

Saratoga County Industrial Development Agency

Annual Report Fiscal year 2015

03/31/2016

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

Saratoga County Industrial Development Agency

Annual Report FY 2015

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. During FY 2015 the C.E.O. Lawrence Benton retired, and was replaced by Richard Ferguson. 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 is in the process of filing Board evaluation forms for 2015 with the ABO which is an annual requirement. All tenured Agency Board Members have completed their training required under the PAAA. New board members are required to complete the training within one year of appointment. 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 2015 fiscal year in conformance with criteria provided by the Office of New York State Comptroller. The audited report dated December 31, 2015 and completed on February 17, 2016 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, 2015. 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 One Hundred Six projects approved by the Agency only fifteen are currently subject to Pilot Agreements. In 2015 the Agency collected \$14,457,200 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 95.1% of the "normal taxes".

Saratoga County Industrial Development Agency

Annual Report Fiscal year 2015

03/31/2016

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

Saratoga County Industrial Development Agency

Annual Report FY 2015

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. During FY 2015 the C.E.O. Lawrence Benton retired, and was replaced by Richard Ferguson. 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 is in the process of filing Board evaluation forms for 2015 with the ABO which is an annual requirement. All tenured Agency Board Members have completed their training required under the PAAA. New board members are required to complete the training within one year of appointment. 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 2015 fiscal year in conformance with criteria provided by the Office of New York State Comptroller. The audited report dated December 31, 2015 and completed on February 17, 2016 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, 2015. 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 One Hundred Six projects approved by the Agency only fifteen are currently subject to Pilot Agreements. In 2015 the Agency collected \$14,457,200 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 95.1% of the "normal taxes".

The following charts list the normal taxes vs. the payment in lieu of taxes paid by individual companies.

2015 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	10,021,500. (14) (1,506,231.) prorated value of private offices	2.367564 County	23,726.54	3,566.10	2031 County/Local Tax
		.005001 Town .139024 Lib	1,443.35	216.94	
United STEP 1, (BSSD) 230.-1-75.1-1	10,000,000(14) (0)	2.367564 County	23,675.64	0	2017 County/Local Tax
		.144025 Town	1,440.25		
SCNC (SSSD) 177.-1-61	1,831,500 (431,999)(14)	3.047649 County	5,581.77	1,316.58	2017 City/County
		5.9881 City	10,967.21	2,586.85	
Saratoga Eagle (SSSD) 177.-1-52.112	7,885,000(14) (1,200,000)	3.047649 County	24,030.71	3,657.18	2015 City/County Tax
		5.9881 city	47,216.17	7,185.72	
19 Railroad, LLC (SSSD) 165.59-1-15.1	1,990,000 (14) 652,950 land	3.047649 County	6,064.82	1,989.96	2024
		6.0701 City	12,079.50	3,963.47	
Albatros (BHBLSD) 228.-3-61	1,966,000(14) (323,500)land	2.519159 county	4,952.67	814.94	2021 County/Local Tax
AJH Ent.(Shen) 272.-3-58	885,300(14) (863,110)pilot	3.840302county	3,399.82	3,314.60	2017/2018 School Tax
Fortress:E.Nfrastructure, (Shen) 272.-4-83	1,150,000(14) (93,300)land	3.840302county	4,416.35	358.30	2016 County/Local Tax
Fortress: Creatacor, (Shen) 272.-4- 81	2,970,900(14) 2,495,500.pilot	3.840302 county	11,409.15	9,583.47	2019 Town and County
Perry Realty, (WHMSD) 286.-1-5.1	1,900,000(14)	3.840302county		9,583.47	2018 County/ Local Tax
		3.840302county	7,296.57	7,296.57	
Hemingway of Halfmoon (Shen) 260.-1-103	2,740,300(14) (284,000)land	3.840302	10,523.58	1,090.65	2017 County/Local Tax

Mountain Ledge Limt. Partners (SSSD) 140.-1-68.131	4,446,000 (14) 3,000,000 pilot	2.364272county	10,511.55	7,092.82	2018 County/ Local Tax
WDC of Upstate NY (SGFSD) 115.-1-48	6,037,400(14)	2.364272county	14,274.05	14,274.05	Undetermined
		2.648153 county	10,102.97	693.82	
Finch Waste Co., LLC 104.-1-85.2	3,815,100(14) 262,000 land	1.386988	5,291.50	363.39	
Totals			\$ 214,373.46	\$ 78,948.88	

2015/2016 School PILOTS Company, (Sch Dist), SBL	Normal Assessment (PILOT Assessment)	Tax Rate/\$1000	Normal Tax	PILOT
	Full Value 663,468,321 Malta (2015)	County General Malta	1,570,803.71	1,570,803.71
		Malta Town Amb.	3,318.01	3,318.01
		Malta Library	92,238.02	92,238.02
	658,050,089. Malta (2015)	BSCSD	12,228,988.40	12,228,988.40
		Library	14,024.39	14,024.39
	Global Foundries U.S., Inc (BSSD) 230.-1-72.12 Malta 230.-1-23 Stillwater (SCSD)	2,169,100 Stillwater (2015)	County General (Stillwater)	5,538.51
Stillwater Town General, Library, Ambulance, Highway			6,848.96	6,848.96
2,169,100 Stillwater (2015)		Stillwater CSD	29,142.29	29,142.29
Totals			13,950,902.29	13,950,902.29
Columbia HPS LLC (BSSD) 229.-2-75.111-1	10,021,500 (15) (1,506,231.) prorated value of private offices	School	184,715.39	27,762.71
		Library	211.83	31.84

United STEP 1, (BSSD) 230.-1-75.1-1	9,600,000 (15) (0)	School	176,946.34	0
		Library	202.93	0
SCNC (SSSD) 177.-1-61	1,831,500 (431,999) (15)	School	27,983.11	6,600.42
		Library	1,824.56	430.36
19 Railroad, LLC (SSSD) 165.59-1-15.1	1,990,000 (15) 652,950 (land)	School	30,404.79	9,976.29
		Library	1,982.46	650.48
SSP Development (BHBLSD) 228.-3.30.12 and 30.12-1	450,000 (partial assessed value 2015)	School	9,911.52	9,911.52
Albatros (BHBLSD) 228.-3-61	1,966,000(15) (323,500) PILOT	School	43,302.33	7,125.28
AJH Enterprises (Shenendehowa) 272.-3-58	885,300 (15) (863,110) PILOT	School	26,090.34	25,436.39
Fortress: e.nfrastructure, (Shenendehowa) 272.-4-83	1,150,000(15) (93,300) Land	School	33,891.21	2,749.61
Fortress: Creatacor, (Shen) 272.-4-81	2,970,900 (15) 2,495,500 PILOT	School	87,554.27	73,543.93
Perry Realty, (WHMSD) 286.-1-5.1	1,900,000 (15)	School	75,534.50	75,534.50
		Library	1,862.00	1,862.00
Hemingway of Halfmoon (Shenendehowa) 260.-1-103	2,740,300 (15) (284,000) Land	School	80,758.34	8,369.66
Mountain Ledge Limited Partners (SSSD) 140.-1-68.131	4,446,000 (15) (561,500) Land 3,000,000 PILOT Land Value 1st 5 Years	School	52,762.70	35,602.36
		Library	3,440.25	2,321.36
WDC of Upstate NY (SGFSD) 115.-1-48	6,037,400 (15)	School	91,895.27	91,895.27
Finch Waste Co, LLC (SGF) 104.-1-85.2	3,815,100 (15) 262,000 Land	School	58,069.64	3,987.90
Fred's Studio 286.-1-54	950,000 (Initial A/V)	School	37,767.25	37,767.25
		Library	931.00	931.00
PeroxyChem LLC 177.-1-62.1	\$304,000 Land	School	4,644.75	4,644.75
		Library	302.85	302.85
Totals			14,983,891.92	14,378,340.02

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 & 2015.

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 \$5.025 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 have been 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, the Saratoga County Prosperity Partnership (SCPP) 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.

