

**SARATOGA COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

**REGULATORY BASIS
FINANCIAL STATEMENTS**

DECEMBER 31, 2011

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FINANCIAL STATEMENTS
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STARK & BASILA
Certified Public Accountants, P.C.
132 Mohawk Street
PO Box 260
Cohoes, New York 12047

Marie E. Stark, C.P.A.
Bryan T. Basila, C.P.A.

Tel (518) 237-3641
Fax (518) 237-8940

INDEPENDENT AUDITORS' REPORT

Board of Directors
Saratoga County Industrial Development Agency

We have audited the accompanying regulatory basis financial statements of the Saratoga County Industrial Development Agency, a component unit of Saratoga County, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Saratoga County Industrial Development Agency's management. 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 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Agency prepared these financial statements using accounting principles prescribed by the New York State Office of the State Comptroller to demonstrate compliance with the State's regulatory basis of accounting, which practices differ from accounting principles generally accepted in the United States of America. See that note for the difference between the regulatory basis of accounting and accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Saratoga County Industrial Development Agency as of December 31, 2011 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles prescribed by the New York State Office of the State Comptroller.

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2012 on our consideration of the Saratoga County Industrial Development Agency's internal control over financial reporting and on our tests of its compliance with certain provision 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Board of Directors and State of New York Office of the State Comptroller and is not intended to be and should not be used by anyone other than these specific parties.

Very Truly Yours,
STARK & BASILA
Certified Public Accountants, PC

Bryan T. Basila

BRYAN T. BASILA, CPA

Dated: March 16, 2012

SARATOGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Balance Sheet
December 31, 2011

Assets	
Current assets:	
Cash - money market accounts	\$ 2,934,279
Cash - certificates of deposit	753,557
Accounts receivable - transcript fees	545
Total current assets	<u>3,688,381</u>
Non-current assets:	
Loans receivable (See Note 3)	900,000
Fixed assets (See Note 4)	168,138
Total non-current assets	<u>1,068,138</u>
Total assets	<u>\$ 4,756,519</u>
Liabilities	
Fund balance	\$ -
Total liabilities and fund balance	<u>\$ 4,756,519</u>

Statement of Revenues, Expenses and Changes in Fund Balance
For the Year Ended December 31, 2011

Revenues:	
Loan administration and application fees (See Note 2)	\$ 1,686,590
Interest	19,060
Refund of NYS administrative fee	54,484
Total Revenue	<u>1,760,134</u>
Expenses:	
Fee splits - Saratoga County Economic Development Corp.	82,495
Grants (See Note 6)	34,500
Economic impact study and report - Race Course	39,647
Contract - CEO	28,250
Contract - Administrative (Saratoga County)	22,500
Professional fees	3,500
Insurance	3,375
Other operating expenses	3,388
Total Expenses	<u>217,655</u>
Excess revenues over expenses	1,542,479
Fund balance at beginning of year	<u>3,214,040</u>
Fund balance at end of year	<u>\$ 4,756,519</u>

Statement of Cash Flows
For the Year Ended December 31, 2011

Operating Activities:	
Excess of revenues over expenses	\$ 1,542,479
(Increase) decrease in certificates of deposit	294,200
(Increase) decrease in receivables	52,174
Increase (decrease) in accounts payable	<u>(54,484)</u>
Net cash provided (used) by operating activities	1,834,369
Cash in money market accounts at beginning of year	<u>1,099,910</u>
Cash in money market accounts at end of year	<u>\$ 2,934,279</u>

See accompanying notes and independent auditor's report.

SARATOGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements
December 31, 2011

NOTE 1—ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Business Activity

The Saratoga County Industrial Development Agency (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 Agency is a component unit of Saratoga County. The County appoints the Agency's governing board and also accounts for the Agency's transactions.

The following is a summary of significant accounting policies of the Agency.

Basis of Accounting

The financial statements of the Agency have been prepared in conformity with accounting principles prescribed by the New York State Office of the State Comptroller (OSC) for complying with General Municipal Law, Section 859 in which every Industrial Development Agency is required to make an annual financial report. This regulatory basis of accounting and reporting varies from generally accepted accounting principles in the United States of America ("GAAP") as set by the Governmental Accounting Standards Board ("GASB"). The most significant difference between this regulatory basis of accounting and GAAP is that GASB Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" need not be implemented to meet the requirements of General Municipal Law. GASB 34 would require significant additional changes including:

- Government-Wide Reporting
- Focus on Major Funds
- Changes in Budgetary Reporting
- Full Accrual Accounting Including Depreciation
- Management's Discussion and Analysis
- Capitalization of Infrastructure Assets

Management has considered the costs and benefits of adopting GASB 34 and determined that auditing the financial statements utilizing an Other Comprehensive Basis of Accounting as prescribed by the State Comptroller and described above, as opposed to GAAP, makes fiscal sense for the Agency.

