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

COMBINING FINANCIAL STATEMENTS
(and Report of Independent Auditors)

December 31, 2011

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

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INDEPENDENT AUDITORS' REPORT

To the Chairman and Board of
Columbia Economic Development Corporation

We have audited the accompanying basic financial statements of the Columbia Economic Development Corporation (the "Corporation") (a component unit of the County of Columbia, New York), as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbia Economic Development Corporation as of December 31, 2011, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2012, on our consideration of the 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 31 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.

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

Valatie, New York
September 21, 2012

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, 2011. This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements for the year ended December 31, 2011.

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

The *Statement of Revenues, Expenses and Changes in Net Assets / Statement of Activities* presents information showing how the Corporation's net assets changed during the most recent year. All changes in net assets 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.

3. Financial Highlights:

The revenue budget for 2011 was $580,626 with a projected loss of $4,700. There was one amendment to the budget during 2011 in which one expense line item was broken out in greater detail.

Total revenues were .44% less than budget, primarily due to budgeted Commerce Park principal income of $47,272 and budgeted Empire Zone income of $5,000 not realized. A $26,462 Commerce Park penalty and fee received helped to offset the decrease in revenue. Total expenditures were less than budget by 20.6%, primarily due to a decrease in office and personnel of $85,493 compared to budget and a decrease in Commerce Park expense - IDA of $47,053 compared to budget. Also, professional fees were $11,525 less than the budgeted amount and transfers out were $37,987 higher than budget.

4. Financial Statement Analysis:

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

	2011	2010
Assets	$ 1,054,174	$ 1,015,459
Liabilities		
Current liabilities	$ 35,391	$ 73,105
Long term liabilities	11,719	48,369
Net assets	1,007,064	893,985
Total liabilities and net assets	$ 1,054,174	$ 1,015,459

The Corporation's operating fund assets primarily consist of cash in banks and money market funds ($802,986 and $668,607 at December 31, 2011 and 2010, respectively). Assets also include property and equipment ($116,506 and $116,695 at December 31, 2011 and 2010, respectively) as well as loans receivable ($131,481 and $197,274 at December 31, 2011 and 2010, respectively) consisting of F499 grants, microloans and Commerce Park.

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

4. Financial Statement Analysis (continued):

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

	2011	2010
Revenues		
Interest on loans	$ 10,720	$ 13,709
Commerce Park – penalties and forfeited deposits	20,000	10,000
Administration	71,584	280,320
Membership	16,000	12,500
Columbia County appropriation	440,000	280,000
Empire Zone NYS	-	8,310
NYS Grant	-	9,375
CDBG Grant	10,396	12,449
Bank interest	1,088	825
Service fee Commerce Park loan	6,462	5,506
Transfer in-CDBG loan program admin fee	-	7,500
Other income	1,850	4,550
Total revenue	578,100	645,044
Expenses	465,021	698,338
Total revenue in excess of expenses	113,079	(53,294)
Net assets at the beginning of the year	893,985	947,279
Net assets at the end of the year	$ 1,007,064	$ 893,985

Revenues are derived primarily from administrative fees and Columbia County's appropriation. The decrease for administrative fees is due primarily to the decrease in administrative fee income from Hudson Valley Agri-Business Development Corporation (HVADC) from $106,957 in 2010 compared to $2,775 in 2011. Columbia County's appropriation was $280,000 in 2010 and increased $160,000 in 2011 for a total of $440,000. During 2011, Columbia County increased its appropriation to balance the loss of the management fee revenue the Corporation received from managing the Soil and Water Building. Expenses decreased by 33% in 2011 compared to 2010. This decrease is primarily due to the Empire Zone contribution to Hudson Development Corporation of $150,000 in 2010 compared to no contribution in 2011. In addition, a decrease in personnel expense of $348,024 in 2010 compared to $283,602 in 2011 due to the elimination of the executive deputy director and a decrease in consulting expense of $38,537 in 2010 compared to $28,918 in 2011.

The loan program's operating revenues decreased in 2011 ($34,691) compared to 2010 ($210,999). This was due to a grant from CDBG in the amount of $175,000 in 2010 not recurring in 2011. In 2010, the grant money was used to provide a contingent grant/loan to a local business named Local Ocean. Expenses decreased approximately $35,000 or 56% in 2011 primarily due to the interest forgiven from the Hudson Area Library and the loan forgiven for PHVC Ventures in 2010 ($32,466). Three loans were paid off while five were added to the program increasing loans receivable in 2011 by $310,890.

