

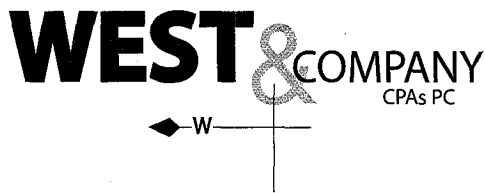
**FULTON COUNTY  
INDUSTRIAL DEVELOPMENT AGENCY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

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## 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, 2010, 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, 2010, 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 15 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 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 additional financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional financial information 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. The management's discussion and analysis have 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.

WEST & COMPANY CPAs PC

Gloversville, New York  
March 25, 2011

# FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2010

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The following is a narrative overview and analysis of the financial activities of Fulton County Industrial Development Agency (IDA or Agency) for the fiscal year ended December 31, 2010. 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 was created in 1970 by an act of the New York State Legislature. The IDA is a corporate governmental agency constituting a public benefit corporation. The law that authorized the creation of Industrial Development Agencies in New York State states that the purpose of an Industrial Development Agency (IDA) shall be:

“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.

The Fulton County IDA, however, requires companies to make Payments In Lieu Of Taxes (PILOT). A PILOT is a written Agreement between the IDA and a company. The Agreement states that even though the project is tax exempt due to IDA ownership, the IDA wants the company to make certain payments to local taxing jurisdictions. PILOTs consist of an agreed upon percentage of the property tax that would otherwise be due on the property if the project had been completed without IDA involvement. 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 the appropriate 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 exemptions from sales taxes but only on eligible materials purchased during construction and for eligible equipment for the project.

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

If a project involves a mortgage, companies that receive IDA assistance are exempt from New York State's mortgage recording tax. In Fulton County, this tax equals 1% of the total mortgage.

## **C. Industrial Revenue Bonds**

IDAs can also provide important financing for a project through the issuance of Industrial Development Bonds (IRBs). IRBs are used to finance new or expansion projects. 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 themselves negotiate the terms and conditions of the transaction (its length, the interest rate), independent of the IDA.

The Fulton County IDA, Fulton County Government or local 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. IRB 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 2010 ACTIVITIES:**

### **A. YMCA PROJECT:**

- The IDA approved a request from the YMCA to approve a modification of an existing \$5,450,000 mortgage made by the YMCA and the IDA to NBT Bank, NA to increase the permanent mortgage amount from \$2,057,000 to \$3,175,000 to be termed out over the original 28 year amortization at a tax exempt rate of 4.75%.
- No new money was involved.

### **B. DR. KEARNEY PROJECT:**

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

##### a) 1986 Project:

- On December 1, 1986, the IDA entered into PILOT Agreement with John R. Kearney MD for the original Cataract Care Center Project.
- 1986 project included:
  - Acquisition of existing 10,000 square foot building on 7-acre parcel.
  - Construct 5,000 square foot addition on 7-acre parcel.
- Project was deeded to IDA and then conveyed by the IDA to Dr. Kearney by an Installment Sale Agreement dated December 1, 1986.

##### b) 1999 Project:

- 1999 Project consisted of constructing a 9,325 square foot addition for the Ambulatory Eye Surgery Center.
- December 1, 1996, Installment Sales Agreement was replaced by a Facility Lease Agreement dated April 1, 1999.
- On April 1, 1999, IDA entered into an "Amended and Restated PILOT Agreement" with John R. Kearney, MD for his Ambulatory Eye Surgery Center Project.

## 2. Sale of Dr. Kearney Property:

- On January 14, 2010, the IDA executed the following documents as part of the sale of Dr. Kearney's property to Nathan Littauer Hospital:
  - Assignment of Lease: Adirondack Cellular Telephone
  - Termination of April 1, 1999 Lease Agreement
  - Termination of April 1, 1999 Equipment Lease Agreement
  - Quit Claim Deed
  - NYS Tax Form TP-584: Combined Real Estate Transfer Tax Return
  - Real Property Transfer Report: RP-5217
- On January 19, 2010, the closing took place on the sale of Dr. Kearney's property to Nathan Littauer Hospital.
- As of January 19, 2010, the IDA was no longer involved with this project.