Use of Fund Balance 2015

Saratoga County Water Treatment Plant

In March of 2015 the Agency by Resolution # 1249 approved an expenditure of up to \$1.525 million dollars for improvements to the Saratoga County Water Authority's Treatment Plant, consisting of an improved aeration system and construction of an outfall pipe to discharge organics to the Hudson River.

Counsel for the Water Authority presented a proposed sale leaseback arrangement between the Authority and Agency that would facilitate the investment of approved funds in accordance with the powers and authority granted to the Agency in the General Municipal Law. The Board found that the proposed public improvements would be of critical importance to the continued growth of existing and future businesses as well as providing a significant benefit the residents of Saratoga County.

This financial commitment was made by the SCIDA with the understanding that the expenditure of Agency funds would be made in accordance with state statute,, in accord with the opinion of the Attorney General,, and within the guidelines of the ABO as all relate to the Agency's authority to expend its funds.

Saratoga Economic Development Corporation & the Advanced Semiconductor Manufacturing Conference

In April of 2015 the Agency by Resolution # 1253 provided a \$4,500 payment 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 fifth 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.

This financial commitment was made by the SCIDA with the understanding that the expenditure of Agency funds would be made in accordance with state statute,, in accord with the opinion of the Attorney General,, and within the guidelines of the ABO as all relate to the Agency's authority to expend its funds.

Historic Hudson-Hoosick Rivers Partnership

In May 2015 the Agency by Resolution #1256 allocated \$130,000 of financial assistance associated with the design and engineering of the Gateway Regional Visitors' Center in Schuylerville. The assistance was structured in such a way that the Saratoga County IDA and the Town of Saratoga would be contracting directly with an engineering firm (Saratoga Associates Landscape Architects, Architects, Engineers, and Planners, P.C.) for design drawings for a visitors' center in the village of Schuylerville. The funds would be used to assist in Phase One of the engineering work and included:

- Site layout and grading plan
- Site utility and lighting plan
- Building floor plans of lower, main and upper levels
- Longitudinal and lateral building sections
- Exterior & key interior elevations
- Outline specifications

Design level cost estimate
Illustrative rendered site plan
Illustrative rendered three 3D view of the building and site
Site demolition plan
Site utility and lighting plan
Site planting plan
Window and door schedules
Mechanical plan and details
Plumbing plan and riser diagram
Structural framing plans
Structural pile plans
Technical specifications
Construction cost estimate

This financial commitment was made by the SCIDA with the understanding that the expenditure of Agency funds would be made in accordance with state statute;, in accord with the opinion of the Attorney General;, and within the guidelines of the ABO as all relate to the Agency's authority to expend its funds.

Budgets

Agency annual operating budgets required to be submitted to the State Comptroller for 2014-2019 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 2015 are attached.

Employment

It is the Agency procedure to have the assistant administrator conduct field verification visits of SCIDA companies. With the transition of Chief Executive Officers in 2015, it is planned to have both the CEO and Assistant Administrator conduct field audits during 2016.

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.

Perry Road Development, LLC

In April the Board approved an application from Perry Road Development, LLC. This real estate development firm proposed to construct 110 units of housing for middle income seniors in the Town of Wilton, New York. They sought IDA assistance in the construction of two buildings, totaling 60,000 SF and providing 110 units of Senior 62 years + housing. The \$20 million dollar project included the purchase, construction and site work. In addition, the project included the extension of public utilities consisting of a waterline from the intersection of Perry Road and Old Gick Road (approximately 1,500 feet) and the extension of an existing sewer line from Lowe's Drive along NYS Route 50 to Perry Road, (approximately 2,000 feet). The company projects 5 full time workers as well as 2 part time employees over a two year time period. This construction project will result in the employment of up to 67 construction workers over the 18 month build process. The developer owners were well tenured and experienced.

e.nfrastructure

In June the Board approved an application by e.nfrastructure. This computer deployment and infrastructure business developed plans to purchase the property and buildings which it had previously leased for ten years, then upgrade and equip the building to facility future growth. They sought IDA assistance in connection with the purchase and renovation of the 30,000 SF building, with mortgage tax, sales tax and real property tax abatements. The \$4.442 million dollar project included the purchase (\$2.762MM) and renovation and equipping (\$1.68MM) for the building. The company currently employees 316 full time employees and projects 64 new full time workers over a two year period. This purchase and renovation project will result in the employment of up to 16 construction workers over the 3 week build out process. The company has been in existing since 1992 and has service clients such as Key Bank, IBM and the State of New York.

Ace Hardware Corporation

In June the Agency approved an application from Ace Hardware Corporation. This nationwide hardware retail firm developed plans to increase its existing 800,000 SF warehouse distribution facility in the Town of Wilton and sought IDA assistance in constructing a 400,000 SF addition. The \$27.535 million dollar project included the site work and construction of the building, and HVAC replacement and lighting upgrade for the whole facility and the equipment needed to assist in the warehousing operations. The company employs 308 full time workers and the expansion will result in the addition of 14 full time jobs in each of the next two years. It is projected that 100 construction jobs will be created over the 10 month building period. Ace Hardware Corporation has been in operation since 1924 and is the largest hardware franchiser. It is affiliated with 4,850 retail stores operating in over 60 countries.

Riverview Realty

In July the board approved an application from Riverview Realty, LLC. This development company established plans to renovate the abandoned Victory Mill, a 200,000 SF factory & warehouse in the Village of Victory. They sought IDA assistance in creating 98 apartments which could be converted into condominiums in the future. IDA financial assistance plans to include mortgage, sales and real estate tax abatement. The \$26.056 million dollar project included the land purchase, site work and construction renovation of the building and conversion to 98 apartments. This development company projects the creation of 40 full time jobs over the next two years, with 150 construction jobs created over the 16 month building period. This development company and its principal are well tenured and has had similar experience converting industrial factory buildings into residential living units in Albany County.

Global Foundries US, Inc.

In August the board approved an application from Global Foundries US, Inc. This international technology chip maker developed plans to add 150,600 SF of additional manufacturing space to its existing Fab 8.1 facility in the Town of Malta and sought IDA assistance in continuing to develop the existing 222 acre site within the Luther Forest Technology Campus. IDA financial assistance plans

to include local sales tax abatement. The \$2.364 billion dollar project included the addition of manufacturing space and equipping the existing Fab 8.1 and Technology Development Center buildings. This high technology company currently employs 2,904 full time employees as of 12/31/15 and projects the creation of 456 additional full time jobs over the next two years, with 1,500 construction jobs created over the 14 month building period. This international high technology chip maker has made a significant investment of over \$11 Billion dollars within the Luther Forest Technology Campus, and created significant jobs adding over \$240 Million dollars in annual payroll to the local economy.

AgroChem, Inc.

In September the board approved an application for AgroChem. Inc. This local agricultural projects manufacturer developed plans purchase land and construct a new 32,500 SF facility and sought IDA assistance in mortgage, sales and real property tax abatement. The \$4.916 Million dollar project included the purchase of land, site work, construction and equipping of the new facility. This agricultural company currently employs 23 full time employees and projects the creation of 4 additional full time jobs over the next two years, and 14 jobs over a ten year period. 15 construction jobs are to be created over the 6 month building period. This local agricultural company develops and manufactures products, which are sold internationally and used in the dairy industry for hygiene and sanitation.

Land Development of New York, Inc.

In October the board approved an application for Land Development of New York, Inc. for the relocation and consolidation of its existing facilities to a 7.8 acre site in Waterford, NY. The \$1.8 Million dollar project included site work, soft costs, construction and equipping of the new 15,000 SF facility. This environmental remediation company currently employs 26 full time employees and projects the creation of 11 additional full time jobs over the next two years with 10 construction jobs to be created over the 6 month building period. This environmental remediation services company operates in several states and was incorporated in 2006.

