

OPERATION OSWEGO COUNTY, INC.

FINANCIAL STATEMENTS

December 31, 2019 and 2018



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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements.

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, 2019 and 2018, 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 18 and 19) 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 March 9, 2020, 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 9, 2020

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, 2019 and 2018. 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 \$3,654,057 (net position) for the fiscal year reported. In the previous year, assets exceeded liabilities by \$3,560,659. This represents an increase in assets in excess of liabilities of \$93,398, a 2.62% increase.
- Total liabilities of the Organization decreased by \$164,876 to \$1,743,226 during the fiscal year, a reduction of 8.64%.
- The Organization's long-term debt, which is primarily associated with the development of buildings, industrial parks and assistance to business, was reduced by \$150,006 to \$1,358,813. This represents a reduction of 9.94% from the prior fiscal year.
- Support and revenues exceeded operating expenses by \$118,286 before non-operating expenses and generated an increase in net position of \$93,398 after non-operating expenses.
- The actual changes from the previous fiscal year in support and revenue were an increase of \$180,046 and 16.27%.
- Rental revenue was \$230,170 for the fiscal year, representing 17.89% of the Organization's revenue, a slight reduction from the previous fiscal year when it was \$268,365.
- During 2019, the Organization was deeded 6 acres of land at the Lake Ontario Industrial Park by the County of Oswego IDA. In 2001, the Organization constructed a manufacturing building that has since been leased. In August of 2019, the land and building were sold to the current tenant for \$800,000. This sale resulted in a loss to the Organization of approximately \$25,000.

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 11 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 \$3,654,057 and \$3,560,659 as of December 31, 2019 and 2018, respectively. This net position balance primarily represents cash and cash equivalents of \$847,230 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 2019 and 2018:

OPERATION OSWEGO COUNTY, INC.

Management's Discussion and Analysis (unaudited)

Net Position

	<u>2019</u>	<u>2018</u>
Cash	\$ 847,230	\$ 853,670
Accounts receivable and prepaid expenses	17,124	1,005
Deposit in loan fund	44,305	44,305
Loans receivable	1,890,371	1,068,936
Capital assets, net	2,598,253	3,500,845
Total assets	<u><u>\$ 5,397,283</u></u>	<u><u>\$ 5,468,761</u></u>
Accounts payable	\$ 36,519	\$ 30,141
Security deposits	12,990	12,790
Deferred inflows of resources	334,904	356,352
Debt obligations	1,358,813	1,508,819
Total liabilities	<u><u>\$ 1,743,226</u></u>	<u><u>\$ 1,908,102</u></u>
Net position	<u><u>\$ 3,654,057</u></u>	<u><u>\$ 3,560,659</u></u>

Change in Net Position

	<u>2019</u>	<u>2018</u>
Support and revenue:		
Local governments	\$ 780,770	\$ 774,025
Micro enterprise program	9,319	2,637
State and other grants	201,264	1,264
Rental revenue	230,170	268,365
Service charge loans	45,511	38,187
Interest income	16,513	11,859
Miscellaneous	3,135	10,299
Total support and revenue	<u>1,286,682</u>	<u>1,106,636</u>
Operating expenses:		
Program expenses	976,369	910,744
Rental depreciation expense	83,962	98,968
Management and general	99,998	96,382
Management and general depreciation expense	8,067	8,067
Total operating expenses	<u>1,168,396</u>	<u>1,114,161</u>
Change in net position before nonoperating expenses	<u>118,286</u>	<u>(7,525)</u>
Nonoperating expenses:		
Forgiveness of debt	-	135,000
Loss on sale of building	24,888	-
Change in net position	<u>93,398</u>	<u>(142,525)</u>
Net position at beginning of year	<u>3,560,659</u>	<u>3,703,184</u>
Net position at end of year	<u><u>\$ 3,654,057</u></u>	<u><u>\$ 3,560,659</u></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 Operation Oswego County, Inc., 44 West Bridge Street, Oswego, NY 13126.

OPERATION OSWEGO COUNTY, INC.

