FULTON COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013

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INDEPENDENT AUDITORS' REPORT

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

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, 2013, 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.

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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, 2013, 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 20 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 30 through 33 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information on pages 29 through 32 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2014, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

WEST & COMPANY CPAs PC

Gloversville, New York
March 13, 2014

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013. 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 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.

GENERAL OBLIGATIONS

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."

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."

B. 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 IDAs 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 remains 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:

   IDAs 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.

C. Financing:

IDAs can also provide various forms of bond financing for a project. Financial institutions, such as banks or 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.

D. 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 PILOTs 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 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 that 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. Active PILOTs:

The IDA has the following active PILOTs as of December 31, 2013:

Owner	Lessee	Address	Occupant
IDA	STAG	200 Union Ave.	Pioneer Windows
IDA	STAG	199 Enterprise	Vacant
IDA	CIC	160 Enterprise	Vacant
IDA	Euphrates	230 Enterprise	Euphrates
IDA	Swany	115 Corporate Drive	Swany
IDA	CG Roxane	1 Old Sweet Road, Johnstown	CG Roxane

SUMMARY OF 2013 ACTIVITIES

1. TRYON TECHNOLOGY PARK AND INCUBATOR CENTER PROJECT:

1. Background:

In August 2011, the former Tryon Youth Detention Facility located in the Town of Perth, Fulton County closed.

The former Tryon Campus consists of approximately 515 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 approximately 40 individual buildings on the Tryon Campus. These buildings include administrative offices, dormitories, classrooms, kitchens, cafeterias, Olympic-size pool, two (2) gymnasiums and an auditorium.

The IDA and Fulton County have partnered to redevelop the former Tryon Campus into the Tryon Technology Park and Incubator Center. New York State transferred title to all of the land, buildings and infrastructure to the IDA in January, 2014. The IDA and Fulton County will implement both a short and long-term plan for the reuse of the former Tryon Facility.

2. Short and Long-Term Plan:

A. Short-Term Plan:

The short-term plan would be to lease some of 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.

B. Long-Term Plan:

The long-term plan would be to convert the developable lands at the former 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 that would result in all 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 internal access 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.

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.

Construction of this new loop road and the installation of new water and sewer lines are anticipated to be completed in 2014.

The long-term plan would include the demolition of existing buildings. Existing buildings would be demolished as part of the development of each individual shovel-ready site.

3. Partnerships:

A. Fulton County:

The IDA's key partner in this project is Fulton County. Fulton County has secured a $2 million grant from the Empire State Development to install new water and sewer infrastructure as well as to construct a new interior loop road. The development of this new infrastructure and road is critical to the creation of shovel-ready sites.

Fulton County will provide the local share required for this grant. Fulton County will be hiring a contractor to perform all of this construction work. At the end of the project, Fulton County will take over ownership, operation and maintenance responsibilities for the access road. This access road will become a new County road.

B. Town of Perth:

The Town of Perth will also be a partner in this project. The Town of Perth Town Board will be establishing Zoning Regulations that will govern land uses in the Tryon Technology Park and Incubator Center. The IDA will work closely with the Town of Perth for the redevelopment of the former Tryon Campus into the Tryon Technology Park and Incubator Center.

C. City of Gloversville:

The IDA will also be partnering with the City of Gloversville in having the City's water and sewer lines extended into and service the Tryon Technology Park and Incubator Center. The City of Gloversville has, for many years now, provided water and sewer services to the former Tryon Campus. The City will continue to provide those services to the Tryon Technology Park and Incubator Center Project.

