

**FULTON COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

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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, 2018, 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, 2018, 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 12 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 22 through 25 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information on pages 22 through 25 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 19, 2019, 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 CPA PC

Gloversville, New York
March 19, 2019

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018. 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, 2018:

Owner	Lessee	Address	Occupant
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, 2018:

Owner	Lessee	Address	Occupant
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

II. SUMMARY OF 2018 ACTIVITIES:

The IDA Board met eleven (11) times in 2018. The following is a summary of the key activities addressed by the IDA Board in 2018:

1. TRYON TECHNOLOGY PARK PROJECT:

1. Background:

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 2018:

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 electrical system to get the most cost effective electricity rates 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. 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 2018, National Grid presented a revised design for a new electrical system for the Tryon Technology Park. The revised design would bring a new overhead line into Tryon from CR107 along an old secondary access road. Once this overhead line reached CR117, the line would then go underground. The new line would run along CR117 and service the existing wastewater pump station, water booster station, elevated tank, Vireo Health and Building 60.

Fulton County will be funding this project which is expected to start in 2019.

b. Marketing:

The IDA worked with the Fulton County Center for Regional Growth in submitting proposals to prospective companies looking for a site. Tryon was offered to several prospective companies in 2018.

c. 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. Fulton County and 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.

d. Follow-up to Site Selector's Visit:

Some of the suggestions offered by the three (3) corporate Site Selectors that visited Fulton County in September, 2017 were to:

1. Cut down trees so Site Selectors/Companies could see the land/sites.
2. Cut down underbrush and high grass in several areas.
3. Demolish more buildings.

In response to that input, in 2018, several initiatives were completed at Tryon:

1. Fulton County's Highway and Solid Waste Departments cut down many trees.
2. Fulton County's Soil and Water Conservation District pulled the stumps out of the ground from all trees cut.
3. Fulton County's Department of Solid Waste removed all the stumps pulled by the Soil and Water Conservation District.
4. The IDA hired a contractor to cut down a lot of underbrush and high grass in several areas.
5. The Board of Supervisors hired Dan's Hauling and Demo, Wynantskill, NY to:
 - a) Demolish the three (3) large dormitories.
 - b) Demolish three (3) Activities buildings.
 - c) Demolish one (1) Medical building.
 - d) Demolish one (1) small dormitory.

As a result of this work, the suggestions offered by the Corporate Site Selectors were completely addressed.

e. Vireo Health:

Vireo Health asked the IDA Board to approve a revised Site Plan for its facility at Tryon. The primary change was with respect to where their second greenhouse would be located. The IDA Board approved the revised Site Plan.

Vireo Health began work in 2018 on a second 20,000+/- SF greenhouse. This second greenhouse will be located adjacent to their existing greenhouse. It was discovered that an underground electric circuit that feeds the elevated water tank and Building 3 runs right under where this second greenhouse was to be constructed. This existing circuit is owned by the IDA. The IDA Board agreed to pay to have this circuit rerouted so it wouldn't impact the construction of Vireo's second greenhouse. This work was completed in October, 2018.

f. County Road 107/158 Intersection:

The Site Plan for the Tryon Technology Park identified reconstructing this intersection into a "T" intersection. In 2018, Fulton County's Department of Highways and Facilities began planning and design work for this project. The IDA Board went on record agreeing to provide Fulton County with whatever land it would need to complete the reconstruction of this intersection.

g. Other:

In 2018, the IDA Board approved the following items for Tryon:

1. Hired James Esper to cut grass.
2. Sold two (2) old sheds.
3. Sold an old antenna.
4. Lease lands to R & R Farms, Inc. to grow crops.

2. **PIONEER WINDOWS EXPANSION PROJECT:**

In 2018, the IDA Board received a Project Application from Pioneer Windows Manufacturing Corporation to:

- Construct a 120,125+/- SF addition to its existing 160,500 SF manufacturing facility.
- Construct this addition on a 3.91-acre parcel adjacent to their existing facility.

The proposed project would create up to 75 new jobs and result in a total investment of over \$11 million.

