PORT OF OSWEGO AUTHORITY

FINANCIAL STATEMENTS
March 31, 2012 and 2011

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BOWERS & COMPANY CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

BOARD OF MEMBERS
PORT OF OSWEGO AUTHORITY
OSWEGO, NEW YORK

We have audited the accompanying basic financial statements of the Port of Oswego Authority, a component unit of the State of New York, as of and for the years ended March 31, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The financial statements as of March 31, 2011, were audited by Sovie & Bowie CPAs, PC, who merged with Bowers & Company, CPAs, PLLC as of January 1, 2012, and whose report dated June 16, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Port of Oswego Authority as of March 31, 2012 and 2011, and the results of its operations and its cash flows for the years 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 a report dated June 4, 2012 on our consideration of the Port of Oswego Authority'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 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bowers & Company

Watertown, New York
June 4, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended March 31, 2012

Our discussion and analysis of Port of Oswego Authority's financial performance provides an overview of the Port's financial activities for the fiscal year ended March 31, 2012. Please read it in conjunction with the Port's basic financial statements, which begin on page 8.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets, and Statements of Cash Flows (on pages 8 through 11) provide information about the activities of the Port and present a longer-term view of the Port's finances.

NET ASSETS
MARCH 31, 2012, 2011 AND 2010

	2012	2011	2010
Current Assets and Other Assets	$ 967,529	$ 544,379	$ 857,268
Other Asset	0	83,707	83,707
Other Asset - Property Held for Lease	2,192,433	4,657,963	2,507,046
Capital Assets	7,900,436	8,078,431	8,586,847
Total Assets	$ 11,060,398	$ 13,364,480	$ 12,034,868
Long Term Liabilities	4,077,322	5,815,560	4,359,160
Other Long Term Liabilities	1,104,736	838,177	613,879
Current Liabilities	590,096	708,543	1,002,692
Total Liabilities	$ 5,772,154	$ 7,362,280	$ 5,975,731
Net Assets:			
Invested in Capital Assets, Net of Related Debt	5,606,395	6,473,386	6,054,412
Unrestricted	(318,151)	(471,186)	4,725
Total Net Assets	$ 5,288,244	$ 6,002,200	$ 6,059,137

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended March 31, 2012

The total net assets of the Port decreased by 12 percent ($5,288,244 in 2012 compared to $6,002,200 in 2011).

The total net assets of the Port decreased by 1 percent ($6,002,200 in 2011 compared to $6,059,137 in 2010).

CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2012, 2011 AND 2010

	2012	2011	2010
REVENUES			
Operating Revenue	$ 2,663,167	$ 3,208,413	$ 2,234,677
Nonoperating Revenue	147,925	459,843	357,876
Total Revenue	2,811,092	3,668,256	2,592,553
EXPENSES			
Operating Expenses	2,751,466	2,763,480	2,510,642
Other Operating Expenses - Depreciation	772,532	660,277	578,728
Other Operating Expenses - OPEB Expense	277,886	264,888	252,598
Nonoperating Expenses	77,595	51,091	18,631
Total Expenses	3,879,479	3,739,736	3,360,599
Loss Before Capital Contributions	(1,068,387)	(71,480)	(768,046)
Capital Contributions	354,431	14,543	320,275
Net Assets - Beginning of Year	6,002,200	6,059,137	6,506,908
Net Assets - End of Year	$ 5,288,244	$ 6,002,200	$ 6,059,137

Total revenue decreased by 23 percent ($2,811,092 in 2012 compared to $3,668,256 in 2011). Total expenses increased by 4 percent ($3,879,479 in 2012 compared to $3,739,736 in 2011).

Total revenue increased by 41 percent ($3,668,256 in 2011 compared to $2,592,553 in 2010). Total expenses increased by 11 percent ($3,739,736 in 2011 compared to $3,360,599 in 2010).

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended March 31, 2012

CAPITAL ASSETS AND PROPERTY HELD FOR LEASES
NET OF ACCUMULATED DEPRECIATION
MARCH 31, 2012, 2011 AND 2010

	2012	2011	2010
Capital Assets	$ 7,900,436	$ 8,078,431	$ 8,586,847
Property Held For Leases	2,192,433	4,657,963	2,507,046
Total	$ 10,092,869	$ 12,736,394	$ 11,093,893

At March 31, 2012 total capital assets and property held for leases decreased by 21 percent or $2,643,525 decrease from 2011.

At March 31, 2011 total capital assets and property held for leases increased by 15 percent or $1,642,501 increase from 2010.

LONG-TERM DEBT
MARCH 31, 2012, 2011 AND 2010

	2012	2011	2010
Notes and Loan Payable	$ 265,284	$ 2,068,637	$ 553,188
New York State Retirement System	44,253	14,121	7,039
Advances Due to State of New York	3,855,926	3,905,926	3,905,926
Capital Lease Obligation	52,736	73,500	93,239
Less Current Portion Due within One Year	(140,877)	(246,624)	(200,232)
Total	$ 4,077,322	$ 5,815,560	$ 4,359,160

At March 31, 2012 total long-term debt decreased by $1,738,238 from 2011.

