FULTON COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2011

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WEST & COMPANY
CPAs PC

INDEPENDENT AUDITORS' REPORT

To the Members
Fulton County Industrial Development Agency
Johnstown, New York

We have audited the accompanying basic financial statements of the Fulton County Industrial Development Agency, a component unit of the County of Fulton, as of and for the year ended December 31, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fulton County Industrial Development Agency, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fulton County Industrial Development Agency's financial statements as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them. The supplemental information on page 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Fulton County Industrial Development Agency. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and , in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

West & Company CPAs PC

Gloversville, New York
March 15, 2012

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011. 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 required 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 assets 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 assets and how they have changed. Net assets – 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 assets 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 nonfictional factors such as changes in the New York State government, labor forces and land availability.

I. BACKGROUND

A. General

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."

To accomplish this purpose, the New York State Legislature authorized IDAs to offer incentives in the form of tax exemptions to stimulate certain private sector investment.

B. Tax Exemptions

IDAs are authorized by the New York State Legislature to provide three forms of tax exemptions affecting personal and real property:

1. Property Tax

New York State Law designates IDAs as tax exempt entities. When an IDA holds title to the real property of a project, New York State Law provides that the real property and all improvements on the property are exempt from all general real property taxes. These exemptions apply as long as the IDA holds title to the property.

However, for projects the Fulton County IDA is involved with, the IDA requires companies to enter into a Payment In Lieu Of Tax Agreement (PILOT). A PILOT is a written 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 on the property if it was not owned by the IDA. PILOTs are developed in accordance with the Fulton County IDA's Uniform Tax Exemption Policy. Once a PILOT is executed, the company makes the required annual 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 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.

C. Industrial Revenue Bonds

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 their funds to a business. The business commits to repay the principal and interest to the lender. The IDA acts as an intermediary for this private transaction. There are no IDA or public funds involved in an IDA bond transaction.

The business and the financial institution, independent of the IDA, negotiate the terms, interest rate and other conditions of the transaction.

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

D. NYS Public Authorities Accountability Act of 2005 (the Act)

In 2005, the NYS Legislature adopted and Governor Pataki signed in early 2006 the NYS Public Authorities Accountability Act of 2005. This key piece of legislation imposed fundamental changes to the way Industrial Development Agencies in New York State are to be administered and managed. The Act obligated IDAs to take certain affirmative actions to comply with this new law, including

1. Prepare and file annual reports, budget reports and property reports in accordance with the requirements of the Act.

2. Prepare and adopt property and investment guidelines, personnel and compensation policies, defense and indemnification policies and a Code of Ethics.

3. Create and appoint Audit and Governance Committees.

4. Comply with numerous new operational requirements dealing with matters such as:

   a) Preparing and filing independent financial audits.

   b) Obtaining training for Board members.

   c) Ensuring the separation of oversight and operational duties and responsibilities of the Agency.

   d) Ensuring that Board members are independent.

   e) Providing for financial disclosure of Board members.

   f) Sale of real property.

E. The 2009 Act

On December 11, 2009, a new bill, referred to as the 2009 Act, was signed into law as Chapter 506 of the 2009 Laws of the State of New York. This new law became effective on March 1, 2010. The 2009 Act will amend both the Public Authorities Accountability Act and the Executive Law of the State of New York.

The 2009 Act included the following provisions to:

1. Create the Authorities Budget Office as an independent entity within the New York State Department of State.

2. Establish enhanced reporting requirements for State and local authorities.

3. Grant to the Authorities Budget Office the power to waive any reporting requirement upon a showing that a particular authority meets the criteria for a waiver.

4. Require each State and local authority to submit personnel reports to the State.

5. Impose a requirement that board members of an authority apply independent judgment in the best interest of the authority, and empower the appointing authority to remove any board member who breaches his or her fiduciary duty.

