

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY**

FINANCIAL STATEMENTS

July 31, 2012 and 2011

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY**

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CERTIFIED PUBLIC ACCOUNTANTS PLLC

Formerly Green & Seifert CPAs

INDEPENDENT AUDITOR'S REPORT

Agency Members

County of Oswego Industrial Development Agency

44 West Bridge Street

Oswego, New York 13126

We have audited the accompanying statement of net assets of the County of Oswego Industrial Development Agency (the Agency), a component unit of the County of Oswego, as of July 31, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these 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 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 County of Oswego Industrial Development Agency as of July 31, 2012, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2012, on our consideration of the County of Oswego Industrial Development Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 historic 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 with 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 the 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 Agency's financial statements taken as a whole. The Schedules of Supplementary Information including the Schedule of Bonds Issued – A Limited Obligation of the Agency, on pages 21-22, and the Schedule of Straight Leases, on pages 23-26, are presented for purposes of additional analysis and are not a required part of the financial statements, but are supplementary information required by New York State. The Schedules of Supplementary Information including the Schedule of Bonds Issued – A Limited Obligation of the Agency and the Schedule of Straight Leases 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.

Broseman St. Amice CPAs
Syracuse, New York
October 22, 2012

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
July 31, 2012

The following is a discussion and analysis of the County of Oswego Industrial Development Agency, a component unit of the County of Oswego, financial performance for the fiscal year ended July 31, 2012. This section is a summary of the Agency's financial activities based on currently known facts, decisions, or conditions. It is also based on both the Agency and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Agency's financial statements, which immediately follow this section.

Financial Highlights

- The Agency's assets exceeded its liabilities by \$18,874,016 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$18,985,317.
- Total net assets are comprised of the following:
 - 1) Cash of \$9,213,870, of which \$4,725,236 is restricted to funding loans.
 - 2) Loans receivable, net of related allowance, of \$9,363,247.
 - 3) Net assets of \$13,326,297 are restricted by constraints imposed from outside the Agency such as the County of Oswego, grantors, laws, or regulations.
 - 4) Unrestricted net assets of \$5,547,719 represent the portion available now or as loans are repaid to maintain the Agency's economic development operations including future loans. Unrestricted cash totals \$4,488,634. Unrestricted loans total \$762,186 with repayments spread over several years.
- The Agency's business-type activities reported a total ending net assets of \$17,766,534 this year. This compared to the prior year ending net assets, of \$17,752,287 showing an increase of \$14,247 during the current year. Unrestricted net assets of \$5,547,719 for fiscal year 2012 shows a \$93,609 decrease over the prior year.
- At the end of the current fiscal year, unrestricted net assets for the Agency were \$5,547,719 or about seven times total expenditures and about seven times total revenues.
- Total liabilities of the Agency increased by \$80,582 to \$909,071 during the fiscal year.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Agency's basic financial statements. The basic financial statements include: (1) agency financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Agency also includes in this report additional information to supplement the basic financial statements.

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
July 31, 2012

Agency Financial Statements

The Agency's annual report includes two Agency financial statements. These statements provide both long-term and short-term information about the Agency's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these Agency statements is the Statement of Net Assets. This is the Agency statement of financial position presenting information that includes all of the Agency's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency as a whole is improving or deteriorating. Evaluation of the overall health of the Agency may extend to other non-financial factors in addition to the financial information provided in this report.

The second Agency statement is the Statement of Activities which reports how the Agency's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

An important purpose of the design of the Statement of Activities is to show the financial reliance of the Agency's distinct activities or functions on revenues. Both Agency financial statements show business-type activities that are intended to recover all, or a significant portion, of their costs through user fees and charges. Business-type activities include loans, bonds, and economic development. The Agency's financial reporting includes the Agency only, a component unit of the County of Oswego. The Agency is a legally separate organization managed by seven members. The Agency financial statements are presented on pages 8-9 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives and to ensure and demonstrate compliance with finance-related laws and regulations. The Agency is a proprietary fund.

Proprietary funds, which are business-type activities, are reported in the fund financial statements and generally report services for which the Agency charges a fee. Services are provided to companies external to the organization such as making loans and issuing bonds.

Proprietary fund statements provide both long-term and short-term financial information, consistent with the focus provided by the Agency financial statements, but with more detail.

The basic Proprietary Fund financial statements are presented on pages 10 through 14 of this report.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the Agency and Fund financial statements. The notes to the financial statements begin on page 15 of this report.

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
July 31, 2012

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain New York State required supplementary information concerning the Agency's issuance of bonds, a limited obligation of the Agency and straight leases. This information begins on Page 21.