The IDA Board initiated its review of this Project Application and held the required public hearing. It is anticipated that final approval of the Project Application will be granted in early 2019.

3. **BENJAMIN MOORE EXPANSION PROJECT:**

In 2018, the IDA Board received a Project Application from Benjamin Moore to:

- Construct a 120,000+/- SF addition to their existing paint manufacturing facility.
- Construct the addition on their existing property.

The proposed project would create approximately 45 new jobs and result in a total investment of \$24+/- million.

The IDA Board initiated its review of this Project Application and held the required public hearing. Unfortunately, Benjamin Moore advised the IDA that the project had been put on hold.

4. **CENTURY LINEN PROJECT:**

In 2018, the IDA learned that Century Linen had scrapped its plans to relocate its business into a vacant building at 123 Union Avenue Extension in the City of Johnstown. Century Linen had been advised by National Grid that National Grid's existing gas line could not supply the volume of gas at the pressures Century Linen needed. The cost to upgrade National Grid's line was too expensive for Century Linen.

5. **SWANY:**

In 2018, Swamy filed a formal request with the IDA to terminate its Lease Agreement for the facility it occupies in the Crossroads Industrial Park. The IDA approved this request. The closing on this transaction was held on December 18, 2018.

6. REGIONAL BUSINESS PARK PROJECT:

Work on the Regional Business Park Project continued in 2018. 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 was completed in November, 2018 and sent to the Town of Mohawk to review for completeness.

7. JOHNSTOWN RENEWABLES PROJECT:

Construction of the Johnstown Renewables Project was halted in 2017 when the Project’s primary investor passed away. The IDA has aggressively monitored the project and has had numerous communications with the company, the estate of the primary investor and others. The IDA is hopeful that the original project is completed or a new project is brought to the site.

8. FULTON COUNTY’S ECONOMIC DEVELOPMENT STRATEGY:

In 2016, Fulton County hired River Street Planning & Development to prepare an Economic Development Strategy. This Strategy would serve as Fulton County’s blueprint for economic development in the foreseeable future. The final Development Strategy was completed in the summer of 2018.

In the fall of 2018, the IDA Board reviewed the key recommendations identified in the final Economic Development Strategy (see attached). One component of the Economic Development Strategy was a Housing Strategy. The Housing Strategy used standard industry models to document the current and future demand for housing in Fulton County and specific locations within the County. This report will be key in attracting potential developers to invest into Fulton County because it documents a current and future need/demand for new housing.

Three (3) Primary Development Areas were identified where new housing could be developed. One of these Primary Development Areas is the Tryon Development Area. This Development Area contains approximately 100+/- acres and is located at the northern end of the Tryon property owned by the IDA. The IDA Board reviewed the following recommendations in the Housing Strategy for the Tryon Development Area:

- a. Fulton County should prepare a one-page “sell sheet” that focuses specifically on the market demand for executive-level housing. The sheet should include information on growth in households with incomes over \$100,000 and the lack of executive level housing in the County.
- b. Fulton County should market the residential plan in conjunction with the Technology Park as “Tryon Technology Park and Village.” The vision for an upscale residential village adjacent to the Technology Park can help support tenant recruitment efforts for the Park. This, in turn, will help induce demand for housing in the village as new businesses move into the Park. The County should enhance the Tryon website to help promote and market the vision for Tryon as a business park and residential community. Erie Station Village and Erie Station Business Park in Henrietta, New York is a good example of this approach.
- c. Fulton County should focus on neighborhood-serving retail like a coffee house, bar or restaurant. Potential uses should be carefully designed to be contemporary and fresh to complement the housing in that development area that should be targeted to professionals and executives. In the near term, it is more feasible to recruit a small café or similar business to locate on the Tryon Campus. As housing is built, new retail development may become feasible in the “village” area.

- d. Fulton County should consider partnering with a developer on a “Phase I” project. The type of housing envisioned in Tryon Village represents a largely unproven market, which may deter developers. The County should be prepared to engage in a partnership to entice a developer, such as putting in a small portion of the new road. The purpose of this will be to demonstrate a market for the types of homes included in the vision, which will attract additional private investment. Alternatively, it may demonstrate a need to shift the vision for Tryon Village, such as towards more workforce-level housing.

