

**FULTON COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

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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, 2017, 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, 2017, 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 11 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 13, 2018, 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 13, 2018

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017. 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, 2017:

Owner	Lessee	Address	Occupant
IDA	Swany	115 Corporate Drive	Swany
IDA	CG Roxane	1 Old Sweet Road, Johnstown	CG Roxane
IDA	Johnstown Renewables	Enterprise Drive, Johnstown	Johnstown Renewables

F. IDA Projects:

The following is a list of all active IDA projects as of December 31, 2017:

Owner	Lessee	Address	Occupant
IDA	Swany	115 Corporate Drive	Swany
IDA	CG Roxane	1 Old Sweet Road, Johnstown	CG Roxane
IDA	Johnstown Renewables	Enterprise Drive, Johnstown	Johnstown Renewables
IDA*	YMCA	213 Harrison Street, Gloversville, NY	YMCA

* IDA bonds were issued.

II. SUMMARY OF 2017 ACTIVITIES:

The IDA Board met eleven (11) times in 2017. The following is a summary of the key activities addressed by the IDA Board in 2017:

1. TRYON TECHNOLOGY PARK PROJECT:

1. Background:

2017 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 2017:

a. New Electric System:

When Tryon was run by the State of New York, the electrical service at Tryon was owned by New York State. New York State owned the facility to get the most cost effective rates for buying electricity from National Grid. When the State transferred title of Tryon over to the IDA in 2014, the IDA took ownership of the existing electrical system within Tryon. Since that time, the IDA has been working with National Grid to get National Grid to install a new underground electric service around the perimeter of County Road 117. Once National Grid installs this new service, the IDA could discontinue its existing electrical service and get out of that business. At that time, the new electric service would be owned, operated and maintained by National Grid.

In 2017, National Grid presented its proposed design for a new electrical system for the Tryon Technology Park. The cost, however, they were going to charge to install this new system was significant. As a result, National Grid was asked to redesign a new electric system in such a way as to significantly reduce the cost to the County and the IDA. National Grid expected to have that revised design completed in early 2018.

b. Regional Business Training and Incubator Center:

The IDA had originally planned to repurpose all of Building 3 into the Regional Business Training and Incubator Center. The IDA, in conjunction with Fulton County, sought approval through the Northern Borders Regional Commission (NBRC) to repurpose the grant it received for the Regional Business Training and Incubator Center. The request asks the NBRC to redirect the monies to having just the F-wing of Building 3 repurposed into the Regional Business Training and Incubator Center. The intent would be to have a new heating, ventilation, air conditioning and plumbing systems installed just for that building. The NBRC approved this request. C.T. Male prepared design plans for this work. The project, however, was not advanced to putting out to bid pending the resolution of the new electric system for the Tryon Technology Park. The IDA wanted to see what its cost would be for providing a new electric system before committing dollars to renovating the F-wing of Building 3.

c. Evaluation of Solar Energy at Tryon:

C.T. Male delivered its final report to the IDA regarding the potential for developing a solar energy project at Tryon. The Report concluded that it was feasible. The solar developer that was interested in pursuing a project at Tryon indicated that it could not proceed until such time as a Public Service Commission issued a Solar Credit Rate. This rate needed to be issued in order for the company to submit a final proposal to Fulton County to purchase energy that would be generated at Tryon.

d. Building Demolition:

In December of 2017, the Fulton County Board of Supervisors went out to bid for private contractors to demolish two (2) buildings on the east side of the entrance road going into Tryon Technology Park. The Fulton County Board of Supervisors has pursued having private contractors perform the work given the work load that the County's Demolition Team has. Bids were received on December 20, 2017. Fulton County awarded a contract to Dan's Hauling and Demolition, Inc. to demolish and remove four (4) buildings.

e. Roof Repairs:

Due to the deteriorating conditions of the roofs, the IDA hired local contractors to install new roofs on the wastewater treatment plant, pump station, control building and the electrical vault. This roof work was completed in the Fall of 2017.

f. Building 60:

The IDA hired a commercial real estate appraiser to appraise Building 60 in its current condition. The IDA's goal was to obtain a current market value for this building. The IDA discussed the concept of putting Building 60 on the market and attempting to sell it. The IDA Board will continue that discussion in 2018.

2. IDA WEBSITE:

The IDA, for years, had its website hosted on Fulton County's website. In 2017, the IDA Board decided to establish and host its own website. Emery Designs from Gloversville, New York was hired to create a new website for the IDA. The new website's domain name is: www.fcida.org The new website went live in the fall of 2017. The IDA Board has received a lot of positive feedback on the form and content of the new website.