Financial Analysis of the Agency

The Agency's net assets at fiscal year end are \$18,874,016. This is a \$111,301 decrease over last year's net assets of \$18,985,317. The following table provides a summary of the Agency's net assets:

	Business-type Activities 2012	Business-type Activities 2011	Percent Change
Cash and other assets	\$ 10,419,840	\$ 10,764,454	-3.2%
Loans Receivable	9,363,247	9,049,352	3.5%
Total assets	<u>\$ 19,783,087</u>	<u>\$ 19,813,806</u>	<u>-0.2%</u>
Liabilities	<u>\$ 909,071</u>	<u>\$ 828,489</u>	<u>9.7%</u>
Net assets			
Restricted	13,326,297	13,343,989	-0.1%
Unrestricted	5,547,719	5,641,328	-1.7%
Total net assets	<u>\$ 18,874,016</u>	<u>\$ 18,985,317</u>	<u>-0.6%</u>

Business-type activities realize benefits from loan repayments and administrative fees for company project assistance.

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
July 31, 2012

Financial Analysis of the Agency (continued)

The following table provides a summary of the Agency's changes in net assets:

	Business-type Activities			
	2012	Percent of Total	2011	Percent of Total
Revenues				
Charges for services	\$ 156,649	24.5%	\$ 362,661	46.4%
Rent income	63,446	9.9%	3,296	0.4%
Interest - loans	233,081	36.5%	225,762	28.9%
Interest - savings	12,229	1.9%	13,900	1.8%
Payments in Lieu of Taxes	173,838	27.2%	175,963	22.5%
Total revenues	<u>639,243</u>	<u>100.0%</u>	<u>781,582</u>	<u>100.0%</u>
Expenses				
Administration	220,681	29.4%	194,749	46.1%
Professional fees	177,418	23.6%	66,908	15.8%
Cogeneration facility	-	0.0%	38,557	9.1%
Building insurance	23,194	3.1%	-	0.0%
Depreciation expense	23,750	3.2%	-	0.0%
Other	9,475	1.3%	6,353	1.5%
Provision for uncollectible loans	296,026	39.4%	116,029	27.5%
Total expenses	<u>750,544</u>	<u>100.0%</u>	<u>422,596</u>	<u>100.0%</u>
Change in net assets before non-recurring item	(111,301)	<u>-0.6%</u>	358,986	<u>2.1%</u>
Cogeneration facility settlement	<u>-</u>		<u>1,500,000</u>	
Change in net assets	(111,301)		1,858,986	
Beginning net assets	<u>18,985,317</u>		<u>17,126,331</u>	
Ending net assets	<u>\$ 18,874,016</u>		<u>\$ 18,985,317</u>	

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
July 31, 2012

Financial Analysis of the Agency's Fund

Agency Proprietary Fund

As discussed, the Agency proprietary fund is reported in the fund statements with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The Agency proprietary fund reported ending net assets of \$17,766,534. Of this year-end total, \$5,547,719 is unrestricted indicating availability for continuing Agency service requirements. Restricted net assets consist of \$12,218,815 for economic development loans to the business community funded with federal grants, county authorized pilot funding and loan repayments.

The total ending net assets of the Agency proprietary fund shows an increase of \$14,247 over the prior year. This increase is primarily the result of the events and programs described within the analysis of the Agency's business-type activities.

The Agency also receives one-time HUD grants for loans to assist in economic development.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's finances, comply with finance-related laws and regulations, and demonstrate the Agency's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the County of Oswego Industrial Development Agency, 44 West Bridge Street, Oswego, NY 13126.

L. Michael Treadwell
Chief Executive Officer

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Statements of Net Assets

	July 31,	
	2012	2011
ASSETS		
Current assets		
Cash - unrestricted	\$ 4,488,634	\$ 4,170,504
Cash - restricted	4,725,236	5,364,230
Loans receivable	1,308,258	1,596,095
Total current assets	<u>10,522,128</u>	<u>11,130,829</u>
Other assets		
Loans receivable - long term	8,422,524	7,692,112
Allowance for uncollectible loans receivable	(367,535)	(238,855)
Net loans receivable	<u>8,054,989</u>	<u>7,453,257</u>
Project assets, net	<u>1,205,970</u>	<u>1,229,720</u>
	<u>\$ 19,783,087</u>	<u>\$ 19,813,806</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Deferred revenue	\$ 25,490	\$ 13,967
Accounts payable and other liabilities	1,081	2,022
PILOT payable	70,000	-
Total current liabilities	<u>96,571</u>	<u>15,989</u>
Non-current liabilities		
Loan payable	112,500	112,500
Mortgage payable	700,000	700,000
Total liabilities	<u>909,071</u>	<u>828,489</u>
Net assets		
Restricted - cash	4,725,236	5,364,230
Restricted - loans receivable	8,601,061	7,979,759
Unrestricted	5,547,719	5,641,328
Total net assets	<u>18,874,016</u>	<u>18,985,317</u>
	<u>\$ 19,783,087</u>	<u>\$ 19,813,806</u>