4. Phase I Environmental Assessment/Asbestos Containing Material Survey:

In September, 2012, the IDA executed an Agreement with the New York State Office of General Services and Empire State Development regarding the transferring of the former Tryon Campus to the IDA. This Agreement contained the terms and conditions that would have to be met in order for the State of New York to transfer title of the 515 acres of land comprising the former Tryon Campus over to the IDA. The Agreement stipulated that the IDA would have a period of time to conduct an Environmental Site Assessment to ascertain whether there were any potential environmental liabilities associated with the former Tryon Campus. The IDA wanted to ensure that it would not be assuming any environmental hazards or liabilities by accepting ownership of the former Tryon Campus. The IDA hired C.T. Male Associates to prepare a Phase I Environmental Site Assessment, as well as to conduct asbestos containing materials survey of buildings at the former Tryon Campus. The IDA received the Phase I Environmental Site Assessment Report and the Asbestos Containing Material Surveys in 2013. These reports showed there were minimal environmental hazards or liabilities with the former Tryon Campus. As a result, the IDA moved forward towards having the former Tryon Campus property deeded over to the IDA. As of December 31, 2013, title had yet to be transferred over to the IDA.

5. SEQR:

In October, 2013, the IDA commenced a SEQR Review on the proposed Tryon Technology Park and Incubator Center Project. The IDA, in December, 2013, declared itself as the SEQR Lead Agency and proceeded to conducting a Coordinated SEQR Review on the proposed project. This SEQR Review is expected to be completed in early 2014.

6. Vandalism:

In July, 2013, vandalism was discovered at Tryon. Damage was done to the electrical wiring and equipment at the wastewater pump station, as well as electrical wiring servicing other buildings. The vandalism rendered the pump station inoperable; it must be repaired. OGS and OCFS were contacted. Both advised that New York State does not carry property insurance on State facilities. As a result, no insurance claims can be filed to repair the damage. The IDA had an engineer assess the damage and provide a cost estimate to repair it. The estimated cost to make all the repairs, as well as to install security fencing around the pump station, to be approximately $96,000. Fulton County submitted a Consolidated Funding Application (CFA) in August, 2013 requesting a $48,000 grant to help pay for these repairs. The County's CFA was not approved. As a result, these repairs will have to be incorporated into the 2014 construction project.

7. Jump Start Fulton County: Tryon Marketing Plan:

A. Background:

National Grid provides funding for eligible economic development projects through its Strategic Economic Development Program. The Program would pay for 50% of eligible costs. Fulton County was not an eligible applicant for these funds but the IDA is. Fulton County appropriated funds into the 2014 County Budget to help fund these initiatives. In November, 2013, the IDA applied for funds under this Program to match with Fulton County funds to undertake these initiatives. In December, 2013, National Grid awarded the IDA a $75,000 grant to use with Fulton County's funds to develop the Tryon Marketing Plan. Fulton County will undertake this initiative in 2014 that will be called: Jump Start Fulton County: Tryon Marketing Plan.

B. Jump Start Fulton County: Tryon Marketing: Scope of Work:

1. Perform Target Industry Analysis:

a. Conduct Regional SWOT Analysis:

- Identify region's strengths, weaknesses, opportunities and threats.

b. Regional Labor Analysis:

- Identify skills, training and educational levels of the existing labor force within a 45-minute drive of Tryon Technology Park.
- Identify labor costs and compare to other regions of New York State and USA.
- Prepare labor force profile of the region. Benchmark profile to USA and New York State.
- Survey employers in the region to obtain input on labor availability, cost, trainability and effectiveness of the region's training programs.
- Other

c. Evaluate Cost of Living:

- Conduct comparative cost of living analysis of the Fulton-Montgomery County region to other regions of New York State and USA.

d. Evaluate Existing Transportation System:

- Identify Tryon Technology Park's proximity to:
  - Deep Water Ports
  - Commercial Airport
  - Rail
  - Intermodal
  - Interstate Highway System
- Identify and compare costs associated with existing transportation systems that would service the Tryon Technology Park.
- Identify possible opportunities and limitations of existing transportation systems that would service the Tryon Technology Park.
- Other

e. Evaluate Utilities:

- Identify existing electrical/gas service available.
- Identify maximum electrical/gas service availability.
- Estimate cost to upgrade existing services to increase efficiencies.
- Assess ability of existing utilities to meet gas/electric needs of industry clusters.
- Other

f. Evaluate Water and Sewer:

- Identify maximum volume of water and wastewater available.
- Identify potential costs to increase capacity.
- Assess ability of existing water and sewer systems to address needs of industry clusters.
- Other

g. Identify Target Industry Clusters:

- Identify and rank, based upon items 1-6 above, the ten (10) "Strongest" industry clusters to market the Tryon Technology Park & Incubator Center to.
- Identify, based upon items 1-6 above, the most significant "Threats" to the marketability of the Tryon Technology Park & Incubator Center.
- Prepare report.

