

OPERATION OSWEGO COUNTY, INC.

FINANCIAL STATEMENTS

December 31, 2017 and 2016



grossman st. amour

CERTIFIED PUBLIC ACCOUNTANTS PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Operation Oswego County, Inc.
Oswego, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Operation Oswego County, Inc. (the Organization), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Operation Oswego County, Inc. as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 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 of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Organization's basic financial statements. The Schedules of Supplementary Information (Statements of Functional Expenses on pages 19 and 20) are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedules of Supplementary Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Supplementary Information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2018, on our consideration of the Organization'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* in considering the Organization's internal control over financial reporting and compliance.

Grossman St. Amour CPAs

Syracuse, New York
February 26, 2018

OPERATION OSWEGO COUNTY, INC.

Management's Discussion and Analysis (unaudited)

As management of the Operation Oswego County, Inc. (the "Organization"), we offer readers of this Organization's financial statements this narrative overview and analysis of the financial activities of the Organization for the fiscal years ended December 31, 2017 and 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements.

The Organization is a local authority as defined by the New York State Public Authorities Law (PAL). As such, the Organization is subject to the reporting requirements contained in the PAL and the Public Authorities Reporting Information System.

FINANCIAL HIGHLIGHTS

- The Organization's assets exceeded its liabilities by \$3,703,184 (net position) for the fiscal year reported. This compares favorably to the previous year when assets exceeded liabilities by \$3,640,683. This represents an increase in assets in excess of liabilities of \$62,501, a 1.7% gain.
- Total liabilities of the Organization decreased by \$189,021 to \$2,101,023 during the fiscal year, a reduction of 8.3%.
- The Organization's long-term debt, which is primarily associated with the development of buildings, industrial parks and assistance to business, was reduced by \$195,888 to \$1,761,658. This represents a reduction of 11.1% from the prior fiscal year.
- Support and revenues exceeded operating expenses by \$169,757 before non-operating expenses and by \$62,501 after non-operating expenses.
- The actual changes from the previous fiscal year in support and revenue were a reduction of \$479,230 and 31.6%.
- Rental revenue was \$259,766 for the fiscal year, representing 25% of the Organization's revenue, slightly up from the previous fiscal year when it was \$257,272.

OPERATION OSWEGO COUNTY, INC.

Management's Discussion and Analysis (unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Organization's basic financial statements. The Organization's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the Organization's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the Organization's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

The Statement of Activities presents information showing how the Organization's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods. Both of the government-wide financial statements report only business-type (proprietary) activities, since none of the Organization's activities are considered to be governmental activities supported primarily by taxes.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Organization, like other component units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Organization does not have any finance-related legal requirements for funds, as such maintains its books and records consistent with other proprietary funds, which is on a basis consistent with business-type activities. The Organization's financial statements are considered a proprietary fund (enterprise fund) which is the same information as presented within the Statements of Net Position and Statements of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements. The notes to the financial statements can be found on pages 10 through 17 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Organization's financial position. In the case of the Organization, assets exceeded liabilities by \$3,703,184 and \$3,640,683 as of December 31, 2017 and 2016, respectively. This net position balance primarily represents cash and cash equivalents of \$812,819 which may be used by the Organization for future economic development needs as more fully described in the Organization's mission statement. The Organization's only fund is treated as a proprietary (business-type) fund. The following are summarized versions of the government-wide financial statements for 2017 and 2016:

OPERATION OSWEGO COUNTY, INC.

Management's Discussion and Analysis (unaudited)

Net Position		
	2017	2016
Cash	\$ 812,819	\$ 712,945
Accounts receivable and prepaid expenses	-	6,260
Deposit in loan fund	44,305	44,305
Loans receivable	1,339,203	1,452,081
Capital assets, net	3,607,880	3,715,136
Total assets	\$ 5,804,207	\$ 5,930,727
Accounts payable	\$ 30,483	\$ 26,306
Security deposits	12,790	12,610
Deferred revenue	296,092	293,582
Debt obligations	1,761,658	1,957,546
Total liabilities	\$ 2,101,023	\$ 2,290,044
Net position	\$ 3,703,184	\$ 3,640,683

Change in Net Position		
	2017	2016
Support and revenue:		
Local governments	\$ 707,765	\$ 718,703
Micro enterprise program	3,167	574
State and other grants	1,264	501,264
Rental revenue	259,766	257,272
Service charge loans	51,621	26,629
Interest income	14,393	11,270
Miscellaneous	506	2,000
Total support and revenue	1,038,482	1,517,712
Operating expenses:		
Program expenses	785,844	924,730
Management and general	82,881	84,976
Total operating expenses	868,725	1,009,706
Change in net position before depreciation	169,757	508,006
Nonoperating expenses:		
Depreciation	8,067	8,067
Rental depreciation	99,189	96,983
Loss on sale of land	-	102,880
	107,256	207,930
Change in net position	62,501	300,076
Net position at beginning of year	3,640,683	3,340,607
Net position at end of year	\$ 3,703,184	\$ 3,640,683

OPERATION OSWEGO COUNTY, INC.