## C. IDA GOVERNANCE:

### 1. Mission Statement:

- In 2010, the IDA Board adopted the following Mission Statement:

“To promote and develop the retention of existing jobs and creation of new job opportunities and the expansion of local property tax base by acquiring, owning, developing, managing and selling land and buildings and providing financing and tax incentives as authorized by New York State Law.”

### 2. By-Laws:

- In 2010, the IDA Board approved changes to its By-Laws to address certain requirements of the Public Authorities Reform Act of 2009.

### 3. Policy Manual:

- IDA's Policy Manual includes two (2) types of policies:
  - IDA written policies.
  - Recommended policies prepared by the NYS ABO that the IDA has adopted.
- In 2010, the IDA approved incorporating the following ABO policies into its Policy Manual:

10-1	:	Acknowledgement of Fiduciary Duty
10-2	:	Public Authority Mission Statements and Measurement Reports.
10-3	:	Posting and maintaining reports on website
10-5	:	Annual Board of Directors Evaluation
- In 2010, the IDA Board approved adding the following three (3) new policies into its Policy Manual:

#### Policy 09: Check Writing:

- All checks issued by the Agency shall have two (2) signatories. One shall be by the Chief Financial Officer. The second shall be by a member of the Audit Committee or Treasurer if the Treasurer is not a member of the Audit Committee.

#### Policy 10: Credit Card:

- No Fulton County Industrial Development Agency Board member or staff shall be provided an Agency Credit Card.

Policy 11: Annual Assessment of the Effectiveness of Internal Controls:

- IDA Board shall annually complete an assessment of the effectiveness of its internal control structures and procedures.

**4. Finance Committee:**

- In 2010, the IDA Board created a Finance Committee and assigned it the following duties and responsibilities:
  - The Finance Committee shall review all proposals involving the issuance of debt by the IDA.
  - The Finance Committee shall prepare and submit recommendations to the IDA Board of Directors regarding the issuance of any debt by the IDA.
  - The Finance Committee may prepare and submit to the IDA Board of Directors proposed policies regarding the issuance of debt by the IDA.

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

**1. 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.

**2. 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.

**3. Potential Benefits of the Regional Business Park:**

- a) 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.

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

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

b) Increased Tax Base:

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

	<u>Total Assessed Valuation of Existing Buildings</u>
Crossroads Industrial Park	\$ 10,372,300
Johnstown Industrial Park	\$ 74,531,581
<b>Total Assessed Valuation</b>	<b>\$ 84,903,881</b>

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

c) 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:

<b>TAXING JURISDICTION</b>	<b>TOTAL TAXES PAID BY EXISTING BUSINESS IN PARKS</b>			<b>TOTAL</b>
	<b>2009</b>	<b>2010</b>	<b>2011**</b>	
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
<b>Total:</b>	<b>\$2,511,596</b>	<b>\$2,988,410</b>	<b>\$3,496,499</b>	<b>\$8,996,505</b>

\* 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 located there, create new property tax revenues to Fulton County and the City of Johnstown.