9. OTHER:

In 2018, the IDA Board also took the following additional actions:

1. The Fulton County Sheriff’s Department and NYS Police conducted training exercises at Tryon.
2. The IDA renewed its Gold Membership with the Fulton County Center for Regional Growth.
3. The IDA adopted new Investment and Sexual Harassment Policies.
4. The IDA Board adopted a 2019 Budget.
5. Two (2) IDA Board members, William Sullivan and Diana Putman, resigned. Two (2) new members, George Doherty and Jane Kelley, were appointed by the Board of Supervisors to the IDA Board.

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

	<u>2018</u>	<u>2017</u>	<u>Dollar Change Increase/ (Decrease)</u>
Assets			
Current assets	\$ 1,097,343	\$ 1,173,015	\$ (75,672)
Development projects	3,153,037	3,153,037	0
Total Assets	4,250,380	4,326,052	(75,672)
Liabilities			
Current liabilities	375,357	397,524	(22,167)
Long-term debt	514,708	514,708	0
Total Liabilities	890,065	912,232	(22,167)
Net Position			
Net investment in capital assets	2,638,329	2,638,329	0
Unrestricted	721,986	775,491	(53,505)
Total Net Position	\$ 3,360,315	\$ 3,413,820	\$ (53,505)

Changes in Net Position

The IDA’s revenue was \$73,512 (see Table A-2).

The total cost of all programs and services amounted to \$127,017 for 2018. The expenses are comprised predominantly of project development costs (30%), miscellaneous expense (31%) and professional fees (20%).

Net position for the year decreased by \$53,505.

Table A-2**Changes in Net Position from Operating Results**

	<u>2018</u>	<u>2017</u>	<u>Dollar Change Increase/ (Decrease)</u>
Revenues			
Program Revenues			
Charges for services	\$ 37,691	\$ 40,800	\$ (3,109)
Grants and other program revenues	35,293	8,500	26,793
General Revenues			
Interest income	528	398	130
Miscellaneous revenue	0	1,961	(1,961)
Total Revenues	<u>73,512</u>	<u>51,659</u>	<u>21,853</u>
Expenses			
Development project costs	38,620	61,381	(22,761)
Miscellaneous expense	39,214	4,013	35,201
Salaries and benefits	22,369	22,363	6
Meetings and conferences	610	643	(33)
Memberships	750	1,750	(1,000)
Professional fees	25,454	23,407	2,047
Total Expenses	<u>127,017</u>	<u>113,557</u>	<u>13,460</u>
(Decrease) in Net Position from Operations	<u>\$ (53,505)</u>	<u>\$ (61,898)</u>	<u>\$ 8,393</u>

A. LONG-TERM DEBT:

As of December 31, 2018, 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>2018</u>	<u>2017</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	150,267	150,267
TOTALS	<u>\$ 514,708</u>	<u>\$ 514,708</u>

IV. PAYMENT IN LIEU OF TAX AGREEMENTS (PILOTS)

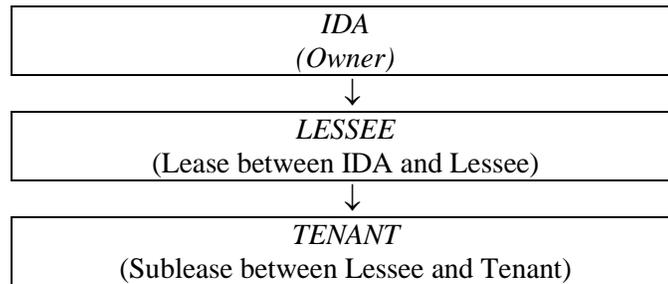
A. Background

As of December 31, 2018, the IDA had three (3) active PILOT Agreements as shown below:

Owner	Lessee	Address	Occupant
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 2019 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, 2018

ASSETS

CURRENT ASSETS:

Cash in bank	\$ 721,986
Cash - restricted	<u>375,357</u>

Total current assets	1,097,343
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DEVELOPMENT PROJECTS

3,153,037

TOTAL ASSETS

4,250,380

LIABILITIES

CURRENT LIABILITIES:

Due to City of Johnstown	<u>375,357</u>
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Total current liabilities	375,357
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LONG-TERM DEBT

514,708

TOTAL LIABILITIES

890,065

NET POSITION

Net investment in capital assets	2,638,329
Unrestricted	<u>721,986</u>

TOTAL NET POSITION	<u>\$ 3,360,315</u>
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See notes to basic financial statements.

