

Saratoga County Industrial Development Agency

Annual Report Fiscal year 2014

03/31/2015

Addresses operations and accomplishments, compliance with Public Authorities Law, fund balance loan and grant program, projects undertaken, performance measurement report, internal control assessment, property owned by the Agency, investment report and audited financial statements.

Saratoga County Industrial Development Agency

Annual Report FY 2014

Operations and Accomplishments

Administrative Staff

The Saratoga County Industrial Development Agency's Administrative needs are met by the C.E.O. an independent contractor, pursuant to a professional service contract. The CEO is assisted in these duties by the Assistant administrator who also serves as senior planner for the County of Saratoga. The Agency contracts with the county on an annual basis for the provision of office and storage space, supplies and services as needed.

Compliance with Public Authorities Accountability Act (PAAA)

The Agency established an Audit committee and governance committee and appointed members on January 7, 2007. The governance committee provided the County Board of Supervisors with written recommendations regarding the skills and experience future board members should possess. In April, 2008 the Agency adopted the Audit and Governance Committee Charters. The Agency also amended its investment policy and reaffirmed its procurement policy. By resolution the board adopted a prohibition of credit to members required for all public authorities. The Agency amended its application for financial assistance to require companies to provide information on wages and salaries as required by the office of State Comptroller. In January 2010 the board established a finance committee as required by an amendment to the Public Authorities Law (Chapter 506 Laws of New York 2009). In May 2010 the Agency executed the Acknowledgement of Fiduciary Duties of Board Members and adopted a Mission Statement and Performance Standards. The Agency has filed Board evaluation forms for 2014 with the ABO which is an annual requirement. All Agency Board Members have completed their training required under the PAAA. Management has prepared the **Annual Assessment of the Effectiveness of Internal Controls** subject to review by the audit committee and a statement to that effect is included below.

Agency Policies can be found on its web site www.saratogacountyida.org.

Financial Report

Pursuant to state legislation enacted in 1990, the Agency commissioned an independent audit of its 2014 fiscal year in conformance with criteria provided by the Office of New York State Comptroller. The audited report dated February 14, 2015 found the financial operations and record keeping of the Agency in conformity with generally accepted accounting principles and in compliance with all relevant laws and regulations of New York State. That report is filed online with the Office of the State Comptroller, is attached hereto and will be available for review on the Agency's web site at www.saratogacountyida.org.

Internal Controls

This statement certifies that management has documented and assessed the internal control structure and procedures of the Saratoga County Industrial Development Agency for the year ending December 31, 2014. The assessment found the authority's internal controls to be adequate, and to the extent that deficiencies were identified, the authority has developed corrective action plans to reduce any corresponding risk. The assessment report is attached hereto and available for inspection at the offices of the Agency and on its web site.

Payment in Lieu of Taxes

The Agency is able to offer companies who consider locating to or expanding within Saratoga County savings in the form of sales, mortgage and property tax abatement pursuant to its Uniform Tax Exemption Policy. The Agency holds title to a property thereby making it tax exempt. For a specific period (5-10 years) the Agency will bill a company for payments in lieu of taxes and distribute those monies to local governments and school districts. Of the ninety five projects approved by the Agency only fifteen are currently subject to Pilot Agreements. In 2014 the Agency collected 14,128,000 dollars in local

and school district taxes and distributed those funds to the local tax jurisdictions. The Agency calculates both the PILOT payment due based on the level of abatement for each company as well as the “normal tax” which would be due if there were no IDA involvement. Pilot revenues received, represented over 95% of the “normal taxes”. The following charts list the normal taxes vs. the payment in lieu of taxes paid by individual companies.

2014 County/Local PILOTS COMPANY, (SCH DIST),SBL	Normal Assessment (PILOT Assessment)	Tax Rate/\$1,000	Normal Tax	PILOT	Tax Abatement Ends with Last Billing of
Columbia HPS LLC (BSSD) 229.-2-75.111-1	7,518,750. (1,394,728.)land value +value of private offices	County 2.367318	17,799.27	3,301.77	2031 County/Local Tax
		Town 0.14081	1,058.72	196.39	
United STEP 1, (BSSD) 230.-1-75.1-1	10,400,000(13) (0)	County 2.367318	24,620.11	0.00	2017 County/Local Tax
		Town 0.14081	1,464.42		
SCNC (SSSD) 177.-1-61	1,831,500 (431,999)(13)	County 2.974798	5,448.34	1,285.11	2017 City/County
		City 5.992	10,974.35	2,588.54	
Saratoga Eagle (SSSD) 177.-1-52.112	7,885,000(13) (1,200,000)	County 2.974798	23,456.28	3,569.76	2015 City/County Tax
		City 5.992	47,246.92	7,190.40	