4. Financial Statement Analysis (continued):

The CDBG fund stayed consistent with 2010 for revenues and expenses. Loans receivables increased by $86,883 due to two loans being paid off and one new one added in 2011.

The MicroBusiness program stayed consistent with 2010 in all financial respects.

During 2011, the Small Business Administration (SBA) Microloans revenue increased $5,201 primarily due to interest income. Interest on loans increased from $3,294 in 2010 to $7,672 in 2011. Microloan expenses increased from no expense in 2010 to $24,213 in 2011 primarily due to bad debt expense and from the write-off of a loan for $8,213. The Corporation recorded an allowance for loan loss for the amount of $16,000. Six new loans were added to the SBA-Microloan increasing loan receivables in 2011 by $66,905.

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF NET ASSETS
December 31, 2011

ASSETS

	Operating Fund	Loan Program	CDBG Small Cities	MicroBusiness Program	SBA-Microloan	Elimination	Total
Current assets:							
Cash and cash equivalents	$ 802,986	$ 233,176	$ 208,643	$ 110	$ -	$ -	$ 1,244,915
Restricted cash	-	-	-	-	92,121	-	92,121
Prepaid insurance	528	-	-	-	-	-	528
Interfund receivable	2,673	-	-	-	-	(2,673)	-
Loans receivable, current portion	57,713	560,516	19,249	-	35,102	-	672,580
Total current assets	863,900	793,692	227,892	110	127,223	(2,673)	2,010,144
Property and equipment:							
Equipment, net of $28,696 of accumulated depreciation	1,772	-	-	-	-	-	1,772
Land	114,734	-	-	-	-	-	114,734
Total property and equipment, net	116,506	-	-	-	-	-	116,506
Other assets:							
Loans receivable, less current portion, net of allowance of $16,000	73,768	711,987	153,548	-	89,805	-	1,029,108
Interest receivable	-	11,590	-	-	-	-	11,590
Total other assets	73,768	723,577	153,548	-	89,805	-	1,040,698
Total assets	$ 1,054,174	$ 1,517,269	$ 381,440	$ 110	$ 217,028	$ (2,673)	$ 3,167,348

See independent auditors' report and accompanying notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF NET ASSETS (CONTINUED)
December 31, 2011

LIABILITIES AND NET ASSETS

	Operating Fund	Loan Program	CDBG Small Cities	MicroBusiness Program	SBA-Microloan	Elimination	Total
Current liabilities:							
Accounts payable	$ 345	$ -	$ -	$ 330	$ -	$ -	$ 675
Interfund payable	-	2,673	-	-	-	(2,673)	-
Accrued expenses	7,061	-	-	-	-	-	7,061
Land deposits	3,300	-	-	-	-	-	3,300
Loan payable due to Columbia County for land sales, current portion	24,685	-	-	-	-	-	24,685
Loans payable - SBA	-	-	-	-	175,650	-	175,650
Unearned revenue	-	-	72,796	3,675	-	-	76,471
Total current liabilities	35,391	2,673	72,796	4,005	175,650	(2,673)	287,842
Long term liabilities:							
Loan payable due to Columbia County for land sales, less current portion	11,719	-	-	-	-	-	11,719
Total long term liabilities	11,719	-	-	-	-	-	11,719
Total liabilities	47,110	2,673	72,796	4,005	175,650	(2,673)	299,561
Net assets:							
Unrestricted	818,741	1,514,596	308,644	(3,895)	-	-	2,638,086
Invested in capital assets	116,506	-	-	-	-	-	116,506
Restricted							
Commerce Park principal	71,817	-	-	-	-	-	71,817
SBA microloan	-	-	-	-	41,378	-	41,378
Total net assets	1,007,064	1,514,596	308,644	(3,895)	41,378	-	2,867,787
Total liabilities and net assets	$ 1,054,174	$ 1,517,269	$ 381,440	$ 110	$ 217,028	$ (2,673)	$ 3,167,348

See independent auditor's report and accompanying notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS/ STATEMENT OF ACTIVITIES
Year ended December 31, 2011

