

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY**

FINANCIAL STATEMENTS

July 31, 2011 and 2010

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY**

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July 31, 2011

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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, 2011, 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, 2011, 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 25, 2011, 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 23-27, 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 combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. 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.

Green & Sifter CPAs
Syracuse, New York
October 25, 2011

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
July 31, 2011

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, 2011. 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 \$18,985,317 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$17,126,331.
- Total net assets are comprised of the following:
 - 1) Cash of \$9,534,734, of which \$5,364,230 is restricted to funding loans.
 - 2) Loans receivable, net of related allowance, of \$9,049,352.
 - 3) Net assets of \$13,343,989 are restricted by constraints imposed from outside the Agency such as the County of Oswego, grantors, laws, or regulations.
 - 4) Unrestricted net assets of \$5,641,328 represent the portion available now or as loans are repaid to maintain the Agency's economic development operations including future loans. Unrestricted cash totals \$4,170,504. Unrestricted loans total \$1,069,593 with repayments spread over several years.
- The Agency's business-type activities reported a total ending net assets of \$17,752,287 this year. This compared to the prior year ending net assets, of \$15,752,372 showing an increase of \$1,999,915 during the current year. Unrestricted net assets of \$5,641,328 for fiscal year 2011 shows a \$1,076,725 increase over the prior year.
- At the end of the current fiscal year, unrestricted net assets for the Agency was \$5,641,328 or about 13 times total expenditures and about 2 times total revenues.
- Total liabilities of the Agency increased by \$791,167 to \$828,489 during the fiscal year due primarily to the Agency acquiring a building in 2011.

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, 2011

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, 2011

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 \$18,985,317. This is a \$1,858,986 increase over last year's net assets of \$17,126,331. The following table provides a summary of the Agency's net assets:

	Business-type Activities 2011	Business-type Activities 2010	Percent Change
Cash and other assets	\$ 10,764,454	\$ 8,366,440	28.7%
Loans Receivable	9,049,352	8,797,213	2.9%
Total assets	<u>\$ 19,813,806</u>	<u>\$ 17,163,653</u>	<u>15.4%</u>
Other liabilities	<u>\$ 828,489</u>	<u>\$ 37,322</u>	<u>2119.8%</u>
Net assets			
Restricted	13,343,989	12,561,728	6.2%
Unrestricted	5,641,328	4,564,603	23.6%
Total net assets	<u>\$ 18,985,317</u>	<u>\$ 17,126,331</u>	<u>10.9%</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, 2011

Financial Analysis of the Agency (continued)

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

	Business-type Activities			
	2011	Percent of Total	2010	Percent of Total
Revenues				
Charges for services	\$ 362,661	46.4%	\$ 42,830	8.7%
Grants/miscellaneous	3,296	0.4%	3,000	0.4%
Interest - loans	225,762	28.9%	217,016	44.1%
Interest - savings	13,900	1.8%	16,263	3.3%
Payments in Lieu of Taxes	175,963	22.5%	213,044	43.3%
Total revenues	<u>781,582</u>	<u>100.0%</u>	<u>492,153</u>	<u>100.0%</u>
Expenses				
Administration	215,346	51.0%	155,558	46.0%
Professional fees	46,311	11.0%	50,375	14.9%
Cogeneration facility	38,557	9.1%	93,344	27.6%
Other	6,353	1.5%	7,710	2.3%
Provision for uncollectible loans	116,029	9.2%	30,876	9.1%
Total expenses	<u>422,596</u>	<u>100.0%</u>	<u>337,863</u>	<u>100.0%</u>
Change in net assets				
before non-recurring item	358,986	<u>2.1%</u>	154,290	<u>1.0%</u>
Cogeneration facility settlement	<u>1,500,000</u>		<u>1,853,338</u>	
Change in net assets	1,858,986		2,007,628	
Beginning net assets	<u>17,126,331</u>		<u>15,118,703</u>	
Ending net assets	<u>\$ 18,985,317</u>		<u>\$ 17,126,331</u>	

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
July 31, 2011

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 \$17,752,287. Of this year-end total, \$5,641,328 is unrestricted indicating availability for continuing Agency service requirements. Restricted net assets consist of \$12,110,959 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 \$1,999,915 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.