2. Identify Contacts for Top 10 Industry Clusters:

   a. Identify, within each targeted industry cluster, the names of companies to market the Tryon Technology Park & Incubator Center including pertinent contact information.

   b. For each company named, identify company's expansion plans, desired location and other requirements.

   c. Arrange meeting with company to discuss company's expansion plans, needs and how the Tryon Technology Park & Incubator Center can fulfill them.

   d. Arrange two (2) meetings with companies in each of the ten (10) target industry clusters.

3. Create Regional Business Training Center at Building 3:

   a. Based upon targeted industry clusters, identify training needs of those clusters.

   b. Identify training needs of existing businesses in the region.

   c. Discuss business training needs with Fulton-Montgomery Community College (FMCC)/Hamilton Fulton Montgomery Board of Cooperative Educational Services (HFM-BOCES).

   d. Evaluate existing spaces in Building 3 at Tryon as potential business training spaces.

   e. Develop Regional Business Training Program:

      - Identify types of training to provide.
      - Identify equipment needed.
      - Identify building renovations needed.
      - Apply for grant money to renovate existing spaces and purchase training equipment.
      - Market Regional Business Training Center.

   f. Incorporate Regional Business Training Center into overall Marketing Plan for Tryon.

4. Engineering Report on Existing Back-up Generator:

   a. There is a large generator located at the Tryon Technology Park & Incubator Center. This large generator could be a significant asset that should be marketed.

   b. An Engineering Report is to be prepared to identify how businesses could connect into this generator and use it as a backup power source.

c. **The Report would, at a minimum, consist of the following:**

- **Identify capacity, type, age and full description of generator.**
- **Identify how it could provide back-up power to businesses located at Tryon.**
- **Develop electrical layout plan consistent with Site Plan.**
- **Identify and describe how back-up power system would work.**
- **Prepare cost estimates.**
- **Prepare Engineer's Report to provide to businesses.**

d. Incorporate use of back-up generator into overall Marketing Plan for Tryon.

5. Prepare a Tryon Marketing Plan:

a. The Plan would, at a minimum, include the following:

- The industry clusters to market Tryon to.
- The names of companies to meet with regarding Tryon.
- The SWOT analysis of the Region.
- Regional Labor Analysis.
- Evaluation of Transportation System.
- Evaluation of existing water and sewer services and utilities.
- Creating a Business Training Center.
- How to market the emergency generator.
- Other pertinent information.

2. VISIT BY INTERNATIONAL SITE SELECTOR:

A. Background:

1. Mike Mullis, President/CEO of J.M. Mullis, Inc., was invited in September, 2013 to the Fulton-Montgomery County region to assess this region's ability to attract new businesses.
2. J.M. Mullis, Inc. is an international site selection firm located in Memphis, TN that provides site selection services to companies seeking sites for new projects.
3. J.M. Mullis works primarily with large companies on projects that normally require 200+ acre sites.
4. On Thursday, September 5, 2013, Mr. Mullis toured sites in Fulton and Montgomery Counties. Participants in the tour were:

   - James Mraz, Executive Director, Fulton County Industrial Development Agency
   - Mike Reese, Fulton County Center for Regional Growth
   - Ken Rose, Montgomery County Business Development Center
   - Joe Russo, National Grid

5. On Friday, September 6, 2013, Mr. Mullis spoke to 60+ local and State-elected officials, government administrators, local businesses and others.