## **E. NYS AUTHORITY BUDGET OFFICE'S COMPLIANCE REVIEW:**

### **1. Background:**

- In July, 2010, the New York Authority Budget Office (ABO) notified the IDA that it was going to conduct a Compliance Review of the IDA's operations.
- On July 27, 2010, an Entrance Conference was held between the IDA and ABO. The ABO advised the IDA that it was not only going to review the IDA's compliance with the Public Authorities Accountability Act but also look at the IDA's relationship with the Economic Development Corporation (EDC) and the Crossroads Incubator Corporation (CIC) and to understand how economic development works in Fulton County.
- The ABO advised the IDA that it was conducting this audit in direct response to the excess compensation issue the ABO was also investigating with the EDC and CIC.
- The ABO advised the IDA at the Entrance Conference that it would review 3-4 years worth of IDA project records and that their work would take approximately 4 weeks to complete.
- The ABO started its review on August 2, 2010.
- The ABO ended up spending 14 weeks conducting its audit and reviewed 25 years of IDA records.
- The ABO issued a draft report on November 19, 2010.
- The IDA and Board of Supervisors' Office both issued detailed responses to the ABO's draft report and asked the ABO to incorporate their comments into the final report.
- On January 12, 2011, the ABO issued a draft Final Report to the IDA. The draft final report incorporated only a few of the numerous comments and recommendations submitted to the ABO by the IDA and Fulton County.
- On January 21, 2011, the ABO conducted an Exit Conference with IDA members to obtain the IDA's final input on the draft Final Report. At that Exit Conference, the ABO told IDA Board members that:
  - The IDA operates in an honest and ethical manner.
  - In comparison to other IDA's, the IDA operates at the upper level of efficiencies.
- At the Exit Conference, IDA members requested that numerous factual errors be corrected in the Final Report.
- On January 25, 2011, the ABO sent its Final Report to the IDA and Fulton County. The Final Report incorporated only a few of the numerous recommendations submitted by IDA members. In addition, many factual errors were not corrected and misleading statements were not clarified.

### **2. Final Report:**

- a) ABO's Final Report identified two (2) findings regarding Economic Development in Fulton County:
  - The effectiveness of the Fulton County economic development model appears to have diminished over time and may no longer serve the interests of the County or businesses outside the industrial and business parks.
  - It appears that the Fulton County Economic Development Corporation has a financial incentive to place its own interests ahead of the overall economic development goals of the County.
- b) ABO's Final Report identified the following recommendations for the IDA Board:
  - The IDA should review and approve subleases between the CIC and businesses to ensure that provisions for financial assistance are being met. The IDA should approve any changes in subleases between the CIC and businesses that may occur during the project lease term and require any new tenant to submit an application for financial assistance to obtain tax exemptions or assume PILOT Agreements.
  - The IDA Board should evaluate whether its Marketing Agreement with the EDC continues to be beneficial to the IDA.

- The IDA should require the EDC to provide regular marketing reports and updates in accordance with its Agreement.
- The IDA should receive the gross proceeds from all property sales to ensure that payments are made to all involved parties in accordance with the terms of the established agreements.
- The IDA should ensure that EDC is paid the appropriate amount for its services, as governed by the terms of its Marketing Agreement, and based on appropriate supporting documentation.
- The IDA should ensure that the CIC pays for the value of the property that it had initially donated for development, as CIC officials have agreed to do.
- The IDA should invoice and collect appropriate fees as established by its Uniform Tax Exemption Policy.
- The IDA should assess penalties in accordance with its agreements when all project owners do not report employment and salary data, as required.
- The IDA Board should meet in executive session only for those purposes specified in Open Meetings Law.
- The IDA should establish a public web site as required by Public Authorities Law section 2800(2)(b) and post appropriate information on its operations and accomplishments.
- The IDA should ensure that all active project and contracts are correctly and accurately reported in PARIS.
- The IDA's Uniform Tax Exemption Policy should be improved to include provisions for recovering benefits provided to project occupants if the project does not meet its intended purpose.

### **3. Problems with ABO's Final Report:**

- The ABO's Final Report did not acknowledge or identify the Compliance Officers who prepared the Report.
- The ABO's Final Report did not attach the twenty-one (21) pages of comments submitted by the IDA and the three (3) pages of comments submitted by Fulton County to the ABO's Draft Final Report.
- The ABO's Final Report contained factual errors that the ABO refused to correct after the errors were brought to their attention.
- The ABO's Report grossly misleads a reader on several areas including that:
  1. Projects were granted 20 years of exemption.
  2. IDA is not provided marketing reports by EDC.
  3. IDA and City of Johnstown were underpaid from lots sales in the Johnstown Industrial Park.
  4. IDA has overpaid EDC in marketing fees.

