

**FULTON COUNTY  
INDUSTRIAL DEVELOPMENT AGENCY**

**BASIC FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

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## **INDEPENDENT AUDITORS' REPORT**

To the Chairperson and Board of the  
Fulton County Industrial Development Agency  
Johnstown, New York

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the Fulton County Industrial Development Agency, a public benefit corporation, a component unit of the County of Fulton, New York, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### **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.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these basic 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 basic financial statements. The procedures selected depend on the auditors' 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 Agency'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 opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fulton County Industrial Development Agency, as of December 31, 2015, and the respective changes in financial position and, where applicable, 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**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fulton County Industrial Development Agency's basic financial statements. The supplemental information on pages 20 through 23 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information on pages 20 through 23 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 supplemental 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 March 8, 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 this 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 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 Agency's internal control over financial reporting and compliance.

WEST & COMPANY CPAs PC

Gloversville, New York  
March 8, 2016



# FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2015

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The following is a narrative overview and analysis of the financial activities of Fulton County Industrial Development Agency (IDA or Agency) for the fiscal year ended December 31, 2015. This discussion is intended to serve as an introduction to the Agency's basic financial statements, which immediately follow this section. The basic financial statements have the following components: (1) management's discussion and analysis (MD&A), (2) Agency-wide financial statements, (3) notes to the financial statements and (4) supplemental schedules.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information. The basic financial statements include two statements that are Agency-wide financial statements that provide both short-term and long-term information about the Agency's overall financial status.

#### Agency-Wide Statements

The Agency-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Agency's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Agency-wide statements report the Agency's net position and how it has changed. Net position – the difference between the Agency's assets and liabilities – is one way to measure the Agency's financial health or position.

- Over time, increases or decreases in the Agency's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Agency's overall health, you need to consider additional nonfinancial factors such as changes in the New York State government, labor forces and land availability.

### I. GENERAL OPERATIONS

#### A. Background:

The Fulton County Industrial Development Agency (IDA) was created in 1970 by an act of the New York State Legislature as a corporate governmental agency constituting a public benefit corporation. The purpose of an Industrial Development Agency (IDA) is:

“to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing, commercial and research facilities and thereby advance the job opportunities, general prosperity and economic welfare of the people of the state of New York and to improve their standard of living.”

## **B. Mission Statement:**

The IDA's Mission Statement is as follows:

"The IDA's mission is to create and promote economic growth and prosperity for both residents and entrepreneurs in Fulton County. The IDA's role in Fulton County's Economic Development Program is to develop and maintain an inventory of shovel-ready sites for new and expanding businesses, offer financial incentives, as may be required, to encourage the creation of new and retention of existing jobs and expand the County's tax base. In doing so, the IDA strives to make Fulton County a desirable place to live and do business."

## **C. Tax Exemptions:**

The New York State Legislature authorizes IDAs to offer three (3) types of tax exemptions to stimulate private sector investment and create jobs:

### **1. Property Tax:**

New York State Law designates IDA's as tax exempt entities. When an IDA holds title to real property, New York State Law says all improvements on the property are exempt from real property taxes. However, the land that the improvements are located on remain taxable.

However, for projects the IDA is involved with, the IDA requires companies to enter into a Payment In Lieu Of Tax Agreement (PILOT). A PILOT is a contractual agreement between the IDA and a company that states that even though the project is tax exempt due to IDA ownership, the company shall make PILOT payments to local taxing jurisdictions in lieu of paying taxes. PILOT Agreements stipulate that companies make PILOT payments to local taxing jurisdictions that are based upon a percentage of the property tax that would otherwise be due if the property was not owned by the IDA. PILOTs are developed in accordance with the IDA's Uniform Tax Exemption Policy. Once a PILOT is executed, the company makes the required annual PILOT payments to local taxing jurisdictions in accordance with the PILOT. It is the responsibility of the local taxing jurisdictions to issue annual invoices under a PILOT to the company and to ensure that payments are received in a timely manner.

### **2. Sales Tax:**

IDA's can offer companies an exemption from New York State and local sales taxes on eligible construction materials and equipment for a project. The exemption is generally limited to the construction, reconstruction or installation period and cannot cover ongoing operational costs. When the lease or installation sale agreement expires, the IDA transfers any personal property that is involved in the project to the company without the payment of any sales or use tax.