B. Reshoring Initiative:

a. Mike Mullis discussed the ongoing Reshoring Initiative. Reshoring is about bringing manufacturing jobs back into the United States.

b. Technologically-advanced companies now require fewer people to manufacture product. As a result, the cost of labor has decreased because of technology. It was the low cost of labor that resulted in many manufacturing companies moving out of the United States to the Far East.

c. With the increasing costs of shipping and logistics, and the lower cost of labor resulting from technology, manufacturing companies are looking to move back to the United States.

d. Mike Mullis stated that this Reshoring Initiative will create opportunities over the next 5-8 years. He stated those communities that are prepared with 200+ acre sites and a pro-business attitude will have opportunities to attract new manufacturing companies and new jobs.

e. Mike Mullis stated that these manufacturing companies will be technologically advanced. As a result, these companies will be looking for a labor force educated in advanced manufacturing and technology.

f. Mike Mullis stated that Walmart conducted a conference in August, 2013, in Orlando. They invited 1,400 companies that supply product to Walmart. Walmart advised these companies that it expects these companies to commence manufacturing its product in the United States if it wishes to continue to do business with Walmart.

Key Point: **The Fulton-Montgomery County region has a 5-8 year window to attract a major manufacturer. To do so, the region must prepare 200+/- acre shovel-ready sites as soon as possible.**

C. **Summary of Mr. Mullis' Input:**

a. One County vs. One Region:

1. Mike Mullis advised that one county can no longer market itself on its own due to not being big enough and not having enough resources or money to do so.

2. He recommended that, with respect to economic development, the two (2) counties market the region together.

b. Branding the Region:

1. Mr. Mullis recommended that Fulton and Montgomery Counties brand the region to establish an identity that can be marketed.

2. Mr. Mullis advised that branding this region's identity is important to distinguish it from other areas/regions in New York State and the northeast.

Follow-up Action: **Fulton and Montgomery Counties have hired North Star Destination Strategies, Inc. of Nashville, TN, to conduct an economic development branding initiative for the 2-County Region.**

c. Shovel-Ready Sites:

1. Mike Mullis recommended that both Fulton and Montgomery Counties:

a) Identify at least two (2) 200+/- acre sites.

b) Complete the permitting for all sites.

c) Get water and sewer services to each site.

Follow-up Action: **Fulton County Board of Supervisors directed the Planning Department to identify 200+/- acre sites that have potential to be considered shovel-ready sites.**

2. **With respect to the Regional Business Park site, Mr. Mullis recommended steps be taken regarding this potential shovel-ready site:**

   a. Water and Sewer:

      - Fulton and Montgomery Counties must take a leadership role in getting a plan in place to bring water and sewer services to this site.

   b. Evaluate Feasibility of Rail Service:

      - Contact CSX Railroad to determine their willingness to allow short line connection into their main track.
      - Develop estimated cost to restore infrastructure.
      - Identify short line rail operator.
      - Identify minimum number of cars/day needed to make short line run economically viable.

   c. Develop Wetlands Mitigation Plan:

      - Identify wetlands on-site.
      - Develop Wetlands Mitigation Plan.
      - Present Plan to Army Corps.
      - Obtain Army Corps Permit for mitigating wetlands.

   d. Acquire Options:

      - Acquire options on lands comprising site.

Follow-up Action: **Fulton and Montgomery Counties appropriated funds into their 2014 Budgets to pursue the recommendations made by Mr. Mullis as identified above. This project shall be referred to as Jump Start Fulton County: Regional Business Park Project.**

d. Tryon Technology Park and Incubator Center:

1. Mr. Mullis recommended that four (4) steps be taken regarding the development of the Tryon Technology Park and Incubator Center:

   a) Conduct Targeted Industry Study:

      1. A Targeted Industry Study would include conducting the following:

         a. Regional Labor Analysis:

            - Identify skills, training and educational levels of the existing labor force within a 45-minute drive.
            - Identify labor costs and compare to other regions of New York State and USA.
            - Prepare labor force profile of region. Benchmark profile to USA and New York State.
            - Survey employers in region to obtain input on labor availability, cost, trainability and effectiveness of region's training programs.

         b. Existing Transportation System:

            - Proximity to:
              - Deep Water Port
              - Commercial Airport
              - Rail
              - Intermodal
              - Interstate Highway System
            - Opportunities and limitations

c. Evaluate Utilities:

- Identify existing electrical/gas service available.
- Identify maximum electrical/gas service availability. Estimate cost to upgrade existing services.

d. Evaluate Water and Sewer:

- Identify maximum volume of water and wastewater available.
- Identify potential costs to increase capacity.

e. Cost of Living:

- Conduct comparative cost of living analysis of this region to other regions of New York State and USA.