19 Railroad, LLC (SSSD) 165.59-1-15.1	652,950 (13)full value	County 2.974798	1,942.39	1,942.39	2024
		City 6.0701	3,963.47	3,963.47	
Albatros (BHBLSD) 228.-3-61	1,966,000(13) (323,500)	County 2.441926	4,800.83	789.96	2021 County/Local Tax
AJH Ent.(Shen) 272.-3-58	885,300(13) (863,110)	County 3.842921	3,402.14	3,316.86	2017/2018 School Tax
Fortress:E.Nfrastructure, (Shen) 272.-4-83	1,150,000(13) (93,300)	County 3.842921	4,419.36	358.55	2016 County/Local Tax
Perry Realty, (WHMSD) 286.-1-5.1	1,900,000(13)	County 3.842921	7,301.55	7,301.55	2018 County/ Local Tax
Hemingway of Halfmoon (Shen) 260.-1-103	1,154,300(13) (116,500)	County 3.842921	4,435.88	447.70	2017 County/Local Tax
Mountain Ledge Limt. Partners (SSSD) 140.-1-68.131	4,446,000 (13) 3,000,000 taxes on 3M land value 1st 5 years	County 2.366109	10,519.72	7,098.33	2018 County/ Local Tax
WDC of Upstate NY (SGFSD) 115.-1-48	6,037,400(13)	County 2.366109	14,285.15	14,285.15	Undetermined
Totals			187,138.90	57,635.93	

2014/2015 School PILOTS COMPANY, (SCH DIST),SBL	Normal Assessment (PILOT Assessment)	Tax Rate/\$1,000	Normal Tax	PILOT	Tax Abatement Ends with Last Billing of
Global Foundries U.S., Inc. (BSSD) 230.-1-72.12 Malta 230.-1-23 Stillwater(SCSD)	Full value 658,050,089. Malta (2014)	County Gen Malta 2.367318	1,557,813.82	1,557,813.82	2059
		Malta Town Amb. 0.005001	3,290.91	3,290.91	
		Malta Library 0.135809	89,369.13	89,369.13	
		BSCSD 18.181600	11,964,403.50	11,964,403.50	
		Library 0.021072	13,866.43	13,866.43	

		County Gen (Stillwater) 2.542282	5,514.46	5,514.46	
	2,169,100 Stillwater (2014)	Stillwater, Town gen,lib,amb, hwy 2.853109	6,188.68	6,188.68	
	2,169,100 Stillwater (2014)	Stillwater CSD 13.292171	28,832.05	28,832.05	
Columbia HPS LLC (BSSD) 229.-2-75.111-1	10,021,500(14) (1,858,988.)prorated value of private offices	Sch 18.181600	182,206.90	33,799.38	2031 County/Local Tax
		Lib 0.021072	211.17	39.17	
United STEP 1, (BSSD) 230.-1-75.1-1	10,000,000(14) (0)	Sch 18.181600	181,816.00	0.00	2017 County/Local Tax
		Lib 0.021072	210.72	0.00	
SCNC (SSSD) 177.-1-61	1,831,500 (431,999)(14)	Sch 14.989659	27,453.56	6,475.52	2017 City/County
		Lib 0.990984	1,814.99	428.10	
Saratoga Eagle (SSSD) 177.-1-52.112	7,885,000(14) (1,200,000)land	Sch 14.989659	118,193.46	17,987.59	2015 City/County Tax
		Lib 0.990984	7,813.91	1,189.18	
19 Railroad, LLC (SSSD) 165.59-1-15.1	1,990,000.(14) 652,950 land	Sch 14.989659	29,829.42	9,787.50	2024
		Lib 0.990984	1,972.06	647.06	
Albatros (BHBLSD) 228.-3-61	1,966,000(14) (323,500)land	Sch 21.640500	42,545.22	7,000.70	2021 County/Local Tax
AJH Ent.(Shen) 272.-3-58	885,300(14) (863,110)pilot	Sch 28.634330	25,349.97	24,714.58	2017/2018 School Tax
Fortress:E.Nfrastructure, (Shen) 272.-4-83	1,150,000(14) (93,300)land	Sch 28.634330	32,929.48	2,671.58	2016 County/Local Tax
Fortress: Creatacor, (Shen) 272.- 4-81	2,970,900(14) 2,495,500.pilot	Sch 28.634330	85,069.73	71,456.97	2019 Town and County
Perry Realty, (WHMSD) 286.-1-5.1	1,900,000(14)	Sch 40.239000	76,454.10	76,454.10	2018 County/ Local Tax
		Lib 0.990000	1,881.00	1,881.00	
Hemingway of Halfmoon (Shen) 260.-1-103	2,740,300.(14) (284,000)land	Sch 28.634330	78,466.66	8,132.15	2017 County/Local Tax
Mountain Ledge Limt. Partners (SSSD) 140.-1-68.131	4,446,000 (14) (561,500) land	Sch 11.933455	53,056.14	35,800.37	2018 County/ Local Tax