	Operating Fund	Loan Program	CDBG Small Cities	MicroBusiness Program	SBA-Microloan	Elimination	Total
Operating Revenues:							
Administrative fees - related parties	$ 56,584	$ -	$ -	$ -	$ -	$ -	$ 56,584
Interfund administrative fees	15,000	-	-	-	-	(15,000)	-
Grant revenue - CDBG	10,396	-	17,522	-	-	-	27,918
Service fee on Commerce Park loan	6,462	-	-	-	-	-	6,462
Interest on loans	10,720	34,691	274	-	7,672	-	53,357
Commerce Park-penalties and forfeited deposits	20,000	-	-	-	-	-	20,000
Membership fees	16,000	-	-	-	-	-	16,000
Other income	1,850	-	-	-	1,156	-	3,006
Total operating revenues	137,012	34,691	17,796	-	8,828	(15,000)	183,327

See independent auditors' report and accompanying notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS/ STATEMENT OF ACTIVITIES (CONTINUED)

For the year ended December 31, 2011

	Operating Fund	Loan Program	CDBG Small Cities	MicroBusiness Program	SBA-Microloan	Elimination	Total
Operating Expenses:							
Personnel expense	$ 283,602	$ -	$ -	$ -	$ -	$ -	$ 283,602
Interfund administrative fees	-	15,000	-	-	-	(15,000)	-
Program expense	2,959	-	-	-	-	-	2,959
Office expense	46,457	-	-	-	-	-	46,457
Contribution - HVADC	30,000	-	-	-	-	-	30,000
Program delivery fees	-	12,421	-	10,806	-	-	23,227
Professional fees	7,475	-	2,000	-	-	-	9,475
Forgiven loans	-	-	-	-	8,213	-	8,213
Consulting	28,918	-	-	-	-	-	28,918
Insurance	6,066	-	-	-	-	-	6,066
Marketing	13,970	-	-	-	-	-	13,970
Depreciation	904	-	-	-	-	-	904
Bad debt expense	-	-	-	-	16,000	-	16,000
Interest- Commerce Park Loan	6,683	-	-	-	-	-	6,683
Miscellaneous	-	-	25	-	-	-	25
Total operating expenses	427,034	27,421	2,025	10,806	24,213	(15,000)	476,499
Operating (loss) income	(290,022)	7,270	15,771	(10,806)	(15,385)	-	(293,172)

See independent auditor's report and accompanying notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS / STATEMENT OF ACTIVITIES (CONTINUED)
For the year ended December 31, 2011

	Operating Fund	Loan Program	CDBG Small Cities	MicroBusiness Program	SBA-Microloan	Total
Non-Operating Revenues (Expenses):						
Bank interest	$ 1,088	$ 752	$ 308	$ -	$ 39	$ 2,187
Interest expense	-	-	-	-	(503)	(503)
Interfund transfer in	-	-	-	10,000	37,987	47,987
Interfund transfer out	(37,987)	(10,000)	-	-	-	(47,987)
Total Non-Operating Revenues (Expenses)	(36,899)	(9,248)	308	10,000	37,523	1,684
Appropriation from County of Columbia, NY	440,000	-	-	-	-	440,000
Net change in net assets	113,079	(1,978)	16,079	(806)	22,138	148,512
Net assets beginning of the year	893,985	1,516,574	292,565	(3,089)	19,240	2,719,275
Net assets, end of year	$ 1,007,064	$ 1,514,596	$ 308,644	$ (3,895)	$ 41,378	$ 2,867,787

See independent auditor's report and accompanying notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
Year ended December 31, 2011

