

***SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY***

***FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION***

DECEMBER 31, 2013

SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
TABLE OF CONTENTS
DECEMBER 31, 2013

	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Net Position	3
Statement of Revenues, Expenses and Changes 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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Saratoga County Industrial Development Agency (the "Agency") which comprise the statement of net position as of December 31, 2013, and the related statements of revenues, expenses and changes 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 the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, 2013, and the 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

Our audit was conducted for the purpose of forming an opinion on the Agency's basic financial statements. The accompanying supplementary information 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.

Management has omitted management's discussion and analysis. Such information is not a required part of the basic financial statements but is supplemental information 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2014 on our consideration of the entity'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 the 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. The 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
January 30, 2014

SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
DECEMBER 31, 2013

Assets

Assets:	
Cash	\$ 3,935,674
Accounts Receivable	390
Loans Receivable	900,000
Fixed Assets	<u>168,138</u>
Total Assets	<u><u>\$ 5,004,202</u></u>

Net Position

Net Position, Unrestricted	
Invested in Capital Assets	\$ 168,138
Unrestricted	<u>4,836,064</u>
Total Net Position	<u><u>\$ 5,004,202</u></u>

SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

Revenues:	
Administrative Fees - Net	\$ 862,625
Interest Income	18,237
Total Revenues	<u>880,862</u>
Expenses:	
Project and Grant Expenses	272,363
Management Fees	22,500
Professional Fees	34,000
Insurance	2,306
Miscellaneous	6,589
Total Expenses	<u>337,758</u>
Change in Net Position	543,104
Net Position at Beginning of Year	<u>4,461,098</u>
Net Position at End of Year	<u>\$ 5,004,202</u>

SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

Cash Flows Provided By Operating Activities:	
Receipts from Customers	\$ 862,251
Interest Income	18,237
Payments for Project and Grant Expenses	(272,363)
Payments to Vendors	<u>(65,395)</u>
Cash Provided By Operating Activities	542,730
Cash at Beginning of Year	<u>3,392,944</u>
Cash at End of Year	<u><u>\$ 3,935,674</u></u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Change in Net Assets	\$ 543,104
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Change in Operating Assets and Liabilities	
Accounts Receivable	<u>(374)</u>
Cash Provided By Operating Activities	<u><u>\$ 542,730</u></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 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 on 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 conformity 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, 2013, all of the Agency's deposits were fully insured or collateralized.

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables, if any, based on a review of all outstanding amounts on a periodic basis. The Agency determines an allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. No allowance was deemed necessary at December 31, 2013.

Capital Assets

Capital assets are reported at the lower of cost or expected realizable value. All capital 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 capital assets are retired or disposed of, the appropriate accounts are relieved of costs and any resultant gain or loss is credited to operations.

The Agency evaluated prominent events or changes in circumstances affecting capital assets to determine if impairment of any capital assets has occurred. A capital asset is considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude, and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. There were no impaired capital assets at December 31, 2013.

Industrial 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, 2013 were \$56,217,299.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 January 30, 2014, the date the financial statements were available to be issued. No such events were identified.

2. LOANS RECEIVABLE

The Agency's total of loans receivable was \$900,000 as of December 31, 2013, as follows:

The Luther Forest Technology Campus Economic Development Corporation ("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. In a prior year, 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, 2013 at libor.

The December 31, 2012 audited financial statements for LFTC indicates the Company has net assets of \$10,246,311 of which \$15,366,280 is invested in capital assets net of related debt and \$(5,119,949) is operating deficit. As a result, the Agency recognizes that it will not be repaid in the near future. As interest payments are being made annually and as the management of LFTC is working to improve its financial position, the Agency has determined that the receivable is not impaired as of December 31, 2013.

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 is due in January 2016, however prepayments of at least \$25,000 each are allowed. Interest at the rate of 0.78375% was initially payable in January 2012 and annually in January thereafter.

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.

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 \$92,075 and were reported as an offset to administrative fee income in the statement of revenues, expenses and changes in net position.

5. FUND BALANCE COMMITMENTS

In a prior year, the Agency dedicated a portion of its fund balance (\$2,500,000 or 50% of unrestricted net position, whichever is lower) to be used to award grants for economic development projects that display the potential to create additional job opportunities for the residents of Saratoga County.

The Agency approved a grant totaling \$525,000 to be made in 2014 or future years for a Saratoga County Water Authority project. Additionally, the Agency approved a \$1,000,000 loan to the Saratoga County Water Authority.

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, 2013 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.

6. ANNUAL REPORT FILING (CONTINUED)

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, 2013 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, 2013

<u>Project Description</u>	<u>Original Issue Date</u>	<u>Outstanding January 1, 2013</u>	<u>Issued During 2013</u>	<u>Principal Payments 2013</u>	<u>Outstanding December 31, 2013</u>	<u>Final Maturity Date</u>
American Housing Foundation, Inc.	2006	\$ 4,230,000	\$ -	\$ 95,000	\$ 4,135,000	2036
Disabled Citizens Development Corp.	2006	322,900	-	71,439	251,461	2017
Malta Ambulance Corps.	2002	1,178,782	-	85,353	1,093,429	2023
Saratoga Hospital - Refinance	2003	12,760,000	-	12,760,000	-	2033
Saratoga Hospital - Ambulatory	2003	10,540,000	-	10,540,000	-	2033
Saratoga Hospital - Emergency Department	2007	13,500,000	-	470,000	13,030,000	2032
Saratoga Hospital - Private Physicians Office	2004	820,000	-	820,000	-	2024
Saratoga Hospital - Radiation	2004	2,605,000	-	1,270,000	1,335,000	2014
Saratoga Hospital - Wilton/Malta Arts	2007	16,735,000	-	510,000	16,225,000	2032
Skidmore College	2003	14,320,000	-	1,060,000	13,260,000	2023
Woodlawn Commons, Inc.	1998	7,419,383	-	531,974	6,887,409	2014
		<u>\$ 84,431,065</u>	<u>\$ -</u>	<u>\$ 28,213,766</u>	<u>\$ 56,217,299</u>	

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**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, 2013, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2014.

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 our opinions 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.

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
January 30, 2014

SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013

No findings noted.