

*SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY*

*FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION*

DECEMBER 31, 2015

SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Saratoga County
Industrial Development Agency
Saratoga, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Saratoga County Industrial Development Agency (the "Agency") which comprise the statement of net position as of December 31, 2015, and the related statements of revenues, expenses and change in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2015, and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Agency's basic financial statements. The accompanying supplementary information on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying supplementary information on page 11 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2016 on our consideration of the Agency'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
February 17, 2016

SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
DECEMBER 31, 2015

Assets

Assets:	
Cash	\$ 3,318,181
Loans and Lease Receivable	1,750,000
Fixed Assets	<u>168,138</u>
Total Assets	<u>\$ 5,236,319</u>

Liabilities and Net Position

Liabilities	
Accounts Payable	<u>\$ 28,069</u>
Net Position	
Invested in Capital Assets	168,138
Designated	811,489
Unrestricted	<u>4,228,623</u>
Total Net Position	<u>5,208,250</u>
Total Liabilities and Net Position	<u>\$ 5,236,319</u>

SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

Revenues:	
Administrative Fees - Net	\$ 920,921
Interest Income	<u>10,175</u>
Total Revenues	<u>931,096</u>
Expenses:	
Project Expenses	592,074
Management Fees	22,500
Professional Fees	60,178
Insurance	1,829
Miscellaneous	<u>7,374</u>
Total Expenses	<u>683,955</u>
Change in Net Position	247,141
Net Position at Beginning of Year	<u>4,961,109</u>
Net Position at End of Year	<u>\$ 5,208,250</u>

SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

Cash Flows Provided By (Used In) Operating Activities:	
Receipts from Customers	\$ 920,921
Interest Income	10,175
Loan Payment Received	100,000
PILOTs Received	14,418,954
Lease Receivable	(1,000,000)
Payments for Project Expenses	(566,355)
Payments to Vendors	(91,221)
PILOTs Paid	<u>(14,418,954)</u>
Cash Used In Operating Activities	(626,480)
Cash at Beginning of Year	<u>3,944,661</u>
Cash at End of Year	<u>\$ 3,318,181</u>
Reconciliation of Change in Net Position to Net Cash Used In Operating Activities:	
Change in Net Position	\$ 247,141
Adjustments to Reconcile Change in Net Assets to Net Cash Used In Operating Activities:	
Change in Operating Assets and Liabilities	
Decrease in Accounts Receivable	260
Increase in Loans and Lease Receivable	(900,000)
Increase in Accounts Payable	<u>26,119</u>
Cash Used In Operating Activities	<u>\$ (626,480)</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The Saratoga County Industrial Development Agency (the Agency) was created in 1971 by the Saratoga County Board of Supervisors pursuant to Article 18-A of the General Municipal Law of the State of New York. The purpose of the Agency is to encourage economic growth in Saratoga County. The County appoints the Agency's governing board.

The Agency's function is to authorize the issuance of industrial revenue bonds for industrial development projects and to assist businesses in acquiring or constructing various facilities in order to provide job opportunities and increase economic welfare. In return for its efforts, the Agency receives application and closing fees related to this business financing.

A summary of the significant accounting policies applied in the accompanying financial statements follows.

Accounting Method

The Agency's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) for public authorities. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to the Agency is determined by its measurement focus. The transactions of the Agency are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included in the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into restricted and unrestricted components, as follows:

- *Invested in capital assets* consists of capital assets, net of accumulated depreciation.
- *Unrestricted net position* consist of assets and liabilities that do not meet the definition of "restricted net assets" or "invested in capital assets."

Revenues are recognized when earned and expenses are recognized when incurred.

Estimates

In preparing financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

The Agency's investment policy and statutes authorize the Agency to maintain deposits with FDIC-insured commercial banks located within the state. The Agency is authorized to use demand accounts, money market accounts and certificates of deposit. Collateral is required for all deposits not covered by federal deposit insurance. As of December 31, 2015, all of the Agency's deposits were fully insured or collateralized.

Loans and Leases Receivable

Loans and leases receivable are stated at the principal amount outstanding. Interest is calculated daily based on the principal amount outstanding.

Loans and leases receivable are generally placed on nonaccrual when a note is specifically determined to be impaired or when principal or interest is delinquent for 90 days or more. Any unpaid interest previously accrued on those loans is reversed from income. Interest income generally is not recognized on specific impaired loans unless the likelihood of further loss is remote. Interest payments received on such loans are applied as a reduction of the loan principal balance. Interest income on other nonaccrual loans is recognized only to the extent of interest payments received.