	3,000,000 pilot land value 1st 5 years	Lib 0.788935	3,507.61	2,366.81	
WDC of Upstate NY (SGFSD) 115.-1-48	6,037,400(14)	Sch 15.936000	96,212.01	96,212.01	Undetermined
Finch Waste Co., LLC (SGF) 104.-1-85.2	3,815,100.(14) 262,000. land	Sch 15.936000	60,797.43	4,175.23	2019 Town and County
Totals				14,070,497.98	

Sales tax reporting

One aspect of the Agency's assistance to companies is the abatement of New York State sales tax during the construction of new facilities. All companies are required to submit a report to the Agency and State Dept. of Tax and Finance on the total dollar amount of sales tax abated during the calendar year. Because of the significant dollar amount of the Global Foundries sales tax savings the board in conjunction with the issuance of a sales tax exemption certificate required the company to submit periodic construction reports listing all vendors providing materials or services which were subject to New York State and local sales tax. This reporting requirement was applied to all future projects which will come before the Agency through an amendment to its application form in September 2009. Sales tax reports received from companies are on file with the Agency and available for inspection. In response to a 2013 amendment to State statute, (GML 875) the Agency added a recapture provision to its application placing applicants on notice that any sales tax abatements received in excess of the amount approved by the Agency would be subject to recapture. Also in response to the new requirements the Agency has prepared a "sales tax compliance report" to track all approved projects as of 2014.

Direct Financial Assistance

The Agency manages a fund balance generated from the collection of fees charged to assisted companies. The Agency's Board of Directors has dedicated a portion of this fund balance primarily for economic development projects that have the potential to create additional job opportunities for residents of Saratoga County. Since 1986 the Agency has approved expenditures totaling 3.37 million dollars from these funds through loans, grants and projects directly undertaken by the Agency for a wide range of economic studies and capital improvements.

For example, IDA funds may be utilized to extend public infrastructure (streets, water, and sewer) to enhance the development of industrial lands either through a matching grant to the municipality and/or a low interest loan provided to the property owner or developer. The Agency will also consider providing funding assistance towards "soft costs" (legal, planning, engineering, etc.), that may be associated with bringing an industrial site or park to "shovel ready" status.

The IDA has established the following conditions and criteria that must be followed prior to formal consideration of any such financial support:

1. The legislative body of the host community must approve a proposed project by resolution.
2. The site must be properly zoned and be compatible with the community's Comprehensive Plan.
3. Any infrastructure improvements must be within the public right-of-way; be offered for dedication; or serve a public purpose. A municipality or public entity must have expressed commitment to accept proposed improvements.
4. The application must include other sources of funding
5. Staff of the Agency, the Saratoga County Planning Department and the Saratoga Economic Development Corp. (SEDC) will work with municipal leaders and private land owners to develop potential projects and to screen future applications.

In February 2010 Agency expanded and further defined the program criteria for loans and grants as follows.

By Resolution # **1044 of** February 8th, 2010 the Agency allocated 1.5 million or 50% of its unrestricted fund balance whichever is less for a loan/grant program for the purpose of promoting the economic welfare and prosperity of the inhabitants of Saratoga County and to actively promote, attract, encourage and

develop economically sound commerce and industry and economically sound projects. The Agency may use a portion of its unencumbered fund balance to extend loans and assist in the creation and implementation of infrastructure, programs, projects, studies and plans. On July 15, 2013 by Resolution # **1197** the total allocation of unrestricted funds was increased to 2.5 million dollars.