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 2015 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 2015

Company	Approved	Description	Investment	FTE's Created	FTE's Retained	Construction	Salary Range	Annual Payroll
Perry Road Development, LLC	4-20-15	110 units of Senior and Senior Assisted Housing	\$20,000,000	5	N/A	67	\$30,000 to \$60,000	\$200,000
Ace Hardware Corporation	6-8-15	400,000 SF expansion on existing warehouse	\$27,535,000	14	308	100	\$28,141 to \$52,508	\$10,042,093
e.nfrastructure	6-23-15	Purchase and improvements to a 30,000 SF building	\$4,442,000	64	316	16	\$45,000 to \$130,000	\$27,273,706
Riverview Realty, LLC	7-13-15	Renovation of 200,000 SF abandoned factory into 98 residential apartments	\$26,056,000	40	N/A	150	\$20,000 to \$33,000	\$504,460
Global Foundries US, Inc.	8-10-15	Addition of 150,600 SF of manufacturing space plus purchase of equipment	\$2,364,000,000	456	2,904	1,500	\$30,000 to \$200,000	\$245,000,000
AgroChem, Inc	9-14-15	Purchase and construction of a 32,500 manufacturing facility	\$4,915,588	14	23	15	\$28,000 to \$45,000	\$1,750,000
Land Development of New York, Inc.	10-19-15	Construction of a 15,000 SF Industrial operations facility	\$1,805,000	26	11	10	\$25,000 to \$100,000	\$2,455,000
			\$2,448,753,588	719	4,281	1,858	\$20,000 to \$200,000	\$287,225,259

As can be seen from the above chart, activities of the Saratoga County Industrial Development Agency contributed to the following:

- \$2,448,753,588 total economic investment by SCIDA project companies committed to during 2015
- 719 total full time equivalent jobs created
- 4,281 total full time equivalent jobs retained

- 1,858 total construction jobs created
- Salary range between \$20,000 & \$200,000
- \$287,225,259 in total annual payroll paid by SCIDA project companies

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 2015**

As of December 31, 15 the Agency's unrestricted funds were held in interest bearing money market accounts totaling \$3,567,601.55. 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 2015 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 also had 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 in March of 2015 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.

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 2015.

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, internet, 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 2015 are held in three money market accounts at two 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 an annual basis.

As part of the 12/31/15 financial statement audit, it was recommended that the agency purchase an accounting software package, to better allow for the reporting of interim financial performance to the board of directors.

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.

The auditor did identify a deficiency in internal control that they considered to be a significant deficiency: Out sourcing 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.

Other Operations and Activities:

Conflict of Interest Policy:

During 2015 the New York State Authorities Budget Office issued a Recommended Practice document recommending Public Authorities adopt a Conflict of Interest Policy. The Authorities Budget Office provided a template, and the Saratoga County Industrial Development Agency approved by resolution # 1298 the attached Conflicts of Interest Policy.

**COUNTY OF SARATOGA INDUSTRIAL DEVELOPMENT AGENCY
CONFLICTS OF INTEREST POLICY
(ADOPTED DECEMBER 2015)**

PURPOSE

The purpose of this Conflicts of Interest Policy is to protect the Agency's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a Member, officer or staff of the Agency.

A conflict of interest is just one example of a violation of ethical conduct. This policy is intended to complement the Agency's Code of Ethics Policy by providing specific procedures to deal with conflicts of interest. This policy is intended to supplement, but not replace, any applicable state and federal laws governing conflicts of interest applicable to public authorities.

All Board Members, officers, and staff should be provided with this Conflict of Interest Policy upon commencement of employment or appointment and be required to acknowledge that they have read, understand and are in compliance with the terms of the policy. Board members, officers, and staff should review on an ongoing basis circumstances that constitute a conflict of interest or the appearance of a conflict of interest, abide by this policy and seek guidance when necessary and appropriate.

DEFINITION

Conflicts of Interest: A conflict of interest is a situation in which the financial, familial, or personal interests of a director, officer or staff come into actual or perceived conflict with their duties and responsibilities with the Agency.

Perceived conflicts of interest are situations where there is the appearance that a board member, officer and/or staff can personally benefit from actions or decisions made in their official capacity, or where a

board member, officer or staff may be influenced to act in a manner that does not represent the best interests of the Agency. The perception of a conflict may occur if circumstances would suggest to a reasonable person that a board member (or above- noted others) may have a conflict. The appearance of a conflict and an actual conflict should be treated in the same manner for the purposes of this Policy.

Board members, officers and staff must conduct themselves at all times in a manner that avoids any appearance that they can be improperly or unduly influenced, that they could be affected by the position of or relationship with any other party, or that they are acting in violation of their public trust. While it is not possible to describe or anticipate all the circumstances that might involve a conflict of interest, a conflict of interest typically arises whenever a director or staff member has or will have:

- A financial or personal interest in any person, firm, corporation or Association, which has or will have a transaction, agreement or any other arrangement, in which the Agency participates.
- The ability to use his or her position, confidential information or the assets of the Agency, to his or her personal advantage.
- Solicited or accepted a gift of any amount under circumstances in which it could reasonably be inferred that the gift was intended to influence him/her, or could reasonably be expected to influence him/her, in the performance of his/her official duties or was intended as a reward for any action on his/her part.
- Any other circumstance that may or appear to make it difficult for the board Member, officer, or employee staff to exercise independent judgment and properly exercise his or her official duties.

Outside Employment of Agency's staff: No staff of the Agency may engage in outside employment if such employment interferes with his/her ability to properly exercise his or her official duties with the Agency.

PROCEDURES

Duty to Disclose: All material facts related to the conflicts of interest (including the nature of the interest and information about the conflicting transaction) shall be disclosed in good faith and in writing to the Governance Committee and/or the Ethics Officer. Such written disclosure shall be made part of the official record of the proceedings of the Agency.

Determining Whether a Conflict of Interest Exists: The Governance Committee and/or Ethics Officer shall advise the individual who appears to have a conflict of interest how to proceed. The Governance Committee and/or Ethics Officer should seek guidance from counsel or New York State agencies, such as the Authorities Budget Office, State Inspector General or the Joint Commission on Public Ethics (JCOPE) when dealing with cases where they are unsure of what to do.

Recusal and Abstention: No board member, officer or member of staff may participate in any decision or take any official action with respect to any matter requiring the exercise of discretion, including discussing the matter and voting, when he or she knows or has reason to know that the action could

confer a direct or indirect financial or material benefit on himself or herself, a relative, or any organization in which he or she is deemed to have an interest. Board members, officers and staff must recuse themselves from deliberations, votes, or internal discussion on matters relating to any organization, entity or individual where their impartiality in the deliberation or vote might be reasonably questioned, and are prohibited from attempting to influence other board members, officers or staff in the deliberation and voting on the matter.

Reporting of Violations: Board members, officers and staff should promptly report any violations of this policy to his or her supervisor, or to the Agency's ethics officer, general counsel or human resources representative in accordance with the Agency's Whistleblower Policy and Procedures.

Records of Conflicts of Interest: The minutes of the Agency's meetings during which a perceived or actual conflict of interest is disclosed or discussed shall reflect the name of the interested person, the nature of the conflict, and a description of how the conflict was resolved.

Penalties: Any director, officer or staff member who fails to comply with this policy may be penalized in the manner provided for in law, rules or regulations.

ANNUAL STATEMENTS

Each Member and officer shall annually sign a statement affirming that such person has:

- (a) Received a copy of the conflicts of interest policy,
- (b) Read and understands the policy, and
- (c) Agreed to comply with the policy.

The Agency shall furnish all other staff member(s) with a copy of this Conflicts of Interest Policy on an annual basis.