6. Require that any State or local authority that issues debt:

   a. Must establish a finance committee to review proposals for the issuance of debt and make recommendations regarding the same.

   b. Unless the amount of debt that can be issued by such authority is limited, submit to the Authorities Budget Office a statement of intent to guide the authority's issuance of debt.

7. Remove a provision of the 2005 Act that prohibited an authority board member from serving as CEO, CFO or other equivalent position of the authority while also serving on the board.

8. Require that each authority submit to the Authorities Budget Office a mission statement and proposed measurements related thereto.

9. Permit the State Comptroller to review certain State public authority contracts.

10. Require labor peace agreements in connection with certain contracts entered into by a State or local authority relating to a hotel or convention center project.

11. Generally prohibit the creation of a subsidiary corporation by State authorities.

12. Modify the property disposition provisions of the 2005 Act.

13. Require that State authorities and certain enumerated local authorities comply with the provision of the Executive Law relating to the participation of minority group members and women with respect to State contracts.

14. Establish a whistleblower access and assistance program in the Authorities Budget Office.

15. Regulate public authority lobbying contracts.

16. Repeal an earlier version of the 2009 Act effective for the period from February 9, 2009, until March 1, 2009.

17. Provide for the transition from the existing Authority Budget Office to the Authorities Budget Office.

II. SUMMARY OF 2011 ACTIVITIES:

1. FAGE PROJECT:

- The IDA approved the sale of a 1.15 acre parcel of land from Lot 20 in the Johnstown Industrial Park to FAGE. FAGE requested this small parcel of land from the IDA to help support a major expansion project of its yogurt manufacturing plant. The proposed expansion would result in a capital investment in excess of $100 million and result in the creation of 150 new jobs in Fulton County.

2. EARLY TERMINATION OF STAG LEASES:

- The IDA approved a request from STAG to terminate six (6) leases STAG had with the IDA. The six (6) leases that STAG requested an early termination on included:

A. Johnstown Industrial Park:

1. 150 Enterprise Drive	:	Lease Agreement dated November 1, 1991
2. 161 Enterprise Drive	:	Lease Agreement dated May 15, 1995
3. 190 Enterprise Drive	:	Lease Agreement dated October 1, 1997
4. 231 Enterprise Drive	:	Lease Agreement dated March 1, 1995
5. 6 Clermont Street	:	Lease Agreement dated December 1, 1993

B. Crossroads Industrial Park:

1. 125 Balzano Road	:	Lease Agreement dated September 1, 1993

- The impacts this request for an early termination of these Lease Agreements would include the following:

  - The existing Leases and PILOT's would be terminated.
  - The six (6) properties would no longer be tax exempt.
  - The six (6) properties would immediately return to the tax rolls.
  - The six (6) properties would start making property tax payments and not PILOT payments.
  - The IDA would no longer have to report these projects under PARIS after 2011.

- After detailed legal reviews, the IDA approved the early termination of these six (6) leases in 2011.

3. **APPROVAL OF SUBLEASES:**

- In response to a recommendation from the New York State Authority Budget Office, the Fulton County IDA approved a policy that required it to approve all subleases entered into by the Crossroads Incubator Corporation (CIC) for properties the IDA leased to the CIC.

4. **REVISED MARKETING AGREEMENT:**

- The Fulton County IDA adopted a new and revised Marketing Agreement with the Fulton County Economic Development Corporation (EDC). This new Marketing Agreement was prepared in response to input provided by the New York State Authority Budget Office. The new Marketing Agreement was for a 2 year term instead of one (1) year.

5. **REVISED LOT SALE PRICES:**

- The Fulton County IDA approved a new lot sale price for certain lots in the Crossroads Business Park that had been rezoned by the City of Gloversville to allow for retail and commercial uses to go onto these lots. The lots in question were those that border South Kingsboro Avenue Extension.

6. **INTEREST ASSESSMENT SURCHARGE:**

- The Fulton County IDA processed a payment to New York State for a State mandated Interest Assessment Surcharge. The IDA Board acknowledged that this payment represented a classic example of how State mandates are driving businesses out of New York State. The IDA Board reluctantly paid this Interest Assessment Surcharge which IDA Board members clearly saw as another State mandate driving up the cost of doing business in New York State.