### **3. Mortgage Recording Tax:**

If a project involves a mortgage, a company that receives IDA assistance is exempt from New York State's mortgage recording tax which is currently 1% in Fulton County.

## **D. Financing:**

IDA's can also provide various forms of bond financing for a project. Financial institutions, such as banks, insurance companies or private individuals purchase these bonds as an investment similar to an individual purchasing a U.S. Government Savings Bond. By purchasing a bond, a private investor lends its funds to a business. The business commits to repay the principal and interest, if the bonds are taxable, to the investor. The business and the financial institution, independent of the IDA, negotiate the terms, interest rate and other conditions of the transaction. The IDA acts as an intermediary for this private transaction. There are no IDA or public funds involved in an IDA bond transaction.

The IDA does not have a loan fund or pool of money to use to help finance projects. The financing referred to here is private funds coming from banks, financial institutions or private investors.

The IDA, Fulton County Government or Fulton County taxpayers do not lend any public money nor do they assume any responsibility for repaying bonds if a company defaults on any payment. There is also no financial liability on the IDA, Fulton County or taxpayers. Bond payments are solely the responsibility of the company borrowing the money.

#### **E. Payment in Lieu of Tax Agreements (PILOTS):**

##### **1. Background:**

The IDA provides Payment in Lieu of Tax Agreements in accordance with its Uniform Tax Exemption Policy. The IDA's current policy states that it will provide PILOT's modeled after Section 485-b of NYS's Real Property Tax Law. Section 485-b states that a company can receive a 50% exemption on its assessed valuation in year 1. The exemption then decreases 5% a year for 10 years. After ten (10) years, the company would make a PILOT payment equivalent to 100% of the amount it would be paying in real property taxes if it owned the property. During that 10-year period, the company would be making "PILOT payments" to local taxing jurisdictions and not "property tax payments." Once the Lease and PILOT Agreement the IDA has with a company expires, the property would then return to the tax rolls. At that time, the company would be making "property tax payments" to local taxing jurisdictions and no longer be making "PILOT payments."

##### **2. IDA Projects with PILOT's:**

The following IDA Projects have active PILOT's as of December 31, 2015:

<b>Owner</b>	<b>Lessee</b>	<b>Address</b>	<b>Occupant</b>
IDA	CIC	160 Enterprise	Yusen
IDA	Swany	115 Corporate Drive	Swany
IDA	CG Roxane	1 Old Sweet Road, Johnstown	CG Roxane

#### **F. IDA Projects:**

The following is a list of all active IDA projects:

<b>Owner</b>	<b>Lessee</b>	<b>Address</b>	<b>Occupant</b>
IDA	CIC	160 Enterprise	Yusen
IDA	Swany	115 Corporate Drive	Swany
IDA	CG Roxane	1 Old Sweet Road, Johnstown	CG Roxane
IDA*	CIC	4104 State Highway 30, Perth, NY	NLH's Perth Primary Care Clinic
(Landlord)* NLH Association	(Tenant) IDA	99 E. State St., Gloversville, NY	NLH's HVAC System Project
Citi Mortgage*	IDA	99 E. State St., Gloversville, NY	NLH's Surgical Suite Project
IDA*	YMCA	213 Harrison Street, Gloversville, NY	YMCA

\* IDA bonds were issued.

## **II. SUMMARY OF 2015 ACTIVITIES**

The IDA Board met eight (8) times in 2015. The following is a summary of the key activities addressed by the IDA Board in 2015:

## 1. TRYON TECHNOLOGY PARK PROJECT:

### 1. Background:

2015 was another very busy year for the IDA with respect to the Tryon Technology Park Project. The IDA Board, in partnership with the Fulton County Board of Supervisors, continued work on transforming the former Tryon Juvenile Detention Facility into shovel-ready sites for new businesses. The following is a summary of the activities that took place in 2015:

#### a. Phase I Infrastructure Improvement Project:

The Phase I Project, undertaken by the Fulton County Board of Supervisors, involved constructing a new internal access road and installing and relocating new water and sewer infrastructure. This project started in 2014 and completed in 2015. This Phase I Project was funded by a \$2 million grant Fulton County obtained from Empire State Development.

