

Saratoga County Industrial Development Agency

Annual Report Fiscal Year 2017

03/31/2018

Addresses operations and accomplishments, compliance with Public Authorities Law, capital reserve balance, projects undertaken, performance measurement report, internal control assessment, and property owned by the Agency, investment report, 2015 operational audit and audited financial statements.

Saratoga County Industrial Development Agency

Annual Report FY 2017

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 2018 the-then CEO, Richard Ferguson, retired and was replaced by Scott Duffy as of March 1, 2018. The CEO is assisted in these duties by the 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. Subsequent to year end 2016, on February 13, 2017, the Agency approved the hire of Jeffrey M. Many, CPA as the CFO. Mr. Many started his position on March 13, 2017.

Compliance with Public Authorities Accountability Act (PAAA)

The Agency established an Audit Committee and Governance Committee and appointed members to both 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 submitted to the NYS ABO its annual Board evaluation forms for 2017 on March 30, 2018. For the previous year, the Agency submitted to the NYS ABO on April 16, 2016. All tenured members of the IDA's Board 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 2017 fiscal year in conformance with criteria provided by the Office of New York State Comptroller. The audited report dated December 31, 2017 and completed on February 17, 2018 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 and 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, 2017. The assessment found the Agency’s internal controls to be adequate, and to the extent that deficiencies were identified, the Agency 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.

Payments in Lieu of Taxes

The Agency – through its Uniform Tax Exemption Policy (UTEP) - is able to offer qualifying companies that consider locating to or expanding within Saratoga County exemptions from sales and use taxes as well as from a portion of the state mortgage recording tax. Additionally, certain degrees of property tax abatement may be available pursuant to its UTEP. The Agency holds title to a property thereby making it tax exempt. For a specific period (which may range between 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 and sixteen projects currently approved by the Agency (since inception) only eighteen are currently subject to PILOT Agreements. In 2017 the Agency collected \$12,601,535 dollars in local and school district taxes and distributed those funds to the respective taxing jurisdictions. For the billing to each project company the Agency calculates both the PILOT payment due based on the level of abatement for each company as well as the “normal tax” which would be due if there were no IDA involvement. PILOT revenues received represented over 95% of the “normal taxes”. The following charts list the normal taxes vs. the payment in lieu of taxes paid by individual companies in 2017.

2017 County/Local PILOTS Company, SBL	Normal Assessment (PILOT Assessment) (\$)	Tax Rate/\$1,000	Normal Tax (\$)	PILOT (\$)
Columbia HPS LLC 229.-2-75.111-1	10,021,500 (1,506,231) prorated value of private offices	2.413312 (County)	24,185.01	3,635.01
		0.007001 (Town) 0.155048 (Lib)	1,623.97	244.08
United STEP 1 230.-1-75.1-1	9,200,000	2.413312 (County)	22,202.47	0
		0.162049 (Town)	1,490.85	0
SCNC	1,831,500	3.380057	5,721.12	1,460.18

165.59-1-92.-1)	(431,999)	(County)		
		5.9820 (City Outside)	17,146.61	2,584.22
19 Railroad, LLC (SSSD) 165.59-1-92.-1	652,950 (Land) 4,166,000	3.380057 (County)	14,081.32	9,562.01
		6.056 (City Inside)	25,229.30	17,132.13
Albatros 228.-3-61	1,966,000 (323,500) Land	2.47112 (County)	4,858.21	799.40
AJH Enterprises Precision Valve & Automation 272.-3.58	885,300 (863,110) PILOT	4.109819 (County)	3,638.42	3,547.23
		0.867753 (Town)	768.22	748.97
E.nfrastructure 272.-4-83	1,150,000	4.109819 (County)	4,726.29	4,726.29
		0.867753 (Town)	997.92	997.92
Fortress: Creatacor 272.-4-81	2,970,900 2,495,500 PILOT	4.109819 (County)	12,209.86	10,256.05
		0.867753 (Town)	2,578.01	2,165.48
Perry Realty 286.-1-5.1	1,900,000	4.109819 (County)		
		0.867753 (Town)	7,808.66	7,808.66
Monmouth Real Estate Corp Hemingway at Halfmoon 260.-1-103	2,740,300 (284,000) Land	4.109819 (County)	11,262.14	1,167.19
		0.867753 (Town)	2,377.90	246.44
Mountain Ledge Limited Partnership 140.-1-68.131	4,446,000 3,000,000 PILOT	2.419380 (County)	10,756.56	7,258.14
WDC of Upstate NY 115.-1-48	6,037,400	2.419380 (County)	14,606.77	14,606.77
Finch Waste Co., LLC 104.-1-85.2	3,815,100 262,000 (Land)	2.718779 (County)	10,372.42	712.32
		1.440023 (Town)	5,493.83	377.29
SSP Development Corp 228.-3-30.12.1	1,400,000	2.471112 (County)	5,081.22	3,459.56
PeroxyChem, LLC 177.-1-62.1	1,539,148 304,000 Land	3.380057 (Co.)		
		5.982000 (City Outside)	5,202.41 9,207.18	1,027.54 1,818.53
Fred's Studio Tents 286.-1-54	950,000	4.109819 (County)	3,904.33	3,904.33