Name

Signature

Date

NYS Comptroller Audit:

On August 19, 2014 the New York State Office of the Comptroller gave notice to the Saratoga County Industrial Development Agency that they would be conducting an audit of the agencies financial operations. The audit covered the period from January 1, 2014 to January 31, 2015 and focused on the agencies Program Monitoring and Loan & Grant Program. The audit report made three recommendations of the agency, and the following documents detail the audit, and the agency response:

- State of New York Office of State Comptroller – Division of Local Government and School Accountability Report of Examination
- Saratoga County IDA Audit Response dated 9/25/15
- Saratoga County IDA Corrective Action Plan dated 11/25/15
- State of New York acknowledgement of receipt of the Agency Corrective Action Plan dated January 20, 2016
- Saratoga County IDA follow up correspondence on the Corrective Action Plan dated January 29, 2016



Saratoga County Industrial Development Agency

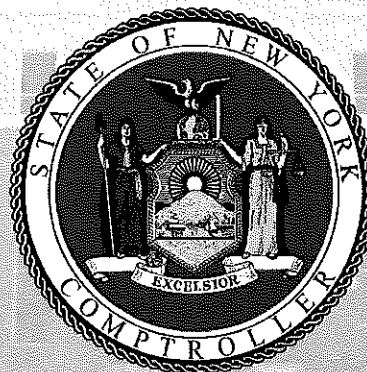
Project Monitoring and Grant and Loan Program

Report of Examination

Period Covered:

January 1, 2014 – January 31, 2015

2015M-85



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
EXECUTIVE SUMMARY	2
INTRODUCTION	4
Background	4
Objective	4
Scope and Methodology	5
Comments of Agency Officials and Corrective Action	5
PROJECT MONITORING	6
Job Creation	6
Project Monitoring	8
Recommendations	9
GRANT AND LOAN PROGRAM	11
Recommendation	13
APPENDIX A Response From Agency Officials	14
APPENDIX B Audit Methodology and Standards	17
APPENDIX C How to Obtain Additional Copies of the Report	18
APPENDIX D Local Regional Office Listing	19

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

October 2015

Dear Agency Officials:

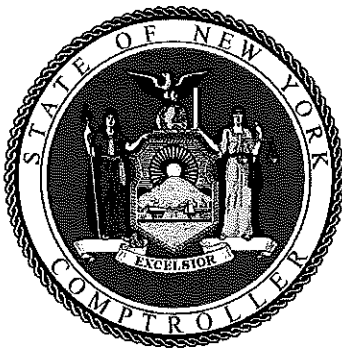
A top priority of the Office of the State Comptroller is to help local officials manage government resources efficiently and effectively and, by so doing, provide accountability for public dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments and certain other public entities statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard government assets.

Following is a report of our audit of the Saratoga County Industrial Development Agency, entitled Project Monitoring and Grant and Loan Program. This audit was conducted pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution and Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for agency officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

An industrial development agency (IDA) is an independent public benefit corporation whose purpose is to promote, develop, encourage and assist in acquiring, constructing, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing, commercial, research and recreation facilities. The overall goal of an IDA is to advance the job opportunities, health, general prosperity and economic welfare for the people of the State. The Saratoga County Industrial Development Agency (SCIDA) was established in 1971 to further economic development in Saratoga County.

SCIDA is governed by a Board which comprises seven members appointed by the Saratoga County Legislature. SCIDA contracts with an individual who serves as the executive officer¹ and it contracts with Saratoga County for the services of the County's planning department staff. SCIDA generally assumes the title of the real and/or personal property owned by the businesses that are involved in approved projects, thereby allowing SCIDA to offer financial assistance such as real property tax exemptions. SCIDA enters into general payment in lieu of taxes (PILOT) agreements in connection with approved projects. SCIDA funds its operations with fees charged for processing applications, State grants and other miscellaneous income.

Scope and Objective

The objective of our audit was to review SCIDA's process for evaluating and monitoring projects and to review its grant and loan program for the period January 1, 2014 through January 31, 2015. We extended our scope for the grant and loan program back to January 1, 2001. Our audit addressed the following related questions:

- Did SCIDA monitor and evaluate the performance of firms or businesses that were granted IDA financial assistance within the SCIDA PILOT program?
- Does SCIDA have the authority to administer its grant and loan program?

Audit Results

SCIDA generally monitored and evaluated the performance of firms or businesses for which benefits and incentives were granted. We reviewed 10 projects and found that four did not meet their job creation goals. Although SCIDA had provisions to reduce assistance for the businesses that did not

¹ The propriety of the IDA's contract for services of a "chief executive officer" and of the County's contribution to the IDA are not within the scope of this audit.

meet their goals, SCIDA did not reduce the assistance for the four associated businesses because the Board did not review the performance of the businesses to determine whether or not to reduce assistance. Additionally, each of the 10 projects had a PILOT agreement that required SCIDA to bill the associated businesses and collect and remit payments to the affected taxing jurisdictions. However, SCIDA did not bill one project for 2014; based on our reading of the PILOT agreement, the affected taxing jurisdictions may have been underpaid by \$108,000.

In March 2015, as a result of our audit and various legal opinions, the Board suspended its grant and loan program. SCIDA had issued 11 grants totaling \$964,000 and made three loans totaling \$1.2 million with its own money to local governments and private entities. Principal amounts totaling \$350,000 had been repaid and two of the three loans had outstanding balances totaling \$850,000. General Municipal Law contains no authority for IDAs to provide grants or make loans to local governments or private entities using their own money.

Comments of Agency Officials

The results of our audit and recommendations have been discussed with Agency officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Authority officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Introduction

Background

An industrial development agency (IDA) is an independent public benefit corporation whose purpose is to promote, develop, encourage and assist in acquiring, constructing, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing, commercial, research and recreation facilities. The overall goal of an IDA is to advance the job opportunities, health, general prosperity and economic welfare for the people of the State. The Saratoga County Industrial Development Agency (SCIDA) was established in 1971 to further economic development in Saratoga County. The goals of SCIDA are 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.²

SCIDA is governed by a Board which is composed of seven members appointed by the Saratoga County Legislature. The Board has the authority to approve all projects. SCIDA contracts with an individual who serves as the executive officer and it contracts with Saratoga County for the services of the County's planning department staff. SCIDA generally assumes the title of the real and/or personal property owned by the businesses that are involved in approved projects, thereby allowing SCIDA to offer financial assistance to these businesses, such as real property tax exemptions. SCIDA is not required to pay taxes or assessments on any property acquired by it or under its jurisdiction, control or supervision. It enters into general payment in lieu of taxes (PILOT) agreements in connection with approved projects, governed by SCIDA's Uniform Tax Exemption Policy (UTEP). SCIDA funds its operations with fees charged for processing applications, State grants and other miscellaneous income.

Objective

The objective of our audit was to review SCIDA's process for evaluating and monitoring projects and to review its grant and loan program. Our audit addressed the following related questions:

- Did SCIDA monitor and evaluate the performance of firms or businesses that were granted IDA financial assistance within the SCIDA PILOT program?
- Does SCIDA have the authority to administer its grant and loan program?

² According to its mission statement

**Scope and
Methodology**

We examined SCIDA’s project monitoring and grant and loan program for the period January 1, 2014 through January 31, 2015. We extended our scope for the grant and loan program back to January 1, 2001.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

**Comments of
Agency Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with Agency officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Authority of officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Secretary’s office.

Project Monitoring

General Municipal Law (GML) requires each IDA to establish a UTEP which provides the Board with guidelines to make project approval or denial decisions and establishes standards for PILOT agreements. The Board is responsible for monitoring and evaluating the performance of businesses and determining whether project goals have been met, such as creating or retaining jobs. To meet this responsibility, the Board should establish a process to obtain annual performance information, such as employment levels, from businesses, verify the accuracy of that information and review the information to determine whether projects goals were met. The IDA can include provisions in PILOT or other project agreements to allow it to recapture or recover financial assistance if project goals are not met. Additionally, to ensure that PILOT payments are properly made, the IDA should have a process to monitor PILOT payments and verify that they are made timely and accurately.

SCIDA officials monitored job creation and retention performance by requiring businesses receiving SCIDA financial assistance to submit annual employment data to SCIDA.³ SCIDA also conducted periodic visits to businesses to verify the number of jobs created or retained. SCIDA's UTEP contains provisions to allow SCIDA to reduce future financial assistance received by businesses when they do not meet project goals (provisions for reduced assistance). Additionally, in October 2014, SCIDA added a recapture provision to its UTEP to provide for recovery of previously granted assistance when businesses fail to meet employment goals. Our review of 10 projects disclosed that the PILOT agreements for nine projects contained provisions for reduced assistance and none of the PILOT agreements contained recapture provisions because the projects were approved prior to the addition of the recapture provision to SCIDA's UTEP. In addition, four projects did not meet their job creation goals, the remaining six projects exceeded their goals. While SCIDA monitors PILOTs, we identified one business that SCIDA did not bill as apparently stipulated in the PILOT agreement. Based on our reading of the PILOT agreement, the affected taxing jurisdictions may have been underpaid by approximately \$108,000 for PILOTs in 2014.