3. MARKETING INITIATIVES:

a. CIREB Event at Tryon Technology Park:

In June of 2017, the IDA co-sponsored a marketing event at Tryon. The event featured the Commercial and Industrial Real Estate Brokers (CIREB) from the Albany area. CIREB members and other commercial and industrial real estate brokers from the Fulton-Montgomery County region were invited to Tryon to hear presentations about the Tryon Technology Park and the County's new Development Strategy. The event was held on Wednesday, June 21, 2017, from 10:00 a.m. til noon. Approximately 50 people attended the event. The event was deemed a significant success in that Fulton County, the Tryon Technology Park and the County's three (3) Primary Development Areas received a significant amount of public attention. The event was covered extensively by the Albany and local media. The media arrangements were made through Gramercy Communications, the County's public relations/public affairs consultant.

b. Site Selector Guild Advisory Forum:

In September of 2017, a second major marketing initiative was conducted. This event was called the Site Selectors Advisory Forum. Three (3) Corporate Site Selectors from the prestigious Site Selectors Guild came to Fulton County to review what is currently going on in Fulton County and its economic development program. The Site Selectors then provided input and feedback as to how Fulton County may be able to strengthen its economic development program. The Site Selectors were in Fulton County from Wednesday, September 6, through Friday, September 8. Their three (3) days was highlighted by a public meeting held on Friday, September 8. Approximately 90 people attended this event. The Site Selectors commended Fulton County and its existing economic development program. They offered a series of recommendations that they felt would help strengthen the County's economic development program. This event was also deemed to be a big success.

4. **REGIONAL BUSINESS PARK PROJECT:**

Work on the Regional Business Park Project continued in 2017. Under New York State's Municipal Annexation Law, a SEQR review must be conducted on a petition for annexation before the affected municipalities can vote on whether to approve or disapprove the proposed annexation. In 2017, the SEQR review process continued on this proposed annexation. As Lead Agency, the Town of Mohawk issued a Positive Declaration requiring the preparation of a Draft Environmental Impact Statement (DEIS). The Town of Mohawk declared Fulton County as a Project Sponsor and required the County to pay for and prepare the DEIS. Fulton County agreed to do so in partnership with Montgomery County and the City of Johnstown. Sterling Environmental was hired to prepare the DEIS. The DEIS should be completed in early 2018.

In addition, the Options the IDA has on the properties comprising the Regional Business Park were extended.

5. **NEW MARKETING CAMPAIGN:**

The Fulton County Board of Supervisors appropriated \$100,000 into its 2018 Capital Budget to undertake a marketing program in 2018 targeted towards attracting people to come live and work in Fulton County. The IDA, on behalf of the Fulton County Board of Supervisors, applied to National Grid for a matching grant. In late 2017, National Grid awarded that \$100,000 grant to the IDA. The IDA will serve as a pass through for those funds for Fulton County. Fulton County Board of Supervisors will be looking to implement this marketing program in 2018. The marketing program will feature two (2) key components:

1. Attracting people to come live and work in Fulton County.
2. Attracting new businesses into Fulton County.

6. **CENTURY LINEN PROJECT:**

The IDA received an application from Century Linen and Uniform (formerly Robinson and Smith) located in Gloversville, NY to lease an existing building at 123 Union Avenue in the City of Johnstown and relocate its Gloversville operation there. Century Linen advised IDA Board members that they had no space in the Gloversville facility to grow. As a result, the company had been looking for buildings in Fulton County and elsewhere. Century Linen found an existing building in Johnstown that would meet their needs. This building contains approximately 60,000 sf and is currently owned by STAG, Boston, MA. Century Linen's application to the IDA requested a Sales Tax Exemption on the materials it would be using to renovate the building and new equipment that it would be purchasing. A public hearing was conducted on October 31, 2017. Two (2) people spoke at the public hearing and both spoke in favor of the proposed project. The IDA deemed the project as a Type II action meaning that the project was statutorily exempted from a SEQR review. After reviewing the application and its criteria for monitoring the project, the IDA adopted a resolution approving the project and the request for a sales tax exemption.

7. **JOHNSTOWN RENEWABLES PROJECT:**

In 2016, the IDA approved an application from Johnstown Renewables, Inc. to acquire Lot #5 in the Johnstown Industrial Park and construct a facility that would take whey from FAGE's yogurt manufacturing plant and convert that into ethyl alcohol and animal feed stock. Construction of the Johnstown Renewables Project began in the fall of 2016. Unfortunately, construction on the project was halted in 2017. The IDA hopes that this project can still be completed.

8. **OTHER:**

The IDA Board also took the following additional actions during 2017:

1. The IDA Board approved having New York's Air National Guard conduct two (2) training exercises at Tryon.
2. The IDA Board authorized a contract with James Esper to cut grass at the Tryon Technology Park.
3. The IDA renewed its Gold Membership with the Fulton County Center for Regional Growth.
4. The IDA Board adopted a 2018 Budget.