	Operating Fund	Loan Program	CDBG Small Cities	MicroBusiness Program	SBA-Microloan	Total
Cash flows from operating activities:						
Administrative fees - related parties	$ 82,260	$ -	$ -	$ -	$ -	$ 82,260
Principal disbursed on loans receivable	(25,000)	(460,000)	(100,000)	-	(94,500)	(679,500)
Principal received on loans receivable	20,471	149,110	13,117	-	19,382	202,080
Principal received from Commerce Park	65,107	-	-	-	-	65,107
Interfund administrative fees	16,050	-	-	-	-	16,050
Grant revenue - CDBG	10,396	-	4,405	-	-	14,801
Interest on loans	10,720	29,443	274	-	7,672	48,109
Service fee Commerce Park	6,462	-	-	-	-	6,462
Penalties and forfeited deposits	20,000	-	-	-	-	20,000
Membership fees	16,000	-	-	-	-	16,000
Operating expenses	(427,931)	(29,971)	(2,025)	(10,476)	-	(470,403)
Other income	1,850	-	-	(750)	1,156	2,256
Net cash used in operating activities	(203,615)	(311,418)	(84,229)	(11,226)	(66,290)	(676,778)
Cash flows from noncapital financing activities:						
Principal disbursed on Commerce Park	(65,107)	-	-	-	-	(65,107)
Appropriation from County of Columbia, NY	440,000	-	-	-	-	440,000
Payments on loans	-	-	-	-	(5,764)	(5,764)
Interfund transfer (out) in	(37,987)	(10,000)	-	10,000	37,987	-
Net cash provided by (used for) noncapital financing activities	336,906	(10,000)	-	10,000	32,223	369,129
Cash flows from investing activities:						
Interest paid	-		-	-	(503)	(503)
Interest received	1,088	752	308	-	39	2,187
Net cash provided by (used for) investing activities	1,088	752	308	-	(464)	1,684

See independent auditor's report and accompanying notes

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS (CONTINUED)
Year ended December 31, 2011

	Operating Fund	Loan Program	CDBG Small Cities	MicroBusiness Program	SBA-Microloan	Total
Cash flows from capital and related financing activities:						
Restricted cash	$ -	$ -	$ -	$ -	$ 34,531	$ 34,531
Net cash provided for capital and related financing activities	-	-	-	-	34,531	34,531
Net increase (decrease) in cash and cash equivalents	134,379	(320,666)	(83,921)	(1,226)	-	(271,434)
Cash and cash equivalents at beginning of year	668,607	553,842	292,564	1,336	-	1,516,349
Cash and cash equivalents at end of year	$ 802,986	$ 233,176	$ 208,643	$ 110	$ -	$ 1,244,915
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$ (290,022)	$ 7,270	$ 15,771	$ (10,806)	$ (15,385)	$ (293,172)
Depreciation Expense	903	-	-	-	-	903
Loan fogiveness	-	-	-	-	8,213	8,213
Provision for loan loss	-	-	-	-	16,000	16,000
Changes in assets and liabilities:						
Due from HVADC	25,676	-	-	-	-	25,676
Prepaid insurance	2,956	-	-	-	-	2,956
Interfund receivable	1,050	-	-	-	-	1,050
Loans receivable	(377)	(310,890)	(86,883)	-	(75,118)	(473,268)
Commerce Park principal	65,107	-	-	-	-	65,107
Accounts payable	(1,845)	(1,500)	-	330	-	(3,015)
Interfund payable	-	(1,050)	-	-	-	(1,050)
Unearned Revenue	-	-	(13,117)	(750)	-	(13,867)
Accrued expenses	(2,911)	-	-	-	-	(2,911)
Land deposits	(4,152)	-	-	-	-	(4,152)
Interest receivable	-	(5,248)	-	-	-	(5,248)
Net cash provided by (used in) operating activities	$ (203,615)	$ (311,418)	$ (84,229)	$ (11,226)	$ (66,290)	$ (676,778)

See independent auditor's report and accompanying notes

1. Nature of Organization:

Financial Reporting Entity:

The Columbia Economic Development Corporation (CEDC) 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 Columbia Economic Development Corporation purchased the entire equity share of Hudson Development Corporation. 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, Hudson Valley Agri-business Development Corporation (HVADC), Columbia Development Leasing Corporation (CDLC), 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.

Microloans
Microloans are given out to small businesses to start, build and grow local businesses in Columbia County. The loans in this fund are generated from operating fund unrestricted assets.

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, 2011, the Corporation's loans receivables include $477,500 of these loan types.

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1. Nature of Organization (Continued):

CDBG Small Cities

The program was funded by a 267HR32-04 grant and 267ED424-02 grant. These grants are described as follows:

The Corporation records a receivable and deferred revenue for the amount of the loan. As obligations are met, the loan is paid off or written down and the deferred revenue balance is earned or forfeited.

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.

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.

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 awarded to small businesses in the county funded by the Small Business Administration.

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 assets, 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 Loans. 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.

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2. Summary of Significant Accounting Policies (Continued):

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 well as Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989 to the extent these pronouncements do not conflict with GASB pronouncements.

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 assets instead of fund balances.