Eligible Loan applicants: Public institutions and Authorities, municipalities, Not-for profit organizations, individuals, corporations, partnerships and LLC's.

Application must demonstrate that loan will enhance the economy of Saratoga County through the creation and retention of jobs at a level sufficient to justify loan funds. The Agency shall not be the sole source of project funding.

Terms: Ten years with 5 year balloon payment (may be extended by the Board), at annual LIBOR rate determined at the time loan proceeds are issued by the Agency. The total loan amount shall be determined by the Board.

Grants: In extraordinary circumstances the Agency may provide a grant to a municipality where there is a demonstration that the grant will support the purpose for which the IDA has been created and will directly assist in the creation and retention of jobs or the ability to create or retain jobs in the future. Grantees may pass grant proceeds through to a grant recipient with the prior approval of the Agency. Grants must be approved by a supermajority vote of the Board. All approved grants will require a contract between the Agency and the municipality. School Districts added as eligible grantees by Res # 1088 of 01/10/11. Saratoga County Public Authorities added as eligible grantees by Res # 1196 of July 15, 2013.

In September 2014 the State Attorney General's Office issued an opinion (No. 2014F1) addressing an IDA's legal authority to issue loans and grants. The opinion concludes that "an IDA may not provide grants or loans from its own monies to public or private interests". The State Authority Budget Office more recently issued a policy guideline (#15-01) reinforcing the Attorney General's opinion stating that "an IDA may not under any circumstances award grants or make loans of its moneys". In view of the State's unequivocal position the Agency moved to suspend its Grant/Loan program on March 9, 2015 until such time as its authority can be clearly established.

Use of Fund Balance 2014

Saratoga County Regional Traffic Study

In January 2014 the Agency by Resolution #1214 allocated 17,000. towards a regional traffic study of the transportation system within the towns of Malta and Stillwater impacted by the Global Foundries chip production Fab. The IDA is one of several stakeholders contributing funds or staff to this study including Saratoga County, the towns of Malta and Stillwater, NYSDOT, the CDTC, the CEG, National Grid and Global Foundries U.S., Inc.

The primary purpose of this study is to update and reevaluate traffic and other transportation concerns within the Towns of Malta and Stillwater, Village of Round Lake, and other areas impacted by the development associated with the growth of the Luther Forest Technical Campus to determine existing and potential deficiencies, along with alternatives to address those deficiencies, within the next 10-year timeframe. The original evaluation of these issues for the Luther Forest Technical Campus (LFTC) was included in the 2003 SEQRA GEIS. Subsequent to that original study and the construction of initial phase transportation mitigation, new staging and timetables for future land use development have become known, in addition to several other significant land development initiatives proximate to the LFTC, all of which affect, or are expected to affect, transportation in and through the study area. Further, community concerns have arisen about freight safety, accidents and community growth desires.

Study Organization:

The Capital District Transportation Committee (CDTC), through its staff, shall provide day to day management of the study and supply or obtain special expertise as required to complete the study tasks. A Study Advisory Committee (SAC) of affected stakeholders will be established to help guide the study, review periodic progress and accept the final product.

Study Objectives:

- Determine a regional level study area for analysis suitable for future environmental studies under the National Environmental Policy Act and SEQRA.
- Determine up to three potential land use and associated traffic growth scenarios for testing the transportation system for adequacy.
- Determine deficiencies for the existing system and evaluate potential mitigation measures ranging from the no build (travel demand management (TDM) strategies and

bicycle, pedestrian, and transit opportunities) to conceptual build alternatives, including a potential I-87 Exit 11A, which would alleviate or mitigate traffic issues.

- Conceptually evaluate other transportation concerns such as freight movement, safety, and high accident locations.
- Determine conceptual level environmental and community impacts that may constrain transportation alternative development.
- Determine a phasing plan and conceptual costs for mitigation alternatives.

In May the Agency provided a \$4,500. contribution to SEDC to help defray the costs of sponsoring the **Advanced Semiconductor Manufacturing Conference** held by the World Semiconductor Council in Saratoga Springs for the fourth year in a row which brings together executives from the leading industries in the field of microelectronics from the US, China, Korea, Taiwan and Europe. There is increasing interest by this leading industry group in the Capital Region due to the continued investment of Global Foundries in Malta and the State's sponsorship of the College of Nanoscale Sciences at SUNY Albany.