Management's Discussion and Analysis (unaudited)

REQUEST FOR INFORMATION

This financial report is designed to provide readers with a general overview of the Organization's finances. If you have questions about this report or need additional information, contact the Organization's board at the Operation Oswego County, Inc., 44 West Bridge Street, Oswego, NY 13126.

OPERATION OSWEGO COUNTY, INC.

Statements of Net Position

ASSETS	December 31,	
	2017	2016
Assets:		
Cash	\$ 812,819	\$ 712,945
Accounts receivable	-	6,260
Deposit in loan fund	44,305	44,305
Loans receivable	1,339,203	1,452,081
Property and improvements, net	1,692,214	1,799,470
Land for development	1,915,666	1,915,666
	\$ 5,804,207	\$ 5,930,727
LIABILITIES AND NET POSITION		
Liabilities:		
Accounts payable	\$ 30,483	\$ 26,306
Security deposits	12,790	12,610
Deferred revenue	296,092	293,582
Debt obligations	1,761,658	1,957,546
Total liabilities	2,101,023	2,290,044
Unrestricted net position	3,703,184	3,640,683
	\$ 5,804,207	\$ 5,930,727

The accompanying notes are an integral part of the financial statements.

OPERATION OSWEGO COUNTY, INC.

Statements of Support and Revenue, Expenses and Changes in Net Position

	Years Ended December 31,	
	2017	2016
Support and revenue:		
Local governments	\$ 707,765	\$ 718,703
Micro enterprise program	3,167	574
State and other grants	1,264	501,264
Rental revenue	259,766	257,272
Service charges- loans	51,621	26,629
Interest income	14,393	11,270
Miscellaneous	506	2,000
Total support and revenue	<u>1,038,482</u>	<u>1,517,712</u>
Operating expenses:		
Program expenses	785,844	924,730
Management and general	82,881	84,976
Total operating expenses	<u>868,725</u>	<u>1,009,706</u>
 Change in net position before depreciation	 <u>169,757</u>	 <u>508,006</u>
Nonoperating expenses:		
Depreciation	8,067	8,067
Rental depreciation	99,189	96,983
Loss on sale of land	-	102,880
	<u>107,256</u>	<u>207,930</u>
 Change in net position	 62,501	 300,076
Net position at beginning of year	<u>3,640,683</u>	<u>3,340,607</u>
 Net position at end of year	 <u>\$ 3,703,184</u>	 <u>\$ 3,640,683</u>

The accompanying notes are an integral part of the financial statements.

OPERATION OSWEGO COUNTY, INC.

Statements of Cash Flows

	For the years ended December 31,	
	2017	2016
Cash flows from operating activities:		
Cash received for economic development	\$ 716,535	\$ 709,576
Cash received for grants and initiatives	-	500,000
Cash received for other development incentives	4,937	3,838
Cash received for interest and loan service charges	66,014	37,899
Cash received for rent	259,766	257,272
Cash received for loan repayments	112,878	54,939
Cash paid for loans issued	-	(452,000)
Cash paid for administration	(76,336)	(109,949)
Cash paid for grants	-	(100,000)
Cash paid for development and promotion expenses	(729,261)	(780,167)
Cash paid for professional fees	(58,771)	(45,633)
Net cash provided by operating activities	<u>295,762</u>	<u>75,775</u>
Cash flows from investing activities:		
Cash received for sale of property and improvements	-	62,500
Cash paid for the purchase of a property and improvements	-	(111,991)
Net cash used in investing activities	<u>-</u>	<u>(49,491)</u>
Cash flows from financing activities:		
Cash paid loan repayments	(195,888)	(208,567)
Cash received from borrowings	-	52,000
Net cash used in financing activities	<u>(195,888)</u>	<u>(156,567)</u>
Net change in cash	99,874	(130,283)
Cash, beginning of year	712,945	843,228
Cash, end of year	<u>\$ 812,819</u>	<u>\$ 712,945</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Change in net assets	\$ 62,501	\$ 300,076
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	107,256	105,050
Loss on sale of land	-	102,880
Net change in accounts receivable	6,260	(2,951)
Net change in loans receivable	112,878	(397,061)
Net change in prepaid expenses	-	1,537
Net change in deferred revenue	2,510	(6,176)
Net change in security deposits	180	-
Net change in accounts payable	4,177	(27,580)
Net cash provided by in operating activities	<u>\$ 295,762</u>	<u>\$ 75,775</u>

The accompanying notes are an integral part of the financial statements.