Allowance for Loans and Leases Receivable

The allowance for loans and leases receivable is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectibility of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans and economic conditions. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. Because of uncertainties associated with the regional economic conditions, collateral values and future cash flows on impaired loans, it is reasonably possible that management's estimate of credit losses inherent in the loan portfolio and the related allowance may change materially in the near term. The allowance is increased by a provision for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. There was no allowance for uncollectible loans and leases receivable at December 31, 2015.

Fixed Assets

Fixed assets are reported at the lower of cost or expected realizable value. All fixed assets held by the Agency are nondepreciable assets. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When fixed assets are retired or disposed of, the appropriate accounts are relieved of costs and any resultant gain or loss is credited to operations.

SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets (Continued)

The Agency evaluated prominent events or changes in circumstances affecting fixed assets to determine if impairment of any fixed assets has occurred. A capital asset is considered impaired if both (a) the decline in service utility of the fixed asset is large in magnitude, and (b) the event or change in circumstance is outside the normal life cycle of the fixed asset. There were no impaired fixed assets at December 31, 2015.

Industrial Development Revenue Bonds and Note Transactions

Certain industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies and is retired by these payments. The bonds and notes are not obligations of the Agency, the County, or New York State. The Agency does not record the assets or liabilities resulting from completed bonds and notes issued in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. Industrial bonds issued and outstanding at December 31, 2015 were \$91,334,860.

Tax Status

The Agency is exempt from federal, state, and local income taxes.

Subsequent Events

In preparing the financial statements and notes thereto, the Agency considered subsequent events or transactions as to any potential material impact on operations or financial position occurring through February 17, 2016, the date the financial statements were available to be issued. No such events or transactions were identified.

SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2015

2. LOANS AND LEASE RECEIVABLE

The Agency's loans and lease receivable consist of the following:

	<u>Balance December 31, 2014</u>	<u>New Loans/ Leases</u>	<u>Repayments</u>	<u>Balance December 31, 2015</u>
Loan - Luther Forest Technology Campus Economic Development Corp ("LFTC")	\$ 600,000	\$ -	\$ 100,000	\$ 500,000
Loan - Frank and Marie Rossi	250,000	-	-	250,000
Lease - Saratoga Count Water Authority ("SCWA")	-	1,000,000	-	1,000,000
	<u>\$ 850,000</u>	<u>\$ 1,000,000</u>	<u>\$ 100,000</u>	<u>\$ 1,750,000</u>

LFTC is an entity which develops sites and services as the conduit for funding an advanced technology research and development park in the Towns of Malta and Stillwater in Saratoga County. The LFTC assumed the obligations of the Saratoga Economic Development Corporation (SEDC) for the repayment of a \$650,000 consolidated loan under the same terms as the previous agreement, releasing SEDC from repayment obligation. In 2013, the Agency approved an amended agreement providing for a principal payment schedule of \$50,000 in 2014 and \$100,000 in each of the years 2015 through 2020 with interest from August 1, 2014 at *libor*. The principal payment was made in 2014 and therefore the balance outstanding at December 31, 2015 was \$500,000.

In January 2011, the Agency loaned \$250,000 to Frank and Rose Marie Rossi to be used for the purpose of certain surveys, landscape, architectural plans and engineering, and environmental, traffic and infrastructure studies required by the Town of Ballston and other State agencies for the approval of the construction of a mixed industrial planned development district. The Agency holds a note and mortgage on the project. The borrowers are jointly and individually obligated under the arrangement. The total amount of principal and interest was paid due in January 2016. Interest at the rate of 0.78375% was initially payable in January 2012 and annually in January thereafter:

In May 2015, the Agency leased the acquisition and construction of an outfall structure and diffuser system to the SCWA for \$1,000,000. Annual payments of interest only, at .69%, are required through 2020. Annual payments of principal of \$200,000 and interest, at .69%, are required for the years 2021 to 2025.

3. FIXED ASSETS

In a prior year, the Agency constructed a rail spur for one of its project companies under a New York Rail Transportation Bond Act grant with an associated project cost of \$132,400. Construction of the rail spur was administered by the New York State Department of Transportation. The Agency agreed to maintain the rail spur for 30 years. As part of the Agency's agreement, the lessee was required to secure a letter of credit on behalf of the Agency to maintain the rail spur.