Budgets

Agency annual operating budgets required to be submitted to the State Comptroller for 2013-2018 can be examined on its web site or are available upon request at the offices of the Saratoga County Planning Department, Ballston Spa, N.Y. The Agency's audited financial statements and Post Governance Letter for Fiscal Year 2014 are attached.

Employment

The assistant administrator reported the results of field verification visits of SCIDA companies, all of which meet or exceeded their employment projections.

Projects Undertaken

A project is defined as the granting of financial assistance by the Agency to a private business entity, typically for the construction, renovation, expansion and equipping of facilities. Assistance provided may include abatements of NYS sales and mortgage taxes and a portion of real property taxes over a limited period of time in accordance with the Agency's written policy. The SCIDA does not directly loan money to companies. The majority of projects today involve straight lease transactions in which the lending institution provides a conventional loan, the repayment of which is backed entirely by the credit of the company.

Finch Waste Company

In January the Board approved an application from Finch Waste Co. that involved the purchase of the 68 acre Saratoga County landfill in the Town of Northumberland. Although the landfill had been permitted by the NYSDEC a number of years ago it was never opened by the county. The county sought bids in 2013 to sell its interest to a private sector operator. Finch Paper Co. a manufacturer of high quality uncoated paper (255 tons/year) and the parent of Finch Waste Co. was the successful bidder receiving the endorsement of the host community, the town of Northumberland. Finch Paper has operated a sludge disposal landfill adjacent to the county site for the past 14 years. Finch a major economic force in the region since its founding in 1865 employs over 700 highly skilled unionized workers with a direct annual payroll of 62 million dollars. The application stated the purchase was critical to the company's ability to continue to compete on a sustainable basis in an increasingly challenging global paper industry. IDA benefits were critical in balancing substantial up front development costs expected to reach 8.7 million dollars over the initial 24 months. The purchase will strengthen the company's business position allowing it to remain competitive thereby retaining an important employment base in

the North Country. In addition to the five new FTE's to be created bringing the dormant landfill to operational status the project will employ up to 230 construction workers with estimated wages of 18 million dollars over a phased construction period. Under the purchase agreement Finch will share revenues with the county. In addition to the 4 million dollar lump sum payment the company will pay annual host fees to the town of \$100,000. Revenues in excess of \$38/ton will be shared with Saratoga County generating over the life of the landfill totaling an estimated 37-47 million dollars. The county in turn will redistribute an estimated \$200,000 a year to the town. The other local municipalities in the county will share in revenues estimated at \$750,000 per year. An additional benefit to the town of Northumberland will result from Finch Paper's agreement to accept up to 50 tons of municipal waste annually at no cost to the town.

Specialty Silicone

In July the Board approved an application by Specialty Silicone a manufacturer of silicone products including resealable (SEPTA) silicone closures used in the pharmaceutical and Bio medical research industries. The company currently employs 58 full time people in its 33,000 SF facility in the town of Ballston. The 4.2 million dollar project involves the construction and equipping of an 18,750 sf addition which will include clean room manufacturing space. In an increasingly competitive field buyers of the company's products are demanding shorter delivery times and a higher level of product purity. In addition to domestic competition the company is bidding against foreign business from China, India and Brazil who enjoy the advantages of lower wages and less regulation. Although the application represents a 4.2 million dollar investment and four new jobs, the most important benefit from IDA assistance is the strengthening of the company's competitive position and market share thereby preserving 58 well paying, full time manufacturing jobs in Saratoga County and New York State.

Fred's Studio Tents and Canopies

In September the Agency approved an application from Fred's Studio Tents and Canopies, Inc. This successful manufacturing firm outgrew its existing 20,000 SF facility in the Village of Stillwater and sought IDA assistance in moving to an

85,000 SF building in the Town of Halfmoon. The 1.45 million dollar project included the purchase, renovation and equipping of the vacant building. The company employs 22 full time workers as well as 15 seasonal employees. The relocation will result in the addition of 5 full time jobs in each of the next two years. The family owned company, in business for the past twenty years, markets its event tents to both the domestic and foreign markets.