		0.867753 (Town)	824.37	824.37
		3.380057(County)	908.56	908.56
MGrove Holdings 177.-1-62.22	286,800 (Land)	5.982000 (Outside)	1,607.96	1,607.96
Totals			232,520.62	105,236.33

2017 / 2018 School PILOT				
Company & SBL	PILOT Assessment	Tax Rate per \$1,000	Normal Tax \$	PILOT
Albatros 228.-3-61	323,500	22.388800	44,016.38	7,242.78
Ace Hardware Corporation 114.-2-60.1-1	15,200,300	16.082	244,451.22	244,451.22
AgroChem / Marcora Properties 177.-1-62.212	267,100	15.447757	40,164.17	4,126.10
		0.97746	2,541.40	261.08
			42,705.56	4,387.18
Arnoff / Tivoli Properties 240.-2-60.1 240.-2-60.0-1	4,400,000	17.291084	106,340.17	76,080.77
		0.019633	120.74	86.39

			106,460.91	76,167.15
Columbia HPS, LLC	1,608,210	17.291084	185,014.60	27,807.69
229.-2-75.111-1		0.019633	210.07	31.57
e.nfrastructure	1,150,000	29.863196	34,342.68	34,342.68
272.4-4-83				
Finch Waste Co., LLC	262,000	15.278	58,287.10	4,002.84
104.-85.2				
Fortress: Creatacor	2,495,500	29.863196	88,720.57	74,523.61
272.-4-81				
Fred's Studio Tents	950,000	38.109178	36,203.72	36,203.72
286.-1-54		0.95674	908.90	908.90
Global Foundries, U.S., Inc.				
Malta 230.-1-72.12	599,194,300	2.413312	1,446,042.79	1,446,042.79
		0.007001	4,194.96	4,194.96
		0.155048	92,903.88	92,903.88
		17.291084	10,360,718.97	10,360,718.97
		0.019633	11,763.98	11,763.98
Stillwater 230.-1-23	4,650,000	2.744992	12,764.21	12,764.21
		3.423878	15,921.03	15,921.03
		14.009151	65,142.55	65,142.55
		0.302229	1,405.36	1,405.36
GF Totals			12,010,857.75	12,010,857.75
Land Development of NY, LLC	27400	69.507306	1,904.50	1,904.50

291.-2-29		1.745	47.813	47.813
Mgrove Holdings	268,800	15.447757	20,854.47	4,152.36
177.-1-62.22		0.97746	1,319.57	262.74
Mountain Ledge LP	3,000,000	12.161845	54,071.56	36,485.54
140.-1-68.131		0.769544	3,421.39	2,308.63
PeroxyChem, LLC				
177.-1-62.1	304,000	15.447757	23,776.38	4,696.12
		0.97746	1,504.46	297.15
Perry Realty	1,900,000	38.109178	72,407.44	72,407.44
286.-1-5.1		0.95674	1,817.81	1,817.81
AJH Enterprises / Precision Valve Automation	863,110	29.863196	26,437.89	25,775.22
272.-3.58				
19 Railroad, LLC				
165.59-1-92.-1				
Land	652,950	15.447757		10,086.61
		0.977460		638.23
Office	2,176,000	15.447757		33,614.32
		0.977460		2,126.95
Total Assessment, 19 RR		15.447757	64,355.36	
		0.977460	4,072.10	
			68,427.45	46,466.12