#### b. Phase II Infrastructure Improvement Project:

The Phase II Project, also undertaken by the Fulton County Board of Supervisors, involved disconnecting the water service to Tryon from the Hale Creek Correctional Facility. This was done at the request of the State Department of Corrections and Community Supervision who operates the Hale Creek Facility. This project involves constructing a new water pumping station and a new 300,000 gallon elevated water storage tank at Tryon. The County awarded a construction contract to W.M. Schultz Construction, Inc. of Ballston Spa, NY. This project was commenced in 2015 and should be completed in the late summer of 2016. This Phase II Project was funded in part by a \$180,000 ESD Grant.

#### c. Entrance Sign/Logo:

The IDA Board partnered with the Fulton County Board of Supervisors in hiring Adirondack Signs of Saratoga, New York to construct an attractive entrance sign for the Tryon Technology Park. Design work on the sign commenced in 2015. The sign will actually be completed and installed in early 2016.

In addition, a logo for the Tryon Technology Park is also being proposed that will be incorporated into the new sign. This logo will be based upon the Regional Economic Development Brand Fulton and Montgomery Counties unveiled in 2015.

#### d. Lot Sale Price:

The IDA Board established the lot sale price for all land in the Tryon Technology Park at \$20,000 per acre. This price is consistent with what is charged at the IDA's other industrial parks.

#### e. Design Standards:

The IDA Board, in 2015, adopted Design Standards that would be applied to any new project coming into the Tryon Technology Park. The goal of these Design Standards is to establish building quality and aesthetics standards for buildings that will be constructed in the Tryon Technology Park.

#### f. Northern Borders Regional Commission Grant:

The IDA and Fulton County applied for a grant from the Northern Borders Regional Commission to use to restart the HVAC system in Building 3 at the Tryon Technology Park. Building 3 is the former Educational/Recreational Center that is intended to be repurposed into a Business Training and Incubator Center. The Building's HVAC System has been shut down since Tryon was closed in 2011. In order to repurpose this building, its HVAC System needs to be restarted and made operational. The Northern Borders Regional Commission awarded a grant in the amount of \$184,153. This grant will be matched by \$65,847 from the IDA. Fulton County will also be contributing a \$150,000 towards this project. This project will be commenced in 2016.

g. Wastewater Pump Station:

The IDA Board agreed to retain Fulton County's Facilities staff to operate and maintain the Wastewater Pump Station that services Tryon. Facilities staff has experience operating and maintaining wastewater pump stations. The Facilities staff commenced its duties at Tryon in 2015 when the pump station was restarted.

h. Evaluation of Solar Energy at Tryon:

The IDA Board met with C.T. Male to hear a presentation on the potential for developing a solar array at Tryon. IDA Board members expressed an interest in conducting an engineering evaluation on the feasibility of developing a solar array on approximately 30 acres of land at the western side of the Tryon Technology Park. The IDA Board entered into an Agreement with C.T. Male to have this engineering evaluation prepared. This evaluation will be completed in 2016.

i. NYS Police:

The IDA Board continued its relationship with the NYS Police by allowing the State police to utilize existing buildings at Tryon for various training exercises.

The IDA Board appreciates the strong partnership it has with the Fulton County Board of Supervisors on the Tryon Technology Park and looks forward to bringing more businesses and new jobs to this Park.

2. **EMPIRE STATE HEALTH SOLUTIONS' PROJECT:**

The IDA Board spent a great deal of time in 2015 facilitating the first project in the Tryon Technology Park. Empire State Health Solutions (ESHS) approached the IDA Board in 2015 with a proposal to purchase a parcel of land in the Tryon Technology Park to utilize to establish a pharmaceutical manufacturing business. ESHS was one of the five (5) companies granted a license by New York State to grow medical cannabis and manufacture medicines. This license was granted at the end of June. Initially, the IDA Board approved a Purchase and Sale Agreement with ESHS that would result in the eventual sale of approximately a 20-acre parcel of land to ESHS for their project. On this parcel was an existing 20,000+/- square foot building. The IDA Board then executed a License Agreement with ESHS to allow the company to start work renovating this existing building prior to them taking title to the property. ESHS commenced work on this building in June. This allowed ESHS to comply with the State's requirement that medicines be available around January 1, 2016. IDA members toured the facility in December, 2015 to see the status of the project.