Major Business-Type Activities

The Agency is a proprietary fund. Net assets increased by \$1,999,915. A key factor contributing to this increase relates to litigation collections associated with Fulton Cogeneration asset disposition and the settlement with El Paso.

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,	
	2011	2010
ASSETS		
Current assets		
Cash - unrestricted	\$ 4,170,504	\$ 2,979,056
Cash - restricted	5,364,230	5,107,664
Loans receivable	1,064,155	1,596,095
Total current assets	<u>10,598,889</u>	<u>9,682,815</u>
Other assets		
Loans receivable - long term	8,224,052	7,324,919
Allowance for loans receivable	(238,855)	(123,801)
Net loans receivable	<u>7,985,197</u>	<u>7,201,118</u>
Project assets	<u>1,229,720</u>	<u>279,720</u>
	<u>\$ 19,813,806</u>	<u>\$ 17,163,653</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Deferred revenue	\$ 13,967	\$ 13,967
Accounts payable	500	500
Due to government	1,522	22,855
Total current liabilities	<u>15,989</u>	<u>37,322</u>
Non-current liabilities		
Loan payable	112,500	-
Mortgage payable	700,000	-
Total liabilities	<u>828,489</u>	<u>37,322</u>
Net assets		
Restricted - cash	5,364,230	5,107,664
Restricted - loans receivable	7,979,759	7,454,064
Unrestricted	5,641,328	4,564,603
Total net assets	<u>18,985,317</u>	<u>17,126,331</u>
	<u>\$ 19,813,806</u>	<u>\$ 17,163,653</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,	
	2011	2010
REVENUES		
Administration and application fees	\$ 362,661	\$ 42,830
Interest on savings	13,900	16,263
Interest on loans	225,762	217,016
Payments in Lieu of Taxes	175,963	213,044
Rent income	3,296	3,000
Total revenues	<u>781,582</u>	<u>492,153</u>
EXPENSES		
Administration:		
Administration fee	187,500	147,500
Dues	1,194	4,600
Professional fees	46,311	50,375
Miscellaneous	26,652	3,458
Cogeneration facility expenses (Note 8)	38,557	93,344
Provision for uncollectible loans	116,029	30,876
Other expenses	6,353	7,710
Total expenses	<u>422,596</u>	<u>337,863</u>
Change in net assets before non-recurring item	358,986	154,290
Cogeneration facility settlement (Note 8)	<u>1,500,000</u>	<u>1,853,338</u>
Change in net assets	1,858,986	2,007,628
Net assets, beginning of year	<u>17,126,331</u>	<u>15,118,703</u>
Net assets, end of year	<u>\$ 18,985,317</u>	<u>\$ 17,126,331</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,	
	2011	2010
Current assets		
Cash - unrestricted	\$ 4,170,504	\$ 2,979,056
Cash - restricted	5,364,230	5,107,664
Loans receivable - current	1,064,155	1,596,095
Total current assets	<u>10,598,889</u>	<u>9,682,815</u>
Other assets		
Loans receivable	8,224,052	7,324,919
Allowance for loans receivable	(238,855)	(123,801)
Net loans receivable	<u>7,985,197</u>	<u>7,201,118</u>
Project assets	1,229,720	279,720
Total assets	<u>\$ 19,813,806</u>	<u>\$ 17,163,653</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Deferred revenue	\$ 1,246,997	\$ 1,387,926
Accounts payable	500	500
Due to other government	1,522	22,855
Total current liabilities	<u>1,249,019</u>	<u>1,411,281</u>
Non-current liabilities		
Loan payable	112,500	-
Mortgage payable	700,000	-
Total liabilities	<u>2,061,519</u>	<u>1,411,281</u>
Net assets		
Reserved - cash	5,364,230	5,107,664
Reserved - loans receivable	6,746,729	6,080,105
Unreserved	5,641,328	4,564,603
Total net assets	<u>17,752,287</u>	<u>15,752,372</u>
	<u>\$ 19,813,806</u>	<u>\$ 17,163,653</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, 2011

