership"), 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 related parties such as Columbia County Capital Resource Corporation ("CRC") and Columbia County Industrial Development Agency ("CCIDA"). The fund also derives revenue from interest from loan receivables.

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, 2016, the Corporation's loans receivables include \$220,000 of these loan types comprised of:

	Original Loan Balance	Loan Balance at December 31, 2016
Flanders/Precisionaire Corporation (CEDC)	\$ 200,000	\$ 200,000
Hudson Valley Creamery (CDBG)	100,000	20,000
	<u>\$ 300,000</u>	<u>\$ 220,000</u>

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016
(with memorandum totals for December 31, 2015)

1. Nature of Organization (Continued):

CDBG Small Cities

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, 2016, the loan balance outstanding was \$35,959.

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, 2016, the outstanding balance was \$88,596.

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 Columbia and Greene Counties 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 loaned 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.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016
(with memorandum totals for December 31, 2015)

2. Summary of Significant Accounting Policies:

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 Corporation applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as the Corporation is a component unit of the County of Columbia, New York (the "County"), a governmental entity. The Corporation does not apply any Financial Accounting Standards Board (FASB) or AICPA pronouncements post November 30, 1989, as clarified by GASB No. 62. In accordance with GASB standards, balance and activity for the Corporation are presented as an 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.

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).

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.

Membership fees collected in the current year that will be recognized as revenue next year are classified as a deferred inflow. As of December 31, 2016, \$18,581 of membership fees that pertain to the year ending December 31, 2017 are presented as deferred inflows.

Prior Year Amounts:

Amounts shown for December 31, 2015, in the accompanying statements are included to provide a basis for comparison with December 31, 2016 and present summarized totals only. Accordingly, the December 31, 2015 amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016
(with memorandum totals for December 31, 2015)

2. Summary of Significant Accounting Policies (Continued):

Budgetary Data:

The budget policies are as follows:

In October of each year, the President/CEO submits a tentative budget to the Board of Directors for their approval for the next fiscal year. The tentative budget includes proposed expenditures and the proposed means of financing, which is to be used as a guide of activity for the fiscal 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 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.

Revenue Recognition:

Contribution revenue is recognized in the period it is unconditional, measurable, and future installments are considered probable of collection. Contribution revenue that is restricted as a result of a purpose or time restriction is included as a component of "restricted net position", when applicable.

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. Membership revenue is recognized as revenue over the period of membership.

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.

See independent auditors' report

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016
(with memorandum totals for December 31, 2015)

2. Summary of Significant Accounting Policies (Continued):

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.

Columbia County Appropriation:

For the year ended December 31, 2016, Columbia County appropriated \$437,000 for unrestricted use by the Corporation. The Corporation recognizes appropriated income in the period appropriated.

Cash and Cash Equivalents:

The Corporation 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 – 5 years
Furniture and Equipment	5 – 10 years

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. To determine the total allowance for loan losses, management estimates the reserves needed for each loan outstanding.

To determine the balance of the allowance account, loans are evaluated on a case by case basis 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.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016
(with memorandum totals for December 31, 2015)

2. Summary of Significant Accounting Policies (Continued):

Loans and Allowance for Loan Losses (continued):

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.

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.

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.

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 28, 2017, which is the date the financial statements were available to be issued.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016
(with memorandum totals for December 31, 2015)

3. Cash and Cash Equivalents:

Cash and cash equivalents at December 31, 2016, were comprised of the following:

Bank	Book Balance	Bank Balance	FDIC Insurance	In Excess
Key Bank	\$ 725,381	\$ 730,417	\$ 250,000	\$ 480,417
National Union Bank of Kinderhook	1,145,273	1,145,272	250,000	895,272
Bank of Greene County	99,526	99,626	250,000	-
TD Bank	3,243	3,243	250,000	-
	<u>\$ 1,973,423</u>	<u>\$ 1,978,558</u>		<u>\$ 1,375,689</u>

Included in the book balance above is \$306,903 of restricted cash, \$207,377 held with KeyBank and \$99,526 held with the Bank of Greene County.

4. Restricted Cash:

Restricted cash at December 31, 2016, consisted of the following:

Small Business Administration program	<u>\$ 306,903</u>
Total Restricted Cash	<u>\$ 306,903</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.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016
(with memorandum totals for December 31, 2015)

5. Loans:

During the year ended December 31, 2016, the Corporation loaned \$129,000 to 6 local businesses.