Mission Statement/Measurement Report

The 2009 Public Authorities Reform Act requires that local public authorities adopt a mission statement and performance measures and file those documents with the NYS Authority Budget Office. Each public authority is further required to annually review its mission statement and publish a measurement report. The Saratoga County IDA has met the filing requirements and its mission statement, performance measures and measurement report for 2014 is published below.

Adopted: May 18, 2010

Resolution #1060

Authority Mission Statement and Performance Measurements

Name of Public Authority: County of Saratoga Industrial Development Agency

Public Authority's Mission Statement:

SCIDA Mission Statement: The Saratoga County IDA is a public benefit corporation created in 1971 to promote, develop, encourage and assist in the construction, expansion, and equipping of economically sound industrial and commercial facilities in order to advance the job opportunities, general prosperity, and economic welfare of the citizens of Saratoga County. The Agency's primary role is to provide financial assistance and incentives to the business community in order to maximize private capital investment in the economy of Saratoga County and to develop opportunities for job creation and job retention within the County through the use of its own assets, public funds and private investment.

List of Performance Goals:

- Number of New Businesses Assisted
- Number of Existing Businesses Assisted
- Number of Jobs Created and Maintained.
- Salaries of Jobs Created/Retained.
- Total Dollar Amount of Private Investment from IDA Assisted Projects.
- Number of Firms/Employees Hired During Construction
- Special Projects (Grants/Loans) by the Agency

Measurement Report 2014

Company	date approved	Description	Investment	FTE's			Salary Range	annual Payroll
				Created	Retained	Construction		
Finch Waste Co.	1/14/2014	Paper Co. purchase & equip municipal landfill	8.7 million	5	700	231	39k-90k	62 million
SSP Dev. Co.	7/14/2014	Manf. silicone products 18750 sf addition	4.2 million	6	58	20	35k-60k	4.2 million
Fred's Studio Tends & Canopies	9/8/2014	Manf. event tents	1.45 million	10	29	0	20k-25k	1.4 million
Totals			14.35 million	21	787	251	n/a	65.6 million

Property held by the Agency

The SCIDA is the fee owner of an inactive industrial rail spur in the town of Moreau.

This rail line formerly owned by the Delaware and the Hudson Railroad Company was purchased by the SCIDA in 1996 in order to preserve the capability to provide rail service to the Moreau Industrial Park and Industrial properties in the village of South Glens Falls. The line beginning just south of NYS Rte. 197 where it connects to the main line of the Canadian Pacific Railway company runs north approximately 4.37 miles to the former Encore Paper plant (now SCA Tissue), in the village of South Glens Falls.

Previously, the line also served the Chase Bag Paper Co. via a Fennimore branch running east from its juncture with South Glens Falls branch.

The Rail Spur was purchased in April 1996 for \$108,000 based on a 1995 professional appraisal commissioned by the Agency. An engineering study to determine the estimated capital cost to restore the line to active service was completed in 2007.

The Agency has no intention to dispose of its property at this time.

The Agency is owner of an active rail spur serving LogisticsOne in the W.J. Grande Industrial Park in Saratoga Springs. Built in 1981 for the Ball Beverage Container plant with State Funds the spur has operated continuously for over 30 years. In accordance with its lease agreement with NYSDOT the Agency is considering terminating its interest in the rail spur. In addition, the Agency hired an appraisal firm specializing in rail facilities to obtain a fair market value prior to any future sale.

**County Industrial Development Agency
Investment Report FY 2014**

As of December 31, 14 the Agency's unrestricted funds were held in interest bearing money market accounts totaling \$3,944,661. All deposits were covered by FDIC insurance and third party collateral investments as required.

Unrestricted funds during the year are invested by staff with Board oversight, in certificates of deposit awarded to the highest bidder. Participating banks and bid forms are listed in the agency's investment policy: (see Policies on web www.saratogacountyida.org). The State Comptroller's Financial Management Guidelines for cash management and investment have been previously adopted and incorporated into the Agency's investment policy by the Board. In the current market, interest rates for municipal CD's have continued to drop well below 1%. The majority of the Agency's approved depositories for some time have not participated in the bid process. The Agency maintains third party custodial (collateral) agreements with all participating banks and maintains records of all collateral held by third parties securing the Agency's investments. In 2014 the Agency amended its investment policy to include municipal letters of credits as acceptable collateral in accordance with the State Comptrollers guidelines. Interest on CD's is recognized by the agency at maturity. The agency does not incur any fees or charges in the purchase of CD's. In 2014 the Agency had no funds invested in Certificates of Deposit.