Total net assets - proprietary fund	\$ 17,752,287
Deferred revenues are recorded in accordance with grant accounting rules to account for HUD revolving loan funds, but eliminated as Agency liabilities.	
	<u>1,233,030</u>
Net assets	<u><u>\$ 18,985,317</u></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,	
	2011	2010
REVENUES		
Administration and application fees	\$ 362,661	\$ 42,830
Interest on savings	13,900	16,263
Interest on loans	211,652	196,869
Payments in Lieu of Taxes	175,963	213,044
Rent income	3,296	3,000
Federal funds - loan repayments		
Principal	140,929	(58,886)
Interest	14,110	20,147
Total revenues	<u>922,511</u>	<u>433,267</u>
EXPENDITURES		
Administration:		
Administration fee	187,500	147,500
Dues	1,194	4,600
Professional fees	46,311	50,375
Miscellaneous	26,652	3,458
Cogeneration facility expenses (Note 8)	38,557	93,344
Provision for uncollectible loans	116,029	30,876
Other expenses	6,353	7,710
Total expenditures	<u>422,596</u>	<u>337,863</u>
Change in net assets before non-recurring item	<u>499,915</u>	<u>95,404</u>
Cogeneration facility settlement (Note 8)	<u>1,500,000</u>	<u>1,853,338</u>
Change in net assets	1,999,915	1,948,742
Net assets, beginning of year	<u>15,752,372</u>	<u>13,803,630</u>
Net assets, end of year	<u>\$ 17,752,287</u>	<u>\$ 15,752,372</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, 2011

Change in net assets - proprietary fund	\$ 1,999,915
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 Agency revenue and expense.	<u>(140,929)</u>
Change in net assets of Statement of Activities	<u><u>\$ 1,858,986</u></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,	
	2011	2010
Cash flows from operating activities:		
Cash received for administration/application fees	\$ 362,661	\$ 61,191
Cash received for PILOT program	175,963	213,044
Cash received for interest	239,662	233,279
Cash received for rent	3,296	3,000
Cash received for loan repayments	(368,168)	428,742
Cash received for cogeneration facility	1,500,000	1,853,338
Cash paid for administration	(187,500)	(159,313)
Cash paid for cogeneration facility expenses	(38,557)	(93,344)
Cash paid for professional fees	(46,311)	(50,375)
Cash paid for other operating expenses	(55,532)	(7,710)
Net cash provided by operating activities	<u>1,585,514</u>	<u>2,481,852</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	1,448,014	2,481,852
Cash, beginning of year	8,086,720	5,604,868
Cash, end of year	<u>\$ 9,534,734</u>	<u>\$ 8,086,720</u>
 Reconciliation of changes in net assets to net cash provided by operating activities:		
Change in net assets	\$ 1,999,915	\$ 1,948,742
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net change in loans receivable	(367,193)	454,007
Net change in allowance for loans receivable	115,054	5,611
Net change in receivables	-	18,361
Net change in deferred revenue	(140,929)	58,886
Net change in accounts payable and due to government	(21,333)	(3,755)
Net cash provided by operating activities	<u>\$ 1,585,514</u>	<u>\$ 2,481,852</u>
 Supplemental disclosure of non-cash financing transaction:		
Debt incurred for the purchase of project asset	<u>\$ 700,000</u>	<u>\$ -</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 on April 23, 1973 as a public benefit corporation by the County of Oswego under provisions of the Laws of New York 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 25, 2011, 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

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, 2011 the original issue value of bonds aggregated \$275,120,246 and the approximate outstanding balance was \$34,300,000.

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 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.

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY

Notes to the Financial Statements

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 2011 and 2010, the Agency disbursed \$187,500 and \$147,500, 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 \$1,768,000 and \$1,827,000 at July 31, 2011 and 2010, 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, 2011.

7. Allowance for Loans Receivable

Management determines an allowance for doubtful loans annually. The allowance for fiscal 2011 was determined based on specific identification of bad loans made by management. The allowance for fiscal 2010 was determined using a formula of 25% of delinquent loans six to twelve months in arrears; 50% of delinquent loans over one year in arrears with subsequent collections; and 100% of bankrupt borrowers and loans delinquent over one year without subsequent collections. Based on the specific identification and formula, the allowance approximated \$239,000 and \$124,000 at July 31, 2011 and 2010, respectively.