The New York State Advance agreement expired on March 31, 2005. The Port is in the process of negotiating a new agreement.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended March 31, 2012

MISSION STATEMENT

The mission of the Port of Oswego Authority is to serve as an economic catalyst in the *Central New York Development Council District Region* by providing diversified and efficient transportation services and conducting operations in a manner that promotes regional growth and development while being mindful of our responsibility to serve as a steward of the environment.

Adopted – September 28, 2011

Increase in revenue tons shipped through the Port of Oswego
Increase longshoremen hours
Maximize marina activity through increases in slip rental, transient movement, and fuel sales
Be a center of excellence in efficiency and safety

The Port of Oswego serves as a critical transportation link for several companies seeking domestic and international shipment of their cargoes. In addition, the Port continues to play a critical role in the economic development opportunities of the region. With *Key Performance Indicators (KPI)* in place to serve as a guiding force, the Port of Oswego Authority experienced a strong fiscal year, and continued to meet and exceed a number of the indicators. Under the direction of the Chairman, Dr. Terrence Hammill, and the entire Board of Directors, the Port Authority completed yet another strong fiscal year.

While operations continued in a strong manner, weather played a factor and dampened what could have been another record setting year. Early season rains forced closure of the Barge Canal, which did not reopen until after Memorial Day and effectively shut down vessel passages that would be serviced by the Oswego Marina. What was not impacted at the marina in spring was impacted as Hurricane Irene came through in the fall. The storm effectively shut down the canal system, and not a single vessel was serviced during the seasonal repositioning program.

The marina was not the only activity affected by weather, as a storm at a salt mine in Ontario forced closure of the terminal and canceled the import of salt into the Port of Oswego. The loss of 50,000 tons of product movement was exacerbated by the loss of the final aluminum shipment due to grounding of the vessel in the St. Lawrence Seaway.

Even with the late season loss of cargo, aluminum shipments continues to set the pace as the Port of Oswego Authority has agreements with Trafigura AG, Murabeni, Glencore, Albacour, Rio Tinto/Alcan, and recently completed negotiations with Goldman Sachs, for the supply of raw material for Novelis. A contract with International Fortune Metals was executed to ship mill scale, a byproduct of steel manufacturing, through the Port of Oswego to China. In addition, the Port continued to be a important facility for the renewable energy industry in the State of New York with the shipment of windmill components from Europe for a project located in Howard, NY.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended March 31, 2012

The transition of the International Marina to the City of Oswego was completed during FY2011-2012 with final sale provisions negotiated. While the reduction in rental slips contributed to lower revenue, marina operations became more streamlined with a concentration on the activity at the Oswego Marina.

After decades of ownership of a restaurant facility, the Board of Directors voted to dispose of the property to a private developer for the construction of a new conference center complex. The meeting location, coupled with expanded lodging and dining operations, will complement the Port's marina activities.

The Port's role as a true multi-modal facility continued with the expanded use of rail infrastructure. Shipments of corn, soybean, potash and aluminum traditional truck and waterborne movements, with nearly 1,000 rail cars shipped through the Port of Oswego. The Port's agreement with Perdue allows agriculture products to be transshipped from rail to deep-draft vessel at port facilities in Virginia, with destinations including Egypt, China and Cuba.

The Port of Oswego Authority continues to invest in facilities and equipment to serve as the "Port of Choice" in the upstate region, and the leadership of the Board of Directors and dedication of the staff and longshoremen will pave the way for a successful future. The Port Authority completed Phase I – East Terminal Connector Project, with expanded gate facilities to ease access into the Port. In addition, the Port Authority received notice of a grant award for $1.75 million through the New York State Consolidated Funding Application (CFA) to commence construction on Phase II. Security upgrades include the installation of a camera system integrating local and federal authorities with Port Authority video surveillance capabilities. Funding for the system was through the Port security Grant Program with the Federal Emergency Management Administration (FEMA).

From assisting manufacturing companies in meeting their logistics management solutions to providing the best customer service to the boating community, the Port stands poised to be an economic development catalyst for Oswego County and beyond.

STATEMENT OF NET ASSETS
March 31, 2012 and 2011

ASSETS

	2012	(Restated) 2011
CURRENT ASSETS		
Cash and Cash Equivalents	$ 519,545	$ 74,151
Certificates of Deposit	163,702	162,278
Certificates of Deposit - Reserved for Marina Improvements	15,236	15,133
Accounts Receivable	98,817	200,227
Insurance Claim Receivable	0	74,098
Grant Receivable	139,788	0
Prepaid Expenses	30,441	18,492
Total Current Assets	967,529	544,379
CAPITAL ASSETS - Net of Accumulated Depreciation		
Construction Work in Progress	280,732	60,461
Land and Land Improvements	3,681,152	3,977,688
Buildings and Improvements	3,487,145	3,673,602
Equipment and Software	451,407	366,680
Total Capital Assets - Net of Accumulated Depreciation	7,900,436	8,078,431
OTHER ASSETS		
Note Receivable	0	83,707
Property Held for Leases (Net of Accumulated Depreciation of $1,370,648 and $1,555,885, Respectively)	2,192,433	4,657,963
Total Other Assets	2,192,433	4,741,670
TOTAL ASSETS	$ 11,060,398	$ 13,364,480

See notes to financial statements.