The accompanying notes are an integral part of these financial statements

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Statements of Activities

	For the years ended July 31,	
	2012	2011
REVENUES		
Administration and application fees	\$ 156,649	\$ 362,661
Interest on savings	12,229	13,900
Interest on loans	233,081	225,762
Payments in lieu of taxes	173,838	175,963
Rent income	63,446	3,296
Total revenues	<u>639,243</u>	<u>781,582</u>
EXPENSES		
Administration:		
Administration fee	200,000	187,500
Dues	535	1,194
Professional fees	177,418	66,908
Miscellaneous	20,146	6,055
Cogeneration facility expenses (Note 8)	-	38,557
Provision for uncollectible loans	296,026	116,029
Building insurance	23,194	-
Depreciation expense	23,750	-
Other expenses	9,475	6,353
Total expenses	<u>750,544</u>	<u>422,596</u>
Change in net assets before non-recurring item	(111,301)	358,986
Cogeneration facility settlement (Note 8)	-	1,500,000
Change in net assets	(111,301)	1,858,986
Net assets, beginning of year	<u>18,985,317</u>	<u>17,126,331</u>
Net assets, end of year	<u>\$ 18,874,016</u>	<u>\$ 18,985,317</u>

The accompanying notes are an integral part of these financial statements

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Statements of Net Assets - Proprietary Fund

ASSETS	For the years ended July 31,	
	2012	2011
Current assets		
Cash - unrestricted	\$ 4,488,634	\$ 4,170,504
Cash - restricted	4,725,236	5,364,230
Loans receivable - current	1,308,258	1,596,095
Total current assets	<u>10,522,128</u>	<u>11,130,829</u>
Other assets		
Loans receivable	8,422,524	7,692,112
Allowance for uncollectible loans receivable	(367,535)	(238,855)
Net loans receivable	<u>8,054,989</u>	<u>7,453,257</u>
Project assets, net	1,205,970	1,229,720
Total assets	<u>\$ 19,783,087</u>	<u>\$ 19,813,806</u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Deferred revenue	\$ 1,132,972	\$ 1,246,997
Accounts payable and other liabilities	1,081	2,022
PILOT payable	70,000	-
Total current liabilities	<u>1,204,053</u>	<u>1,249,019</u>
Non-current liabilities		
Loan payable	112,500	112,500
Mortgage payable	700,000	700,000
Total liabilities	<u>2,016,553</u>	<u>2,061,519</u>
Net assets		
Restricted - cash	4,725,236	5,364,230
Restricted - loans receivable	7,493,579	6,746,729
Unrestricted	5,547,719	5,641,328
Total net assets	<u>17,766,534</u>	<u>17,752,287</u>
	<u>\$ 19,783,087</u>	<u>\$ 19,813,806</u>

The accompanying notes are an integral part of these financial statements

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Reconciliation of the Statement of Net Assets - Proprietary Fund
to the Statement of Net Assets
For the year ended July 31, 2012

Total net assets - proprietary fund	\$ 17,766,534
Deferred revenues are recorded in accordance with grant accounting rules to account for HUD revolving loan funds, but eliminated as government-wide liabilities.	<u>1,107,482</u>
Total net assets - government-wide	<u>\$ 18,874,016</u>

The accompanying notes are an integral part of these financial statements

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Statements of Revenues, Expenditures and Changes in Net Assets - Proprietary Fund

	For the years ended July 31,	
	2012	2011
REVENUES		
Administration and application fees	\$ 156,649	\$ 362,661
Interest on savings	12,229	13,900
Interest on loans	222,128	211,652
Payments in lieu of taxes	173,838	175,963
Rent income	63,446	3,296
Federal funds - loan repayments		
Principal	125,548	140,929
Interest	10,953	14,110
Total revenues	<u>764,791</u>	<u>922,511</u>
EXPENDITURES		
Administration:		
Administration fee	200,000	187,500
Dues	535	1,194
Professional fees	177,418	66,908
Miscellaneous	20,146	6,055
Cogeneration facility expenses (Note 8)	-	38,557
Provision for uncollectible loans	296,026	116,029
Building insurance	23,194	-
Depreciation expense	23,750	-
Other expenses	9,475	6,353
Total expenditures	<u>750,544</u>	<u>422,596</u>
Change in net assets before non-recurring item	<u>14,247</u>	<u>499,915</u>
Cogeneration facility settlement (Note 8)	<u>-</u>	<u>1,500,000</u>
Change in net assets	14,247	1,999,915
Net assets, beginning of year	<u>17,752,287</u>	<u>15,752,372</u>
Net assets, end of year	<u>\$ 17,766,534</u>	<u>\$ 17,752,287</u>