7. **LOTS 4 AND 7 IN CROSSROADS INDUSTRIAL PARK:**

- The Fulton County IDA conducted an extensive research into the sale of Lots 4 and 7 in the Crossroads Industrial Park. This transaction dates back to 1988. There was a question on whether the IDA was owed money from the CIC from this lot sale. This issue was raised in 2010 by the Authority Budget Office while conducting an audit of the IDA's operations. The IDA continues to review this transaction.

8. **PROPOSED REGIONAL BUSINESS PARK PROJECT:**

A. Background:

- A Regional Business Park Project has been proposed between Fulton and Montgomery Counties.
- The proposed Project would be a joint effort between Fulton County, City of Johnstown, Montgomery County and the Town of Mohawk.
- The proposed Project would result in the expansion of the City of Johnstown Industrial Park to the south. The properties that would be involved currently lie in the Town of Mohawk along the west side of NYS Route 30A.
- The proposed site totals approximately 300 acres. The properties comprising this site would be annexed into Fulton County and into the City of Johnstown.
- Municipal water and sewer services would come from the City of Johnstown.

B. 2011 Capital Project:

- Each County appropriated $150,000 in their 2011 Budgets to use on performing the following design, engineering and other work:
  - Legal services.
  - Topographic mapping.
  - Survey and deed research.
  - Engineering and design.
  - Wetlands investigation.
  - Archeological investigation.
  - Geotechnical investigation.
  - Traffic study.
  - Evaluation of railroad spur to service the site.
- The projected total cost to perform this work is estimated at $300,000.
- The IDA committed $15,000 of its funds to help Fulton County raise its $150,000 share of this cost.

C. Potential Benefits of the Regional Business Park:

1. Expand inventory of serviced lots available to new and expanding businesses.

   - At present, only a few, small lots remain in Fulton County's two (2) industrial parks.

	Original # Lots	**Original Acres**	**# Lots Developed**	**Acres Developed**	**# Lots Remaining**	**Acres Remaining**
Crossroads Industrial Park	15	50	13	44	2	6
Johnstown Industrial Park	22	292	18	258	4	34
Total	**37**	**342**	**31**	**302**	**6**	**40**

   - The proposed new Regional Business Park would significantly increase the inventory of serviced lots available for new businesses in Fulton County.

2. Increased Tax Base:

   - Businesses in Fulton County's existing two (2) Industrial Parks provide tax base as shown below:

	Total Assessed Valuation of Existing Buildings
Crossroads Industrial Park	$10,372,300
Johnstown Industrial Park	$74,531,581
Total Assessed Valuation	$84,903,881

   - The proposed new Regional Business Park would generate new tax base that is critically important to stabling property tax rates in Fulton County.

3. Increase Tax Revenues:

   - Businesses in Fulton County's two (2) existing Industrial Parks pay property taxes.
   - The following table shows the property taxes paid to local taxing jurisdictions by existing businesses in the two (2) Industrial Parks:

TAXING JURISDICTION	TOTAL TAXES PAID BY EXISTING BUSINESS IN PARKS			TOTAL
	2009	2010	2011**	
Fulton County	$ 536,403	$ 641,458	$ 753,360	$1,931,221
City of Johnstown	$ 647,416	$ 827,688	$ 989,109	$2,464,213
City of Gloversville	$ 217,467	$ 237,458	$ 248,081	$ 703,006
Fonda-Fultonville School District	$ 934,329	$1,105,825*	$1,322,095	$3,362,249
Johnstown School District	$ 175,981	$ 175,981*	$ 183,854	$ 535,816
Total:	**$2,511,596**	**$2,988,410**	**$3,496,499**	**$8,996,505**

* Estimated only since 2010-11 tax rates not available.
**Projection based upon PILOT Agreements and using 2010 tax rates.