**Annual Assessment of the Effectiveness of Internal Controls
Saratoga County Industrial Development Agency
March/31/ 2015**

I. Major Business Functions:

The Saratoga County Industrial Development Agency (The Agency), a public benefit corp. established by the Saratoga County Board of Supervisors in 1971 pursuant to Art. 18-A of the GML has the primary objective of advancing the job opportunities, general prosperity and economic welfare of the citizens of Saratoga County. The Agency provides financial assistance largely through the granting of tax abatements to the private sector to encourage investment in the construction, expansion, renovation and equipping of economically sound industrial and commercial facilities. The Agency has also dedicated a portion of its unrestricted fund balance towards a loan/grant program designed to increase the availability of infrastructure to properly zoned parcels that are essential to allow the location of new and growing businesses within the County. See previous comment regarding suspension of the program under "Direct financial Assistance"

The Agency has adopted policies, guidelines and review criteria to ensure that applicants for financial assistance display the potential economic benefits which serve as the basis for granting of financial aid. The Agency charges a fee at closing from each company computed on a percentage of the total project cost.

One of the major operating responsibilities of management and staff involves the billing and collection of payments in lieu of taxes (pilots) from participating companies and the distribution of those tax revenues to the appropriate local tax jurisdictions. The estimated dollar amounts of pilots collected and distributed are listed as revenues and expenditures in the Agency's annual operating budget. All pilot revenues received are returned to local tax jurisdictions in the amounts originally computed. Pilots are billed each January (county and local taxes) and September (school). Bills are computed by the assistant administrator based on the terms of each company's pilot agreement. The CEO separately calculates each pending Pilot bill and the assistant administrator and CEO then review the respective set of bills for accuracy. Each billing period is documented on a spread sheet describing each company's assessment, level of abatement, local tax rates and taxes due. A second spread sheet lists the total amounts of tax revenues provided to

local tax jurisdictions by name. All bills, payments and spreadsheets are maintained as permanent records. The PILOT billings are reviewed and selectively tested by the independent auditor as part of the annual audit review. At the completion of each billing period spread sheets are provided to board members and placed on the Agency's web site. All pilots collected are distributed within thirty days in accordance with State statute. Pilot revenues and expenditures represent approximately 95% of the Agency's total operating budget.

Grant and Loan applications under the Agency's fund balance program are initially reviewed by a subcommittee of the Board to confirm eligibility and conformance with the Board's adopted fund balance program guidelines. All grants/loans must be approved by a majority of the Board in the case of loans and by a supermajority in the case of grants. Loans must be secured at full value by each applicant. The maximum grant amount is determined by the Board on a case by case basis and eligibility is limited to Municipalities, School Districts, and Saratoga County Authorities. Approved loans and grants are entered on a project spread sheet maintained by management with copies provided to each Board member. See prior comments on suspension of program in 2015.

Investments:

Fees collected at closing from companies receiving financial assistance are placed in an interest bearing money market account or invested in term certificates of deposit (CD's) with banks that are approved depositories by the Board. Written agreements with all depositories are in place and filed in the Agency's records. All accounts are secured by third party collateral agreements as required by the Office of the State Comptroller's guidelines adopted by the Agency as part of its investment policy. Third party collateral statements are periodically provided to the Agency, reviewed by staff to confirm each investment is protected at full value and filed for examination by the independent auditor. As part of the annual independent audit the auditor confirms that all funds are properly collateralized. At maturity CD's may be re-bid in accordance with Agency policy and each bid form is filed in the Agency's investment folder. All CD's are charted on an investment spread sheet indicating purchase and maturity dates, terms, principal and interest earned at maturity. Completed bid forms are certified by management and counter signed by the Agency's treasurer. There were no Certificates of Deposit held by the Agency in 2014.

Contracts:

The Agency contracts with both its CEO on an annual basis for management services and a recording secretary. The Agency also contracts with the County of Saratoga annually for administrative support through its planning department. Services provided include staff assistance provided by the senior planner and secretary, phone, fax, mail services, stationary, office and conference space. The Agency contracts with an independent certified public accounting firm to conduct an independent audit of its annual financial report as required by the Office of the NYS Comptroller. Remaining expenses include insurance, subscriptions, membership, property taxes and maintenance of the Agency's web site. All expenditures are supported by invoices for services rendered, products or subscriptions provided by vendors or contract and/or Board resolution.