2. Based upon these and other evaluations, identify industry clusters that would best be suited for Tryon.

3. Develop Marketing Plan to attract those targeted industries.

4. Identify leads within each Industry Cluster to contact regarding Tryon Park.

b) Create Regional Business Training Center:

1. Based upon targeted industry clusters, identify training needs of those clusters.

2. Identify training needs of existing businesses in region.

3. Discuss business training needs with FMCC/HFM-BOCES.

4. Evaluate existing spaces in Building 3 at Tryon as potential business training spaces. Develop Renovation Plan to create Training Center spaces.

5. Develop Regional Business Training Program:

- Identify types of training to provide.
- Identify equipment needed.
- Identify building renovations needed.
- Apply for grant money to renovate existing spaces.
- Market Program.

c) Back-Up Generator:

1. Conduct engineering evaluation of this generator to:

- Identify capacity, type, age and full description of generator.
- Identify how it could provide back-up power to businesses located at Tryon Park.
- Develop layout plan consistent with Site Plan.
- Identify how back-up power system would work.
- Prepare written report to provide to businesses.

d) Rename Tryon:

- As part of branding exercise being conducted for 2-County Region, rename Tryon to be consistent with new brand.

Follow-up Action: **Fulton County Board of Supervisors included funds in its 2014 Capital Budget to pursue Mike Mullis's recommendations. This project shall be referred to as Jump Start Fulton County: Tryon Marketing.**

e. Transportation:

1. Rail:

a) Mike Mullis stated that the availability of Class 1 Rail is important in economic development today. He stated Class 1 Railroads are the largest railroad companies in the United States. He stated the Class 1 Railroad Companies are currently at 170% capacity.

b) Mike Mullis stated that 72% of all the inquiries his firm now receives from companies include a requirement for rail. He stated there is a huge pent up need for 200-acre sites with rail access.

2. Deep Water Ports:

a) Mike Mullis stated that there is an increasing emphasis on deep water ports. He stated his company looks at access to deep water ports as part of its site selection criteria.

3. Airports:

a) Mike Mullis stated that having reasonable access to an international airport is also important. He stated the Albany Airport is an excellent airport to travel through. He stated that facility is a good marketing tool for this region.

4. Intermodal:

a) Intermodal transportation involves the transportation of freight in an intermodal container vehicle using multiple modes of transportation such as rail, shipping and truck without any handling of the freight itself when changing modes. This method reduces cargo handling, improves security, reduces damage and loss and allows freight to be transported faster.

b) Mike Mullis recommended that the Fulton-Montgomery County Region evaluate its abilities to provide and have access to intermodal transportation.

f. Incentives:

1. Mr. Mullis stated that the $53/$1,000 combined property tax rate in the Cities of Johnstown and Gloversville is **VERY** high. He stated that these high tax rates make PILOTs in New York State a requirement in order to be competitive.

2. Mr. Mullis stated that a PILOT would need to be in the 15-20 year period in order to make projects competitive given the current local combined tax rate.

g. Extending Water and Wastewater Services Outside of Cities:

1. Mike Mullis stated he read that there is a belief in this region that if a development occurs in one (1) municipality, there is no benefit to an adjoining municipality. He stated such a belief is wrong and makes no sense. He stated Fulton and Montgomery County officials need to be smarter than that.

2. Mike Mullis stated that if a region can get a company to move there, the entire region benefits, not just the municipality the project is located in. There should be no other story or discussion to the matter. He said elected officials in Fulton and Montgomery Counties must get over that misconception.

h. Petty Politics:

1. Mike Mullis emphasized and stressed that "petty politics" must be set aside in order for economic development to be successful. He stated, with the abilities of firms like his to conduct online research, it is very easy for site selection firms and the companies they represent to know a lot about a community before it even arrives in that community.