- The proposed new Regional Business Park would, once businesses are located there, create new property tax revenues to Fulton County and the City of Johnstown.

9. **TRYON TECHNOLOGY PARK AND INCUBATOR CENTER PROJECT:**

In 2011, Governor Cuomo ordered the closing of the former Tryon Youth Detention Facility located in the Town of Perth, Fulton County. Tryon, which opened in the late 1960's, was a major employer in Fulton County. At one time, Tryon employed over 300 people and had an annual payroll of over $15 million. Tryon's closing created negative economic impacts in Fulton County through the loss of jobs, loss of personal income, loss of water revenues to the Gloversville Water Department who supply water to Tryon, loss of sewer revenues to the Gloversville-Johnstown Joint Wastewater Treatment Plant who provides wastewater services to Tryon and the loss of sales to local businesses.

The Tryon Campus consists of approximately 517 acres of land. Four hundred and fifty-three (453) of these acres are located in the Town of Perth, with an additional 64 acres located in the Town of Johnstown. There are 38 individual buildings on the Tryon Campus. All 38 buildings are located in the Town of Perth. These buildings include administrative offices, dormitories, classrooms, kitchens, cafeterias, Olympic-size pool, two (2) gymnasiums, an auditorium and other uses.

In the summer of 2011, Fulton County submitted a Plan to New York State to convert the former Tryon Campus into the Tryon Technology Park and Incubator Center. This Plan called for New York State to transfer title of all of the land, buildings and infrastructure over to the Fulton County Industrial Development Agency (IDA). The IDA and Fulton County would then implement both a short and long-term plan for the reuse of the former Tryon Facility.

The short-term plan would be to lease the existing buildings for reuse as incubator space for start-up businesses, office, warehouse, storage and other uses. The IDA would actively market these existing buildings for reuse.

The long-term plan would be to convert the developable lands at the Tryon Campus into shovel-ready sites. To prepare this property as shovel-ready sites, the following construction work would be needed:

a) Construct a new interior loop road along the interior of the Tryon Campus. The construction of this road would create a new interior loop road that would result in all of the developable land being on the outside of this loop road. The intent is to have the entire loop road from County Road 107 to be deeded over to Fulton County for the County to own, operate and maintain. The loop road would provide access to all of the potential shovel-ready sites that would be created.

b) Construct new water and sewer infrastructure along the proposed new loop road right-of-way. The intent would be to have the new water and sewer infrastructure deeded over to the City of Gloversville for the City to own, operate and maintain. The new water and sewer lines would service all of the shovel-ready sites that would border this new loop road.

c) Complete any upgrades or improvements, as may be necessary, at the existing sewer pump stations and water storage tank.

d) Develop plans and/or make provisions for the installation of underground electrical, natural gas, communications, data and other utilities to service the shovel-ready sites.

The long-term plan would not include the demolition of existing buildings. Existing buildings would be demolished as part of the development of each individual shovel-ready site.

Fulton County has been awarded a $2 million grant from Empire State Development to pay for the cost of constructing the new interior loop road, the installation of the new water and sewer lines, planning and engineering work and property survey work.

The IDA will eventually execute an Agreement with New York State to transfer title of the Tryon Campus over to the IDA. The execution of this Agreement would result in transferring title of all land, buildings and infrastructure over to the IDA.

Table A-1

Condensed Statements of Net Assets

	2011	2010	% Change Increase/ -Decrease
Assets			
Current assets	$ 1,011,978	$ 963,487	5%
Development projects	2,140,863	2,151,558	0%
Total Assets	3,152,841	3,115,045	1%
Liabilities			
Current liabilities	417,793	406,813	3%
Long-term debt	514,708	514,708	0%
Total Liabilities	932,501	921,521	1%
Net Assets			
Investment in capital assets, net of related debt	1,626,155	1,636,850	-1%
Unrestricted	594,185	556,674	7%
Total Net Assets	$ 2,220,340	$ 2,193,524	1%

Changes in Net Assets

The IDA's revenue was $91,674 (see Table A-2).