ESHS' project represented a perfect fit for the Tryon Technology Park. The Targeted Industry Analysis Fulton County had prepared by DCG Corplan identified, as the #1 Industry Cluster that Tryon should be marketed for, would be Biomedical Research and Development companies. The manufacturing of medicines is a subcomponent of Biomedical Research and Development. As a manufacturer of medicines, the ESHS' project is a Biomedical Research and Development Project. As such, it represented a perfect fit for Tryon. It is hoped that this project will help attract a cluster of Biomedical Research and Development companies at Tryon.

In late 2015, ESHS announced that it changed its name from ESHS to Vireo Health of New York, LLC. This change was made to have the company's name consistent with its parent company, Vireo Health. Vireo Health had created over 20 new jobs at its facility by the end of 2015. Additional jobs will hopefully be created in the future as the company grows at its location in the Tryon Technology Park.

3. **REGIONAL BUSINESS PARK PROJECT:**

In 2015, the Fulton County Board of Supervisors, in conjunction with the Montgomery County Industrial Development Agency, completed work on a series of background studies necessary to obtain certification from Empire State Development (ESD) of the 263+/- acre Regional Business Park site as a certified shovel-ready site. An application was submitted in 2015 to ESD for this State certification.

The property owners who own the properties comprising the Regional Business Park site filed petitions in late 2015 with the Town of Mohawk, Montgomery County, City of Johnstown in Fulton County to have their properties annexed from the Town of Mohawk in Montgomery County into the City of Johnstown in Fulton County. The Petitioners asked for this annexation so that their properties could gain access to City of Johnstown's water and sewer systems so that their properties could be developed. A public hearing on the Petitions for Annexations was held on December 28, 2015. The annexation process should be completed in 2016.

4. **EARLY TERMINATIONS OF LEASE:**

In 2015, the IDA completed an early lease termination with the Euphrates Project in the Johnstown Industrial Park

As a result, the Euphrates lease and PILOT Agreements were terminated in 2015, the property was returned to the tax rolls and is now fully taxable.

5. **NYS COMPTROLLER'S AUDIT:**

In 2015, the NYS Comptroller issued its audit report. The audit evaluated the internal controls over project monitoring. The IDA Board responded to the findings of that report.

6. **RESIGNATIONS/NEW APPOINTEES:**

In 2015, David D'Amore was appointed to the IDA Board by the Board of Supervisors to fill the vacancy created by the resignation of Len House. Tim Munn was appointed in 2015 by the Board of Supervisors to replace George Bevington who resigned from the Board.

III. **SUMMARY OF FINANCIAL RESULTS**

**Table A-1**

**Condensed Statements of Net Position**

	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>Dollar Change Increase/ (Decrease)</u></b>
<b>Assets</b>			
Current assets	\$ 1,058,482	\$ 1,093,465	\$ (34,983)
Development projects	3,449,884	3,043,155	406,729
<b>Total Assets</b>	<b>4,508,366</b>	<b>4,136,620</b>	<b>371,746</b>
<b>Liabilities</b>			
Current liabilities	417,112	420,108	(2,996)
Long-term debt	514,708	514,708	0
<b>Total Liabilities</b>	<b>931,820</b>	<b>934,816</b>	<b>(2,996)</b>
<b>Net Position</b>			
Net investment in capital assets	2,935,176	2,528,447	406,729
Unrestricted	641,370	673,357	(31,987)
<b>Total Net Position</b>	<b>\$ 3,576,546</b>	<b>\$ 3,201,804</b>	<b>\$ 374,742</b>



## Changes in Net Position

The IDA's revenue was \$52,160 (see Table A-2).

The total cost of all programs and services amounted to \$78,847 for 2015. The expenses are comprised predominantly of project development costs (44%), salaries and benefits (27%) and professional fees (19%).