Recent GASB developments:

GASB No. 60 "Accounting and Financial Reporting for Service Concession Arrangements" and GASB No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", and GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, and Net Position" are effective for periods beginning after December 15, 2011. Management has not yet evaluated the impact of adopting these standards on the Corporation's 2012 financial statements.

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 contacts is dependent on local economic conditions in Columbia County, New York.

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2. Summary of Significant Accounting Policies (Continued):

Use of Estimates (Continued):

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:

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, 2008.

Columbia County Appropriation:

For the year ended December 31, 2011, Columbia County appropriated $440,000 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

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) the Loan Fund loans, (iv) Small Cities Fund loans, and (v) 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.

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;
- the customer has filed bankruptcy and the loss becomes evident as a result of a lack of assets; or
- the loan is 180 days past due unless both well secured and in the process of collection.

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.

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 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.

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, 2010	$	171,562
Disbursements (repayments), net		(40,520)
Balance, December 31, 2011	$	131,042

The above balance at December 31, 2011 represents a loan with a company that is controlled by a 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 2011 was $1,529. In addition, during 2011, the Corporation wrote off a loan for the amount of $8,213 which was payable to the Corporation by a close relative of a board member.

The Corporation receives an administrative fee from the Columbia Development Leasing Corporation (CDLC), Capital Resource Corporation (CRC), and the Columbia County Industrial Development Agency (CCIDA) in the amount of $56,584 for support services to carry out each of the entity's functions and purpose.

The Corporation made a contribution to HVADC for $30,000 during the year ended December 31, 2011.

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 total expense for the year ended December 31, 2011 was $6,683.

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 September 21, 2012, which is the date the financial statements were available to be issued. Subsequent to year end, the Corporation drew down $100,000 from the SBA which in turn was lent to a local organization. In addition, the Corporation was granted $300,000 from CDBG which in turn was awarded to another local organization.

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3. Cash and Cash Equivalents:

Cash and cash equivalents at December 31, 2011 comprised the following:

Bank	Book Balance	Bank Balance	FDIC Insurance	In Excess
First Niagara Bank	$ 550,545	$ 554,545	$ 307,472	$ 247,073
National Union Bank of Kinderhook	694,260	694,285	377,516	316,769
TD Bank	110	485	250,000	-
	$ 1,244,915	$ 1,249,315	$ 934,988	$ 563,842

4. Restricted Cash:

Restricted cash at December 31, 2011 consisted of the following:

Small Business Administration program	$ 92,121
Total Restricted Cash	$ 92,121

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 is as follows:

	2011	2010 (memorandum only)
F499s	$ 94,687	$ 94,786
Operating Fund	36,794	102,488
Loan Fund	1,272,503	961,613
Small Cities Fund	172,797	85,914
SBA Fund	140,907	74,002
	1,717,688	1,318,803
Less: allowance for loan losses	(16,000)	-
Total loans	$ 1,701,688	$ 1,318,803

5. Loans (Continued):

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 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 by the committee 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 the 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 $16,000 adequate to cover loan losses inherent in the loan portfolio, at December 31, 2011. The following table presents by loan category, the changes in the allowance for loan losses and the recorded investment in loans.

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	$ -	$ -	$ -	$ -	$ -	$ -
Provision charged to expense	-	-	-	-	16,000	16,000
Loans charged off	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Balance, end of year	$ -	$ -	$ -	$ -	$ 16,000	$ 16,000
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 16,000	$ 16,000
Ending Balance: collectively evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance: loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -
Loans:						
Ending Balance	$ 94,687	$ 36,794	$ 1,272,503	$ 172,797	$ 140,907	$ 1,717,688
Ending Balance: individually evaluated for impairment	$ 94,687	$ 36,794	$ 1,272,503	$ 172,797	$ 140,907	$ 1,717,688
Ending Balance: collectively evaluated for impairments	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance: loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -

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, 2011. 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.

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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, 2011, 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	$ 50,951	$ 36,794	$ 1,108,752	$ 172,797	$ 79,578	$ 1,448,872
Average quality	43,736	-	163,751	-	29,508	236,995
Below average	-	-	-	-	31,821	31,821
Total	$ 94,687	$ 36,794	$ 1,272,503	$ 172,797	$ 140,907	$ 1,717,688

Payment activity is reviewed by management on a quarterly basis to determine how loans are performing. Loans are considered to be nonperforming when days delinquent is greater than 90 days in the previous quarter. Net additions to nonperforming loans in 2011 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.