The total cost of all programs and services amounted to $54,163 for 2011. The expenses are comprised predominantly of salaries and benefits (37%) and professional fees (50%).

Net assets for the year increased by $26,816.

Table A-2

Changes in Net Assets from Operating Results

	2011	2010	Dollar change Increase/ (Decrease)
Revenues			
Program Revenues			
Charges for services	$ 2,935	$ 0	$ 2,935
General Revenues			
Interest income	564	1,739	(1,175)
Miscellaneous income	88,175	4,000	84,175
Total Revenues	91,674	5,739	85,935
Expenses			
Miscellaneous expense	997	943	54
Salaries and benefits	20,028	19,979	49
Meetings and conferences	438	446	(8)
Memberships	450	450	0
Marketing	5,000	5,000	0
Professional fees	27,250	11,833	15,417
Total Expenses	54,163	38,651	15,512
Excess (deficit) of Revenues over Expenses	37,511	(32,912)	
Less Distribution to the City of Johnstown	(10,695)	0	
Increase (decrease) in Net Assets	$ 26,816	$ (32,912)	

G. LONG-TERM DEBT:

As of December 31, 2011, 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

	2011	2010
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	$ 514,708	$ 514,708

III. PAYMENT IN LIEU OF TAX AGREEMENTS (PILOTS)

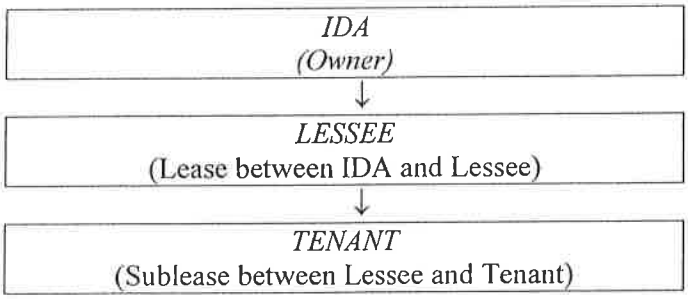
A. Background

As of December 31, 2011, the IDA had 8 active PILOT Agreements as shown below:

Owner	Lessee	Address	Tenant
IDA	STAG	200 Union Ave.	Pioneer Windows (Original)
IDA	STAG	200 Union Ave.	Pioneer Windows (Expansion)
IDA	STAG	199 Enterprise	Vacant (Formerly Finkle)
IDA	CIC	160 Enterprise	Vacant (Formerly Finkle)
IDA	Euphrates	230 Enterprise	Euphrates
IDA	Swany	115 Corporate Drive	Swany
IDA	CIC	178 Corporate Dr.	Foreign Trade Zone
IDA	STAG	141 Sal Landrio Way	EPIMED

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.

C. PILOTs

There are two (2) key provisions of how a PILOT is administered:

1. The "Effective" date of the PILOT.

   The effective date of a PILOT is the date a Certificate of Occupancy (CO) permit is issued by the Code Enforcement Official of the municipality the project is located in.

2. Tax Assessment Calendar:

   Tax rolls for each municipality are completed on March 1st of each year. PILOT's are set up so that once a CO is issued, the building becomes assessed on the next tax roll. For example, the tax roll completed on March 1, 2011 was used for the 2011-12 school tax bills and the 2012 County and City/Town tax bills.

   The first year of a PILOT is therefore the first tax year after the property goes onto the tax assessment roll. For example:

   - New Building Completed : July, 2010
   - CO Issued : August, 2010
   - Building goes on Tax Roll : March, 2011

   - Year 1 of PILOT for:

School Tax	:	2011-12 Tax Year (Sept. - August)
County Tax	:	2012 Tax Year (Jan. - Dec.)
City/Town Tax	:	2012 Tax Year (Jan. - Dec.)

D. Real Property of the Fulton County IDA

Appendix A contains a list of IDA Projects as of December 31, 2011.