2. He stated he read the articles about the Cities of Gloversville and Johnstown publicly bickering over a land transaction regarding the FAGE Expansion Project. He stated when companies hear about those petty political arguments, they question wanting to move to that area.

3. He advised local officials that you may think you live in a sheltered environment, but the fact is you don't. The world knows what you are doing.

i. Government Factors:

1. Mike Mullis stated that the average time it takes for projects he's involved with to go through the permitting process and construction is 15 months.

2. Mike Mullis stated that when his firm comes to a region to discuss a potential project, his first objective is to find out if government is on the side of business. He stated that local governments should be rallying around the theme of creating jobs. He stated that is what economic development is about.

3. PROPOSED REGIONAL BUSINESS PARK PROJECT:

The proposed Regional Business Park is a 300+/- acre tract of land located immediately to the south of the Johnstown Industrial Park. This site is located in Montgomery County. Over the past several years, the City of Johnstown and Town of Mohawk have been discussing a potential tax sharing agreement that could allow for these 300+/- acres of land to be annexed into Fulton County and the City of Johnstown. The annexing of these lands into the City of Johnstown would allow for access to the City's water and sewer services.

Given the low inventory of shovel-ready sites currently available in Fulton County, the IDA continues to support efforts in 2013 to have these 300+/- acres prepared as a shovel-ready site. The IDA will continue to work with economic development agencies and local governments in 2014 to implement this project.

4. RESIGNATION OF FRANCIS REED:

Fran Reed served on the IDA Board for 18 years. He decided to step down from the Board at the end of 2013. The IDA Board also acknowledged and thanked Fran for his years of service, commitment and dedication to promoting economic development activities in Fulton County.

5. INTEREST ASSESSMENT SURCHARGE:

On July 18, 2011, the IDA received an initial Notice from the NYS Department of Labor stating:

- Since 2009, New York State has borrowed over **$3 billion** from the Federal Unemployment Insurance (UI) Trust Fund.
- New York had to pay approximately **$95 million in interest** on the $3+ billion in loans to the federal government by September 30, 2011.
- In order to pay the interest due for 2011 on these federal loans, New York State was required by state law to assess a temporary charge on employers, called an Interest Assessment Surcharge (IAS). Should Congress extend the interest-free loan provision, the surcharge would be refunded.
- New York's Interest Assessment Surcharge rate for 2011 was 0.25%. The maximum amount that most employers was assessed in 2011 was $21.25 per employee. The IDA paid $21.25 in 2011.

On July 6, 2012, the IDA received a second notice from the NYS Department of Labor stating:

- New York State still owes the Federal Government over **$4 billion** to the Federal Unemployment Insurance Trust Fund.
- New York State's 2012 interest payment was **$102 million in interest.**
- Federal interest rate on this loan was lower in 2012. This lowers New York State's Interest Assessment Surcharge (IAS) to 0.15% from 0.25%.
- IDA's 2012 IAS was $12.75.

On July 9, 2013, the IDA received another notice from the NYS Department of Labor stating:

- New York State still owes the Federal Government **$3.5 billion** to the Federal Unemployment Insurance Trust Fund.
- New York's 2013 interest payment is **$85 million.**
- New York State has now paid **$282 million** just in interest over the past 3 years.
- IDA's 2013 IAS was $12.75.

The Fulton County IDA again processed a payment to New York State for a State-mandated Interest Assessment Surcharge.

6. ADOPTED DISCRETIONARY FUNDS POLICY:

The IDA Board adopted a new Discretionary Funds Policy to ensure that funds are only expended for purposes that advance the IDA's mission and objectives.