8. Contingency

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

The Agency is the plaintiff in litigation involving Fulton Cogeneration Associates and its general partners. The Agency has obtained a Judgment in the amount of \$4,728,799, plus interest, attorney's fees and costs. Two of the defendants have appealed the decision of the Court awarding the Judgment and that appeal is pending. The Agency attached property in connection with the litigation in the amount of approximately \$3.33 million. According to court authorization, the Agency sold the attached property and used the proceeds to pay the defaulted PILOT payments to applicable taxing authorities, which amounted to approximately \$1.48 million. The remaining proceeds from the sale, which approximated \$1.85 million, were recorded as Cogeneration facility revenue in the Statement of Activities during 2010. The Agency received a final settlement payment of \$1.5 million on December 31, 2010. Through July 31, 2011, the Agency has incurred actual expenses of approximately \$815,000 in connection with the litigation.

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:

	2011	2010
Federal Funds	\$ 1,346,951	\$ 1,183,321
PILOT Funds	3,441,578	3,520,453
Micro Enterprise	362,634	403,890
IRP Funds	213,067	-
	<u>\$ 5,364,230</u>	<u>\$ 5,107,664</u>

Approved PILOT financing loan commitments at July 31, 2011 of approximately \$3,049,500 reduce the available restricted cash balance in the PILOT funds to approximately \$392,000.

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:

	2011	2010
PILOT Funds	\$ 6,563,824	\$ 6,058,091
HUD Funds	1,134,227	1,307,916
HUD Micro Enterprise Funds	131,708	88,057
IRP Loan	150,000	-
Total	7,979,759	7,454,064
Less deferred revenue	(1,233,030)	(1,373,959)
	<u>\$ 6,746,729</u>	<u>\$ 6,080,105</u>

10. Due to Government

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, 2011. Also, the Agency acts as a conduit for the receiving and disbursing of PILOT payments. Interest due to HUD, as well as amounts due to other government agencies for PILOT payments are classified as Due to Government in the Statement of Net Assets; these amounts approximated \$1,500 and \$23,000 at July 31, 2011 and 2010, respectively.

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY

Notes to the Financial Statements

11. Commitment

At July 31, 2011 approved financing applications totaled \$3,348,500. There has not been any financing closed subsequent to year end.

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. Effective September 1, 2005, the property was leased under a ten year lease (with a five year extension) for \$12,000 annually. Rent is adjusted upward every five years based on a Consumer Price Index formula, limited to a maximum 10 percent increase. The Agency retained \$3,000 as its share of the annual rent.

In addition, the Agency purchased land for a company's expansion. The land was purchased for \$25,000 and the company will buy the land for \$25,000 when the project begins.

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 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 year end and therefore, for the year ended July 31, 2011, there is no depreciation expense or related accumulated depreciation.

13. Leases

The Agency has entered into a lease agreement to lease one of their project assets to a customer. The future minimum lease payments are as follows:

2012	\$	48,000
2013		44,000
	\$	<u>92,000</u>

14. Deferred Revenue

Estimated legal fees of \$13,967 involving a plant closing have not yet been disbursed and are reflected in the Statement of Net Assets as deferred revenue.

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY

Notes to the Financial Statements

15. Long-Term Debt

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

	Balance at July 31, 2010	Additions	Reductions	Balance at July 31, 2011	Amounts Due Within One Year
Mortgage payable	\$ -	\$ 950,000	\$ 250,000	\$ 700,000	\$ -
Loan payable	-	112,500	-	112,500	-
Total	\$ -	\$1,062,500	\$ 250,000	\$ 812,500	\$ -

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

	Mortgage Payable		Loan Payable	
	Principal	Interest	Principal	Interest
Year ended July 31,				
2012	\$ -	\$ 19,250	\$ -	\$ 1,125
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
Thereafter	700,000	209,820	101,889	13,772
	\$ 700,000	\$ 306,070	\$ 112,500	\$ 19,292

16. Reclassifications

Certain items in the fiscal 2010 statements have been reclassified to conform to the fiscal 2011 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 THIS AGENCY
July 31, 2011