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Operations

Operation Oswego County, Inc., (the Organization) is a 501(c)(6) not-for-profit corporation subject to the reporting requirements contained in the New York State Public Authorities Law. The Organization contracts with the Oswego County, State, and local governments to provide economic development, promotion, advertising, technical assistance, financial planning and related services. The Governmental Accounting Standards Board (GASB) permits certain governmental not-for-profit organizations to report as special-purpose governments engaged only in business-type activities under GASB Statement No. 34. Accordingly, the Organization operates as a special-purpose government accounted for as a proprietary fund.

Basis of Presentation

The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units and are presented on the accrual basis of accounting utilizing an "economic resources" measurement focus. In accordance with Statements No. 20 and No. 34 of the GASB, "Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting", the Organization applies all GASB pronouncements along with Financial Accounting Standards Board (FASB) Statements and Interpretations, and APB Opinions except for those that contradict GASB pronouncements.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net position and revenues, expenses, gains and losses are classified based on the existence, or absence, of donor-imposed restrictions. Accordingly, net position of the Organization and changes therein are classified and reported as follows:

Unrestricted net position – Assets that are not subject to donor-imposed restriction.

Temporarily restricted net position – Assets are subject to donor-imposed restriction that may, or will, be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net position balances are reclassified to the unrestricted net position balance and reported as released from restriction. The Organization had no temporarily restricted net position balance at December 31, 2017 and 2016.

Permanently restricted net position – Assets are subject to donor-imposed restrictions that may be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization had no permanently restricted net position balance at December 31, 2017 and 2016.

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Governance

The Organization is managed by a Board of Directors, which establish the general policies governing the Organization. The Board of Directors as of December 31, 2017 and 2016 was comprised of 24 voting directors, respectively, and 5 non-voting ex-officials in accordance with the by-laws of the Organization.

Annual Budgets

The Organization is required to provide to the New York State Authorities Budget Office an annual budget on operations and capital construction setting forth the estimated receipts and expenditures for the next fiscal year and the current fiscal year. This budget is submitted to the Authority's Budget Office and can be found on the Organization's website at <http://www.oswegocounty.org>.

Revenue Recognition

Contributions are recognized as revenue in the year given by the donor. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Temporarily restricted net position balances are reclassified to the unrestricted net position balance upon satisfaction of time or purpose restrictions. The Organization receives contributions to be used for specific projects and expenditures. The majority of contributed monies are immediately expended upon receipt for these intended purposes.

Property and Improvements

Property and improvements consist of buildings or improvements, which are stated at cost at the date the property was placed in service or acquired, less accumulated depreciation. It is the policy of the Organization to provide for depreciation of these assets over their estimated useful lives using the straight-line method. Depreciation of fixed assets amounted to approximately \$107,300 and \$105,100 at December 31, 2017 and 2016, respectively.

Maintenance and repairs are expensed as incurred and major renewals and betterments over \$1,000 are capitalized. At the time of the sale or retirement, the costs and accumulated depreciation of such assets are removed from the respective accounts, and the gain or loss is reflected in support and revenues.

Land Held for Development

Various parcels of land have been purchased by, or contributed to, the Organization for use in business development. Land is stated at cost or its fair market value at the date of acquisition.

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Land Held for Development (continued)

Development costs for these projects have been added to the land costs. Over the years, the Organization has purchased 182 acres of land to be developed into the Oswego County Industrial Park. During 2016, approximately 16 acres were sold resulting in a net loss of approximately \$103,000. The remaining acreage as of December 31, 2017 and 2016 is 103 acres. The Organization has also purchased 170 acres in the Oswego County Airport Industrial Park.

Use of Estimates

The preparation of 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.

Income Taxes

The Organization is exempt from Federal income taxes under section 501(c)(6) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements.

The Organization complies with the provisions of FASB ASC 740, Income Taxes, which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return, including maintenance of tax-exempt status. The Organization does not believe the financial statements include any uncertain tax positions. It is the Organization's policy to recognize any interest and penalties as expenses. The Organization's returns are subject to examination by taxing authorities for a period of three years from the date they are filed.

Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the statements of activities and functional expenses. Certain costs have been allocated based on management's estimate of time spent, occupancy or usage. Costs specifically identified to a program are charged directly to that program.