SSP Development Corp				
228.-3-30.12.1	1,400,000	22.3888	46,036.97	31,344.32
WDC of Upstate NY	6,037,400	16.082	97,093.47	97,093.47
115.-1-48				
Total			13,271,300.64	12,845,986.30
PILOT-Generated Tax Reduction				425,314.33

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 Department of Taxation 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 NY 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 prepares an annual Sales Tax Compliance Report and NYS ST-62 Report.

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

By Resolution #1044 of February 8, 2010 the Agency allocated 1.5 million dollars 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.

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.

At year-end 12/31/17 the Agency's Board of Directors had designated \$1,034,983 in net position for projects relating to capital investment with specific focus on the Luther Forest Technology Campus in Malta, New York

Use of Fund Balance, 2017

Luther Forest Land Acquisition- Public Private Partnership

In November, 2017 the SCIDA submitted a \$25,000.00 deposit to LFTCEDC to enable the selling entity to pay all costs associated with obtaining approval of a subdivision of the premises from the remainder of seller's property located in Luther Forest. This will enable a public/private partnership between MRFA LLC (Malta rocket Fuel Area) and SCIDA to prepare a 20-acre shovel-ready industrial/commercial property for business and job development within the LFTC PDD. The private partnership member (MRFA) will provide the specified water, sewer, natural gas and electricity utilities to the site. Total out of pocket expenses also include LFTC Appraisal, LFTC Land Valuation, Utilities Report second verification, Environmental Review of EPA Report, Legal, Deposit, GPR Study, Site Analysis and other testing is \$171,533.11 for fiscal year 2017.

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 2015-2020 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 2017 are attached.

Employment

It is the Agency procedure to have the Administrator conduct field verification visits of SCIDA companies. As a result of the Agency audit by the New York State Office of the State Comptroller, the Agency Board of Directors approved a procedure to review annual employment reporting. This procedure includes an annual job survey of all approved project companies and a summary report provided to the Board. The procedure also details actions required if any project company fails to meet job creation projections. These actions can include the re-capture of PILOT benefits, as detailed in our Uniform Tax Exemption Policy. It is planned to have both the CEO and Administrator conduct field audits during 2017.

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.

Espy Mfg & Electronics

In May of 2017 the Board approved an application from Espy Mfg & Electronics Company. This military electronics manufacturer invested \$5,263,417 on a project that included demolition of an existing building, construction of an 8,000 SF manufacturing space, and renovation and equipping of existing space. The goals of the applicant are to maintain competitiveness and retain 141 manufacturing jobs in the county while creating 20 construction jobs on the project. Total annual payroll for the company is \$9,066,072.

Universal Preservation Hall

This project was approved by the Board in July of 2017. This project involves the renovation of an historic church in Saratoga Springs and develop it into a \$7,000,000 entertainment and education facility in a rapidly developing part of the city. The project proposes to create 32.5 FTE's along with 1.5 jobs retained. Thirty construction jobs will be created and salary ranges for permanent employees will range from \$36,000-\$55,000.

Arnoff Moving & Storage & Rigging

In August the Board approved an application from Arnoff Moving & Storage & Rigging for a 43,780 SF addition. This regional company with over 90 years of history had contracted for the purchase of 39.81 acres of property and 72,000 SF of commercial vacant space in the Town of Malta, New York. Plans called for the purchase, renovation and utilities upgrade of the facility. The \$4,469,400 expansion project called for the creation of 38 jobs and retention of 76 jobs with an additional 38 construction jobs created. A total annual payroll of \$5,000,000 will result from the project.

Greenfield Manufacturing

In October the Board approved an application submitted by Greenfield Manufacturing for a 10,875 SF addition to an existing facility. Plans called for a \$2,500,000 expansion creating 12 construction jobs. They will add 7 new employees while retaining 13 at a salary range of \$40,000 - \$100,000.