The accompanying notes are an integral part of these financial statements

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Reconciliation of the Statement of Revenues and Expenditures
to the Statement of Activities
For the year ended July 31, 2012

Change in net assets - proprietary fund	\$ 14,247
Principal on loan repayments and federal fund expenditures are recorded in accordance with grant accounting rules to account for HUD revolving loan funds, but eliminated as government-wide revenue and expense.	<u>(125,548)</u>
Change in net assets of statement of activities	<u>\$ (111,301)</u>

The accompanying notes are an integral part of these financial statements

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Statements of Cash Flows - Proprietary Fund

	For the years ended July 31,	
	2012	2011
Cash flows from operating activities:		
Cash received for administration/application fees	\$ 156,649	\$ 362,661
Cash received for PILOT program	173,838	175,963
Cash received for interest	245,310	239,662
Cash received for rent	63,446	3,296
Cash received for loan repayments	1,372,229	1,754,601
Cash received for cogeneration facility	-	1,500,000
Cash paid for loan receivables	(1,982,150)	(2,122,769)
Cash paid for administration	(200,000)	(187,500)
Cash paid for cogeneration facility expenses	-	(38,557)
Cash paid for professional fees	(177,418)	(66,908)
Cash paid for other operating expenses	27,232	(34,935)
Net cash provided by operating activities	<u>(320,864)</u>	<u>1,585,514</u>
Cash flows from investing activities:		
Cash paid for the purchase of a project asset	-	(250,000)
Cash flows from financing activities:		
Cash received from loan payable	-	112,500
Net change in cash	<u>(320,864)</u>	<u>1,448,014</u>
Cash, beginning of year	9,534,734	8,086,720
Cash, end of year	<u>\$ 9,213,870</u>	<u>\$ 9,534,734</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Change in net assets	\$ 14,247	\$ 1,999,915
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	23,750	-
Net change in loans receivable	(442,575)	(367,193)
Net change in allowance for loans receivable	128,680	115,054
Net change in deferred revenue	(114,025)	(140,929)
Net change in accounts payable and PILOT payable	69,059	(21,333)
Net cash (used in) provided by operating activities	<u>\$ (320,864)</u>	<u>\$ 1,585,514</u>
Supplemental disclosure of non-cash financing transaction:		
Debt incurred for the purchase of project asset	<u>\$ -</u>	<u>\$ 700,000</u>

The accompanying notes are an integral part of these financial statements

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Nature of Operations

The County of Oswego Industrial Development Agency (the Agency) was created as a public benefit corporation by the County of Oswego (the County) under provisions of the laws of New York State (the State) for the purpose of encouraging economic growth in the County of Oswego. The Agency is exempt from federal, state and local income taxes. The Agency, although established by and as a component unit of the County of Oswego, is a separate entity and operates independently of the County of Oswego.

The Agency has previously implemented the reporting model standards required by Government Accounting Standards Board (GASB) Statement No. 34. GASB 34 generally requires two sets of financial statements: one set to report in accordance with government fund accounting; one set to report with a business focus similar to the private sector with full accrual accounting.

Basis of Accounting

The accounts of the Agency are maintained on the accrual basis of accounting. The Agency is regulated by the Office of the State Comptroller and must maintain its records in accordance with the prescribed New York State "Uniform System of Accounts for Industrial Development Agencies."

Grant Accounting

Pass-through grants are recorded as receivables, revenues, liabilities and expenses when awarded. All other grants are recorded as receivables and deferred revenues upon award of the contracts; revenues are recognized as the Agency meets performance requirements of the contracts. Unpaid loans, which consist of federal funds, are reflected as Loans Receivable and Deferred Revenue.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In accordance with FASB ASC 855, the Organization evaluated subsequent events through October 22, 2012, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Notes to the Financial Statements

1. Summary of Significant Accounting Policies (continued)

Equity Classification

Restricted net assets – reports net assets when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the Agency.