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash accounts in financial institutions. Cash balances may have exceeded Federal Deposit Insurance (FDIC) limits of \$250,000 at various points throughout the year.

Rental Revenue

Rental revenue is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the organization and tenants are operating leases.

Pension Plan

The Organization has a defined contribution plan, which covers all eligible employees. Pension costs approximated \$50,500 and \$50,100 for 2017 and 2016, respectively.

2. Notes Receivable

At December 31, 2017 and 2016, the Organization held the following notes receivable:

	2017	2016
K&N Foods USA	\$ 635,000	\$ 635,000
Town of Schroepfel	200,000	200,000
Holiday Inn Express	171,956	189,006
Universal Metal Works	155,446	173,669
Minetto Associates, LP	124,801	151,279
Other bridge loans	52,000	103,127
	<u>\$ 1,339,203</u>	<u>\$ 1,452,081</u>

These notes receivable relate to corresponding notes payable described in Note 4 in which the Organization received funds from the County of Oswego IDA and U.S. Department of HUD, respectively, and subsequently loaned the funds to the respective borrowers. Repayment of the notes is consistent with the terms described in Note 4.

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

3. Property and Improvements

Property and improvements consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 23,962	\$ 23,962
Property and improvements	3,937,562	3,937,562
Furniture and equipment	133,711	133,711
	<u>4,095,235</u>	<u>4,095,235</u>
Less: accumulated depreciation	(2,403,021)	(2,295,765)
	<u>\$ 1,692,214</u>	<u>\$ 1,799,470</u>

4. Long-Term Debt

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

	<u>2017</u>	<u>2016</u>
Note payable to the County of Oswego for the development of an industrial park in the Town of Schroepfel, New York, interest free, payable solely from 60% of all net land sales and net lease proceeds until the total reaches the original note balance of \$528,922, secured by the land and building.	\$ 36,947	\$ 72,930
Note payable to the County of Oswego Industrial Development Agency (IDA) for construction of a Park Building for the State University of New York at Oswego (SUNY), interest free, payable solely from 60% of annual rental income, secured by land and building. The building is currently leased to CiTi.	142,328	142,328
Note payable to the County of Oswego IDA for construction of a day care center in the Oswego County Industrial Park, interest free, payable solely from 60% of annual rental income, secured by land and building.	364,782	383,307
Note payable to the County of Oswego IDA for construction of a SPEC building in the Lake Ontario Industrial Park, interest free, payable solely from 60% of annual rental income, secured by land and building.	540,700	604,075

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

4. Long-Term Debt (continued)

Note payable to the County of Oswego IDA for industrial loan for equipment and construction at K & N Foods USA, interest free, repayable solely from payments received on note from K & N Foods USA in various installments ranging from \$50,000 to \$350,000 annually beginning August 2018 through June 2021, secured by equipment and inventory.

500,000 500,000

Note payable to the County of Oswego for construction of a senior housing project, repayable solely from payments received on note from Minetto Associates, L.P. in monthly installments of \$2,322, including interest at 1%, through July 2022, secured by the building.

124,801 151,279

Interest free note payable to the County of Oswego IDA for short term bridge loans, repayable solely from payments received on the note from Happy Hearts Childcare, Inc. and Off Broadway Dance Center, due in full upon the SBA 504 loan closings. Happy Hearts Childcare, Inc. closed in 2017 and Off Broadway Dance center is expected to close in 2018. Secured by the property, business assets and personal guarantee of owners.

52,100 103,627

\$ 1,761,658 \$ 1,957,546

Aggregate maturities of debt are as follows as of December 31, 2017:

2018	\$	280,641
2019		341,863
2020		382,062
2021		112,614
2022		52,602
2023-2027		182,000
2028-2032		182,000
2033-2037		168,594
2038-2042		59,282
		<u>\$ 1,761,658</u>

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

5. Related Parties and Commitments

Operation Oswego County, Inc. set up a separate organization, Operation Oswego County Foundation, Inc. that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Foundation receives all contributions and pays all advertising and marketing costs, which previously had been accounted for by the Organization.

The Organization's Executive Director also serves as the Chief Executive Officer for the County of Oswego Industrial Development Agency (IDA), a public benefit corporation. In addition, the IDA contracts with the Organization for office space and administration services. The IDA paid \$283,750 and \$265,000 for the years ended December 31, 2017 and 2016, respectively, to the Organization for space and services.