Statements of Net Position

ASSETS		
December 31,		
	2019	2018
Assets:		
Cash	\$ 847,230	\$ 853,670
Accounts receivable	17,124	1,005
Deposit in loan fund	44,305	44,305
Loans receivable	1,890,371	1,068,936
Property and improvements, net	682,587	1,585,179
Land for development	1,915,666	1,915,666
	\$ 5,397,283	\$ 5,468,761
LIABILITIES AND NET POSITION		
Liabilities:		
Accounts payable	\$ 36,519	\$ 30,141
Security deposits	12,990	12,790
Deferred inflow of resources	334,904	356,352
Debt obligations	1,358,813	1,508,819
Total liabilities	1,743,226	1,908,102
Unrestricted net position	3,654,057	3,560,659
	\$ 5,397,283	\$ 5,468,761

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,	
	2019	2018
Support and revenue:		
Local governments	\$ 780,770	\$ 774,025
Micro enterprise program	9,319	2,637
State and other grants	201,264	1,264
Rental revenue	230,170	268,365
Service charges- loans	45,511	38,187
Interest income	16,513	11,859
Miscellaneous	3,135	10,299
Total support and revenue	1,286,682	1,106,636
Operating expenses:		
Program expenses	976,369	910,744
Rental depreciation expense	83,962	98,968
Management and general	99,998	96,382
Management and general depreciation expense	8,067	8,067
Total operating expenses	1,168,396	1,114,161
Change in net position before nonoperating expenses	118,286	(7,525)
Nonoperating expenses:		
Forgiveness of debt	-	135,000
Loss on sale of building	24,888	-
	24,888	135,000
Change in net position	93,398	(142,525)
Net position at beginning of year	3,560,659	3,703,184
Net position at end of year	\$ 3,654,057	\$ 3,560,659

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,	
	2019	2018
Cash flows from operating activities:		
Cash received for economic development	\$ 743,203	\$ 833,280
Cash received for other development incentives	213,718	14,200
Cash received for interest and loan service charges	62,224	50,046
Cash received for rent	230,170	268,365
Cash received for loan repayments	128,565	135,267
Cash paid for loans issued	(200,000)	-
Cash paid for administration	(91,019)	(94,189)
Cash paid for grants	(7,500)	-
Cash paid for development and promotion expenses	(881,051)	(845,832)
Cash paid for professional fees	(90,419)	(67,447)
Net cash provided by operating activities	107,891	293,690
Cash flows from investing activities:		
Cash received for sale of property and improvements	40,825	-
Cash paid for the purchase of a property and improvements	(5,150)	-
Net cash provided by investing activities	35,675	-
Cash flows from financing activities:		
Cash paid loan repayments	(150,006)	(252,839)
Net cash used in financing activities	(150,006)	(252,839)
Net change in cash	(6,440)	40,851
Cash, beginning of year	853,670	812,819
Cash, end of year	\$ 847,230	\$ 853,670
Reconciliation of changes in net assets to net cash provided by operating activities:		
Change in net assets	\$ 93,398	\$ (142,525)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	92,029	107,035
Forgiveness of debt	-	135,000
Loss on sale of building	24,888	-
Net change in accounts receivable	(16,119)	(1,005)
Net change in loans receivable	(71,435)	135,267
Net change in deferred inflows of resources	(21,448)	60,260
Net change in security deposits	200	-
Net change in accounts payable	6,378	(342)
Net cash provided by in operating activities	\$ 107,891	\$ 293,690
Non-cash investing activities:		
Sale of building and loan issuance	\$ 800,000	\$ -

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 Statement No. 34 of the GASB, 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 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, 2019 and 2018 was comprised of 24 voting directors, respectively, and 5 non-voting ex-officio members 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 (ABO) 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 ABO 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

Support is recognized by the Organization when the associated specific projects take place and/or expenditures are incurred for the intended purposes.

Net Position

GASB requires the classification of net position into three components. These classifications are displayed in three components below:

- A. Net investment in capital assets - capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- B. Restricted net position - net position with constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- C. Unrestricted net position - all other assets that do not meet the definition of net investment in capital assets or restricted net position.

It is the Organization's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Net position is fully unrestricted for the years ending December 31, 2019 and 2018.

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 \$92,000 and \$107,000 at December 31, 2019 and 2018, respectively.