Net position for the year increased by \$374,742 after an other change in net position in the amount of \$401,429.

**Table A-2**

### Changes in Net Position from Operating Results

	<u>2015</u>	<u>2014</u>	<u>Dollar Change Increase/ (Decrease)</u>
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for services	\$ 25,230	\$ 2,700	\$ 22,530
Grants and other program revenues	8,820	22,614	(13,794)
<b>General Revenues</b>			
Interest income	193	269	(76)
Income from early lease termination	17,917	0	17,917
Timber sales	0	114,076	(114,076)
Auction proceeds	0	68,709	(68,709)
<b>Total Revenues</b>	<u>52,160</u>	<u>208,368</u>	<u>(156,208)</u>
<b>Expenses</b>			
Development project costs	34,394	33,020	1,374
Insurance	6,031	3,016	3,015
Miscellaneous expense	627	228	399
Salaries and benefits	21,499	20,973	526
Meetings and conferences	722	529	193
Memberships	750	750	0
Marketing	0	5,000	(5,000)
Professional fees	14,824	15,600	(776)
<b>Total Expenses</b>	<u>78,847</u>	<u>79,116</u>	<u>(269)</u>
<b>Increase (Decrease) in Net Position from Operations</b>	<u>\$ (26,687)</u>	<u>\$ 129,252</u>	<u>\$ (155,939)</u>

#### A. LONG-TERM DEBT:

As of December 31, 2015, the IDA had \$514,708 in long-term debt outstanding. More detailed information about the IDA's long-term debt is included in the notes to basic financial statements.

**Table A-3****Outstanding Long-Term Debt**

	<u>2015</u>	<u>2014</u>
City of Gloversville	\$ 150,267	\$ 150,267
Board of Water Commissioners	89,124	89,124
Community Development Agency	74,961	74,961
Promote Gloversville Development Agency	50,089	50,089
Fulton County Economic Development Corporation	<u>150,267</u>	<u>150,267</u>
<b>TOTALS</b>	<u>\$ 514,708</u>	<u>\$ 514,708</u>

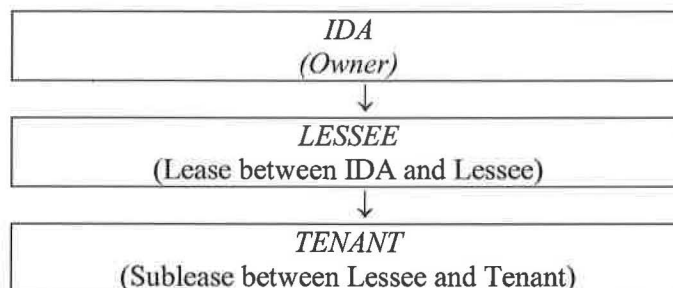
**IV. PAYMENT IN LIEU OF TAX AGREEMENTS (PILOTS)****A. Background**

As of December 31, 2015, the IDA had three (3) active PILOT Agreements as shown below:

<b>Owner</b>	<b>Lessee</b>	<b>Address</b>	<b>Tenant</b>
IDA	CIC	160 Enterprise	Yusen
IDA	Swany	115 Corporate Drive	Swany
IDA	CG Roxane	1 Old Sweet Road	CG Roxane

**B. Project Structure**

In most projects, the IDA “owns” the real property, machinery and equipment and leases them to a Lessee. The Lessee, in turn, subleases the real property and machinery and equipment to a business:



At the end of the lease term, ownership of the real property, machinery and equipment is transferred from the IDA to either the Lessee or Tenant. Once title is transferred, the real property becomes fully taxable.

**V. CONCLUSION**

The Fulton County IDA looks forward to 2016 with the hope and expectation of positive economic development initiatives being undertaken.