### **F. SUMMARY OF FINANCIAL RESULTS:**

See Table A-1 below for condensed statements of net assets:

**Table A-1**

**Condensed Statements of Net Assets**

	<u>2010</u>	<u>2009</u>	<b>% Change Increase/ -Decrease</b>
<b>Assets</b>			
Current assets	\$ 963,487	\$ 995,920	-3%
Development projects	<u>2,151,558</u>	<u>2,151,558</u>	0%
<b>Total Assets</b>	3,115,045	3,147,478	-1%
<b>Liabilities</b>			
Current liabilities	406,813	406,334	0%
Long-term debt	<u>514,708</u>	<u>514,708</u>	0%
<b>Total Liabilities</b>	921,521	921,042	0%
<b>Net Assets</b>			
Investment in capital assets, net of related debt	1,636,850	1,636,850	0%
Unrestricted	<u>556,674</u>	<u>589,586</u>	-6%
<b>Total Net Assets</b>	<u><u>\$ 2,193,524</u></u>	<u><u>\$ 2,226,436</u></u>	-1%

## Changes in Net Assets

The IDA's revenue was \$5,739 (see Table A-2).

The total cost of all programs and services amounted to \$38,651 for 2010. The expenses are comprised predominantly of salaries and benefits (52%) and marketing and professional fees (44%).

Net assets for the year decreased by \$32,912.

**Table A-2**

### Changes in Net Assets from Operating Results

	<u>2010</u>	<u>2009</u>	<u>Dollar change Increase/ (Decrease)</u>
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for services	\$ 0	\$ 0	\$ 0
<b>General Revenues</b>			
Interest income	1,739	7,173	(5,434)
Miscellaneous income	4,000	0	4,000
<b>Total Revenues</b>	<u>5,739</u>	<u>7,173</u>	<u>(1,434)</u>
<b>Expenses</b>			
Miscellaneous expense	943	991	(48)
Salaries and benefits	19,979	19,943	36
Meetings and conferences	446	647	(201)
Memberships	450	450	0
Marketing	5,000	5,000	0
Professional fees	11,833	10,000	1,833
<b>Total Expenses</b>	<u>38,651</u>	<u>37,031</u>	<u>1,620</u>
<b>(Deficit) of Revenues over Expenses</b>	(32,912)	(29,858)	
<b>Less Distribution to the City of Johnstown</b>	0	(100,000)	
<b>Other Changes in Net Assets</b>	<u>0</u>	<u>(403,334)</u>	
<b>(Decrease) in Net Assets</b>	<u>\$ (32,912)</u>	<u>\$ (333,192)</u>	

## G. LONG-TERM DEBT:

As of December 31, 2010, the IDA had \$514,708 in long-term debt outstanding. More detailed information about the IDA's long-term debt is included in the notes to basic financial statements.

**Table A-3**

**Outstanding Long-Term Debt**

	<u>2010</u>	<u>2009</u>
City of Gloversville	\$ 150,267	\$ 150,267
Board of Water Commissioners	89,124	89,124
Community Development Agency	74,961	74,961
Promote Gloversville Development Agency	50,089	50,089
Fulton County Economic Development Corporation	150,267	150,267
<b>TOTALS</b>	<u>\$ 514,708</u>	<u>\$ 514,708</u>

**III. PAYMENT IN LIEU OF TAX AGREEMENTS (PILOTS)**

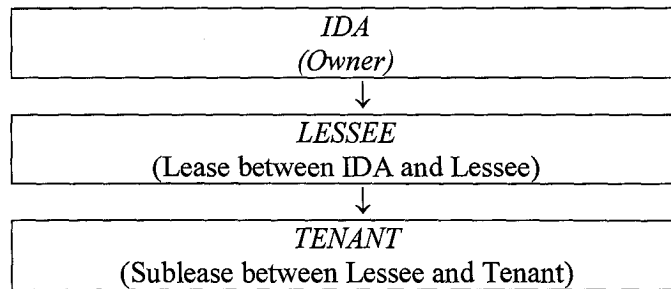
**A. Background**

The IDA currently has fourteen (14) active PILOT Agreements:

Owner	Lessee	Address	Tenant	PILOT Term
IDA	STAG	150 Enterprise	Univar	1991-2001
IDA	STAG	6 Clermont	Coast Distribution	1996-2006
IDA	STAG	161 Enterprise	Exel	1997-2007
IDA	STAG	231 Enterprise	Electrometrics	1998-2008
IDA	STAG	190 Enterprise	Catalyst International NY, LLC	2000-2010
IDA	STAG	200 Union Ave.	Pioneer Windows (Original)	2002-2012
IDA	STAG	200 Union Ave.	Pioneer Windows (Expansion)	2004-2014
IDA	STAG	199 Enterprise	Vacant (Formerly Finkle)	2003-2013
IDA	CIC	160 Enterprise	Vacant (Formerly Finkle)	1997-2007
IDA	Euphrates	230 Enterprise	Euphrates	2002-2012
IDA	STAG	125 Balzano	Northern Architectural Systems	1996-2006
IDA	Swany	115 Corporate Drive	Swany	1996-2006
IDA	CIC	178 Corporate Dr.	Foreign Trade Zone	1997-2007
IDA	STAG	141 Sal Landrio Way	EPIMED	2003-2013

**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 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 1<sup>st</sup> 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, 2010 was used for the 2010-11 school tax bills and the 2011 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, 2009
- CO Issued : August, 2009
- Building goes on Tax Roll : March, 2010
  
- Year 1 of PILOT for:
  - School Tax : 2010-11 Tax Year  
(Sept. - August)
  - County Tax : 2011 Tax Year  
(Jan. - Dec.)
  - City/Town Tax : 2011 Tax Year  
(Jan. - Dec.)

### IV. CONCLUSION

The Fulton County IDA looks forward to 2011 with the hope and expectation of positive economic development initiatives being undertaken.

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF NET ASSETS

DECEMBER 31, 2010

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**ASSETS**

**CURRENT ASSETS:**

Cash in bank	\$ 559,674
Cash - restricted	403,813

<b>Total current assets</b>	<b>963,487</b>
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<b>DEVELOPMENT PROJECTS</b>	<b>2,151,558</b>
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<b>TOTAL ASSETS</b>	<b>3,115,045</b>
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**LIABILITIES**

**CURRENT LIABILITIES:**

Accounts payable	3,000
Due to City of Johnstown	403,813

<b>Total current liabilities</b>	<b>406,813</b>
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<b>LONG-TERM DEBT</b>	<b>514,708</b>
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<b>TOTAL LIABILITIES</b>	<b>921,521</b>
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**NET ASSETS**

Investment in capital assets, net of related debt	1,636,850
Unrestricted	556,674

<b>TOTAL NET ASSETS</b>	<b>\$ 2,193,524</b>
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See notes to basic financial statements.

**FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2010**

		<u>Program Revenue</u>		
			<b>Operating Grants and Other Program Revenues</b>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Other Program Revenues</u>	<u>Changes in Net Assets</u>
<b>FUNCTION/PROGRAMS</b>				
Miscellaneous expense	\$ 943	\$ 0	\$ 0	\$ (943)
Meetings and conferences	446	0	0	(446)
Memberships	450	0	0	(450)
Marketing	5,000	0	0	(5,000)
Professional fees	11,833	0	0	(11,833)
Salaries and benefits	19,979	0	0	(19,979)
		<u>0</u>	<u>0</u>	
<b>Total function/programs</b>	<u>\$ 38,651</u>	<u>\$ 0</u>	<u>\$ 0</u>	(38,651)
<b>GENERAL REVENUE:</b>				
Interest income				1,739
Miscellaneous income				<u>4,000</u>
<b>CHANGE IN NET ASSETS</b>				(32,912)
<b>TOTAL NET ASSETS - BEGINNING OF YEAR</b>				<u>2,226,436</u>
<b>TOTAL NET ASSETS - END OF YEAR</b>				<u>\$ 2,193,524</u>

See notes to basic financial statements.

**FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2010**

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**CASH FLOWS (USED) BY OPERATING ACTIVITIES:**

(Deficit) of revenue over expenses	\$ (32,912)
Adjustments to convert to cash:	
Increase in due to City of Johnstown	<u>479</u>

<b>Net cash (used) by operating activities</b>	<u>(32,433)</u>
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<b>NET (DECREASE) IN CASH</b>	(32,433)
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<b>CASH - BEGINNING OF YEAR</b>	<u>995,920</u>
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<b>CASH - END OF YEAR</b>	<u><u>\$ 963,487</u></u>
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See notes to basic financial statements.

