

OPERATION OSWEGO COUNTY, INC.

FINANCIAL STATEMENTS

December 31, 2018 and 2017



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, 2018 and 2017, 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, 2018 and 2017, 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 25, 2019, 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
March 18, 2019

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, 2018 and 2017. 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 \$3,560,659 (net position) for the fiscal year reported. In the previous year, assets exceeded liabilities by \$3,703,184. This represents a decrease in assets in excess of liabilities of \$142,525, a 3.85% reduction.
- Total liabilities of the Organization decreased by \$192,921 to \$1,908,102 during the fiscal year, a reduction of 9.18%.
- The Organization's long-term debt, which is primarily associated with the development of buildings, industrial parks and assistance to business, was reduced by \$252,839 to \$1,508,819. This represents a reduction of 14.35% from the prior fiscal year.
- Support and revenues exceeded operating expenses by \$99,510 before non-operating expenses and generated a reduction in net position of \$142,525 after non-operating expenses.
- The actual changes from the previous fiscal year in support and revenue were an increase of \$68,154 and 6.56%.
- Rental revenue was \$268,365 for the fiscal year, representing 24.25% of the Organization's revenue, slightly up from the previous fiscal year when it was \$259,766.

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 \$3,560,659 and \$3,703,184 as of December 31, 2018 and 2017, respectively. This net position balance primarily represents cash and cash equivalents of \$853,670 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 2018 and 2017:

OPERATION OSWEGO COUNTY, INC.

Management's Discussion and Analysis (unaudited)

Net Position		
	<u>2018</u>	<u>2017</u>
Cash	\$ 853,670	\$ 812,819
Accounts receivable and prepaid expenses	1,005	-
Deposit in loan fund	44,305	44,305
Loans receivable	1,068,936	1,339,203
Capital assets, net	3,500,845	3,607,880
Total assets	<u>\$ 5,468,761</u>	<u>\$ 5,804,207</u>
Accounts payable	\$ 30,141	\$ 30,483
Security deposits	12,790	12,790
Deferred revenue	356,352	296,092
Debt obligations	1,508,819	1,761,658
Total liabilities	<u>\$ 1,908,102</u>	<u>\$ 2,101,023</u>
Net position	<u>\$ 3,560,659</u>	<u>\$ 3,703,184</u>
Change in Net Position		
	<u>2018</u>	<u>2017</u>
Support and revenue:		
Local governments	\$ 774,025	\$ 707,765
Micro enterprise program	2,637	3,167
State and other grants	1,264	1,264
Rental revenue	268,365	259,766
Service charge loans	38,187	51,621
Interest income	11,859	14,393
Miscellaneous	10,299	506
Total support and revenue	<u>1,106,636</u>	<u>1,038,482</u>
Operating expenses:		
Program expenses	910,744	785,844
Management and general	96,382	82,881
Total operating expenses	<u>1,007,126</u>	<u>868,725</u>
Change in net position before depreciation	<u>99,510</u>	<u>169,757</u>
Nonoperating expenses:		
Depreciation	8,067	8,067
Rental depreciation	98,968	99,189
Forgiveness of debt	135,000	-
	<u>242,035</u>	<u>107,256</u>
Change in net position	(142,525)	62,501
Net position at beginning of year	<u>3,703,184</u>	<u>3,640,683</u>
Net position at end of year	<u>\$ 3,560,659</u>	<u>\$ 3,703,184</u>

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,	
	2018	2017
Assets:		
Cash	\$ 853,670	\$ 812,819
Accounts receivable	1,005	-
Deposit in loan fund	44,305	44,305
Loans receivable	1,068,936	1,339,203
Property and improvements, net	1,585,179	1,692,214
Land for development	1,915,666	1,915,666
	<u>\$ 5,468,761</u>	<u>\$ 5,804,207</u>
	LIABILITIES AND NET POSITION	
Liabilities:		
Accounts payable	\$ 30,141	\$ 30,483
Security deposits	12,790	12,790
Deferred revenue	356,352	296,092
Debt obligations	1,508,819	1,761,658
Total liabilities	1,908,102	2,101,023
Unrestricted net position	3,560,659	3,703,184
	<u>\$ 5,468,761</u>	<u>\$ 5,804,207</u>

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,	
	2018	2017
Support and revenue:		
Local governments	\$ 774,025	\$ 707,765
Micro enterprise program	2,637	3,167
State and other grants	1,264	1,264
Rental revenue	268,365	259,766
Service charges- loans	38,187	51,621
Interest income	11,859	14,393
Miscellaneous	10,299	506
Total support and revenue	<u>1,106,636</u>	<u>1,038,482</u>
Operating expenses:		
Program expenses	910,744	785,844
Management and general	96,382	82,881
Total operating expenses	<u>1,007,126</u>	<u>868,725</u>
Change in net position before depreciation	<u>99,510</u>	<u>169,757</u>
Nonoperating expenses:		
Depreciation	8,067	8,067
Rental depreciation	98,968	99,189
Forgiveness of debt	135,000	-
	<u>242,035</u>	<u>107,256</u>
Change in net position	(142,525)	62,501
Net position at beginning of year	<u>3,703,184</u>	<u>3,640,683</u>
Net position at end of year	<u>\$ 3,560,659</u>	<u>\$ 3,703,184</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,	
	2018	2017
Cash flows from operating activities:		
Cash received for economic development	\$ 833,280	\$ 716,535
Cash received for other development incentives	14,200	4,937
Cash received for interest and loan service charges	50,046	66,014
Cash received for rent	268,365	259,766
Cash received for loan repayments	135,267	112,878
Cash paid for administration	(94,189)	(76,336)
Cash paid for development and promotion expenses	(845,832)	(729,261)
Cash paid for professional fees	(67,447)	(58,771)
Net cash provided by operating activities	<u>293,690</u>	<u>295,762</u>
Cash flows from financing activities:		
Cash paid loan repayments	(252,839)	(195,888)
Net cash used in financing activities	<u>(252,839)</u>	<u>(195,888)</u>
Net change in cash	40,851	99,874
Cash, beginning of year	812,819	712,945
Cash, end of year	<u>\$ 853,670</u>	<u>\$ 812,819</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Change in net assets	\$ (142,525)	\$ 62,501
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	107,035	107,256
Forgiveness of debt	135,000	-
Net change in accounts receivable	(1,005)	6,260
Net change in loans receivable	135,267	112,878
Net change in deferred revenue	60,260	2,510
Net change in security deposits	-	180
Net change in accounts payable	(342)	4,177
Net cash provided by in operating activities	<u>\$ 293,690</u>	<u>\$ 295,762</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.