Job Creation

The IDA is responsible for establishing a process to monitor and, when appropriate, enforce agreed-upon job expectations. Additionally, provisions may be included in PILOT or other project agreements that allow IDAs to recapture or recover financial assistance if companies

³ SCIDA requires businesses receiving SCIDA financial assistance to sign annual reporting agreements.

do not meet their project goals. Penalties for nonperformance, such as a shortfall in job creation or other promised benefits, could include termination of real property tax exemptions, transfer of title from the IDA back to the company or such other penalties as may be determined by the IDA consistent with the agreement, including the clawback or repayment of all or part of the amount of any tax exemption. When an IDA includes these provisions in PILOT or other project agreements, it should also have a process to periodically evaluate businesses' performance and determine whether or not such provisions should be exercised.

SCIDA's UTEP includes detailed provisions for various types of PILOT agreements that may be entered into with businesses.⁴ Businesses seeking benefits from SCIDA are required to submit an application which is reviewed by the Board using project benefit criteria outlined in SCIDA's UTEP, including the number of jobs to be created and/or retained, the capital investment associated with the project and the project's impact on the local economy. The Board uses this information to decide whether to approve a project and to determine the "percentage" and length of exemptions to be provided for approved projects. The UTEP also includes provisions (which are included in SCIDA PILOT agreements) to increase the amount of future PILOTs when a business sells or closes a facility, changes the use of the facility or its business activities or significantly reduces its employment levels. In October 2014, SCIDA modified its UTEP to add provisions that allow SCIDA to make provisions in project contracts for the recapture of financial assistance received in prior years when a business does not meet its employment goals.

We examined the PILOT agreements for 10 projects and found that nine included provisions for reduced assistance, but one PILOT agreement did not because the PILOT agreement contained provisions for the business to pay a PILOT amount equal to 100 percent of what would otherwise be the business's tax liability. None of the agreements contained recapture provisions, because those agreements were in place before SCIDA modified its UTEP to include the recapture provision.⁵

SCIDA monitors job creation performance by requiring businesses that receive SCIDA benefits to sign an annual reporting agreement. Annually, businesses receiving SCIDA financial assistance report

⁴ SCIDA's UTEP contains provisions for the following types of projects: manufacturing, commercial services, commercial retail, hydroelectric facilities, cogeneration facilities and nanotechnology facilities.

⁵ The recapture provision was added to the UTEP on October 14, 2014. Each of the 10 projects reviewed were approved prior to this date.

employment figures to SCIDA which are used to monitor project performance. Additionally, a SCIDA official performs periodic field audits to verify the job creation numbers reported.⁶ We examined the annual reporting forms for 10 projects receiving assistance in 2014 and found six met or exceeded their job creation goals and the remaining four did not.

Figure 1: Job Creation Performance

Project	Jobs Before SCIDA Involvement	Jobs Created or (Decreased) During SCIDA Involvement	Total Jobs Reported as of December 31, 2014	Total Job Creation/Retention Goal by December 31, 2014	Excess or (Shortage) of Jobs vs. Job Creation Goal
1	0	20	20	16	4
2	48	51	99	80	19
3	88	89	177	141	36
4	0	2,544	2,544	2,075	469
5	31	205	236	130	106
6	40	(12)	28	57	(29)
7	75	255	330	124	206
8	42	(3)	39	52	(13)
9	3	22	25	44	(19)
10	21	3	24	34	(10)
Total	348	3,174	3,522	2,753	769

The six projects that exceeded their job creation goals created 840 more jobs than estimated on their applications while the four projects that did not meet their job creation goals created 71 fewer jobs than estimated on their applications resulting in a net gain of 769 jobs. As of December 31, 2014, two projects reported 15 fewer jobs than before the business received IDA assistance.

While the PILOT agreements for the four projects that did not meet their goals contained provisions for reduced assistance, SCIDA did not implement these provisions. The Board did not review the performance of the four businesses that did not meet their job creation goals to determine whether or not to exercise the provisions for reduced assistance. As a result, the businesses' assistance was not reduced. This occurred because SCIDA does not have a process for the Board to review projects which fall short of their job creation goals and determine whether or not to exercise the financial assistance reduction and/or recapture provisions.

Project Monitoring

Real property owned by or under the jurisdiction, control or supervision of an IDA is entitled to an exemption from real property taxes. These exemptions may be passed through to assisted businesses. In most cases, a portion of the property taxes forgone is offset via PILOTs made

⁶ Three to four projects are selected for field audit on an annual basis.

by recipients of IDA financial assistance, for the benefit of affected taxing jurisdictions (i.e., local governments and school districts) in accordance with the applicable PILOT agreements. SCIDA PILOT agreements make SCIDA responsible for billing, collecting and remitting all PILOT payments to the affected taxing jurisdictions.

We reviewed PILOT payments for the same 10 projects and found nine of the 10 projects were billed accurately in accordance with their PILOT agreements, and their PILOT payments were collected and remitted to the affected taxing jurisdictions accurately and in a timely manner. For the one remaining PILOT project, SCIDA did not bill the business for 2014, notwithstanding language in the PILOT agreement that appears to require the payment of PILOTs. This PILOT agreement is for a facility owned by a property management company and is leased to various other businesses occupying the facility. The PILOT agreement states that the IDA annually must make a determination as to whether the facility qualifies for a “manufacturing tax abatement.” As described in the agreement, pursuant to this “abatement,” the business is not required to make a PILOT if more than 50 percent of the “net leasable space” within the facility is utilized for manufacturing, as determined by SCIDA, and all remaining “net leasable space” is occupied by a “qualifying tenant.”⁷ The agreement further provides that if more than 50 percent of the “net leasable space” is utilized for manufacturing but any portion of the remaining “net leasable space” is not occupied by a “qualifying tenant,” then PILOTs for the unoccupied portion will be paid, as calculated in accordance with the agreement.

While it appears the project fulfilled the leasing requirement, the remaining space was not leased. Based on our reading of the agreement, under these circumstances, the business would be required to make prorated PILOT payments based on the portion of the space not leased by a qualified tenant. SCIDA did not bill the project for the remaining space not leased by a qualifying tenant, which we believe resulted in the underpayment to the affected taxing jurisdictions of approximately \$108,000. According to SCIDA officials, they did not bill the business because they were unaware of this PILOT agreement provision and believed the tenant would only be required to make PILOT payments if less than 50 percent of the facility was utilized for manufacturing.

Recommendations

The Board should:

1. Implement a process to review projects that fall short of their job creation goals on a periodic basis and determine whether or not to exercise the financial assistance reduction and/or recapture provisions.

⁷ The PILOT agreement defines what constitutes qualifying tenants.

- 2 Consult with SCIDA's counsel as to whether the provisions of the PILOT agreement for the facility owned by the property management company requires prorated PILOT payments and, if so, whether any unbilled and unpaid PILOTs should be recovered.

Grant and Loan Program

It is a general rule that public benefit corporations, such as IDAs, have only those powers which are conferred expressly by the New York State Legislature or which are necessarily implied. An IDA is authorized to provide “financial assistance” for IDA projects. The term “financial assistance” is defined to mean the proceeds of IDA bonds, “straight-leases” or exemptions from taxes resulting from a project’s status as an IDA project.

Financial assistance does not expressly encompass direct grants or loans of the IDA’s money. Moreover, while an IDA is expressly permitted to accept gifts, grants, loans and contributions from various sources and to use such money for its corporate purposes, GML contains no corresponding authority for IDAs to provide grants or make loans using their own money to local governments or private entities.⁸ Accordingly, we question whether SCIDA is authorized to make grants or direct loans of its own money. In March 2015, as a result of our audit, the legal opinions of OSC and the Attorney General, and the Authorities Budget Office Policy Guidance, the Board suspended its grant and loan program.