**VI. CONTACTING THE IDA'S FINANCIAL MANAGEMENT**

If you have questions about this report or need additional financial information, please contact:

Fulton County Industrial Development Agency  
 1 East Montgomery Street  
 Johnstown, NY 12095  
 Phone: 518-736-5660

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF NET POSITION

DECEMBER 31, 2015

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**ASSETS**

**CURRENT ASSETS:**

Cash in bank	\$ 643,087
Cash - restricted	415,395

<b>Total current assets</b>	<b>1,058,482</b>
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**DEVELOPMENT PROJECTS**

3,449,884

**TOTAL ASSETS**

4,508,366

**LIABILITIES**

**CURRENT LIABILITIES:**

Accounts payable	1,717
Due to City of Johnstown	415,395

<b>Total current liabilities</b>	<b>417,112</b>
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**LONG-TERM DEBT**

514,708

**TOTAL LIABILITIES**

931,820

**NET POSITION**

Net investment in capital assets	2,935,176
Unrestricted	641,370

**TOTAL NET POSITION**

\$ 3,576,546

See notes to basic financial statements.

**FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2015**

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Other Program Revenues</u>	
<b>FUNCTION/PROGRAMS</b>				
Development projects	\$ 34,394	\$ (5,830)	\$ (8,820)	\$ (19,744)
Insurance	6,031	0	0	(6,031)
Miscellaneous expense	627	0	0	(627)
Meetings and conferences	722	0	0	(722)
Memberships	750	0	0	(750)
Professional fees	14,824	(19,400)	0	4,576
Salaries and benefits	21,499	0	0	(21,499)
<b>Total function/programs</b>	<u>\$ 78,847</u>	<u>\$ (25,230)</u>	<u>\$ (8,820)</u>	<u>(44,797)</u>
<b>GENERAL REVENUE</b>				
Interest income				193
Income from early lease termination				17,917
<b>CHANGE IN NET POSITION</b>				<u>(26,687)</u>
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>				3,201,804
<b>OTHER CHANGES IN NET POSITION</b>				<u>401,429</u>
<b>TOTAL NET POSITION - END OF YEAR</b>				<u>\$ 3,576,546</u>

See notes to basic financial statements.

**FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2015**

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**CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:**

Revenues in excess of expenses	\$ (26,687)
Adjustments to convert to cash:	
(Increase) in developmental property	(5,300)
(Decrease) in accounts payable	(3,079)
Increase in due to City of Johnstown	83
	<hr/>
<b>Net cash (used) by operating activities</b>	<b>(34,983)</b>

**NET (DECREASE) IN CASH** (34,983)

**CASH - BEGINNING OF YEAR** 1,093,465

**CASH - END OF YEAR** \$ 1,058,482

# FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2015

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Fulton County Industrial Development Agency (Agency) have been prepared in conformity with U.S. generally accepted accounting principles. Significant accounting policies are:

#### **Organization**

The Agency is an Industrial Development Agency duly established under Title 1 of Article 18-A of the General Municipal Law of the State of New York, as amended, and Chapter 665, Section 895C, of the Laws of 1970 of the State and is a public benefit corporation of the State.

The Agency was formed for the purpose of encouraging economic growth in the County of Fulton. The Agency is exempt from federal, State and local income taxes. The Agency, although established by the Fulton County Board of Supervisors, is a separate entity and operates independently of the County of Fulton.

#### **Basis of Accounting**

The Agency is required by New York State to maintain its books on the accrual basis of accounting.

#### **Budgetary Accounting**

In accordance with Section 861 of the General Municipal Law, the Agency prepares and adopts annual budgets.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. Those estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

#### **Advertising Costs**

The Agency's advertising costs are expensed as incurred. There was no advertising expense for the year ended December 31, 2015.

#### **Fair Value of Financial Instruments**

Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, management considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

#### **Development Project Assets**

Development project assets, consisting of land and site improvements acquired by the Agency, are stated at cost (or estimated historical cost) and include interest capitalized during construction where applicable. Contributed assets are recorded at fair market value at the date received. Major additions and betterments are capitalized, while maintenance and repairs which do not appreciably extend the useful lives of the related assets are charged to expense as incurred. There are no reversionary interests by the grantor in the assets (see also Notes 2 and 4 following).



FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2015

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

**Lot Sales**

Certain lot sales are capitalized lease purchase agreements. The leases are structured to receive full payment at lease inception and are recorded as sales by the Agency at that time. Other lot sales are direct sales in which title to the property transfers to the purchaser.