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, 2018 and 2017 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>.

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

1. **Summary of Significant Accounting Policies (continued)**

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 \$107,000 and \$107,300 at December 31, 2018 and 2017, 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.

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. The remaining acreage as of December 31, 2018 and 2017 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.

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

1. **Summary of Significant Accounting Policies (continued)**

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.

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 \$51,700 and \$50,500 for 2018 and 2017, respectively.

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

2. Notes Receivable

At December 31, the Organization held the following notes receivable:

	2018	2017
K&N Foods USA	\$ 500,000	\$ 635,000
Town of Schroepfel	180,000	200,000
Holiday Inn Express	154,211	171,956
Universal Metal Works	136,668	155,446
Minetto Associates, LP	98,057	124,801
Other bridge loans	-	52,000
	\$ 1,068,936	\$ 1,339,203

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.

3. Property and Improvements

Property and improvements consist of the following at December 31:

	2018	2017
Land	\$ 23,961	\$ 23,961
Property and improvements	3,937,562	3,937,562
Furniture and equipment	133,711	133,711
	4,095,234	4,095,234
Less: accumulated depreciation	(2,510,055)	(2,403,020)
	\$ 1,585,179	\$ 1,692,214

4. Long-Term Debt

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

	2018	2017
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.	\$ 826	\$ 36,947

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

4. Long-Term Debt (continued)

	2018	2017
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.	87,329	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.	345,282	364,782
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.	477,325	540,700
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 180 equal payments of \$2,777.78 beginning on June 30, 2019.	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.	98,057	124,801
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
	\$ 1,163,537	\$ 1,396,876

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

4. Long-Term Debt (continued)

Aggregate maturities of debt are as follows as of December 31, 2018:

2019	\$	161,864
2020		165,124
2021		126,874
2022		86,749
2023		69,733
2024-2028		348,665
2029-2033		348,665
2034-2038		161,362
2039-2043		39,783
		<u>\$ 1,508,819</u>

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 \$357,500 and \$283,750 for the years ended December 31, 2018 and 2017, 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 \$1,410,000 and \$1,600,000 for the years ended December 31, 2018 and 2017, respectively.

6. Deferred Revenue

The County of Oswego advances funds annually. At December 31, 2018 and 2017, advances were not fully expended for the Economic Development Initiative Fund (EDIF). It is anticipated that the majority of funds will be expended during 2019 for ongoing projects and other identified needs. Revenue will be recognized annually. At December 31, 2018, unearned grant revenue intended to match depreciation has been deferred as well. Total deferred revenue at December 31, 2018 and 2017 approximated \$356,400 and \$296,100, respectively.

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

7. Lease Agreements

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

- Northland Filter International, LLC: month to month, payments of \$9,073 due monthly
- Oswego County Opportunities, Inc.: Lease through January 31, 2021, payments of \$2,843.75 due monthly.
- Center for Instruction, Technology & Innovation: payments of \$5,660.42 due monthly through June 30, 2019.

Rental income from the above organizations and other minor leasing arrangements for the years ended December 31, 2018 and 2017 approximated \$268,400 and \$259,800, respectively.

8. Subsequent Events

Management has evaluated subsequent events through March 18, 2019, 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.

SUPPLEMENTARY INFORMATION

OPERATION OSWEGO COUNTY, INC.
Statement of Functional Expenses
Year ended December 31, 2018

	Program Services	Management and General	Total Expenses
Salaries	\$ 420,629	\$ 57,358	\$ 477,987
Pension plan	45,514	6,206	51,720
Employee benefits	92,603	12,628	105,231
Accounting and legal	17,582	2,398	19,980
Payroll taxes	34,422	4,694	39,116
Supplies	14,372	1,960	16,332
Telephone	7,411	1,011	8,422
Occupancy	3,465	473	3,938
Maintenance and repairs	29,647	4,043	33,690
Printing and publications	13,920	158	14,078
Travel	25,723	-	25,723
Insurance	13,311	1,815	15,126
Land taxes	8,741	-	8,741
Advertising	321	-	321
Professional services	47,330	137	47,467
Community relations	34,827	769	35,596
Miscellaneous	20,036	2,732	22,768
Dues and subscriptions	3,181	-	3,181
Micro enterprise program	6,890	-	6,890
Rental and development expenses	70,819	-	70,819
	<u>\$ 910,744</u>	<u>\$ 96,382</u>	<u>\$ 1,007,126</u>

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

OPERATION OSWEGO COUNTY, INC.

Statement of Functional Expenses

Year ended December 31, 2017

	Program Services	Management and General	Total Expenses
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
Bad debt expense	-	-	-
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.



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, 2018, 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 March 18, 2019.

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
March 18, 2019