Table A-1

Condensed Statements of Net Position

	2013	2012	Dollar change Increase/ -Decrease
Assets			
Current assets	$ 976,456	$ 1,015,809	$ (39,353)
Development projects	2,545,000	2,140,863	404,137
Total Assets	3,521,456	3,156,672	364,784
Liabilities			
Current liabilities	416,917	416,668	249
Long-term debt	514,708	514,708	0
Total Liabilities	931,625	931,376	249
Net Position			
Net investment in capital assets	2,030,292	1,626,155	404,137
Unrestricted	559,539	599,141	(39,602)
Total Net Position	$ 2,589,831	$ 2,225,296	$ 364,535

Changes in Net Position

The IDA's revenue was $702 (see Table A-2).

The total cost of all programs and services amounted to $40,304 for 2013. The expenses are comprised predominantly of salaries and benefits (49%) and professional fees (46%).

Net position for the year increased by $364,535 after an $831,160 other change in net position.

Table A-2

Changes in Net Position from Operating Results

	2013	2012	Dollar change Increase/ (Decrease)
Revenues			
Program Revenues			
Charges for services	$ 400	$ 22,225	$ (21,825)
General Revenues			
Interest income	302	518	(216)
Miscellaneous income	0	31,422	(31,422)
Total Revenues	702	54,165	(53,463)
Expenses			
Miscellaneous expense	555	6,246	(5,691)
Salaries and benefits	19,898	18,493	1,405
Meetings and conferences	601	445	156
Memberships	750	450	300
Marketing	0	5,000	(5,000)
Professional fees	18,500	18,575	(75)
Total Expenses	40,304	49,209	(8,905)
Excess (Deficit) of Revenues over Expenses	(39,602)	4,956	(44,558)
Increase (Decrease) in Net Position from Operations	$ (39,602)	$ 4,956	$ (44,558)

G. LONG-TERM DEBT:

As of December 31, 2013, 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

	2013	2012
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

PAYMENT IN LIEU OF TAX AGREEMENTS (PILOTS)

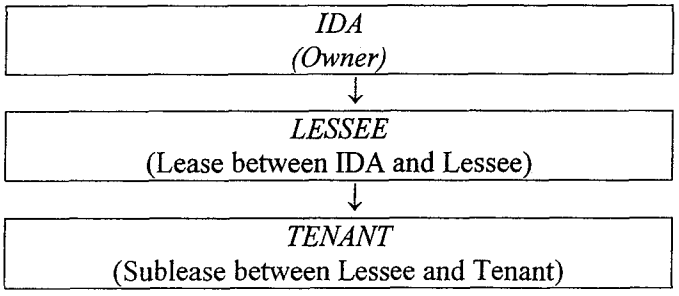
A. Background

As of December 31, 2013, the IDA had six (6) active PILOT Agreements as shown below:

Owner	Lessee	Address	Tenant
IDA	STAG	200 Union Ave.	Pioneer Windows
IDA	STAG	199 Enterprise	Vacant
IDA	CIC	160 Enterprise	Vacant
IDA	Euphrates	230 Enterprise	Euphrates
IDA	Swany	115 Corporate Drive	Swany
IDA	CG Roxane	1 Old Sweet Road	CG Roxane

B. Project Structure

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



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

CONCLUSION

The Fulton County IDA looks forward to 2014 with the hope and expectation of positive economic development initiatives being undertaken.

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF NET POSITION

DECEMBER 31, 2013

ASSETS	
CURRENT ASSETS:	
Cash in bank	$ 550,072
Cash - restricted	415,192
Prepaid park costs	11,192
Total current assets	976,456
DEVELOPMENT PROJECTS	2,545,000
TOTAL ASSETS	3,521,456
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	1,725
Due to City of Johnstown	415,192
Total current liabilities	416,917
LONG-TERM DEBT	514,708
TOTAL LIABILITIES	931,625
NET POSITION	
Net investment in capital assets	2,030,292
Unrestricted	559,539
TOTAL NET POSITION	$ 2,589,831

See notes to basic financial statements.