A summary of loan activity is as follows:

	Balance at December 31, 2015	New Lendings	Payments	Other Adjustments		Balance at December 31, 2016
Loan Fund	\$ 1,002,141	\$ 15,000	\$ 162,850	\$ 26,193	*	\$ 828,098
CDBG Small Cities	226,437	-	49,699	20,000		156,738
SBA Microloan	439,140	114,000	129,918	20,975	*	402,247
	<u>1,667,718</u>	<u>\$ 129,000</u>	<u>\$ 342,467</u>	<u>\$ 67,168</u>		<u>1,387,083</u>
Less: Allowance for loan losses	<u>(240,865)</u>					<u>(193,697)</u>
Total Loans	<u>\$ 1,426,853</u>					<u>\$ 1,193,386</u>

* Write-offs against the allowance for loan losses.

6. Furniture and Equipment:

A summary of furniture and equipment is as follows as of December 31, 2016:

	December 31, 2015	Acquisitions	Disposals	December 31, 2016
Furniture and equipment	\$ 18,958	\$ 8,945	\$ (937)	\$ 26,966
Accumulated depreciation	(12,418)	(2,736)	937	(14,217)
Total Furniture and Equipment	<u>\$ 6,540</u>	<u>\$ 6,209</u>	<u>\$ -</u>	<u>\$ 12,749</u>

Depreciation expense was \$2,736 during the year ended December 31, 2016.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016
(with memorandum totals for December 31, 2015)

7. Restricted Net Position:

Restricted net position at December 31, 2016, consists of the following:

Commerce Park water tower	\$ 71,817
County directed	48,889
SBA loan program	142,824
Total Restricted Net Position	<u>\$ 263,530</u>

For one year only the Corporation 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. Refer to Note 9 for more information on the restrictions. See note 9 for more information on the County directed restricted net position balance.

8. 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 of \$58,025, totaled \$344,224 at December 31, 2016.

The Corporation borrows money from SBA loan awards in order to fund loans given to businesses participating in the SBA program. The following illustrates the amounts payable to the SBA:

Balance at December 31, 2015	Drawdowns	Payments	Balance at December 31, 2016
<u>\$ 471,526</u>	<u>\$ 75,000</u>	<u>\$ 67,750</u>	<u>\$ 478,776</u>

Once draws have been made from the SBA, the Corporation pays the SBA back based on an amortization schedule for each specific drawdown. The following shows the combined expected payout of the SBA drawdowns—Draw Three, Draw Four, and Draw Five:

December 31,	Balance
2017	\$ 68,363
2018	68,363
2019	60,038
2020	44,477
2021	40,543
Thereafter	196,991
Total	<u>\$ 478,776</u>

Each drawdown has repayments of principal and interest, with each drawdown having a separate interest rate based on the agreement—1.5% (Draw Three), 1.625% (Draw Four), and 0.75% (Draw Five), per annum.

See independent auditors' report

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016
(with memorandum totals for December 31, 2015)

9. Commerce Park Land:

Beginning in 2005, Columbia County initiated a program to sell undeveloped land it owns in Commerce Park through a component unit, the Columbia County IDA. CEDC works directly with the buyer on the County's behalf. CEDC 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.

CEDC recognizes a receivable for the sales price 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 earned on land sale receivables 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, as agreed upon with the County, to assist the County with the possible future construction of a water tower in Commerce Park. The principal forgiven during 2008 was recognized as revenue.

In June 2016, the Corporation sold land in the Commerce Park to a local individual for \$50,000, with \$4,500 being paid to the Corporation as a deposit in 2015. The Corporation received a \$45,500 five-year note at 4.5% per annum with payments commencing on June 8, 2017. The note provides for an annual payment of \$10,365 of principal and interest, with a final payment due to the Corporation on June 8, 2021. The principal portion, \$48,889, of the note, net of legal fees of \$1,111, normally remitted to the County has been recognized as revenue during the year ended December 31, 2016. The County asked CEDC to retain the principal portion as restricted net position to be used as directed by the County in the future.

10. 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, 2016, the Corporation recorded \$11,838 in pension expense.

11. Unearned Revenue:

As of December 31, 2016, unearned revenue (note 1) is comprised of:

CDBG Small Cities:	
Angello's Distributing, Inc.	\$ 35,959
Hudson Valley Creamery	88,596
Total unearned revenue	<u>\$ 124,555</u>

12. Related Party Transactions:

During the year ended December 31, 2016, the Corporation received \$25,000 in administrative fees from Columbia County Industrial Development Agency (CCIDA). The Corporation granted and paid \$10,000 to the Columbia County Capital Resource Corporation (CCCRC) during the year ended December 31, 2016.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the County of Columbia, New York)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016
(with memorandum totals for December 31, 2015)

13. Rent Expense:

The Corporation rents office space on a month to month basis. During the year ended December 31, 2016, the Corporation paid \$26,223 of rent expense.



PATTISON, KOSKEY, HOWE & BUCCI

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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**

INDEPENDENT AUDITORS' REPORT

To the Chairman and 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, 2016, 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 28, 2017.

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.

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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 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 & Succi, CFPAs, P.C.

Valatie, New York
March 28, 2017