In previous years, the IDA provided the Organization approximately \$2,831,000 of interest free funding to construct the SUNY, Day Care and SPEC buildings held by the Organization. In 2013, the IDA provided the Organization additional interest free financing for the Birds Eye plant located in Oswego County and \$500,000 for the K&N Foods manufacturing facility. The Organization acted as a conduit lender for these financings and the various companies are responsible for repayment of the debts. Current loan balances payable to the IDA as described in Note 4 approximate \$1,600,000 and \$1,733,000 for the years ended December 31, 2017 and 2016, respectively.

6. Deferred Revenue

The County of Oswego advances funds annually. At December 31, 2017 and 2016, advances were not fully expended for the Economic Development Initiative Fund (EDIF). It is anticipated that the majority of funds will be expended during 2018 for ongoing projects and other identified needs. Revenue will be recognized annually. At December 31, 2017, unearned grant revenue intended to match depreciation has been deferred as well. Total deferred revenue at December 31, 2017 and 2016 approximated \$296,000 and \$294,000, respectively.

7. Lease Agreements

The Organization leases property to several organizations with lease terms as follows:

- Northland Filter International, LLC: month to month, payments of \$8,802 due monthly
- Oswego County Opportunities, Inc.: Lease through January 31, 2019, payments of \$2,708.33 due monthly.
- Center for Instruction, Technology & Innovation: Lease through June 2019, payments of \$5,511.42 due monthly through June 30, 2017 and payments of \$5,660.42 due monthly from July 1, 2017 through June 30, 2019.

Rental income from the above organizations and other minor leasing arrangements for the years ended December 31, 2017 and 2016 approximated \$259,800 and \$257,300, respectively.

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

8. Subsequent Events

Management has evaluated subsequent events through February 26, 2018, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

OPERATION OSWEGO COUNTY, INC.
Statement of Functional Expenses
Year ended December 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries	\$ 359,581	\$ 49,034	\$ 408,615
Pension plan	44,452	6,062	50,514
Employee benefits	79,563	10,849	90,412
Accounting and legal	22,917	2,059	24,976
Payroll taxes	29,908	4,078	33,986
Supplies	16,210	2,211	18,421
Telephone	6,786	925	7,711
Occupancy	3,725	508	4,233
Maintenance and repairs	27,785	3,789	31,574
Printing and publications	15,810	34	15,844
Travel	29,336	-	29,336
Insurance	4,513	615	5,128
Land taxes	6,813	-	6,813
Advertising	84	-	84
Professional services	33,666	129	33,795
Community relations	17,664	691	18,355
Miscellaneous	13,913	1,897	15,810
Dues and subscriptions	11,433	-	11,433
Micro enterprise program	2,637	-	2,637
Rental and development expenses	59,048	-	59,048
	<u>\$ 785,844</u>	<u>\$ 82,881</u>	<u>\$ 868,725</u>

The accompanying notes are an integral part of the financial statements.

OPERATION OSWEGO COUNTY, INC.
Statement of Functional Expenses
Year ended December 31, 2016

	Program Services	Management and General	Total Expenses
Salaries	\$ 341,132	\$ 46,518	\$ 387,650
Pension plan	44,065	6,009	50,074
Employee benefits	72,363	9,868	82,231
Accounting and legal	16,632	2,268	18,900
Payroll taxes	29,516	4,025	33,541
Supplies	14,815	2,020	16,835
Telephone	6,727	917	7,644
Occupancy	3,568	486	4,054
Maintenance and repairs	16,475	2,247	18,722
Printing and publications	19,241	-	19,241
Travel	24,031	-	24,031
Insurance	18,538	2,528	21,066
Land taxes	6,766	-	6,766
Advertising	1,357	-	1,357
Professional services	26,394	339	26,733
Community relations	6,752	389	7,141
Miscellaneous	53,986	7,362	61,348
Dues and subscriptions	6,657	-	6,657
Micro enterprise program	3,030	-	3,030
Bad debt expense	100,000	-	100,000
Rental and development expenses	112,685	-	112,685
	<u>\$ 924,730</u>	<u>\$ 84,976</u>	<u>\$ 1,009,706</u>

The accompanying notes are an integral part of the financial statements.



grossman st. amour

CERTIFIED PUBLIC ACCOUNTANTS PLLC

**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**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Operation Oswego County, Inc.

We have audited, 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, the financial statements of the business-type activities of Operation Oswego County, Inc. as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Operation Oswego County, Inc.'s basic financial statements, and have issued our report thereon dated February 26, 2018.

Internal Control over Financial Reporting

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

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

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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

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

Purpose of this Report

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

Grossman St. Amour CPAs

Syracuse, New York
February 26, 2018