LIABILITIES AND NET ASSETS

	2012	(Restated) 2011
CURRENT LIABILITIES		
Accounts Payable	$ 158,585	$ 165,035
Accrued Payroll and Related Charges	37,000	52,141
Retainage Payable	25,502	16,600
Accrued Vacation Compensation	16,102	18,267
Line of Credit	154,188	149,434
Deferred Revenue	57,842	60,442
Current Portion of Long-Term Debt	140,877	246,624
Total Current Liabilities	590,096	708,543
LONG-TERM LIABILITIES		
Long-Term Debt		
New York State Retirement System	44,253	14,121
Mortgage Payable	11,997	47,145
Note Payable	253,287	304,057
Loan Payable	0	67,435
Note Payable	0	1,650,000
Capital Lease Obligation	52,736	73,500
Due State of New York	3,855,926	3,905,926
	4,218,199	6,062,184
Less: Current Portion	(140,877)	(246,624)
Total Long-Term Debt	4,077,322	5,815,560
Other Long-Term Liability:		
Postemployment Healthcare (OPEB) Liability	1,104,736	838,177
Total Long-Term Liabilities	5,182,058	6,653,737
Total Liabilities	5,772,154	7,362,280
NETS ASSETS		
Invested in Capital Assets, Net of Related Debt	5,606,395	6,473,386
Unrestricted	(318,151)	(471,186)
Total Net Assets	5,288,244	6,002,200
TOTAL LIABILITIES AND NET ASSETS	$ 11,060,398	$ 13,364,480

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended March 31, 2012 and 2011

	2012	(Restated) 2011
OPERATING REVENUES		
Rentals	$ 653,284	$ 652,304
Marina Operating Revenue	538,675	734,170
Port Operating Fees	1,471,208	1,821,939
Total Operating Revenue	2,663,167	3,208,413
OPERATING EXPENSES		
Salaries and Wages	1,028,872	1,062,168
Payroll Taxes and Fringe Benefits	252,539	246,403
Annual OPEB Expense	277,886	264,888
Employee Retirement and Pension Expense	409,239	345,772
Travel	21,913	16,689
Automotive	43,035	47,920
Office Supplies and Expense	14,279	11,030
Insurance	185,434	120,144
Advertising and Printing	3,602	3,324
Telephone and Postage	15,351	16,588
Utilities	52,618	54,527
Household Supplies	12,169	10,873
Special Supplies and Expense	36,769	56,509
Community Support	14,000	8,170
Metered Water	35,701	36,970
Professional Fees	22,574	34,972
Repairs and Maintenance	47,292	66,138
Rentals	160,109	170,599
Contract Trucking	69,431	104,169
Marina Supplies and Expense	326,076	349,706
Bad Debt Expense	463	809
Depreciation	772,532	660,277
Total Operating Expenses	3,801,884	3,688,645
TOTAL OPERATING LOSS	(1,138,717)	(480,232)
NON OPERATING REVENUE (EXPENSE)		
Gain on Sale of Capital Assets	141,239	0
Insurance Claim Revenue	4,890	457,604
Interest Expense	(77,595)	(51,091)
Interest Income	1,796	2,239
Total Nonoperating Revenue	70,330	408,752
LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,068,387)	(71,480)
Capital Contributions	354,431	14,543
Net Assets - Beginning of Year	6,002,200	6,059,137
NETS ASSETS - END OF YEAR	$ 5,288,244	$ 6,002,200

See notes to financial statements.

STATEMENTS OF CASH FLOWS
Years Ended March 31, 2012 and 2011

	2012	(Restated) 2011
OPERATING ACTIVITIES		
Receipts from Customers	$ 2,628,289	$ 3,067,441
Payments to Suppliers	(1,078,751)	(1,479,404)
Payments to Employees	(1,707,956)	(1,637,841)
Net Cash Used For Operating Activities	(158,418)	(49,804)
NON-CAPITAL FINANCING ACTIVITIES		
Insurance Claim Revenue	78,988	383,506
Net Cash Provided by Non-Capital Financing Activities	78,988	383,506
CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	354,431	14,543
Purchases of Capital Assets / Construction in Progress	(418,257)	(2,257,405)
Proceeds from Sale of Capital Assets	889,908	0
Proceeds from Capital Debt and Line of Credit	204,268	2,141,580
Principal Paid on Capital Debt and Line of Credit	(429,727)	(563,096)
Interest Paid on Capital Debt and Line of Credit	(77,595)	(74,014)
Net Cash Provided (Used) For Capital and Related Financing Activities	523,028	(738,392)
INVESTING ACTIVITIES		
Interest Earned	1,796	2,239
Net Cash Provided by Investing Activities	1,796	2,239
Net Increase (Decrease) in Cash and Cash Equivalents	445,394	(402,451)
Cash and Cash Equivalents, Beginning of Year	74,151	476,602
Cash and Cash Equivalents, End of Year	$ 519,545	$ 74,151
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED FOR OPERATING ACTIVITIES		
Operating Loss	$ (1,138,717)	$ (480,232)
Depreciation	772,532	660,277
Bad Debt Expense	463	809
Annual OPEB Expense	277,886	264,888
(Increase) Decrease in Assets:		
Accounts Receivable	(32,278)	(86,523)
Prepaid Expenses	(11,949)	74
Increase (Decrease) in Liabilities:		
Accounts Payable	(6,449)	(373,628)
Accrued Payroll and related charges	(15,141)	17,325
Accrued Vacation Compensation	(2,165)	886
Sales Tax Payable	0	(40)
Deferred Revenue	(2,600)	(53,640)
Net Cash Used For Operating Activities	$ (158,418)	$ (49,804)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 1 – ORGANIZATION