In February 2010, the Board established a grant and loan program whereby SCIDA would provide grants and/or loans of its own money to entities that demonstrated that the grant or loan would support the purpose for which the IDA was created and would directly assist in the creation and/or retention of jobs or the ability to create and/or retain jobs in the future. SCIDA allocated \$1.5 million or 50 percent of its unrestricted fund balance to provide grants and loans. In June 2014, the Board increased the amount of unrestricted fund balance for the grant and loan program to \$3 million. SCIDA required an application to be submitted specifying the requested grant and/or loan amount, planned use of the moneys and how the grant and/or loan would assist in economic development. According to SCIDA officials, SCIDA entered into agreements with grant and loan recipients that specified the purposes of the grants or loans and the allowable uses of the moneys. Additionally, loan agreements specified the terms of the loans including interest and maturity and the manner in which the loans were to be secured. Prior to March 2015, SCIDA issued 11 grants totaling approximately \$964,000 and three loans totaling \$1,200,000.

⁸ Office of the State Comptroller (OSC) Opinion Nos. 99-4, 82-360; Attorney General Formal Opinion No. 2014-F1; Authorities Budget Office Policy Guidance No. 15-01; see also OSC Opinion No. 2011-1, cited in Attorney General Formal Opinion No. 2014-F1, concerning the authority for an IDA to do things “necessary or convenient” to carry out its purposes and exercise its powers under the GML.

Grant Program — SCIDA made 11 grants totaling approximately \$964,000 dating back to 2010. We reviewed the 11 grants and associated agreements and found eight grants totaling \$855,600 had agreements that specified the purposes of the grants and allowable uses of the funds. For the remaining three grants, totaling \$108,400, the Board passed resolutions to approve the grants but did not enter into agreements with the grantees to specify the appropriate uses of the funds.

Figure 2: SCIDA Grants

	Grantee	Grant Purpose	Amount
1	Saratoga Economic Development Corporation	Marketing study	\$200,000
2	Town of Ballston	Connection to Saratoga County Water Authority	\$68,400
3	City of Saratoga Springs	Inventory of Historic Saratoga Racecourse assets	\$10,000
4	Town of Northumberland	Engineering and design study for the rehabilitation of Dix Bridge	\$26,800
5	Burnt Hills-Ballston Lake Central School District	High technology career exploration program	\$30,000
6	Saratoga County	Economic development plan for Luther Forest Technology Campus	\$50,000
7	City of Saratoga Springs	Construct parking deck in business district	\$250,000
8	Town of Malta	Construct sewer extension on Route 67	\$185,000
9	Town of Milton	Electrical upgrade for Saratoga County Fairgrounds	\$85,000
10	City of Saratoga Springs and Engineering Firm	Engineering and design of traffic improvements for the intersection at Geyser Road and Route 50	\$41,800
11	Saratoga County	Luther Forest Technology Campus regional traffic impact study	\$17,000
		Total	\$964,000

We question SCIDA’s authority to provide these grants. Furthermore, even if the grants were authorized, because SCIDA did not enter into grant agreements with all grantees, SCIDA lacks assurance that the grantees will use the funds for the intended purposes.

Loan Program — SCIDA made three loans totaling \$1.2 million dating back to 2001. Of this amount, \$650,000 was loaned prior to the Board establishing the grant and loan program. However, the loans were approved by the Board. We verified loan payments and found one loan has been repaid in full including interest, but the remaining two loans have outstanding balances net of payments totaling \$850,000 plus interest.

- SCIDA loaned \$300,000 to the Town of Corinth in 2009 for the reconstruction of a rail spur located in the Town. The Town of

Corinth made principal and interest payments in accordance with the loan agreement and repaid the loan in full in 2011.⁹

- SCIDA loaned \$250,000 to two individuals in 2011 for engineering and infrastructure improvements to a parcel with the goal of making the land marketable to a manufacturing company. As of February 2014, payments were made in accordance with the contract. According to the loan agreement, no principal is due until January 2016. This loan is secured by a mortgage on private real estate owned by the borrowers.
- SCIDA loaned \$300,000 to the Saratoga Economic Development Corporation (SEDC) in 2001 for the development of a parcel of land known as the Luther Forest Technology Campus. In 2003 and 2004, SCIDA loaned an additional \$250,000 and \$100,000, respectively, to SEDC for the same purpose. In 2006, the three loans were consolidated into one loan for \$650,000. Since the loans were originally approved, SCIDA has modified the terms of the loan agreement several times to allow SEDC additional time to make principal payments and to transfer the loan from SEDC to the Luther Forest Technology Campus Economic Development Corporation (LFTCEDC). According to SCIDA officials, they extended the loan term because the LFTCEDC experienced financial difficulties and requested additional time. In accordance with the most recent modification to the loan agreement dated July 2013, LFTCEDC made its first principal payment, totaling \$50,000, leaving an outstanding balance of \$600,000.

In July 2013, SCIDA approved a \$1 million loan and a \$525,000 grant to the Saratoga County Water Authority for water plant improvements. In February 2014, SCIDA approved an additional \$40,000 grant to the City of Saratoga Springs for traffic improvements.

Recommendation

- 3 SCIDA should discontinue its practice of providing grants and loans of SCIDA's own moneys.

⁹ The authority for the Town to enter into such a "loan" arrangement with SCIDA is not within the scope of this audit.

APPENDIX A
RESPONSE FROM AGENCY OFFICIALS

The Agency officials' response to this audit can be found on the following pages.



RAYMOND F. CALLANAN
CHAIRMAN

SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

September 25, 2015

To: [REDACTED] Office of the State Comptroller
[REDACTED] Office of the State Comptroller

From: Richard J. Ferguson, CEO
Saratoga County Industrial Development Agency

Handwritten signature of Richard J. Ferguson in black ink.

Re: Agency's response to the State of New York Office of the State Comptroller;
Audit of Saratoga County IDA Project Monitoring & Grant and Loan Program
Report of Examination Period Covered: January 1, 2014 – January 31, 2015

Dear [REDACTED]:

I appreciated the opportunity to meet with both of you at our meeting of September 1, 2015. Please accept the following as the Saratoga County Industrial Development Agency's official response to the above referenced audit. As required, our Agency Corrective Action Plan will be presented under a second document and will be provided to you and your office within the 90-day time limit provided.

- Recommendation: Implement a process to review projects that fall short of their job creation goals on a periodic basis and determine whether or not to exercise the financial assistance reduction and / or recapture provisions.

Job creation goals are one of several public benefits the County of Saratoga Industrial Development Agency considers in its review of projects. They are directly related to our consideration of whether incentives will be granted, as well as the type and term of incentive program which may be provided. Other important measurement criteria include jobs retained, salaries and payroll, and the capital investment made by a company.

The Agency recognizes that an individual company's job growth can be adversely impacted by many factors including downturns in the local and / or national economies, domestic and foreign competition, normal business cycles and the failure to implement an intended business plan. These conditions are outlined in part in the Agency's Modification of Real Property Tax Abatement Policy (see UTEP, Attachment A: Claw Back Penalty for Failure to Meet Employment Levels). In and of itself, failure to fulfill job goals then does not necessarily justify a reduction in tax abatements. In the same regard, not meeting job projections caused by outside adverse impacts may not automatically require that previously abated taxes be repaid.

The SCIDA accepts the Comptroller's recommendation and will implement a process guided by written procedure that any failure to meet stated job goals will be investigated by administrative staff with the

results reported in writing to the Board, which will then determine if a company's PILOT Agreement should be modified and if the Agency's claw back provisions should be applied.

- Recommendation: Consult with SCIDA's counsel as to whether the provisions of the United Step 1 PILOT Agreement for the facility owned by the property management company requires prorated PILOT payments, and if so, whether any unbilled and unpaid PILOTs should be recovered.