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, 2011. 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	$ 43,736	$ -	$ -	$ 43,736	$ 50,951	$ 94,687	$ -
Operating Fund	-	-	-	-	36,794	36,794	-
Loan Fund	66,750	97,001	-	163,751	1,108,752	1,272,503	-
Small Cities Fund	-	-	-	-	172,797	172,797	-
SBA Fund	42,874	-	18,455	61,329	79,578	140,907	-
Total	$ 153,360	$ 97,001	$ 18,455	$ 268,816	$ 1,448,872	$ 1,717,688	$ -

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 all 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, 2011 there were no impaired loans.

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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, country, terms 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.

The following table presents the financing receivables on nonaccrual status as of December 31, 2011. The balances are presented by class of financing receivable.

SBA Fund	$ 18,455

Troubled Debt Restructurings

	Number of Loans	Pre-Modification Outstanding Recorded Balance	Post-Modification Outstanding Recorded Balance
Loan Fund	2	$ 97,001	$ 97,001

The loans restructured in 2011 were with one customer. The payment terms were modified and the scheduled payments were not adjusted to reflect the change.

There were no troubled debt restricting that subsequently defaulted during the year ended December 31, 2011.

6. Property and Equipment:

A summary of property and equipment is as follows as of December 31, 2011:

Computer equipment	$	30,468
Land		114,734
		145,202
Accumulated depreciation		(28,696)
Total Property and Equipment	$	116,506

Depreciation expense was $904 during the year ended December 31, 2011.

7. Interest Receivable:

During 2009 the Organization gave a loan in the amount of $75,000 that does not have to be paid back in full until December 1, 2012, the end of the term, when all unpaid principal and interest should be due and payable in full. Interest will accrue from the date the loan starts through the date of payment. The Organization accrued interest of $11,590 as of December 31, 2011.

8. Restricted Net Assets:

Restricted net assets at December 31, 2011 consist of F499 economic development loan funds and 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:

NYS F499 economic development loan funds	$	150,392
Commerce Park		71,817
SBA loan program		41,378
Total Restricted Net Assets	$	263,587

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. The loans outstanding, net of an allowance under this program totaled $124,907 at December 31, 2011.

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.

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

To the Chairman and the Board of
Columbia Economic Development Corporation

We have audited the financial statements of Columbia Economic Development Corporation as of and for the year ended December 31, 2011 and have issued our report thereon dated September 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Columbia Economic Development Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing out audit, we considered Columbia Economic Development Corporation's internal control over financial reporting 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 Columbia Economic Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 Columbia Economic Development Corporation's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Columbia Economic Development Corporation, in a separate letter dated September 21, 2012.

This report is intended solely for the information and use of management, others within the Corporation, awarding agencies, the Board of Directors and the Columbia County Board of Supervisors and is not intended to be and should not be used by anyone other than these specified parties.

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

Valatie, New York
September 21, 2012

SUPPLEMENTARY INFORMATION

COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
OPERATING FUND
Year ended December 31, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Administrative income and fees	$ 72,500	$ 81,980	$ 9,480
Commerce Park principal income	47,272	-	(47,272)
Commerce Park interest	4,854	4,804	(50)
Service fee Commerce Park	-	6,462	6,462
Commerce Park forfeited deposits and penalties	-	20,000	20,000
Membership and fund-raising	10,000	16,000	6,000
Empire Zone income	5,000	-	(5,000)
Bank interest	1,000	1,088	88
Columbia County contribution	440,000	440,000	-
CEO Roundtable	-	1,850	1,850
F499 and Microloan interest	-	5,916	5,916
Total revenue	580,626	578,100	(2,526)
Expenditures:			
Commerce Park expense - IDA	47,274	221	47,053
Commerce Park interest	-	6,462	(6,462)
Marketing	20,000	13,970	6,030
Insurance	7,000	6,066	934
Consulting/Grant Writers	38,000	28,918	9,082
Professional fees	19,000	7,475	11,525
HVADC contribution	30,000	30,000	-
Depreciation	-	904	(904)
Office and personnel	415,552	330,059	85,493
Transfer out	-	37,987	(37,987)
Direct program	8,500	2,959	5,541
Total expenditures	585,326	465,021	120,305
Total revenue in excess of expenditures	$ (4,700)	$ 113,079	$ 117,779