Financial Reporting Entity

The accompanying financial statements include the combined operations of the Port Facilities Development Fund established under the Port of Oswego Authority Act, as amended by Section 4, Chapter 917, of the Laws of 1960 of the State of New York and the Port of Oswego Fund established under Section 1362, Chapter 917, of the Laws of 1960 of the State of New York. Properties and income of the Port of Oswego Authority (the "Port") are exempt from taxation.

The Port is considered a component unit of the State of New York. Board Members are appointed by the Governor of the State and the Authority's budgets must be approved by the State.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Port operations consist of a Port Fund, which is a proprietary type fund. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund equity is classified as net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Use of FASB Pronouncements

The Port has elected to apply all FASB pronouncements issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements and that are developed for business enterprises.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables

Accounts receivable are stated at net estimated realizable value by writing off bad debts as they are determined to be uncollectible. An allowance for bad debts is not maintained. An allowance will be established when an event occurs in the future that would necessitate a reserve. Trade accounts receivable are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis; thus trade receivables do not bear interest.

On August 17, 2009, the Port signed a non-interest bearing promissory note in the amount of $83,707 with Pleasant Beach, LLC for a period of five years and receivable no later than May 31, 2014. The note receivable was satisfied in full during October 2011.

Grants receivable from federal and state agencies are recorded at the time the right to receive such funds occurs.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Prepaid Expenses

Expenses paid in advance are recorded as an asset and are written off over the period of benefit.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

The pier, buildings, machinery and land are stated at replacement cost, less physical deterioration as established at March 31, 1958 by an independent appraisal firm. These fixed assets were fully depreciated in a prior period. The water line is stated at a nominal value as the Port did not directly incur any cost in connection with this project. Title to and responsibility for the maintenance of the water line rests with the Port. All other facilities are stated at cost. The Port capitalizes all expenditures for property and equipment in excess of $1,000 and an estimated useful life of one year or more. Expenditures for maintenance, repairs, renewals and improvements which do not materially extend the useful lives of the assets are charged to operations when incurred.

Grants received from other governmental agencies to partially finance capital projects are shown as capital contributions and depreciation is recorded as a reduction to the invested in capital assets, net asset account.

Depreciation is computed on a straight line basis over the estimated useful lives of the assets. Full recognition of gains and losses on disposal is included in the statement of operations. Buildings and improvements are assigned lives of 10 to 60 years, equipment 5 to 10 years, furniture and fixtures 5 to 10 years, and computer software 3 years.

Accumulated depreciation of capital assets consists of the following as of March 31:

	2012	2011
Land Improvements	$ 2,842,648	$ 2,546,111
Buildings and Improvements	4,665,577	4,465,922
Equipment	1,543,035	1,479,599
Computer Software	22,218	22,218
Total	$ 9,073,478	$ 8,513,850

Retirement Benefit Plans

Substantially all full-time employees of the Port participate in the New York State Retirement System. The Port accrues this benefit based upon estimated rates furnished by the Retirement System and adjustments based upon actual payroll costs. Costs are funded as they are billed by the Retirement System. See Note 6 for additional information.

NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Retirement Benefit Plans - Continued

The Port also contributes to the International Longshoremen's Association Pension Fund on behalf of members of the Association. Benefits are based upon rates per hour worked by members for the Port.

Compensated Absences

The Port allows employees to accumulate unused sick leave to a maximum of 120 days. Earned vacation time can be accumulated up to 30 days in any single year. Employees may carry 10 vacation days from one year to the next or they may receive pay for unused vacation time. Upon termination, unused sick leave shall not have any monetary value, while vacation time accumulated up to 30 days will be paid to the employee.

As of March 31, 2012 and 2011, the liability for accrued vacation leave was $16,102 and $18,267 respectively.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Port considers all short-term, highly liquid investments with an original maturity of three months or less to be cash equivalents.

The Port's investment policies are governed by state statutes. The Ports's monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The executive director is authorized to use demand and time accounts and certificates of deposit. Permissible instruments include obligations of the United States of America, obligations guaranteed by agencies of the United States of America and obligations of the State of New York.

Collateral is required for demand and time deposits and certificates of deposit for 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.

NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Subsequent Events

The Port has evaluated events and transactions that occurred between March 31, 2012 and June 4, 2012, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

Restatement of the Financial Statements

In connection with the audit of the Port's financial statement for the year ended March 31, 2012, the Port determined that revenue from an insurance claim had not been recognized in the proper year. A prior period adjustment was made to recognize the insurance claim revenue and increased net assets by approximately $56,000 at March 31, 2011.

NOTE 3 – CASH

Deposits are valued at cost or cost plus interest and are categorized as either:

(1) Insured or collateralized with securities held by the entity or by its agent in the entity's name;

(2) Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or

(3) Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, its trust department, or agent but not in the entity's name.)

Total financial institution (bank) balances at March 31, 2012 per the banks were $771,741. These deposits are categorized as follows:

(1)	(2)	(3)
$ 771,741	$ 0	$ 0

The Port maintained a separate certificate of deposit for money reserved for capital improvements and repairs to Oswego Marina as authorized by the board of members. The amount reserved at March 31, 2012 and 2011 is $15,236 and $15,133 respectively.

NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 4 – NOTES PAYABLE

On September 18, 2003, the Port entered into an agreement with Key Bank to secure a $500,000 revolving line of credit. Interest is calculated at the Bank's prime rate. The line of credit was closed and paid in full during the current year.

On March 8, 2010, the Port entered into a note agreement with Pathfinder Bank to secure a $500,000 revolving line of credit. Advances are to be used to fund short-term working capital needs of the Port. The line of credit is unsecured and renewed on an annual basis. The interest rate at March 31, 2012 is 5%.

	Balance at 3/31/11	Additions	Payments	Balance at 3/31/12
Line of Credit	$ 149,435	$ 204,268	$ 199,515	$ 154,188

NOTE 5 – LONG-TERM DEBT

Long-term debt activity for the year ended March 31, 2012 was as follows:

	Balance at 3/31/11	Additions	Payments	Balance at 3/31/12
Due State of New York	$ 3,905,926	$ 0	$ 50,000	$ 3,855,926
Note Payable (Pathfinder Bank)	1,650,000	0	1,650,000	0
Note Payable	304,057	0	50,770	253,287
Mortgage Payable	47,145	0	35,148	11,997
NYS Retirement System	14,121	32,979	2,847	44,253
Loan Payable	67,435	0	67,435	0
Capital Lease Obligation	73,500	0	20,764	52,736
Total Long-Term Debt	6,062,184	$ 32,979	$ 1,876,964	4,218,199
Less Amount Due Within One Year	(246,624)			(140,877)
	$ 5,815,560			$ 4,077,322

NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 5 – LONG-TERM DEBT - Continued

Long-term debt consists of the following at March 31:

	2012	2011
1. Due to State of New York for First Instance Advances:		
a) Balance of $4,000,000 appropriated under Chapter 917, Section 9, Laws of 1960	$ 3,354,274	3,404,274
b) Balance of $550,000 appropriated under Chapter 54, Section 2, Laws of 1978	500,000	500,000
c) Balance of $400,000 appropriated under Chapter 54, Section 2, Laws of 1981	1,652	1,652
	3,855,926	3,905,926
Less - Current Portion	(50,000)	(50,000)
	$ 3,805,926	$ 3,855,926

Due State of New York for First Instance Advances

As of April 5, 1996 a fifth supplemental agreement extending the repayment terms of the above referenced advances was passed by the legislature. The terms of the fifth supplemental agreement provide that the Port will make a principal payment of $75,000 to the State of New York on or before March 1, 1996. The amount was subsequently paid after March 31, 1996. Thereafter, the Port shall make a payment of $50,000 annually on or before March 1, 1997 and each year thereafter in the amount of $50,000 to the State. This agreement shall be considered effective for the period April 1, 1990 through March 31, 2005. The terms and conditions of this agreement will continue until a new agreement is executed. Principal payment of $50,000 was made during the year ended March 31, 2012. No principal payment was made for the year ended March 31, 2011. The repayment agreement provides for a deferral of principal for which a waiver was requested by the Port for the year ended March 31, 2011.

Note Payable – Marina Improvements

The Port entered into a commercial loan agreement on November 17, 2006 in the amount of $500,000 from Pathfinder Bank to fund capital improvements to the east side marina. The terms include repayment of the loan in monthly payments of $4,777.20 including principal and interest. Interest is calculated at 70.5% of the prime rate. The interest rate at March 31, 2011 is 2.29%. The loan is scheduled to mature on November 17, 2016. Collateral for the loan is the assignment of any and all lease payments from tenants of the east side marina. The Port shall maintain a debt coverage ratio as defined in the commercial loan agreement. The Port met the debt covenant requirement for March 31, 2012. The outstanding balance at March 31, 2012 and 2011 is $253,287 and $304,057, respectively.

NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 5 – LONG-TERM DEBT - Continued

Mortgage Payable - Fish and Wildlife Building

The Port signed a promissory note with Key Bank on August 23, 2001 to borrow $300,000 to fund the construction of an addition to a building. The note included a twelve-month draw period through August 2002. The terms include 120 monthly principal and interest payments commencing September 2002. Interest is calculated at 70.5% of the bank's prime rate. The interest rate at March 31, 2012 is 2.29%. The current monthly payment is $2,989.35. The note is scheduled to mature on July 31, 2012. The collateral for the loan is the assignment of a lease between the Port and General Service Administration. The outstanding balance at March 31, 2012 and 2011 is $11,997and $47,145, respectively.