ACE hardware Expansion

In March the Board approved an application form ACE Hardware to build a 400,000 SF addition to an existing 800,000 SF warehouse distribution facility. The company is investing \$27,535,000 in the project which will require 100 construction jobs to complete. Nine FTE's will be created and 318 retained with an annual payroll of \$14,613,700.

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 the measurement report for 2017 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

Company	Approved	Description	Investment	FTE's Created	FTE's Retained	Construction	Salary Range	Annual Payroll
Ace Hardware Corporation	March 2017	Construction of a 400,000 SF addition to an existing 800,000 SF Warehouse Distribution Center	\$27,535,000	9	318	100	\$28,100 to \$52,800	14,613,700
Espy Mfg. & Electronics	May 2017	Demolition of an existing building, construction of an 8,000SF manufacturing space, and renovation and equipping of	\$5,263,417	0	141	20	\$40,000 to \$640,000	\$9,066,072

		existing space						
Universal Preservation Hall	July 2017	Renovation of an historic church into an entertainment and education facility	\$7,000,000	32.5	1.5	30	\$36,000 to \$55,000	\$225,000
Arnoff Moving, Storage & Logistics	August 2017	Construction of a 43,780 SF addition to existing facility, and the construction of a 7,682 truck maintenance facility	\$4,469,400	38	76	38	\$32,000 to \$120,000	\$5,000,000
Greenfield Manufacturing	October 2017	Construction of a 10,875 SF addition to existing manufacturing facility	\$2,500,000	7	13	12	\$40,000 to \$100,000	\$1,200,000
			\$19,232,817	77.5	231.5	100	\$32,000 to \$120,000	\$15,491,072

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

- \$19,232,817 total approved economic investment by SCIDA project companies committed to during 2017
- 77.5 total full time equivalent jobs approved to be created
- 231.5 total full time equivalent jobs to be retained
- 100 total construction jobs to be created
- Salary range between \$32,000 & \$120,000
- \$15,491,072 in total annual payroll to be 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 begins just south of NYS Rte. 197 in Moreau where it connects to the main line of the Canadian Pacific Railway company, and then 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 formal plans to dispose of its property at this time.

The Agency is owner of an active rail spur serving Logistics One in the W.J. Grande Industrial Park in Saratoga Springs. Built in 1981 for the then-proposed 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 2017

As of December 31, 2017 the Agency's unrestricted funds were held in interest bearing money market accounts totaling \$5,174,414. All deposits were covered by FDIC insurance and third party collateral investments as required.

Unrestricted funds during the year can be 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 2017 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, 2018

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 PILOT payments 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 Administrator based on the terms of each company's PILOT

Agreement. The CEO separately calculates each pending PILOT bill and the 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 PILOT payments 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 2017.

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 by the latter include staff assistance provided by the senior planner and secretary, phone, fax, internet, mail services, stationery, 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.

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 2017 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 which are permitted to be signed by two staff members limited to \$3,500.00 as authorized by the Board. Checks signed by staff only, are limited to budgeted expenses or those 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. This was accomplished and the Board now has access to monthly financial statements including income statement and balance sheet.

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.

V. Other Operations and Activities:

Conflict of Interest Policy:

During 2015 the New York State Authorities Budget Office issued a Recommended Practice document recommending that 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 Conflict of Interest Policy.

COUNTY OF SARATOGA INDUSTRIAL DEVELOPMENT AGENCY CONFLICT OF INTEREST POLICY (ADOPTED DECEMBER 14, 2015)

PURPOSE

The purpose of this Conflict 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

Conflict 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 conflict 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 Conflict 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 it would be conducting an audit of the Agency’s financial operations. The audit covered the period from January 1, 2014 to January 31, 2015 and focused on the Agency’s 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

The Saratoga County Industrial Development Agency complied with all NYS Office of State Comptroller recommendations, submitted the required documentation and reporting, has adhered to those recommendations through the year ending 2016, and has a path forward strategy to continue to do the same.

A copy of this audit, and the above documents can be reviewed at the Saratoga County IDA offices located at 50 West High Street, Ballston Spa, New York.