3. FIXED ASSETS (CONTINUED)

In prior years, the Agency developed land in the Moreau Rail Acquisition Project at a net cost of \$168,138.

4. FEE SHARING AGREEMENT

The Agency has an agreement with Saratoga Economic Development Corporation (SEDC) in which administrative fees for project costs up to \$10 million are shared equally and administrative fees for project costs from \$10 million to \$20 million are shared with 75% to the Agency and 25% to SEDC. Fees shared with SEDC amounted to \$200,000 and were reported as an offset to administrative fee income in the statement of revenues, expenses and changes in net position for the year ended December 31, 2015.

5. DESIGNATED NET POSITION

The Board of Directors has designated \$811,489 in net position for projects relating to the Luther Forest Technology Campus.

6. ANNUAL REPORT FILING

The Authorities Budget Office (ABO) requires the Agency to file an annual report in a comprehensive on-line format known as the Public Authorities Reporting Information System (PARIS). Supplemental information in the Agency's PARIS filing, including general information, location, and projected employment data, is sourced from initial information provided by the project companies. Employment data at December 31, 2015 and construction jobs created for those projects in the construction phase, as well as average estimated salary data, is also provided by the project companies. Average estimated salary data is reported as \$0 for projects which closed as of December 31, 2007 as such projects are not required to provide such data.

Property tax exemptions and payments in lieu of taxes (PILOTS) are included based on the data in the Agency's records. Conduit debt outlined in Note 2 is reported based on amounts provided by those project companies with outstanding project bonds, including any increases and payments made during the calendar year resulting in the balances as of the end of the calendar year. Project companies report the amount of sales tax savings as a result of IDA status for projects during construction and mortgage recording tax savings at closing as additional project tax exemptions.

The required reporting for straight lease projects as of December 31, 2015 did not include annual lease payments for projects closed as of December 31, 2007, therefore the amount reported as annual lease payments is \$0 for years through December 31, 2007. This is consistent with ABO reporting requirements.

SUPPLEMENTAL INFORMATION

SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
 STATEMENT OF INDEBTEDNESS
 DECEMBER 31, 2015

<u>Project Description</u>	<u>Original Issue Date</u>	<u>Outstanding January 1, 2015</u>	<u>Issued During 2015</u>	<u>Principal Payments 2015</u>	<u>Outstanding December 31, 2015</u>	<u>Final Maturity Date</u>
American Housing Foundation, Inc.	2006	\$ 4,040,000	\$ -	\$ 100,000	\$ 3,940,000	2036
Disabled Citizens Development Corp.	2006	176,354	-	78,975	97,379	2017
Malta Ambulance Corps.	2002	996,791	-	94,353	902,438	2023
Saratoga Hospital - Emergency Department	2007	12,545,000	-	505,000	12,040,000	2032
Saratoga Hospital - Wilton/Malta Arts	2007	15,690,000	-	560,000	15,130,000	2032
Woodlawn Commons, Inc.	1998	6,336,816	-	561,773	5,775,043	2024
Global Foundries	2013	<u>58,545,000</u>	-	<u>5,095,000</u>	<u>53,450,000</u>	2021
		<u>\$ 98,329,961</u>	<u>\$ -</u>	<u>\$ 6,995,101</u>	<u>\$ 91,334,860</u>	

**INDEPENDENT AUDITOR'S 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***

Board of Directors
Saratoga County
Industrial Development Agency
Saratoga, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Saratoga County Industrial Development Agency, as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated February 17, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Saratoga County Industrial Development Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Saratoga County Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Saratoga County Industrial Development Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Saratoga County Industrial Development Agency's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Outsourcing of Financial Statement Preparation Process to Your Audits

Statement on Auditing Standards “Communicating Internal Control Related Matters Identified in an Audit” issued by the American Institute of Certified Public Accountants requires the reporting of a significant deficiency if the Organization does not employ an individual with the necessary qualifications to prepare a complete set of financial statements and related footnotes in accordance with generally accepted accounting principles. Saratoga County Industrial Development Agency does not employ such a person. Governance and management have been advised of this previously and have concluded that the cost to rectify this comment would exceed the benefit.

Compliance and Other Matters

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

Purpose of this Report

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



CUSACK & COMPANY, CPA’S LLC

Latham, New York
February 17, 2016

*SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015*

See “Outsourcing of Financial Statements Preparation Process to Your Auditors” comment on page 13.