New York State Retirement System

The Port elected to amortize amount due to New York State Retirement System in the amount of $13,113 for the fiscal year ending March 31, 2005. The amortized amount will be repaid over a ten year period with an interest rate of 5%. The amount is due to mature on March 31, 2015. The outstanding balance at March 31, 2012 and 2011 is $3,182 and $5,330, respectively.

The Port elected to amortize an amount due of $8,791 to the New York State Retirement System for the fiscal year ending March 31, 2011. The amortized amount will be repaid in equal annual installments over a ten-year period with an interest rate of 5%. The amount is due to mature on February 1, 2021. The outstanding balance at March 31, 2012 and 2011 is $8,092 and $8,791, respectively.

The Port elected to amortize an amount due of $32,979 to the New York State Retirement System for the fiscal year ending March 31, 2012. The amortized amount will be repaid in equal annual installments over a ten-year period. The interest rate is 7.5%. The amount is due to mature on February 1, 2022. The outstanding balance at March 31, 2012 and 2011 is $32,979 and $0, respectively.

Alliance Bank – Loan Payable

On February 1, 2010, the outstanding balance on the line of credit at Alliance Bank was converted to a thirty month loan. The maturity date is August 1, 2012. The monthly payments consist of fixed principal payment of $4,214.67 and interest calculated at 3.75%. During October 2011, the Port paid off the remaining balance of the loan payable. The outstanding balance at March 31, 2011 was $67,435, respectively.

NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 5 – LONG-TERM DEBT - Continued

Pathfinder Bank – Note Payable

The Port entered into a commercial loan agreement on June 2, 2010 in the amount of $1,650,000 from Pathfinder Bank to install new docks and a floating breakwater system within the international marina. The terms include interest only payments during the twelve-month draw period through July 2, 2011. The terms include180 monthly principal and interest payments commencing August 2, 2011. The lender will extend the interest only payments until such time that the sale of the international marina is finalized. The interest rate is 4.10% for the first five years and then will adjust to a variable rate of the bank's prime rate plus a margin of .25%. The Port made interest only payments thru January 2012 when the entire balance of the note payable was paid off. The outstanding balance at March 31, 2011 was $1,650,000, respectively.

Capital Lease Obligations

The Port and Toyota Financial Services entered into a lease agreement dated July 7, 2009 in the amount of $105,855 for the purchase of three forklifts. The lease is payable in sixty monthly payments of $2,001 including principal and imputed interest of 5.07%. The lease expires on August 1, 2014. The outstanding principal balance at March 31, 2012 and March 31, 2011 is $52,736 and $73,500, respectively.

The future minimum lease payments under the above capital lease and the net present value of future minimum lease payments at March 31, 2012 are as follows:

Total Minimum Lease Payments	$ 56,028
Amount Representing Interest	(3,292)
Present Value of Net Minimum Lease Payments	$ 52,736

Future Maturities

Annual principal future Maturities of long-term debt are as follows:

2013	$ 140,877
2014	131,434
2015	116,397
2016	109,718
2017	91,781
Thereafter	3,627,991
Total	$ 4,218,199

NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 6 – PENSION PLAN

General Information

The Port of Oswego Authority participates in the New York State and Local Employees' Retirement System (ERS). This system is a cost sharing multiple employer, public employee retirement system. The system offers a wide range of plans and benefits which are related to years of service, and final average salary, vesting of retirement benefits, death and disability.

Plan Description

Employees' Retirement System (ERS)

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York serves as a sole trustee and administrative head of the System.

The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

Funding Policies

The System is noncontributory except for employees who joined the System after July 27, 1976 who contribute 3% of their salary. Employees in the system more than ten years are no longer required to contribute. The Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. The Port is required to contribute at an actuarially determined rate.

The required contributions for the current year and the two preceding years are as follows:

Year Ending March 31,		
2012	$	95,297
2011		61,960
2010		42,409

NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 7 – NEW YORK STATE DEPARTMENT OF TRANSPORTATION GRANT

The Port is included as a recipient of funding under the Transportation Bond Act of 2005. The Port has been allocated $2,000,000 in state grant funds for the rehabilitation of the barrel building, railroad upgrades, replacement of garage roof and paving. The State agrees to reimburse the Port 90% of eligible project costs in accordance with the terms of the grant agreement. As of March 31, 2012 and 2011 the Port has recognized and received $186,137 and $0 of grant revenue for completed projects.

NOTE 8 – OPERATING LEASE - LESSOR

The Port is the lessor of various properties under operating leases expiring in various years through the year 2030.