IV. CONCLUSION

The Fulton County IDA looks forward to 2012 with the hope and expectation of positive economic development initiatives being undertaken.

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF NET ASSETS

DECEMBER 31, 2011

ASSETS	
CURRENT ASSETS:	
Cash in bank	$ 597,184
Cash - restricted	414,794
Total current assets	1,011,978
DEVELOPMENT PROJECTS	2,140,863
TOTAL ASSETS	3,152,841
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	2,999
Due to City of Johnstown	414,794
Total current liabilities	417,793
LONG-TERM DEBT	514,708
TOTAL LIABILITIES	932,501
NET ASSETS:	
Investment in capital assets, net of related debt	1,626,155
Unrestricted	594,185
TOTAL NET ASSETS	$ 2,220,340

See notes to basic financial statements.

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011

		Program Revenue		
	Expenses	Charges for Services	Operating Grants and Other Program Revenues	Changes in Net Assets
FUNCTION/PROGRAMS				
Miscellaneous expense	$ 997	$ 0	$ 0	$ (997)
Meetings and conferences	438	0	0	(438)
Memberships	450	0	0	(450)
Marketing	5,000	0	0	(5,000)
Professional fees	27,250	(2,935)	0	(24,315)
Salaries and benefits	20,028	0	0	(20,028)
Total function/programs	$ 54,163	$ (2,935)	$ 0	(51,228)
GENERAL REVENUE				
Interest income				564
Miscellaneous income				88,175
REVENUE IN EXCESS OF EXPENSES				37,511
DISTRIBUTION TO THE CITY OF JOHNSTOWN				(10,695)
CHANGE IN NET ASSETS				26,816
TOTAL NET ASSETS - BEGINNING OF YEAR				2,193,524
TOTAL NET ASSETS - END OF YEAR				$ 2,220,340

See notes to basic financial statements.

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:	
Revenue in excess of expenses	$ 37,511
Adjustments to convert to cash:	
Increase in due to City of Johnstown	10,980
Net cash provided by operating activities	48,491
CASH FLOWS PROVIDED BY INVESTING ACTIVITY:	
Proceeds from sale of land	10,695
Distribution of capital	(10,695)
Net cash provided by investing activities	0
NET INCREASE IN CASH	48,491
CASH - BEGINNING OF YEAR	963,487
CASH - END OF YEAR	$ 1,011,978

See notes to basic financial statements.

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.

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).

Lot Sales

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

NOTE 2 – CASH – RESTRICTED

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

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

1. Seven percent of gross revenues are to be retained by the Agency for administrative costs.

2. Of the remaining balance:

   a. Fifty percent shall be paid to the City; and

   b. Fifty percent shall be retained by the Agency and deposited in an interest-bearing account dedicated solely for the use in future industrial and economic development-type projects within the City, or outside the City with their approval.

B. Restricted cash balances at December 31, 2011, are as follows:

City of Johnstown (A. above)	$ 414,794

NOTE 3 – DEVELOPMENT PROJECTS

The Agency's development projects at December 31, 2011, are as follows:

Crossroads Industrial Park	$ 547,023
Crossroads Business Park	1,373,036
Johnstown Industrial Park	220,804
TOTAL	$ 2,140,863

The development projects consist of land acquisition costs and site improvements; i.e., roads, water and sewer lines and landscaping.

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, 2011, interest expense totaled $-0-.

NOTE 4 – LONG-TERM DEBT – (CONTINUED)

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

City of Gloversville	$ 150,267
Board of Water Commissioners	89,124
Community Development Agency	74,961
Promote Gloversville Development Agency	50,089
Fulton County Economic Development Corporation	150,267
TOTAL	$ 514,708

NOTE 5 – INDUSTRIAL REVENUE BOND AND NOTE TRANSACTIONS

Certain industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the Agency or the State. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. At December 31, 2011, the original issue value of bonds issued aggregated $18,045,000 and the outstanding balance was $8,862,886 (see Schedule of Industrial Development Revenue Bonds). At December 31, 2011, the original value of notes and leases issued was $2,287,363 and the outstanding balance was $-0-.