**NOTE 2 – CASH – RESTRICTED**

- A. The Agency entered into an agreement with the City of Johnstown whereby the Agency is to develop the Johnstown Industrial Park (Park). The City of Johnstown (City) conveyed title to 175 acres of land to the Agency pursuant to Local Law No. 2 of 1989.

The Agency is to develop, operate and manage the Park. All revenues generated from the lot sales in the Park are to be allocated between the City and the Agency as follows:

1. Seven percent of gross revenues are to be retained by the Agency for administrative costs.
2. Of the remaining balance:
  - a. Fifty percent shall be paid to the City; and
  - b. Fifty percent shall be retained by the Agency and deposited in an interest-bearing account dedicated solely for the use in future industrial and economic development-type projects within the City, or outside the City with their approval.

- B. Restricted cash balances at December 31, 2015, are as follows:

City of Johnstown (a. above)	<u>\$ 415,395</u>
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**NOTE 3 – DEVELOPMENT PROJECTS**

The Agency's development projects at December 31, 2015, are as follows:

Crossroads Industrial Park	\$ 120,000
Crossroads Business Park	1,925,000
Johnstown Industrial Park	569,229
Tryon Technology Park	830,355
Regional Business Park	<u>5,300</u>
<b>TOTAL</b>	<b><u>\$ 3,449,884</u></b>

The development projects consist of land acquisition costs and site improvements; i.e., roads, water and sewer lines and landscaping. For the year ended December 31, 2015, the Agency had an other change in net position related to the Johnstown Industrial Park. See note 7 for more information.

# FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2015

### **NOTE 4 – LONG-TERM DEBT**

As part of the Crossroads Business Park project, the Agency entered into an agreement with five local governmental and nonprofit entities. Each entity, including the Agency, provided funds necessary to meet the \$665,000 local match requirement of the EDA grant. The agreement provides that the Agency retain the first \$100,000 received for sale of lots of the Crossroads Business Park. Thereafter, the Agency, after deducting an administrative fee and any other customary sale or lease expenses, shall repay the project participants (including the Agency) at the percent of participation that each entity provided to the total \$665,000 local match.

Interest was accrued at 5½% on the unpaid balances for a maximum of seven years (ending in 2005). Therefore, for the year ended December 31, 2015, interest expense totaled \$-0-.

This balance is comprised of amounts due to the following entities:

City of Groversville	\$ 150,267
Board of Water Commissioners	89,124
Community Development Agency	74,961
Promote Groversville Development Agency	50,089
Fulton County Economic Development Corporation	<u>150,267</u>
<b>TOTAL</b>	<b><u>\$ 514,708</u></b>

### **NOTE 5 – INDUSTRIAL REVENUE BOND 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 lease payments. The bonds and notes are not obligations of the Agency or the State. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its 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 service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. At December 31, 2015, the original issue value of bonds issued aggregated \$18,045,000 and the outstanding balance was \$6,266,410. Refer to the Schedule of Industrial Development Revenue Bonds on page 20.

### **NOTE 6 – INVESTMENTS**

The Agency's investment policies are governed by State statutes. Agency monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The Agency is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 100% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States Government and its agencies and obligations of any state and its municipalities and school districts.

At December 31, 2015, the Agency maintained its three cash accounts in one bank. Accounts are normally guaranteed by the FDIC up to \$250,000 per bank.

The Agency entered into a third-party custody agreement, in which the bank has deposited with a third-party custodian, investments with market values totaling \$824,384 as security for uninsured deposits. The Agency had no uninsured deposits at December 31, 2015.

**FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

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**NOTE 7 – OTHER CHANGES IN NET POSITION**

The other changes in net position consist of increases in the carrying values of the Johnstown Industrial Park of \$401,429. These adjustments were made to properly reflect the remaining acreage at the park.

**NOTE 8 – SUBSEQUENT EVENTS**

The Agency has evaluated subsequent events through the issuance date of the report. None were considered material to the issued financial statements.