The IDA Board appreciates the strong partnership it has with the Fulton County Board of Supervisors on the Tryon Technology Park and looks forward continuing and strengthening that partnership.

III. SUMMARY OF FINANCIAL RESULTS

Table A-1

Condensed Statements of Net Position

	2017	2016	Dollar Change Increase/ (Decrease)
Assets			
Current assets	\$ 1,173,015	\$ 1,304,591	\$ (131,576)
Development projects	3,153,037	3,153,037	0
Total Assets	4,326,052	4,457,628	(131,576)
Liabilities			
Current liabilities	397,524	467,202	(69,678)
Long-term debt	514,708	514,708	0
Total Liabilities	912,232	981,910	(69,678)
Net Position			
Net investment in capital assets	2,638,329	2,638,329	0
Unrestricted	775,491	837,389	(61,898)
Total Net Position	\$ 3,413,820	\$ 3,475,718	\$ (61,898)

Changes in Net Position

The IDA's revenue was \$51,659 (see Table A-2).

The total cost of all programs and services amounted to \$113,557 for 2017. The expenses are comprised predominantly of project development costs (54%), salaries and benefits (20%) and professional fees (21%).

Net position for the year decreased by \$61,898.

Table A-2

Changes in Net Position from Operating Results

	2017	2016	Dollar Change Increase/ (Decrease)
Revenues			
Program Revenues			
Charges for services	\$ 40,800	\$ 11,000	\$ 29,800
Grants and other program revenues	8,500	96,227	(87,727)
General Revenues			
Interest income	398	240	158
Net (loss) from lot sales/foreclosures	0	(22,806)	22,806
Miscellaneous revenue	1,961	0	1,961
Total Revenues	51,659	84,661	(33,002)
Expenses			
Development project costs	61,381	141,073	(79,692)
Miscellaneous expense	4,013	63	3,950
Salaries and benefits	22,363	21,874	489
Meetings and conferences	643	520	123
Memberships	1,750	1,750	0
Professional fees	23,407	20,209	3,198
Total Expenses	113,557	185,489	(71,932)
(Decrease) in Net Position from Operations	\$ (61,898)	\$ (100,828)	\$ 38,930

A. LONG-TERM DEBT:

As of December 31, 2017, 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

	2017	2016
City of Groversville	\$ 150,267	\$ 150,267
Board of Water Commissioners	89,124	89,124
Community Development Agency	74,961	74,961
Promote Groversville Development Agency	50,089	50,089
Fulton County Economic Development Corporation	150,267	150,267
TOTALS	\$ 514,708	\$ 514,708

IV. PAYMENT IN LIEU OF TAX AGREEMENTS (PILOTS)

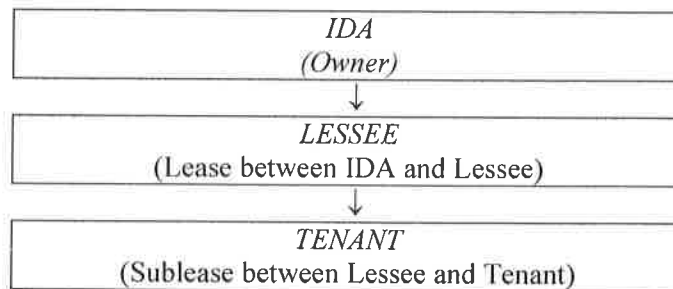
A. Background

As of December 31, 2017, the IDA had three (3) active PILOT Agreements as shown below:

Owner	Lessee	Address	Occupant
IDA	Swany	115 Corporate Drive	Swany
IDA	CG Roxane	1 Old Sweet Road, Johnstown	CG Roxane
IDA	Johnstown Renewables	Enterprise Drive, Johnstown	Johnstown Renewables

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 2018 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, 2017

ASSETS

CURRENT ASSETS:

Cash in bank	\$ 775,491
Cash - restricted	397,524

Total current assets	<u>1,173,015</u>
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DEVELOPMENT PROJECTS

	<u>3,153,037</u>
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TOTAL ASSETS

	<u>4,326,052</u>
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LIABILITIES

CURRENT LIABILITIES:

Due to City of Johnstown	<u>397,524</u>
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Total current liabilities	<u>397,524</u>
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LONG-TERM DEBT

	<u>514,708</u>
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TOTAL LIABILITIES

	<u>912,232</u>
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NET POSITION

Net investment in capital assets	2,638,329
Unrestricted	775,491

TOTAL NET POSITION

	<u><u>\$ 3,413,820</u></u>
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See notes to basic financial statements.