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, 2011, the Agency maintained its three cash accounts in one bank. Accounts are normally guaranteed by the FDIC up to $250,000 per bank.

The Agency entered into a third-party custody agreement, in which the bank has deposited with a third-party custodian, investments with market values totaling $777,010 as security for uninsured deposits. The Agency had no uninsured deposits at December 31, 2011.

NOTE 7 – COMMITMENT AND CONTINGENCIES

During 1998, mortgages were recorded listing the Crossroads Incubator Corporation (CIC) and the Agency as mortgage debtors by the Fulton County Economic Development Corporation (FCEDC) and by the New York State Urban Development Agency. The mortgages were recorded on land owned by the Agency and developed by the CIC. The mortgages are nonrecourse collateral security mortgages and constitute limited obligations of the Agency payable solely from revenues of the Agency derived and to be derived from the mortgaged property. They are not a debt of the Agency, the County of Fulton or the State of New York.

During 1997, the Agency was listed as the debtor on Uniform Commercial Code filings (filings). The filings were for projects being developed on land owned by the Agency. The filings constitute limited obligations of the Agency. The Agency's responsibility on these obligations is the same as detailed above for the mortgages.

The Agency determined that land in the Crossroads Industrial Park, upon which the Agency allowed the Crossroads Incubator Corporation (CIC), in 1988, to build a building, was sold by the CIC in 2007. Based on an Agency Board motion in 1988, the sale of the building by CIC created an unknown receivable from CIC for the land as per a 1988 agreement. At this time the amount due to the IDA is unknown and, therefore, not recorded in the financial statements and once this amount is determined, the IDA will record the revenue and corresponding receivable.

NOTE 8 – MARKETING AGREEMENT

The Agency has entered into an agreement with the FCEDC for marketing services. The FCEDC will actively market the Agency's properties. The FCEDC's fees are 10% of sale price of property. For the year ended December 31, 2011, the Agency advanced marketing expenses in the amount of $5,000.

NOTE 9 – SUBSEQUENT EVENTS

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

WEST & COMPANY CPAs PC

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 Members
Fulton County Industrial Development Agency
Johnstown, New York

We have audited the basic financial statements of Fulton County Industrial Development Agency, a component unit of the County of Fulton, as of and for the year ended December 31, 2011, and have issued our report thereon dated March 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fulton County Industrial Development Agency's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the Agency and Board members and is not intended to be and should not be used by anyone other than these specified parties.

West & Company CPAs PC

Gloversville, New York
March 15, 2012

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF INDUSTRIAL DEVELOPMENT REVENUE BONDS

DECEMBER 31, 2011

PROJECTS	CURRENT INTEREST RATE	OUTSTANDING BEGINNING OF YEAR	ISSUES	PRINCIPAL PAID	INTEREST PAID	DECEMBER 31, 2011 BALANCE
Nathan Littauer Hospital Association project	Variable	$ 5,015,111	$ 0	$ 395,000	$ 150,450	$ 4,620,000
Fulton County YMCA, Inc.	4.75%	2,988,420	0	316,080	140,713	2,672,340
Nathan Littauer Primary Care Center project	6.267%	1,601,364	0	30,818	76,447	1,570,546
TOTALS		$ 9,604,784	$ 0	$ 741,898	$ 367,610	$ 8,862,886

SCHEDULE OF INDUSTRIAL DEVELOPMENT NOTES AND LEASES

DECEMBER 31, 2011

PROJECT	CURRENT INTEREST RATE	OUTSTANDING BEGINNING OF YEAR	ISSUES	PRINCIPAL PAID	INTEREST PAID	DECEMBER 31, 2011 BALANCE
Nathan Littauer Hospital Association project	5.18%	$ 215,488	$ 0	$ 215,488	$ 4,678	$ 0

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, 2011.

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, 2011.

Signature:

Title: Chief Financial Officer