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

		Program Revenue		
	Expenses	Charges for Services	Operating Grants and Other Program Revenues	Changes in Net Position
FUNCTION/PROGRAMS				
Miscellaneous expense	$ 555	$ 0	$ 0	$ (555)
Meetings and conferences	601	0	0	(601)
Memberships	750	0	0	(750)
Professional fees	18,500	(400)	0	(18,100)
Salaries and benefits	19,898	0	0	(19,898)
Total function/programs	$ 40,304	$ (400)	$ 0	(39,904)
GENERAL REVENUE				
Interest income				302
EXTRAORDINARY ITEM				
Impairment loss				(427,023)
CHANGE IN NET POSITION				(466,625)
TOTAL NET POSITION - BEGINNING OF YEAR				2,225,296
OTHER CHANGES IN NET POSITION				831,160
TOTAL NET POSITION - END OF YEAR				$ 2,589,831

See notes to basic financial statements.

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2013

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:	
Expenses in excess of revenues	$ (466,625)
Adjustments to convert to cash:	
Impairment loss	427,023
(Increase) in prepaid park costs	(11,192)
Decrease in accounts receivable	10,314
Increase in accounts payable	111
Increase in due to City of Johnstown	137
Net cash (used) by operating activities	(40,232)
NET (DECREASE) IN CASH	(40,232)
CASH - BEGINNING OF YEAR	1,005,496
CASH - END OF YEAR	$ 965,264

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.

Advertising Costs

The Agency's advertising costs are expensed as incurred. There was no advertising expense for the year ended December 31, 2013.

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, 2013, are as follows:

City of Johnstown (a. above)	$ 415,192

NOTE 3 – DEVELOPMENT PROJECTS

The Agency's development projects at December 31, 2013, are as follows:

Crossroads Industrial Park	$ 120,000
Crossroads Business Park	1,925,000
Johnstown Industrial Park	500,000
TOTAL	$ 2,545,000

The development projects consist of land acquisition costs and site improvements; i.e., roads, water and sewer lines and landscaping. The Agency recorded an impairment loss of $427,023 during 2013 on the Crossroads Industrial Park to properly reflect the value of the park as of December 31, 2013. Additionally, the Agency had an other change in net position related to the other two parks. See Note 8 for more information.

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, 2013, 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, 2013, the original issue value of bonds issued aggregated $18,045,000 and the outstanding balance was $7,507,018. Refer to the Schedule of Industrial Development Revenue Bonds on page 30.

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, 2013, 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 $724,545 as security for uninsured deposits. The Agency had no uninsured deposits at December 31, 2013.

NOTE 7 – 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 5% of the sale price of property. For the year ended December 31, 2013, the Agency advanced marketing expenses in the amount of $-0-.

NOTE 8 – OTHER CHANGES IN NET POSITION

The other changes in net position consist of increases in the carrying values of the Crossroads Business Park and the Johnstown Industrial Park of $551,964 and $279,196, respectively. These adjustments were made to properly reflect the remaining acreage at each park.

NOTE 9 – SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through the issuance date of the report. In January, 2014, New York State transferred the title to the former Tryon Detention Center to the Agency.

WEST & COMPANY
CPAs PC

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, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fulton County Industrial Development Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fulton County Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fulton County Industrial Development Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

WEST & COMPANY CPAs PC

Gloversville, New York
March 13, 2014

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF INDUSTRIAL DEVELOPMENT REVENUE BONDS

DECEMBER 31, 2013

PROJECTS	CURRENT INTEREST RATE	OUTSTANDING BEGINNING OF YEAR	ISSUED	PRINCIPAL PAID	INTEREST PAID	DECEMBER 31, 2013 BALANCE
Nathan Littauer Hospital Association project	Variable	$ 4,200,000	$ 0	$ 445,000	$ 126,000	$ 3,755,000
Fulton County YMCA, Inc.	4.75%	2,343,111	0	95,601	111,191	2,247,510
Nathan Littauer Primary Care Center project	4.75%	1,538,425	0	33,917	73,348	1,504,508
TOTALS		$ 8,081,536	$ 0	$ 574,518	$ 310,539	$ 7,507,018

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, 2013.

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, 2013.

Signature:_____

Title:_____Chief Financial Officer_____