Project / Owner	Purpose Code	Issued/ Maturity Date	Interest Rate	Tax Status	Beginning / Ending Balances	Estimated Jobs Created / Retained	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	8,850,342 8,591,220	0 / 0	\$ -	\$ -
Oswego County Opportunities, Inc. 239 Oneida St. Fulton, NY 13069	Civic Facility	1/2/1998 7/1/2018	6.23%	Exempt	382,360 343,354	30 / 362	-	-
St. Luke Residential Health Care Facility, Inc. 299 E. River Rd. Oswego, NY 13126	Civic Facility	4/1/1998 2/1/2038	4.35% - 5.40%	Exempt	8,345,000 -	22 / 226	-	-
St. Luke Residential Health Care Facility, Inc. 299 E. River Rd. Oswego, NY 13126	Civic Facility	4/1/1998 2/1/2012	7%	Exempt	75,000 -	0 / 0	-	-
O.H. Properties, Inc. 110 West Sixth St. Oswego, NY 13126	Civic Facility	6/29/1999 6/1/2024	3.45% - 4.02%	Exempt	1,450,000 1,370,000	0 / 0	10,051	10,051
O.H. Properties, Inc. 110 West Sixth St. Oswego, NY 13126	Civic Facility	6/29/1999 6/1/2024	5.37% - 5.45%	Taxable	880,000 840,000	0 / 0	-	-
Captain's Quarters G&S Broadwell, Inc. 26 East First Street Oswego, NY 13126	Services	10/21/1993 4/1/2015	8.3% for 7 yrs.; Prime + 1.5% for 3 yrs.	Taxable	- -	0 / 0	147,965	70,000

COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF BONDS ISSUED - A LIMITED OBLIGATION OF THIS AGENCY
July 31, 2011

Project / Owner	Purpose Code	Issued/ Maturity Date	Interest Rate	Tax Status	Beginning / Ending Balances	Estimated Jobs Created / Retained	Tax Exemptions	PILOTS
Springside at Seneca Hill 110 West Sixth St. Oswego, NY 13126	Civic Facility	12/6/2000 6/1/2021	3.45% - 4.02%	Exempt	2,385,000 2,280,000	0 / 0	109,644	23,320
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	50 / 223	64,598	25,839
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	1,412,023 1,389,954	0 / 5	2,993	2,993
Oswego College Foundation, Inc. 300 Washington Blvd. Oswego, NY 13126	Civic Facility	12/18/2003 1/1/2024	per remarketing agent	Exempt	4,045,000 3,825,000	0 / 0	-	-
Oswego School District Public Library 120 East Second Oswego, NY 13126	Civic Facility	6/29/2006 12/15/2035	4-5%	Exempt	5,775,000 5,665,000	0 / 0	-	-

COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF STRAIGHT LEASES
July 31, 2011

Project / Owner	Purpose	Straight Lease End Date	Lease Amount	Estimated Jobs Created / Retained	Tax Exemptions	PILOTS
Circle T Motorsports, LLC 30003 SW 197 Avenue Homestead, FL 33030	Services	12/31/2021	A	35 / 0	\$ 47,243	\$ 46,468
Lighthouse Lanes, LLC 295 East Albany Street Oswego, NY 13126	Services	3/31/2013	A	0 / 0	40,321	28,225
Pioneer Management Group Fulton Commons 250 Clinton Street Syracuse, NY 13202	Services	12/31/2012	A	57 / 0	176,500	159,105
Huhtamaki Packaging 100 State Street Fulton, NY 13069	Manufacturing	3/31/2017	A	0 / 429	410,139	251,816

A - Lease equals \$1.00 and/or debt service paid directly to lender

COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF STRAIGHT LEASES
July 31, 2011

Project / Owner	Purpose	Straight Lease End Date	Lease Amount	Estimated Jobs Created / Retained	Tax Exemptions	PILOTS
Sithe Energies 59 Independence Way Oswego, NY 13126	Electric	1/21/2013	A	0 / 0	\$ 20,447,831	\$ 5,466,666
Geo Hotel Co. P.O. Box 385 Oswego, NY 13126	Services	7/31/2014	A	0 / 0	226,946	119,425
Operation Oswego Co., Inc. Discover Day Care Center 44 West Bridge Street Oswego, NY 13126	Services	3/31/2040	A	0 / 0	25,312	2,427
McIntosh Box & Pallet P.O. Box 127 East Syracuse, NY 13057	Manufacturing	1/31/2016	A	0 / 27	5,836	3,794
Operation Oswego Co., Inc. SUNY Oswego Continuing Education Center 44 West Bridge Street Oswego, NY 13126	Services	3/31/2025	A	0 / 0	23,434	4,886