The SCIDA accepts the Comptroller's recommendation and will consult with both Agency and Bond counsel regarding the above. Any recommended action, procedure or change to the PILOT Agreement will be reported to the Office of the State Comptroller. It is envisioned that as part of this process the Board may be asked to reaffirm their original intent not to tax vacant, unfinished space as long as the subject project met the greater than 50% occupancy level by manufacturing firms.

- Recommendation: SCIDA should discontinue its practice of providing grants and loans of SCIDA's own monies.

The SCIDA suspended its grant/loan program in March, 2015 as indicated in the report and will continue to comply with the position outlined in the State Attorney General's Opinion of September 2014 (No. 2014-F1) and the NYS ABO's Policy Guideline (No.-15-01) issued January 13, 2015.

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to review SCIDA's process for evaluating and monitoring projects sponsored by SCIDA that were active for the year ending December 31, 2014 and to review its grant and loan program for the period January 1, 2014 through January 31, 2015. To achieve our audit objective and obtain valid audit evidence, we performed the following procedures:

- We reviewed the minutes of the Board's proceedings and interviewed SCIDA officials to gain an understanding of SCIDA's processes surrounding project approval and monitoring.
- We reviewed the policies and procedures related to the project application process and for project approval, monitoring and evaluation.
- We reviewed SCIDA's annual report and we interviewed officials to identify SCIDA-sponsored projects since the start of our audit period.
- We reviewed PILOT agreements and inquired of SCIDA officials as to whether they had considered recapturing benefits from business owners who fell short of their performance goals.
- We selected a judgmental sample of 10 projects based on the project approval dates, exemption amounts and estimated project amounts. We obtained all information for these projects, including projects files, PILOT agreements and lease agreements.
- For the same sample of 10 projects, we reviewed project documents to identify job creation goals and reviewed annual reports from participating businesses to determine whether they met those goals. We also obtained and reviewed PILOT payment data from taxing jurisdictions to verify whether PILOT payments were made accurately.
- We interviewed SCIDA officials and reviewed SCIDA documents to gain an understanding of SCIDA's grant and loan program.
- We identified the total number and dollar amount of SCIDA grants and loans by reviewing SCIDA accounting records, bank statements and check images. We reviewed all grant and loan agreements to determine whether they specified the purposes of the grants or loans, the allowable uses of the funds and, for loans, whether they contained repayment terms.
- We reviewed loan activity to determine whether loans were repaid in accordance with the loan agreements and to quantify the amounts paid and outstanding on each loan.
- We assessed whether SCIDA has the authority to issue grants and make loans from our review of pertinent statutes, Opinions of the State Comptroller, a recent Opinion of the Attorney General and recent policy guidance from the Authorities Budget Office.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX C

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX D
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Gabriel F. Deyo, Deputy Comptroller

LOCAL REGIONAL OFFICE LISTING

BINGHAMTON REGIONAL OFFICE

H. Todd Eames, Chief Examiner
Of fi ce of the State Comptroller
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

BUFFALO REGIONAL OFFICE

Jeffrey D. Mazula, Chief Examiner
Of fi ce of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Bufferalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming Counties

GLENS FALLS REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Of fi ce of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin,
Fulton, Hamilton, Montgomery, Rensselaer,
Saratoga, Schenectady, Warren, Washington Counties

HAUPPAUGE REGIONAL OFFICE

Ira McCracken, Chief Examiner
Of fi ce of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

NEWBURGH REGIONAL OFFICE

Tenneh Blamah, Chief Examiner
Of fi ce of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Ulster, Westchester Counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Of fi ce of the State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

SYRACUSE REGIONAL OFFICE

Rebecca Wilcox, Chief Examiner
Of fi ce of the State Comptroller
State Of fi ce Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence Counties

STATEWIDE AUDITS

Ann C. Singer, Chief Examiner
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313



RAYMOND F. CALLANAN
CHAIRMAN

SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

Saratoga County Industrial Development Agency:

Project Monitoring & Grant and Loan Program:

Report of Examination Period Covered: January 1, 2014 – January 31, 2015

Audit Report Number: 2015M-85

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the following explanations.

Audit Recommendation (s):

- 1. Implement a process to review projects that fall short of their job creation goals on a periodic basis and determine whether or not to exercise the financial assistance reduction and / or recapture provisions.**

Implementation Plan of Action(s):

In the SCIDA response letter dated **September 25, 2015** to the above referenced audit, the Agency communicated the following:

- The SCIDA accepts the Comptroller's recommendation and will implement a process guided by written procedure that any failure to meet stated job goals will be investigated by administrative staff with the results reported in writing to the Board, which will then determine if a company's PILOT Agreement should be modified and if the Agency's claw back provisions should be applied.

On **October 13, 2015** a meeting was held with Agency Counsel, Bond Counsel, Agency CEO and Senior Administrative Assistant to discuss the recommendations from the audit. From that meeting and the discussions held, the following procedure was crafted:

PROCEDURE:

County of Saratoga Industrial Development Agency

Procedure to review SCIDA projects which fall short of their annual job creation goals.

- In December of each year the Agency CEO will send a request that each active project Company report back to the Agency with the number of current full-time equivalency employees.
- These reports are requested to be returned to the Agency by the following January.

- Once received, the CEO & Senior Administrative Assistant will review to verify that project companies have met stated employment goals per their original application.
- Upon review of all information received, a written report will be prepared for review by the Board and staff at the following February (or next scheduled) meeting of the Agency.
- At that Board meeting the Agency CEO and Senior Administrative Assistant will present the report to Board and staff for their review, specifically identifying the project companies which failed to meet stated employment goals. In addition, discussion will take place to determine the reasons why these companies did not meet their stated goals.
- At the following March (or next scheduled) meeting the Board and staff will make a determination whether or not to exercise the financial assistance reduction and / or recapture provisions provided under the Uniform Tax Exemption Policy Schedule A; Claw Back Penalty For Failure to Meet Employment Levels.
- A copy of this procedure will be provided to all approved applicants.

Implementation Date: The above proposed procedure was communicated to all board and staff on **October 29, 2015**. The procedure will be reviewed with board and staff at the next scheduled board meeting on **December 14, 2015**

Person Responsible for Implementation: Agency CEO

2. **Consult with SCIDA's counsel as to whether the provisions of the PILOT agreement for the facility (United STEP) owned by the property management company required prorated POLOT payments, and if so, whether any unbilled and unpaid PILOTs should be recovered.**

Implementation Plan of Action(s):

In the SCIDA response letter dated **September 25, 2015** to the above referenced audit, the Agency communicated the following:

The SCIDA accepts the Comptroller's recommendation and will consult with both Agency and Bond counsel regarding the above. Any recommended action, procedure or change to the PILOT Agreement will be reported to the Office of the State Comptroller. It is envisioned that as part of this process the Board may be asked to reaffirm their original intent not to tax vacant, unfinished space as long as the subject project met the greater than 50% occupancy level by manufacturing firms.

On **October 13, 2015** a meeting was held with Agency Counsel, Bond Counsel, Agency CEO and Senior Administrative Assistant to discuss the recommendations from the audit. At the **October 19, 2015** board meeting an update was provided to the board members on the above committee meeting. Agency CEO and Senior Administrative Assistant have had continuing communication with audit examiners regarding this specific recommendation. At present date, we continue to work with both Bond and Agency counsel regarding the United STEP PILOT language. A meeting has been scheduled for **December 4, 2015** where Bond Counsel, Agency Counsel, Board Chairman, Agency CEO and Senior Administrative Assistant will be in attendance. It is envisioned that at this meeting we will continue to discuss the PILOT language as it exists. As well as the original intent of the Agency Board not to tax vacant and or

unfinished space as long as the subject project met the greater than 50% occupancy level by manufacturing firms and qualified tenants.

The SCIDA understands the importance of providing a timely corrective action plan to this specific recommendation, and will endeavor to complete our review as soon as possible. Once complete we will communicate our plan to caps@osc.state.ny.us as well as the Examiners who took part in the original audit.

Implementation Date: A corrective action to the above recommendation will be presented to the board at either the **December 14, 2015** or **January 11, 2016** Board Meeting.