Income Taxes

The Agency operates as an independent entity and is exempt from Federal, New York State, and Local income taxes.

Subsequent Events

Management has evaluated subsequent events or transactions through March 16, 2012, 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
December 31, 2011

NOTE 2—INDUSTRIAL REVENUE BOND AND NOTE TRANSACTIONS

All of the industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies and are retired by lease payments. The bonds and notes are not obligations of the Agency, the County, or the State. The Agency does not record assets or liabilities resulting from completed bond and note issues in its accounts because the Agency's primary function is to arrange the financing between the borrowing companies and the bond and note holders and funds arising therefrom are controlled by trustees or banks acting as fiscal agents.

For providing this conduit financing service, the Agency receives project administration fees from the borrowing companies. These fees are recognized as income upon the closing and issuance of bonds, notes, or straight lease transactions. At December 31, 2011, the outstanding financing balance of bonds and notes of the borrowing companies on open projects (issued in the name of the Agency) was \$90,541,776.

The agency had not issued any of its own obligations through December 31, 2011.

NOTE 3—LOANS RECEIVABLE

The Agency's total of loans receivable was \$900,000 as of December 31, 2011, as follows:

The Luther Forest Technology Campus Economic Development Corporation (LFTCEDC) is an entity which develops sites and serves 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 LFTCEDC assumed the obligations of the Saratoga Economic Development Corporation (SEDC) for the repayment of a \$650,000 consolidated loan under all of the same terms as the previous agreement, releasing SEDC from repayment obligation. In 2011, the Agency approved a third amended agreement providing for a principal payment schedule of \$50,000 in 2013 and \$100,000 in each of the years 2014 through 2019 with interest from August 1, 2011 at a rate of 1.4266%.

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% is initially payable in January 2012 and annually in January thereafter.

SARATOGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements
December 31, 2011

NOTE 4—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 cost of \$293,738 and was reimbursed \$258,000. The remaining \$35,738 represents the Agency's investment in the project.

NOTE 5—CASH

New York State statutes, as well as the Agency's own investment policies, require the Agency to collateralize its cash deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000 per depositor, per bank. The collateral can be in the form of federal, state, and local government securities held by the Agency's bank or trust department and can be pledged to secure the Agency's deposits.

The Agency's deposits, totaling \$3,687,836, were fully insured and/or collateralized as of December 31, 2011.

NOTE 6—FUND BALANCE COMMITMENTS

In a prior year, the Agency dedicated a portion of its fund balance (\$1,500,000 or 50% of unrestricted net assets, 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 approved grants outlined below are illustrations of the use or intended use of the fund balance commitments for economic development purposes.

In a prior year, the Agency approved a grant of \$26,880 to be used for certain engineering costs associated with a bridge reconstruction. During the year ended December 31, 2011, the Agency approved additional grants in the amount of \$34,500 to fund a technology driven math and science career exploration program and to assist in sponsoring an Advanced Semiconductor Conference, which brought together leading executives in the field of microelectronics. The Agency approved additional grants totaling \$300,000 to be made in 2012 or future years, including a grant of \$250,000 to the City of Saratoga Springs for the construction of a parking deck garage and \$50,000 for economic development planning on the LFTCEDC project.

NOTE 7—ANNUAL REPORT FILING

The OSC 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, 2011 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.

SARATOGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements
December 31, 2011

NOTE 7—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, 2011 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 OSC reporting requirements.

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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

To the Board of Directors
Saratoga County Industrial Development Agency

We have audited the regulatory basis financial statements of Saratoga County Industrial Development Agency, a component unit of Saratoga County, as of and for the year ended December 31, 2011, and have issued our report thereon dated March 16, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Saratoga County Industrial Development Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Saratoga County Industrial Development Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Saratoga County Industrial Development Agency's internal control over financial reporting.

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 Agency's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Saratoga County Industrial Development Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than the specified parties.

Very truly yours,
STARK & BASILA
Certified Public Accountants, PC

Bryan T. Basila

BRYAN T. BASILA, CPA

Dated: March 16, 2012