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	<u>Program Revenue</u>			<u>Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Other Program Revenues</u>	
FUNCTION/PROGRAMS				
Development projects	\$ 38,620	\$ 0	\$ (35,293)	\$ (3,327)
Miscellaneous expense	39,214	0	0	(39,214)
Meetings and conferences	610	0	0	(610)
Memberships	750	0	0	(750)
Professional fees	25,454	(37,691)	0	12,237
Salaries and benefits	22,369	0	0	(22,369)
Total function/programs	<u>\$ 127,017</u>	<u>\$ (37,691)</u>	<u>\$ (35,293)</u>	(54,033)
GENERAL REVENUE				
Interest income				528
CHANGE IN NET POSITION				(53,505)
TOTAL NET POSITION - BEGINNING OF YEAR				3,413,820
TOTAL NET POSITION - END OF YEAR				<u>\$ 3,360,315</u>

See notes to basic financial statements.

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

CASH FLOWS (USED) BY OPERATING ACTIVITIES:

Expenses in excess of revenues	\$ (53,505)
Adjustments to convert to cash:	
(Decrease) in due to City of Johnstown	<u>(22,167)</u>
Net cash (used) by operating activities	<u>(75,672)</u>

NET (DECREASE) IN CASH (75,672)

CASH - BEGINNING OF YEAR 1,173,015

CASH - END OF YEAR \$ 1,097,343

See notes to basic financial statements.

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

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, 2018.

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, 2018

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 2018.

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, 2018, are as follows:

City of Johnstown (a. above)	<u>\$ 375,357</u>
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- C. During the year the Agency received requests from the City of Johnstown for the Regional Business Park. The total amount paid to the City was \$22,357.

NOTE 3 – DEVELOPMENT PROJECTS

The Agency's development projects at December 31, 2018, 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.

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

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, 2018, 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 – FAIR VALUE MEASUREMENTS

As required by FASB ASC, *Fair Value Measurement*, the Agency is required to value investment and debt securities based on the valuation measurement techniques and hierarchy established by the FASB ASC.

There are three general valuation techniques that may be used to measure fair value, as described below:

- A) Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sales transactions, market trades or other sources.
- B) Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- C) Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 5 – FAIR VALUE MEASUREMENTS – (CONTINUED)

Fair values of assets and liabilities measured on a recurring basis at December 31, 2018, are as follows:

	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2018</u>				
Long-term debt	\$ 514,708	\$ 0	\$ 514,708	\$ 0

NOTE 6 – 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, 2018, the original issue value of bonds issued aggregated \$5,450,000 and the outstanding balance was \$1,697,093. Refer to the Schedule of Industrial Development Revenue Bonds on page 21.

NOTE 7 – 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, 2018, all deposits are fully collateralized.

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, 2018, 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 19, 2019.

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 CPA PC

Gloversville, New York
March 19, 2019

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF INDUSTRIAL DEVELOPMENT REVENUE BONDS

DECEMBER 31, 2018

<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, 2018 BALANCE</u>
Fulton County YMCA, Inc.	3.25%	<u>\$ 1,818,625</u>	<u>\$ 0</u>	<u>\$ 121,532</u>	<u>\$ 58,102</u>	<u>\$ 1,697,093</u>
TOTALS		<u>\$ 1,818,625</u>	<u>\$ 0</u>	<u>\$ 121,532</u>	<u>\$ 58,102</u>	<u>\$ 1,697,093</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, 2018.

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, 2018.

Signature: _____

Title: _____ Chief Financial Officer _____