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COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF STRAIGHT LEASES
July 31, 2011

Project / Owner	Purpose	Straight Lease End Date	Lease Amount	Estimated Jobs Created / Retained	Tax Exemptions	PILOTS
Brookfield Power (Orwell) Erie Blvd. Hydropower, L.P. 225 Greenfield Parkway Liverpool, NY 13138	Electric	12/31/2012	A	2 / 2	\$ 767,522	\$ 600,000
Fulton Tool Company, Inc. 802 W. Broadway Fulton, NY 13069	Manufacturing	12/31/2015	A	0 / 12	19,696	19,786
Winter Harbor, LLC 604 County Route 37 Central Square, NY 13036	Services	3/31/2015	A	0 / 0	25,194	15,117
Schuyler Street Commons Fulton Tool Company, Inc. 802 W. Broadway Fulton, NY 13069	Services	3/31/2014	A	0 / 10	31,463	23,074
Operation Oswego Co., Inc. Spec Building 44 West Bridge Street Oswego, NY 13126	Manufacturing	3/31/2027	A	0 / 0	48,828	10,562
Buckhout-Jones Enterprises, Inc. 7 W. Bridge Street Oswego, NY 13126	Services	3/31/2012	A	0 / 0	11,997	9,598
Whitewater Commons, Inc. 7 Bridie Square Oswego, NY 13126	Services	3/31/2013	A	0 / 0	31,816	22,271

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COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF STRAIGHT LEASES
July 31, 2011

Project / Owner	Purpose	Straight Lease End Date	Lease Amount	Estimated Jobs Created / Retained	Tax Exemptions	PILOTS
Geo Hotel Corp d/b/a The Sub Shop 70 East First Street Oswego, NY 13126	Retail	3/1/2014	A	0 / 0	\$ 11,397	\$ 7,111
Sunoco, Inc. 376 Owen Road Fulton, NY 13069	Manufacturing	3/31/2027	A	0 / 0	1,025,306	256,327
Precision Wood Flooring Products, LLC 99 Harris Street Fulton, NY 13069	Manufacturing	3/31/2016	A	0 / 0	24,125	24,125
Sure-Lock Industries, LLC 193 East Seneca Street Oswego, NY 13126	Manufacturing	11/30/2017	A	5 / 0	31,992	34,357
Riccelli Fulton PO Box 6418 Syracuse, NY 13217	Transportation	3/31/2017	A	0 / 0	64,149	45,225
Oswego Hamilton Homes, LLC 1201 East Fayette Street Syracuse, NY 13212	Other	9/1/2027	A	0 / 0	39,324	6,567
Oswego Hamilton Homes, LLC Phase I 1201 East Fayette Street Syracuse, NY 13212	Other	9/1/2027	A	0 / 0	39,324	6,687

COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF STRAIGHT LEASES
July 31, 2011

Project / Owner	Purpose	Straight Lease End Date	Lease Amount	Estimated Jobs Created / Retained	Tax Exemptions	PILOTS
Oswego Hamilton Homes, LLC Phase II 1201 East Fayette Street Syracuse, NY 13212	Other	9/1/2027	A	0 / 0	\$ 39,324	\$ 6,567
Indeck Energy Services of Oswego, Inc. 600 North Buffalo Grove Road, Suite 300 Buffalo Grove, IL 60089	Electric	3/31/2010	A	0 / 0	226,133	226,133
Operation Oswego Co., Inc. Oswego County Start-Up Facility 44 West Bridge Street Oswego, NY 13126	Other	12/31/2050	A	0 / 0	10,983	1,846
Operation Oswego Co., Inc. Oswego County Business Expansion Center 44 West Bridge Street Oswego, NY 13126	Other	12/31/2050	A	0 / 0	26,994	1,482
Oneida Lake Ready-Mix, LLC 2915 State Route 49 Central Square, NY 13036	Manufacturing	3/31/2029	A	0 / 1	4,434	1,108
Otis Products, Inc. 6987 Laura St. Lyons Falls, NY 13368	Manufacturing	3/31/2030	A	8 / 0	-	-

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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***

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, 2011, and have issued our report thereon dated October 25, 2011. 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 25, 2011.

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.

Green + Lipton CPA's
Syracuse, New York
October 25, 2011