**INDEPENDENT AUDITORS' 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 Chairperson and Board of the  
Fulton County Industrial Development Agency  
Johnstown, New York

We have audited, in accordance with the 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, the financial statements of Fulton County Industrial Development Agency, a public benefit corporation, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 8, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fulton 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 Fulton County Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fulton 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 a 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. 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 charge 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 Fulton 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 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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

WEST & COMPANY CPAs PC

Gloversville, New York  
March 8, 2016

**FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**SCHEDULE OF INDUSTRIAL DEVELOPMENT REVENUE BONDS**  
**DECEMBER 31, 2015**

<u>PROJECTS</u>	<u>CURRENT INTEREST RATE</u>	<u>OUTSTANDING BEGINNING OF YEAR</u>	<u>ISSUED</u>	<u>PRINCIPAL PAID</u>	<u>INTEREST PAID</u>	<u>DECEMBER 31, 2015 BALANCE</u>
Nathan Littauer Hospital Association project	Variable	\$ 3,285,000	\$ 0	\$ 500,000	\$ 98,550	\$ 2,785,000
Fulton County YMCA, Inc.	3.25%	2,146,757	0	96,926	98,792	2,049,831
Nathan Littauer Primary Care Center project	4.75%	<u>1,468,921</u>	<u>0</u>	<u>37,342</u>	<u>69,925</u>	<u>1,431,579</u>
<b>TOTALS</b>		<u>\$ 6,900,678</u>	<u>\$ 0</u>	<u>\$ 634,268</u>	<u>\$ 267,267</u>	<u>\$ 6,266,410</u>

See accompanying notes.



# **FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

## **CODE OF ETHICS**

### **I. INTRODUCTION:**

This Code of Ethics shall apply to all members, staff and other employees of the Fulton County Industrial Development Agency (AGENCY). These policies shall serve as a guide for official conduct and are intended to enhance the ethical and professional performance of the AGENCY's directors and employees and to preserve public confidence in the AGENCY's mission.

### **II. RESPONSIBILITY OF MEMBERS, STAFF AND EMPLOYEES:**

- A. Members, staff and employees shall perform their duties with transparency, without favor and refrain from engaging in outside matters of financial or personal interest, including other employment, that could impair independence of judgment, or prevent the proper exercise of one's official duties.
- B. Members, staff and employees shall not, directly or indirectly, make, advise or assist any person to make any financial investment based upon information available through the director's or employee's official position that could create any conflict between their public duties and interests and their private interests.
- C. Members, staff and employees shall not accept or receive any gift in excess of seventy-five dollars (\$75), whether it be in the form of financial payments, services, loans, travel reimbursement, entertainment, hospitality, thing or promise from any entity doing business with or before the AGENCY.
- D. Members, staff and employees shall not use or attempt to use their official position with the AGENCY to secure unwarranted privileges for themselves, members of their family or others, including employment with the AGENCY or contracts for materials or services with the AGENCY.
- E. Members, staff and employees 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.
- F. Members, staff and employees may not engage in any official transaction with an outside entity in which they have a direct or indirect financial interest that may reasonably conflict with the proper discharge of their official duties.
- G. Members, staff and employees shall manage all matters within the scope of the AGENCY's mission independent of any other affiliations or employment. Members, staff and employees employed by more than one government shall strive to fulfill their professional responsibility to the AGENCY without bias and shall support the AGENCY's mission to the fullest.
- H. Members, staff and employees shall not use AGENCY property or resources or disclose information acquired in the course of their official duties in a manner inconsistent with State or local law and the AGENCY's mission and goals.

### **III. IMPLEMENTATION OF CODE OF ETHICS:**

- A. This Code of Ethics shall be provided to all members, staff and employees upon commencement of employment or appointment and shall be reviewed annually by the Governance Committee.

### **CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, James Mraz, certify that I am the Chief Executive Officer of Fulton County Industrial Development Agency and that this report, to the best of my knowledge, information and belief, is a true and correct statement of the financial transactions and fiscal condition for the year ended December 31, 2015.

Signature: \_\_\_\_\_

Title: \_\_\_\_\_ Chief Executive Officer

### **CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Carol Ellis, certify that I am the Chief Financial Officer of Fulton County Industrial Development Agency and that this report, to the best of my knowledge, information and belief, is a true and correct statement of the financial transactions and fiscal condition for the year ended December 31, 2015.

Signature: \_\_\_\_\_

Title: \_\_\_\_\_ Chief Financial Officer