Property:

The Agency owns an active rail spur at the W.J. Grande industrial park in the City of Saratoga Springs and an abandoned rail spur in the Town of Moreau. There is no debt associated with these properties.

II. Risk Determination:

Risk level is directly related to the size of a potential loss and the likelihood that a loss could occur. The Agency's unrestricted funds as of the close of 2014 are held in two money market accounts at separate approved depositories. It has been previously noted that these assets are secured by third party collateral accounts which require investment banks to set aside securities with a third party bank in the name of the Agency equal to the value of the investment minus FDIC insurance.

III. Internal Controls:

All expenditures made by the agency are accompanied by an invoice and are originally authorized by Resolution of the Board. Major recurring expenses are contractually controlled. Agency checks require two signatures with checks signed by two staff members limited to \$3,500.00 as authorized by the Board. Checks signed by staff only, are limited to expenses previously approved by the board and must be reported to the Board at the next meeting following their issuance. Management and staff are aware of and familiar with the Agency's policies and practices that are the basis for its financial control system. Internal reports are to be submitted to the Agency's Audit Committee and

subject to its approval. These include cash disbursements, cash receipts, assets and liabilities and revenues and expenses provided on a quarterly basis.

IV. Assess Effectiveness of Internal Control System:

A review of the Agency's investments and checking account history by management found no instances which would raise a concern. All expenditures were appropriately documented through invoices, contracts and authorizing resolutions by the Board of Directors. The independent auditor examines all documentation related to the Agency's financial activities and issues an internal control report as part of its annual audit. The report specifically does not express an opinion on the effectiveness of the SCIDA's internal control but does include a qualified statement that during the audit they did not identify any deficiencies in internal control that they considered to be a material weakness. Although all checks require two signatures it was previously noted that certificates of deposit could be renewed or released with only one authorized signature. That was identified as a potential deficiency in the Agency's internal control system.

V. Corrective Action:

The potential deficiency noted above was addressed by the Audit Committee and in June 2011 Resolution #1105 was adopted requiring two signatures to transfer funds from a Certificate of Deposit at maturity. It is further recommended that the Audit Committee in 2014 meet with the independent auditor to discuss the Agency's current internal control system to determine if any further corrective action is required by the full board.

Other Operations and Activities

In August 2014 the Agency contracted with Camoin Associates of Saratoga Springs to undertake an update of its 2011 Economic Analysis of the impact of the Saratoga Race Course on the city, the county and the adjoining nine county region. The recent approval of three upstate casinos; the state mandated 2015 submission of a reorganization plan by the NYRA; the demand by the Governor's office that NYRA demonstrate a profit without benefit of VLT revenues; and persistent statements from Albany that Aqueduct Racetrack was no longer needed, all taken together raised serious concerns among advocates of the Thoroughbred Racing and Breeding Industry. For those reason the update in addition to documenting direct economic impacts of the racing operations also examined the

Breeding side of this agricultural based industry. Extensive interviews with trainers, breeders, owners and breeding organizations were conducted as part of the study. The study was completed and released this March. The results document the growth of a major industry in New York State that as a result of the VLT enhanced purse structure and a state sponsored breeder's award program is now positioned on a sound financial path that will insure New York State continues as the premier venue for Thoroughbred Racing and Breeding in the United States.

UTEP

In October 2014 following notice to all taxing jurisdictions within Saratoga County and a public hearing, the Agency adopted amendments to its Uniform Tax Exemption Policy. The schedule of real property tax abatements for eligible companies was changed in order to give the Board greater flexibility in the percentage of abatement that may be granted. Prior to the amendments a qualified applicant would receive a specific percentage of abatement of the property assessment created by the construction of new or expanded facilities. The term of abatement as well, was for a specific period of time with little discretion available to the Board in its decision making. The intent of the amendment is to allow the granting of reduced abatements over a shorter period of time based on the Board's review of new performance criteria added as part of the amendments. Another significant addition was a claw back provision which at the Board's discretion can be imposed on a company which fails to fulfill its projections on jobs to be created and/or retained. The amended UTEP can be examined on the Agency's web site: www.saratogacountyida.org under UTEP.

NYS Comptroller Audit

In 2014 the state comptroller's office informed the agency that it would be subject to an audit. That audit began late in the year is nearing completion as of this filing.