Person Responsible for implementation: Agency CEO

3. SCIDA should discontinue its practice of providing grants and loans of SCIDA's own moneys.

Implementation Plan of Action:

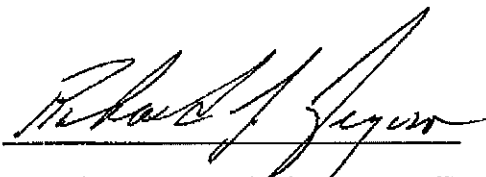
The SCIDA Board of Directors suspended its grant/loan program in March, 2015 as indicated in the audit report and will continue to comply with the position outlined in the State Attorney General's Opinion of September 2014 (No. 2014-F1) and the NYS ABO's Policy Guideline (No.-15-01) issued January 13, 2015.

Implementation Date: **March 9, 2015**

Person (s) Responsible for Implementation: Saratoga County IDA Board of Directors by motion, and approval on March 9, 2015. Copy of minutes can be reviewed at:

<http://www.saratogacountyida.org/reports/MARCH%209%202015%20minutes.pdf>

Signed:



Richard J. Ferguson, Chief Executive Officer

November 25, 2015



THOMAS P. DINAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

GABRIEL F. DEYO
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

January 20, 2016

Mr. Richard J. Ferguson
Chief Executive Officer
Saratoga County Industrial Development Agency
Saratoga County Municipal Center
50 West High Street
Ballston Spa, NY 12020

Dear Mr. Ferguson:

This is to acknowledge the receipt of the Saratoga County Industrial Development Agency's corrective action plan to our Report of Examination 2015M-85 entitled Project Monitoring and Grant and Loan Program.

Very truly yours,

Dara Disko-McCagg

Dara Disko-McCagg
Principal Examiner, Professional Standards Unit
Division of Local Government and School Accountability

cc: Ms. Lori Eddy, Secretary

Richard Ferguson

From: Richard Ferguson <fergstar@me.com>
Sent: Friday, January 29, 2016 11:44 AM
To: 'caps@osc.state.ny.us'
Cc: 'RSchwendinger@osc.state.ny.us'
Subject: Follow up to the Saratoga County IDA Corrective Action Plan
Attachments: SCIDA CAP Submission 11 25 15.pdf; December 14 15 minutes.pdf

Good Morning:

Within the Saratoga County CAP submitted 11/25/15 (attached), recommendation # 2 had detailed follow up actions. On 12/14/15 Agency CEO made a presentation to the SCIDA board regarding the specific United Step Pilot. A copy of the December Board Meeting Minutes are attached and also available on the agency website; <http://www.saratogacountyida.org>

On January 11, 2016 the board approved the minutes of the 12/14/15 meeting, which minutes detailed the board's original intent regarding the United Step PILOT, and the fact that the underlying land is owned by a State Agency and therefore tax exempt. No changes were proposed to the PILOT.

Those actions complete the Agency CAP. If you have any questions please feel free to communicate to me via this e-mail address; fergstar@me.com

Thank you

Richard Ferguson, CEO

Richard J Ferguson, CEO
Saratoga County Industrial Development Agency
Work: (518) 884-4705
Cell: (518) 879-9526
Email: fergstar@me.com

CUSACK & COMPANY
Certified Public Accountants LLC
7 AIRPORT PARK BOULEVARD
LATHAM, NEW YORK 12110
(518) 786-3550
FAX (518) 786-1538
E-MAIL ADDRESS: CPAS@CUSACKCPAS.COM
WWW.CUSACKCPAS.COM

MEMBERS OF:
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

February 17, 2016

To the Board of Directors
Saratoga County Industrial Development Agency

We have audited the financial statements of the Saratoga County Industrial Development Agency for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information with you in our letter dated November 1, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Saratoga County Industrial Development Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Management has not provided an allowance for uncollectible loans. For both loans, management believes that the underlying value of land held exceeds the loan value and that eventually the loans will be satisfied.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Our proposed audit adjustments to the financial statements are attached to this letter.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 17, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our resources were not a condition to our retention.

We did have the following recommendations:

Financial Reporting System

Currently management maintains an excel summary of cash receipts and disbursements from which the auditor compiles the year end general ledger. This system does not provide balance sheet and income statement financial reporting to the Board of Directors on an interim basis.

We recommend management consider implementing QuickBooks or some other computerized accounting system so that timely and accurate interim financial reporting can be made.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of the Saratoga County Industrial Development Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Cusack & Company, CPAs, LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY CPA's, LLC

*SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY*

*FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION*

DECEMBER 31, 2015

SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
TABLE OF CONTENTS
DECEMBER 31, 2015

	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Net Position	3
Statement of Revenues, Expenses and Change in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10
Supplemental Information	
Statement of Indebtedness	11
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 <i>Government Auditing Standards</i>	12-13
Schedule of Current Year Findings	14

CUSACK & COMPANY
Certified Public Accountants LLC
7 AIRPORT PARK BOULEVARD
LATHAM, NEW YORK 12110
(518) 786-3550
FAX (518) 786-1538
E-MAIL ADDRESS: CPAS@CUSACKCPAS.COM
WWW.CUSACKCPAS.COM

MEMBERS OF:
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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><u>\$ 5,208,250</u></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.

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>	

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
1	Adjusting	12/31/15					
		100	CASH CHECKING SARATOGA		1,438,322.03		
		101	CASH CHECKING FIRST NIAGA	353.59			
		102	CASH RESERVE	811,489.01			
		220	ACCOUNTS RECEIVABLE		260.00		
		260	NOTE RECEIVABLE LFTC		100,000.00		
		450	ACCOUNTS PAYABLE	1,950.00			
		610	APPLICATION FEES		2,000.00		
		620	LOAN ADMINISTRATION FEES		1,118,921.00		
		650	INTEREST NOTES RECEIVABLE		6,100.28		
		651	INTEREST INCOME		4,075.01		
		710	FEE SPLITS LFTC	200,000.00			
		750	CONTRACT FEES ADMINISTRATION	42,000.00			
		760	SARATOGA COUNTY ADMINISTRATION	22,500.00			
		770	AUDIT	4,250.00			
		771	LEGAL EXPENSE	2,400.00			
		771	LEGAL EXPENSE	7,477.50			
		772	INSURANCE	1,829.00			
		773	CONTRACT FEES SECRETARIAL	1,650.00			
		900	PROJECT COSTS	2,996.00			
		900	PROJECT COSTS	525,000.00			
		900	PROJECT COSTS	36,408.92			
		778	OTHER CONSULTING	2,000.00			
		790	CONFERENCES	4,500.00			
		780	MISCELLANEOUS		2,220.00		
		780	MISCELLANEOUS	4,808.46			
		780	MISCELLANEOUS		7.75		
		780	MISCELLANEOUS	293.59			
		280	LEASE RECEIVABLE SCWA	1,000,000.00			
						275,210.57	
			RECORD CASH RECEIPTS AND DISBURSEMENTS FOR THE YEAR.				
2	Adjusting	12/31/15					
		510	FUND BALANCE	811,489.01			
		520	DESIGNATED NET ASSETS LFTC		811,489.01		
						0.00	
			RECLASS DESIGNATED NET ASSETS				
3	Adjusting	12/31/15					
		900	PROJECT COSTS	27,669.39			
		773	CONTRACT FEES SECRETARIAL	400.00			
		450	ACCOUNTS PAYABLE		28,069.39		
						(28,069.39)	
			RECORD ACCOUNTS PAYABLE				
		TOTAL		<u>3,511,464.47</u>	<u>3,511,464.47</u>	<u>247,141.18</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

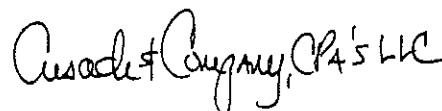
Statement on Auditing Standards “Communicating Internal Control Related Matters Identified in an Audit” issued by the American Institute of Certified Public Accountants requires the reporting of a significant deficiency if the Organization does not employ an individual with the necessary qualifications 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.