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2010

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

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

**Organization**

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

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

**Basis of Accounting**

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

**Budgetary Accounting**

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

**Use of Estimates**

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

**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.

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2010

**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, 2010, are as follows:

City of Johnstown (A. above)	<u>\$ 403,813</u>
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**NOTE 3 – DEVELOPMENT PROJECTS**

The Agency's development projects at December 31, 2010, are as follows:

Crossroads Industrial Park	\$ 547,022
Crossroads Business Park	1,373,037
Johnstown Industrial Park	<u>231,499</u>
<b>TOTAL</b>	<b><u>\$ 2,151,558</u></b>

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, 2010, interest expense totaled \$-0-.

FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2010

**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	<u>150,267</u>
<b>TOTAL</b>	<b><u>\$ 514,708</u></b>

**NOTE 5 – INDUSTRIAL REVENUE BOND AND NOTE TRANSACTIONS**

Certain industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the Agency or the State. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. At December 31, 2010, the original issue value of bonds issued aggregated \$18,045,000 and the outstanding balance was \$9,604,784 (see Schedule of Industrial Development Revenue Bonds). At December 31, 2010, the original value of notes and leases issued was \$2,287,363 and the outstanding balance was \$215,488.

**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, 2010, 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 \$727,469 as security for uninsured deposits. The Agency had no uninsured deposits at December 31, 2010.

**FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

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**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.

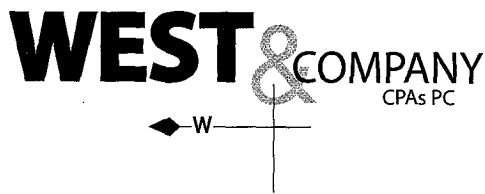
The Agency determined that land in the Crossroads Industrial Park, upon which the Agency allowed the Crossroads Incubator Corporation (CIC), in 1988, to build a building, was sold by the CIC in 2007. Based on an Agency Board motion in 1988, the sale of the building by CIC created an unknown receivable 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, 2010, the Agency advanced marketing expenses in the amount of \$5,000.

**NOTE 9 – SUBSEQUENT EVENTS**

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



**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, 2010, and have issued our report thereon dated March 25, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 25, 2011

**FULTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**SCHEDULE OF INDUSTRIAL DEVELOPMENT REVENUE BONDS**

**DECEMBER 31, 2010**

<u>PROJECTS</u>	<u>CURRENT INTEREST RATE</u>	<u>OUTSTANDING BEGINNING OF YEAR</u>	<u>ISSUES</u>	<u>PRINCIPAL PAID</u>	<u>INTEREST PAID</u>	<u>DECEMBER 31, 2010 BALANCE</u>
Nathan Littauer Hospital Association project	Variable	\$ 5,385,000	\$ 0	\$ 370,000	\$ 323,100	\$ 5,015,000
Fulton County YMCA, Inc.	4.75%	3,775,000	0	786,580	153,030	2,988,420
Nathan Littauer Primary Care Center project	6.267%	<u>1,630,801</u>	<u>0</u>	<u>29,437</u>	<u>77,893</u>	<u>1,601,364</u>
<b>TOTALS</b>		<u>\$ 10,790,801</u>	<u>\$ 0</u>	<u>\$ 1,186,017</u>	<u>\$ 554,023</u>	<u>\$ 9,604,784</u>

**SCHEDULE OF INDUSTRIAL DEVELOPMENT NOTES AND LEASES**

**DECEMBER 31, 2010**

<u>PROJECT</u>	<u>CURRENT INTEREST RATE</u>	<u>OUTSTANDING BEGINNING OF YEAR</u>	<u>ISSUES</u>	<u>PRINCIPAL PAID</u>	<u>INTEREST PAID</u>	<u>DECEMBER 31, 2010 BALANCE</u>
Nathan Littauer Hospital Association project	5.18%	\$ 490,113	\$ 0	\$ 274,625	\$ 18,929	\$ 215,488

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, 2010.

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, 2010.

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

Title: Chief Financial Officer