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

		<u>Program Revenue</u>		
		<u>Charges</u>	<u>Operating</u>	
FUNCTION/PROGRAMS	Expenses	for Services	Grants and	Changes in
			Other Program	Net Position
			Revenues	
Development projects	\$ 61,381	\$ 0	\$ (8,500)	\$ (52,881)
Miscellaneous expense	4,013	0	0	(4,013)
Meetings and conferences	643	0	0	(643)
Memberships	1,750	0	0	(1,750)
Professional fees	23,407	(40,800)	0	17,393
Salaries and benefits	22,363	0	0	(22,363)
Total function/programs	\$ 113,557	\$ (40,800)	\$ (8,500)	(64,257)
GENERAL REVENUE				
Interest income				398
Miscellaneous revenue				1,961
CHANGE IN NET POSITION				(61,898)
TOTAL NET POSITION - BEGINNING OF YEAR				3,475,718
TOTAL NET POSITION - END OF YEAR				\$ 3,413,820

See notes to basic financial statements.

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

CASH FLOWS (USED) BY OPERATING ACTIVITIES:

Expenses in excess of revenues	\$ (61,898)
Adjustments to convert to cash:	
Decrease in accounts receivable	7,218
(Decrease) in accounts payable	(1,732)
(Decrease) in due to City of Johnstown	(67,946)
	<hr/>
Net cash (used) by operating activities	(124,358)

(124,358)

NET (DECREASE) IN CASH

CASH - BEGINNING OF YEAR

1,297,373

CASH - END OF YEAR

\$ 1,173,015

See notes to basic financial statements.

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2017.

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, 2017

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. There were no lot sales in 2017.

NOTE 2 – CASH – RESTRICTED/DUE TO CITY OF JOHNSTOWN

- 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, 2017, are as follows:

City of Johnstown (a. above)	<u>\$ 397,524</u>
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- C. During the year the Agency received requests from the City of Johnstown for a Hydrologic and Hydraulic Study and for the Regional Business Park. The total amount paid to the City was \$67,946.

NOTE 3 – DEVELOPMENT PROJECTS

The Agency's development projects at December 31, 2017, are as follows:

Crossroads Industrial Park	\$ 120,000
Crossroads Business Park	1,925,000
Johnstown Industrial Park	305,629
Tryon Technology Park	797,108
Regional Business Park	<u>5,300</u>
TOTAL	<u>\$ 3,153,037</u>

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, 2017, the Agency sold two lots in which title to the property transferred to the purchaser. In addition, a lot owned by the IDA and leased to the CIC was used as collateral on a mortgage held by the Bank. The CIC went into default and as a result of the foreclosure sale the title was transferred to the Bank.

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2017, 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>
TOTAL	<u>\$ 514,708</u>

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 there from 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, 2017, the original issue value of bonds issued aggregated \$5,450,000 and the outstanding balance was \$1,818,625. Refer to the Schedule of Industrial Development Revenue Bonds on page 20.

In 2017, Nathan Littauer Hospital paid off the balance of the IDA bonds issued for the Nathan Littauer Primary Care Center Project.

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, 2017, all deposits are fully collateralized.

NOTE 7 – 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, 2017, 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 13, 2018.

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 13, 2018

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF INDUSTRIAL DEVELOPMENT REVENUE BONDS

DECEMBER 31, 2017

<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, 2017 BALANCE</u>
Fulton County YMCA, Inc.	3.25%	\$ 1,936,220	\$ 0	\$ 117,595	\$ 62,038	\$ 1,818,625
Nathan Littauer Primary Care Center project	4.75%	<u>1,392,595</u>	<u>0</u>	<u>1,392,595</u>	<u>63,077</u>	<u>0</u>
TOTALS		<u>\$ 3,328,815</u>	<u>\$ 0</u>	<u>\$ 1,510,190</u>	<u>\$ 125,115</u>	<u>\$ 1,818,625</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.
- B. The AGENCY may designate an Ethics Officer, who shall report to the AGENCY and shall have the following duties:
 - Counsel in confidence AGENCY members, staff and employees who seek advice about ethical behavior.
 - Receive and investigate complaints about possible ethics violations.
 - Dismiss complaints found to be without substance.
 - Prepare an investigative report of their findings for action by the Executive Director or the board.
 - Record the receipt of gifts or gratuities of any kind received by the director or employee, who shall notify the Ethics Officer within 48 hours of receipt of such gifts and gratuities.

IV. PENALTIES:

- A. In addition to any penalty contained in any other provision of law, an AGENCY, members, staff or employee who knowingly and intentionally violates any of the provisions of this code may be removed in the manner provided for in law, rules or regulations.

V. REPORTING UNETHICAL BEHAVIOR:

- A. AGENCY members, staff and employees are required to report possible unethical behavior by a member, staff or employee of the AGENCY to the Ethics Officer. Ethics complaints may be filed anonymously and are protected from retaliation by the policies adopted by the AGENCY.

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, 2017.

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, 2017.

Signature: 
Title: Chief Financial Officer