2. Revolving Economic Development Funds

The Agency has a revolving economic development fund offering low and no interest loans and lease financing, to area businesses and tax-exempt organizations. The loan rates are approved by the governing board after giving consideration to the enhancement of the local economic environment. Revenue recognition on these loans/leases is limited to the receipt of interest. However, repayment of loans of federal funds is recognized as the receipt of federal funds in the accompanying Statement of Revenues, Expenditures and Changes in Net Assets.

3. Industrial Development 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, County 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 bond and note holders. Funds arising from these transactions 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 July 31, 2012 the original issue value of bonds aggregated \$275,120,246 and the outstanding balance was \$25,043,628.

The Agency takes title to the property as security interest and retains such title until the bonds are paid in full. When real property is involved, a Payment in Lieu of Taxes Agreement is also executed. The Agency has limited liability on bonds issued. Since the financing arrangement is basically a sale/leaseback arrangement, the Agency is liable to the extent of resources received under the sale/leaseback agreement. Additionally, members, directors or officers of the issuer have no personal liability in connection with the issuance of the bonds.

4. Investments

The Agency's investment policies are governed by State statutes. In addition, the Agency has its own written investment policy. Agency monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The Secretary/Treasurer is authorized to use demand accounts and

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Notes to the Financial Statements

4. Investments (continued)

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 deposits at 105% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

5. Related Party

The Agency provides a share of the funding for Operation Oswego County, Inc. (OOC), a separate tax-exempt development corporation. The financial records of the Agency are maintained at the offices of OOC. During fiscal years 2012 and 2011, the Agency disbursed \$200,000 and \$187,500, respectively, to OOC as an administrative support fee.

The Agency has also made interest-free loans to OOC for building construction. Loans receivable from OOC were approximately \$1,653,000 and \$1,768,000 at July 31, 2012 and 2011, respectively.

6. Cash and Cash Equivalents

The Agency considers all short-term investments purchased with a maturity of three months or less to be cash equivalents. At various times during the year, the Agency's cash and cash equivalent balances exceeded the insured limits of the Federal Deposit Insurance Corporation. However, the Agency's accounts were fully collateralized by securities pledged by the depository bank at July 31, 2012.

7. Allowance for Uncollectible Loans Receivable

Management evaluates the allowance for uncollectible loans annually based on review of delinquent outstanding loans along with other known client factors to estimate uncollectible amounts. Based on management's evaluation, the allowance was determined to be approximately \$368,000 and \$239,000 at July 31, 2012 and 2011, respectively.

8. Contingencies

The Agency is subject to Federal and State audit and inspection to determine compliance with contract requirements.

During fiscal year 2010, the Agency was the plaintiff in litigation involving Fulton Cogeneration Associates and its general partners. The Agency attached property in connection with the litigation in the amount of approximately \$3.33 million and recognized it as revenue in 2011 and 2010. On December 31, 2010, the Agency received a final settlement payment of \$1.5 million and recorded it as Cogeneration facility revenue in the Statement of Activities during 2011. Through July 31, 2011, the Agency has incurred actual expenses of approximately \$815,000 in connection with the litigation. There was no such expense incurred during fiscal year 2012.

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Notes to the Financial Statements

9. Restricted Cash

The segregation of cash is a contractual requirement, except for the designated funds. The Agency maintains separate cash accounts for federal funds, payment in lieu of taxes (PILOT) revolving economic development funds, micro enterprise revolving loan funds and designated grant funds, as follows:

	<u>2012</u>	<u>2011</u>
Federal Funds	\$ 1,153,340	\$ 1,346,951
PILOT Funds	2,954,127	3,441,578
Micro Enterprise	393,399	362,634
IRP Funds	224,370	213,067
	<u>\$ 4,725,236</u>	<u>\$ 5,364,230</u>

Approved PILOT financing loan commitments at July 31, 2012 of approximately \$1,941,000 reduce the available restricted cash balance in the PILOT funds to approximately \$1,013,000.

The Agency, per contractual requirements, maintains revolving economic development funds in which principal and interest repayments on current financing are a source of funds for future financing to businesses. Such fund balances are, therefore, also restricted. Balances are as follows:

	<u>2012</u>	<u>2011</u>
PILOT Funds	\$ 7,327,534	\$ 6,563,824
HUD Funds	1,033,351	1,134,227
HUD Micro Enterprise Funds	98,840	131,708
IRP Loan	141,335	150,000
Total	<u>8,601,060</u>	<u>7,979,759</u>
Less deferred revenue	<u>(1,107,481)</u>	<u>(1,233,030)</u>
	<u>\$ 7,493,579</u>	<u>\$ 6,746,729</u>

10. Due to Other Governments

The Agency maintains a separate savings account for Federal Funds, as indicated in Note 9. Interest earned on the Federal Funds is required to be remitted to the Department of Housing and Urban Development (HUD) shortly after December 31, 2012. This is recorded in accounts payable and other liabilities and amounted to \$581 and \$1,522 at July 31, 2012 and 2011, respectively.