The following is a summary of property held for lease at March 31:

	2012	2011
Equipment	$ 0	$ 9,790
Land and Land Improvements	24,311	1,949,485
Buildings and Improvements	3,538,770	4,254,573
Accumulated Depreciation	(1,370,648)	(1,555,885)
Total	$ 2,192,433	$ 4,657,963

The future rentals include revenue from one lease that is not signed, however, the tenant is fulfilling their rental obligations and management anticipates the lease to be signed. Minimum future rentals on non-cancelable leases in the aggregate and for each of the next five years are as follows:

Year Ending March 31,	
2013	$ 470,882
2014	440,887
2015	453,054
2016	383,795
2017	379,026
Thereafter	2,839,667
Total	$ 4,967,311

NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 9 – OPERATING LEASES – LEASEE

The Port leases a 2007 Volvo L220E wheel loader from GE Capital for a seventy-two month term that expires on November 17, 2013. The monthly rental payment is $4,611.80. Rental expense for the above lease was $55,342 for the years ended March 31, 2012 and 2011, respectively.

The Port leases a Trackmobile Viking Railcar Mover from DeLage Landon Financial Services, Inc. for an eighty–four month term that expires on April 15, 2016. The monthly rental payment is $3,210. Rental expense for the years ended March 31, 2012 and 2011 was $38,520, respectively.

The Port leases a 2009 Volvo Wheel Loader L220F from Volvo Financial Services Leasing Co. for a seventy–two month term that expires on July 29, 2015. The monthly rental payment is $4,740. Rental expense for the years ended March 31, 2012 and 2011 was $56,880, respectively.

Future minimum lease payments under the operating lease as of March 31:

2013	$	150,742
2014		132,294
2015		95,400
2016		57,480
Total	$	435,916

NOTE 10 – CONTINGENT LIABILITIES

The Port is a defendant in a lawsuit. Although the outcome of this lawsuit is not presently determinable, in the opinion of the Port's attorney, the resolution will not have a material adverse effect on the financial condition of the Port.

NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 11 – POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description – The Port contributes to the Excellus Blue Cross Blue Shield Plan. The health insurance plan is open to active and retired employees or their spouses. The Board members of the Port govern the payment of postemployment health insurance benefits. Employees are eligible to retire at age fifty-five with five years of service.

Employer contributions – The Port currently pays for postemployment health care benefits on a pay-as-you-go basis. Retirees or their spouses are not required to make contributions.

The Port implemented GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, prospectively for the year ended March 31, 2010. The Port has used the GASB alternative measurement method to determine the other postemployment benefits (OPEB) calculations.

The Port does not fund the accrued net OPEB obligation.

The valuation involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing of costs between the employer and plan members to that point. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 11 – POSTEMPLOYMENT HEALTHCARE BENEFITS - Continued

Annual OPEB Cost and Net OPEB Obligation	3/31/12	3/31/12
Annual Required Contribution	$ 292,191	$ 275,372
Interest on Net OPEB Obligation	32,094	23,520
Adjustment to Annual Required Contribution	(46,399)	(34,004)
Annual OPEB Cost	277,886	264,888
Contributions made	(11,327)	(40,590)
Increase in Net OPEB Obligation	266,559	224,298
Net OPEB Obligation – beginning of year	838,177	613,879
Net OPEB Obligation – end of year	$ 1,104,736	$ 838,177

Annual OPEB Cost	$ 277,886	$ 264,888
Percentage of Annual OPEB Cost contributed	4.08%	15.32%
Net OPEB Obligation at end of year	1,104,736	838,177

Funded Status	3/31/12	3/31/11
Actuarial Accrued Liability (AAL)	2,513,268	$2,320,443
Actuarial Value of Assets	---	---
Unfunded Actuarial Accrued Liability (UAAL)	2,513,268	2,320,443
Funded Ratio (Assets as a percentage of AAL)	0.00%	0.00%
Annual Covered Payroll	---	---
UAAL as a percentage of Covered Payroll	Not Available	Not Available

Actuarial Methods and Assumptions	3/31/12	3/31/11
Investment Rate of Return	4.00%	4.00%
Expected Return on Plan Assets	N/A	N/A
Expected Return on Employer's Assets	4.00%	4.00%
Rate of compensation increase	N/A	N/A
Inflation Rate	3.25%	3.25%

NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 11 – POSTEMPLOYMENT HEALTHCARE BENEFITS - Continued

For the valuation, the Projected Unit Credit actuarial cost method was used. Select assumptions are listed in the table below:

Assumed pre-65 medical trend rates at March 31, 2012

Health care cost trend rate assumed for next fiscal year	N/A
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A
Fiscal year that the rate reaches the ultimate trend rate	N/A

Assumed post-65 medical trend rates at March 31, 2012

Health care cost trend rate assumed for next fiscal year	6.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%
Fiscal year that the rate reaches the ultimate trend rate	2015

Assumed prescription drug trend rates at March 31, 2012

Health care cost trend rate assumed for next fiscal year	8.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%
Fiscal year that the rate reaches the ultimate trend rate	2015

Additional Information

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Amortization Period	Single Amortization Period
Amortization Period (in years)	30.00
Amortization Period Status	Open
Method used to determine Actuarial Value of Assets	N/A

NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NOTE 12 – SCHEDULE OF CHANGES IN CAPITAL ASSETS AND PROPERTY HELD FOR LEASES AND ACCUMULATED DEPRECIATION - YEAR ENDED MARCH 31, 2012

	Capital Assets				Accumulated Depreciation				
	Balance 4/1/2011	Additions	Retirements	Balance 3/31/12	Balance 4/1/2011	Additions	Retirements	Balance 3/31/12	Depreciable Cost
Capital Assets:									
Construction Work in Progress	$ 60,461	$ 220,271	$ 0	$ 280,732	$ 0	$ 0	$ 0	$ 0	$ 280,732
Land and Land Improvements	6,523,800	0	0	6,523,800	2,546,112	296,536	0	2,842,648	3,681,152
Buildings and Improvements	8,139,524	22,305	9,107	8,152,722	4,465,922	208,762	9,107	4,665,577	3,487,145
Equipment	1,648,861	146,933	3,569	1,792,225	1,451,164	51,308	3,569	1,498,903	293,322
Marina Equipment	197,417	4,800		202,217	28,434	15,698		44,132	158,085
Computer Software	22,218	0	0	22,218	22,218	0	0	22,218	0
Total	$ 16,592,281	$ 394,309	$ 12,676	$ 16,973,914	$ 8,513,850	$ 572,304	$ 12,676	$ 9,073,478	$ 7,900,436
Property Held for Leases:									
Land and Land Improvements	$ 1,949,485	$ 0	$ 1,925,174	$ 24,311	$ 29,166	$ 108,090	$ 125,852	$ 11,404	$ 12,907
Equipment	9,790	0	9,790	0	933	815	1,748	0	0
Buildings and Improvements	4,254,573	0	715,803	3,538,770	1,525,786	91,321	257,863	1,359,244	2,179,526
	$ 6,213,848	$ 0	$ 2,650,767	$ 3,563,081	$ 1,555,885	$ 200,226	$ 385,463	$ 1,370,648	$ 2,192,433

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INDEPENDENT AUDITORS' REPORT ON INVESTMENT POLICY

BOARD MEMBERS
PORT OF OSWEGO AUTHORITY
OSWEGO, NEW YORK

We have audited the statement of net assets of the Port of Oswego Authority, a component unit of New York State, as of March 31, 2012 and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended and have issued our report thereon dated June 4, 2012.

During our examination we conducted an audit of the Authority's investment policies and control procedures as required by the Office of the Comptroller of the State of New York in accordance with generally accepted government auditing standards for financial and compliance audits. Based on our review of the items tested, it is our opinion that the policies and internal control practices established by the Authority are in compliance with various laws, regulations, the Authority's own investment guidelines and the State Comptroller's Investment Guidelines for Public Authorities.

With respect to items not tested, nothing came to our attention that caused us to believe that the Port of Oswego Authority had not complied, in all material respects, with those provisions.

Bowers & Company

Syracuse, New York
June 4, 2012

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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

BOARD MEMBERS
PORT OF OSWEGO AUTHORITY
OSWEGO, NEW YORK

We have audited the basic financial statements of Port of Oswego Authority, a component unit of the State of New York, as of and for the year ended March 31, 2012, and have issued our report thereon dated June 4, 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 Port of Oswego Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port of Oswego Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port of Oswego Authority'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 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.

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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. However, we identified certain deficiencies in internal control over financial reporting, described in the following paragraph that we consider to be significant deficiencies in internal control over financial reporting. Finding 2012-1 is considered a significant deficiency. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Finding 2012 – 1 Preparation of Financial Statements

In accordance with accounting standard SAS115, should management choose to allow the auditors to prepare the Organization's financial statements, including full footnote disclosure, instead of preparing the statements themselves, this is considered an internal control deficiency. While it is common practice for the auditors to prepare the financial statements for many organizations, the new standard requires us to communicate to those charged with governance this choice to have the auditors prepare the financial statements as a significant deficiency or material weakness. This is to ensure that you understand that the auditors, not management, have prepared the financial statements and allow those charged with governance the ability to determine whether the cost of implementing an appropriate control to prepare the financial statements outweighs the benefit that could be gained. An appropriate control could be hiring additional staff with the knowledge and ability to prepare the financial statements or hiring another accountant to prepare the financial statements before the audit commences.

Management Response

In accordance with the Statement of Auditing Standards (SAS) No. 115, it is the responsibility of the Port of Oswego Authority to prepare the organization's financial statements. The Port Authority chose to allow the independent auditor to prepare the financial statements for the reporting period, as has been standard practice for previous audits. It is important to note that this practice is not precluded under the new guideline, but rather is now listed as a significant deficiency under the published standards.

The Port of Oswego Authority will be working through a process by which expertise shall be developed within the staff, or a third party will be selected to prepare financial statements in accordance with SAS No. 115.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Port of Oswego Authority'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 instance of noncompliance that are required to be reported under *Government Auditing Standards*.

Port of Oswego Authority's response to the finding identified in our audit is described above. We did not audit Port of Oswego Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Members, management, and the State of New York and is not intended to be, and should not be used by anyone other than these specified parties.

Bowers & Company

Syracuse, New York
June 4, 2012