The Agency also acts as a conduit for the receiving and disbursing of PILOT payments, at July 31, 2012, the agency owed \$70,000 to Oswego County for a PILOT. At July 31, 2011, there were no PILOTs due.

11. Commitment

At July 31, 2012 approved financing applications totaled \$2,441,000.

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Notes to the Financial Statements

12. Project Assets

The Agency partnered with the City of Fulton and the Fulton Community Development Agency to purchase real property in the City of Fulton. The Agency's share of the \$1,000,000 purchase price was \$254,720. Title is in the name of the Agency. The property was leased under a ten year lease (with a five year extension) for \$12,000 annually through September 2014. Rent is adjusted upward every five years based on a Consumer Price Index formula, limited to a maximum 10 percent increase. The Agency's share of the annual rent is \$3,000.

In addition, the Agency expended \$25,000 to purchase real property for possible expansion by a developing company in the future.

The Agency purchased a building which was being foreclosed on in the amount of \$950,000. The Agency is leasing the building back to the company which was foreclosed on so that they may maintain operations. The future minimum lease payments are \$44,000 through fiscal 2013. The Agency plans to sell the building back to the company. The useful life of the building is thirty-nine years and depreciation will be calculated using the straight-line method. The asset was acquired at the end of fiscal year 2011 and therefore, began to be depreciated during this year. Depreciation expense for the year ended July 31, 2012 was \$23,750, there was no depreciation expense at July 31, 2011.

13. Long-Term Debt

Long-term liability balances and activity for the year are summarized below:

	Balance at July 31, 2011	Additions	Reductions	Balance at July 31, 2012	Amounts Due Within One Year
Mortgage payable	\$ 700,000	\$ -	\$ -	\$ 700,000	\$ -
Loan payable	112,500	-	-	112,500	-
Total	<u>\$ 812,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 812,500</u>	<u>\$ -</u>

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Notes to the Financial Statements

13. Long-Term Debt (continued)

The following is a summary of the maturity of long-term indebtedness:

	Mortgage Payable		Loan Payable	
	Principal	Interest	Principal	Interest
Year ended July 31,				
2013	\$ -	\$ 19,250	\$ -	\$ 1,125
2014	-	19,250	3,502	1,125
2015	-	19,250	3,537	1,090
2016	-	19,250	3,572	1,055
2017	-	19,250	3,608	1,019
Thereafter	700,000	190,570	98,281	12,753
	<u>\$ 700,000</u>	<u>\$ 286,820</u>	<u>\$ 112,500</u>	<u>\$ 18,167</u>

14. Reclassifications

Certain items in the fiscal 2011 statements have been reclassified to conform to the fiscal 2012 presentation. These reclassifications had no effect on the changes in net assets previously reported.

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF BONDS ISSUED - A LIMITED OBLIGATION OF THE AGENCY
July 31, 2012**

Project / Owner	Purpose Code	Issued/ Maturity Date	Interest Rate	Tax Status	Beginning / Ending Balances	Jobs Before IDA Status	Current Jobs	Estimated Jobs Created / Retained For Fiscal 2012	Tax Exemptions	PILOTS
Seneca Hill Manor, Inc. 110 W. Sixth St. Oswego, NY 13126	Civic Facility	11/20/1997 8/1/2037	5.35% - 5.65%	Exempt	8,591,220 -	0	134	4 / 0	\$ -	\$ -
Oswego County Opportunities, Inc. 239 Oneida St. Fulton, NY 13069	Civic Facility	1/2/1998 7/1/2018	6.23%	Exempt	343,354 302,285	362	616	5 / 362	-	-
O.H. Properties, Inc. 110 West Sixth St. Oswego, NY 13126	Civic Facility	6/29/1999 6/1/2024	3.45% - 4.02%	Exempt	1,370,000 1,290,000	0	0	0 / 0	9,335	9,335
O.H. Properties, Inc. 110 West Sixth St. Oswego, NY 13126	Civic Facility	6/29/1999 6/1/2024	5.37% - 5.45%	Taxable	840,000 800,000	0	0	0 / 0	-	-
Springside at Seneca Hill 110 West Sixth St. Oswego, NY 13126	Civic Facility	12/6/2000 6/1/2021	3.45% - 4.02%	Exempt	2,280,000 2,160,000	0	12	0 / 0	101,840	24,396
Fulton Thermal Corporation 3981 Port St. Pulaski, NY 13142	Manufacturing	9/29/2010 10/1/2036	LIBOR rate	Exempt	10,000,000 10,000,000	223	280	26 / 223	139,837	55,935
Pathfinder Courts Norstar Dev USA, LP 1100 Emery Street Fulton, NY 13069	Civic Facility	12/27/2002 12/1/2034	2.8% above LIBOR rate	Exempt	1,389,954 1,366,343	5	7	1 / 5	3,061	3,061

COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF BONDS ISSUED - A LIMITED OBLIGATION OF THE AGENCY
July 31, 2012

<u>Project / Owner</u>	<u>Purpose Code</u>	<u>Issued/ Maturity Date</u>	<u>Interest Rate</u>	<u>Tax Status</u>	<u>Beginning / Ending Balances</u>	<u>Jobs Before IDA Status</u>	<u>Current Jobs</u>	<u>Estimated Jobs Created / Retained For Fiscal 2012</u>	<u>Tax Exemptions</u>	<u>PILOTS</u>
Oswego College Foundation, Inc. 300 Washington Blvd. Oswego, NY 13126	Civic Facility	12/18/2003 1/1/2024	per remarketing agent	Exempt	3,825,000 3,595,000	0	17	5 / 0	-	-
Oswego School District Public Library 120 East Second Oswego, NY 13126	Civic Facility	6/29/2006 12/15/2035	4-5%	Exempt	5,665,000 5,530,000	8	10	0 / 8	-	-

COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF STRAIGHT LEASES
July 31, 2012

Project / Owner	Purpose	Straight Lease End Date	Lease Amount	Jobs Before IDA Status	Current Jobs	Estimated Jobs Created / Retained For Fiscal 2012	Tax Exemptions	PILOTS
Circle T Motorsports, LLC 30003 SW 197 Avenue Homestead, FL 33030	Services	12/31/2021	A	0	29	0 / 0	\$ 43,449	\$ 46,449
Lighthouse Lanes, LLC 295 East Albany Street Oswego, NY 13126	Services	3/31/2013	A	0	12	0 / 0	37,717	30,173
Pioneer Management Group Fulton Commons 250 Clinton Street Syracuse, NY 13202	Services	12/31/2012	A	0	57	53 / 0	180,540	171,644
Huhtamaki Packaging 100 State Street Fulton, NY 13069	Manufacturing	3/31/2017	A	429	604	17 / 429	419,527	251,816
Sithe Energies 59 Independence Way Oswego, NY 13126	Electric	1/21/2013	A	0	42	0 / 0	5,501,403	5,466,666
Geo Hotel Co. P.O. Box 385 Oswego, NY 13126	Services	7/31/2014	A	0	44	23 / 0	212,289	119,425
Operation Oswego Co., Inc. Discover Day Care Center 44 West Bridge Street Oswego, NY 13126	Services	3/31/2040	A	6	6	0 / 6	25,614	2,492

COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF STRAIGHT LEASES
July 31, 2012

Project / Owner	Purpose	Straight Lease End Date	Lease Amount	Jobs Before IDA Status	Current Jobs	Estimated Jobs Created / Retained For Fiscal 2012	Tax Exemptions	PILOTS
McIntosh Box & Pallet P.O. Box 127 East Syracuse, NY 13057	Manufacturing	1/31/2016	A	30	56	0 / 27	5,853	4,682
Operation Oswego Co., Inc. SUNY Oswego Continuing Education Center 44 West Bridge Street Oswego, NY 13126	Services	3/31/2025	A	6	6	0 / 6	23,714	6,138
Brookfield Power (Orwell) Erie Blvd. Hydropower, L.P. 225 Greenfield Parkway Liverpool, NY 13138	Electric	12/31/2012	A	2	4	2 / 2	927,432	600,000
Fulton Tool Company, Inc. 802 W. Broadway Fulton, NY 13069	Manufacturing	12/31/2015	A	12	19	4 / 12	20,147	19,786
Winter Harbor, LLC 604 County Route 37 Central Square, NY 13036	Services	3/31/2015	A	0	8	0 / 0	25,083	17,558
Schuyler Street Commons Fulton Tool Company, Inc. 802 W. Broadway Fulton, NY 13069	Services	3/31/2014	A	0	0	4 / 10	32,183	23,074
Operation Oswego Co., Inc. Spec Building 44 West Bridge Street Oswego, NY 13126	Manufacturing	3/31/2027	A	6	6	0 / 6	45,675	10,562

COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF STRAIGHT LEASES
July 31, 2012

Project / Owner	Purpose	Straight Lease End Date	Lease Amount	Jobs Before IDA Status	Current Jobs	Estimated Jobs Created / Retained For Fiscal 2012	Tax Exemptions	PILOTS
Buckhout-Jones Enterprises, Inc. 7 W. Bridge Street Oswego, NY 13126	Services	3/31/2012	A	0	1	0 / 0	11,409	10,268
Whitewater Commons, Inc. 7 Bridie Square Oswego, NY 13126	Services	3/31/2013	A	0	10	0 / 0	29,761	23,809
Geo Hotel Corp d/b/a The Sub Shop 70 East First Street Oswego, NY 13126	Retail	3/1/2014	A	0	1	0 / 0	10,661	7,111
Sunoco, Inc. 376 Owen Road Fulton, NY 13069	Manufacturing	3/31/2027	A	0	67	0 / 0	1,086,608	271,652
Precision Wood Flooring Products, LLC 99 Harris Street Fulton, NY 13069	Manufacturing	3/31/2016	A	0	0	0 / 0	24,602	24,602
Riccelli Fulton PO Box 6418 Syracuse, NY 13217	Transportation	3/31/2017	A	0	2	0 / 0	65,435	32,850
Oswego Hamilton Homes, LLC Phase I 1201 East Fayette Street Syracuse, NY 13212	Other	9/1/2027	A	5	5	0 / 5	40,279	6,687

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF STRAIGHT LEASES
July 31, 2012**

<u>Project / Owner</u>	<u>Purpose</u>	<u>Straight Lease End Date</u>	<u>Lease Amount</u>	<u>Jobs Before IDA Status</u>	<u>Current Jobs</u>	<u>Estimated Jobs Created / Retained For Fiscal 2012</u>	<u>Tax Exemptions</u>	<u>PILOTS</u>
Oswego Hamilton Homes, LLC Phase II 1201 East Fayette Street Syracuse, NY 13212	Other	9/1/2027	A	5	5	0 / 5	32,285	6,567
Oswego Hamilton Homes, LLC Phase III 1201 East Fayette Street Syracuse, NY 13212	Other	9/1/2027	A	5	5	0 / 5	37,789	6,567
Wire Road, LLC 5879 Sugar Bush Drive Tully, NY 13159	Other	12/31/2021	A	0	35	35 / 0	48,038	19,215
Operation Oswego Co., Inc. Oswego County Start-Up Facility 44 West Bridge Street Oswego, NY 13126	Other	12/31/2050	A	6	6	0 / 6	11,114	1,747
Operation Oswego Co., Inc. Oswego County Business Expansion Center 44 West Bridge Street Oswego, NY 13126	Other	12/31/2050	A	6	6	0 / 6	25,250	1,548
Oneida Lake Ready-Mix, LLC 2915 State Route 49 Central Square, NY 13036	Manufacturing	3/31/2029	A	0	7	1 / 1	4,464	1,116
Otis Products, Inc. 6987 Laura St. Lyons Falls, NY 13368	Manufacturing	3/31/2030	A	0	6	0 / 0	31,464	21,278

COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF STRAIGHT LEASES
July 31, 2012

<u>Project / Owner</u>	<u>Purpose</u>	<u>Straight Lease End Date</u>	<u>Lease Amount</u>	<u>Jobs Before IDA Status</u>	<u>Current Jobs</u>	<u>Estimated Jobs Created / Retained For Fiscal 2012</u>	<u>Tax Exemptions</u>	<u>PILOTS</u>
Captain's Quarters G&S Broadwell, Inc. 26 East First Street Oswego, NY 13126	Services	7/31/2030	A	0	22	0 / 0	138,409	70,000
Champlain Valley Specialty of New York, Inc. 8033 State Route 104 Oswego, NY 13126	Manufacturing	12/31/2031	A	0	28	28 / 0	34,227	8,557



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CERTIFIED PUBLIC ACCOUNTANTS PLLC

Formerly Green & Seifert CPAs

**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***

Agency Members

County of Oswego Industrial Development Agency
44 West Bridge Street
Oswego, New York 13126

We have audited the financial statements of the County of Oswego Industrial Development Agency (the Agency) as of and for the year ended July 31, 2012, and have issued our report thereon dated October 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the 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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Oswego 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 the 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 report under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of Oswego Industrial Development Agency in a separate letter dated October 22, 2012.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Bresman St. Amos CPAs

Syracuse, New York

October 22, 2012