Maintenance and repairs are expensed as incurred and major renewals and betterments over \$3,000 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 undeveloped acreage as of December 31, 2019 and 2018 is 135 acres. The Organization has previously purchased land to form the Oswego County Airport Industrial Park, of which 139 acres remain available for development.

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

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

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.

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 \$53,400 and \$51,700 for 2019 and 2018, respectively.

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

2. Loans Receivable

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

	<u>2019</u>	<u>2018</u>
K&N Foods USA	\$ 483,332	\$ 500,000
Town of Schroepfel	160,000	180,000
Holiday Inn Express	135,743	154,211
Universal Metal Works	117,320	136,668
Minetto Associates, LP	71,044	98,057
Northland Filter International, LLC	722,932	-
Design Concepts and Enterprises	200,000	-
	<u>\$ 1,890,371</u>	<u>\$ 1,068,936</u>

These loans receivable primarily 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 loans is consistent with the terms described in Note 4. The Design Concepts and Enterprises' loan receivable was funded through the proceeds of a grant from the County of Oswego IDA.

3. Property and Improvements

Property and improvements consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 23,961	\$ 23,961
Property and improvements	2,415,835	3,937,562
Furniture and equipment	133,711	133,711
	<u>2,573,507</u>	<u>4,095,234</u>
Less: accumulated depreciation	<u>(1,890,920)</u>	<u>(2,510,055)</u>
	<u>\$ 682,587</u>	<u>\$ 1,585,179</u>

During 2019, the Organization was deeded 6 acres of land in Oswego County by the County of Oswego IDA. It is on this parcel in 2001 that the Organization constructed a building that has been leased since its completion. In August of 2019, the land and building were sold to the current tenant for \$800,000, it is noted that a loss on the sale has been recorded in these financial statements of approximately \$25,000. An associated loan receivable is held by the Organization and disclosed within Note 2.

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

4. Long-Term Debt

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

	2019	2018
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	\$ 826
Note payable to the County of Oswego Industrial Development Agency (IDA) for construction of an educational building, interest free, payable solely from 60% of annual rental income, secured by land and building.	46,574	87,329
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.	325,782	345,282
Note payable to the County of Oswego IDA for construction of the 2001 SPEC building in the Lake Ontario Industrial Park, interest free, with payments made from 60% of prior year rent payments. Effective in August of 2019, this note became unsecured as the building was sold to Northland Filter International, LLC. Future payments will be made from a combination of 60% of rent and principal mortgage payments.	412,325	477,325
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.	73,306	98,057
	\$ 1,358,813	\$ 1,508,819

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

4. Long-Term Debt (continued)

Aggregate maturities of debt are as follows as of December 31, 2019:

2020	\$ 165,408
2021	121,777
2022	88,742
2023	69,733
2024	69,733
2025-2029	348,665
2030-2034	348,670
2035-2039	125,803
2040-2044	20,282
	<u>\$ 1,358,813</u>

5. Related Parties and Commitments

In 2003, 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 \$346,300 and \$357,500 for the years ended December 31, 2019 and 2018, 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 Education, Day Care and SPEC buildings held by the Organization. In 2013, the IDA provided the Organization \$500,000 of interest free financing to support the re-use of the Birds Eye plant located in the City of Fulton by K&N Foods. The Organization acted as a conduit lender for this financing and K&N Foods is responsible for repayment of the debt to the Organization. Current loan balances payable to the IDA as described in Note 4 approximate \$1,285,000 and \$1,410,000 for the years ended December 31, 2019 and 2018, respectively.

6. Deferred Inflows of Resources

The County of Oswego advances funds annually. At December 31, 2019 and 2018, advances were not fully expended for the Economic Development Initiative Fund (EDIF). It is anticipated that the majority of funds will be expended during 2020 for ongoing projects and other identified needs. Revenue will be recognized annually. Total deferred inflows of resources at December 31, 2019 and 2018 approximated \$334,900 and \$356,400, 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 (Filtration L.A.B. USA, Inc.); month to month through August 2019, 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 \$5,958.33 due monthly through June 30, 2023.
- Wellhouse Ministries, Inc.: payments of \$210 due monthly through December 31, 2020.
- ILRT, Inc.: payments of \$766.67 due monthly through January 31, 2021.
- Equanimity Counseling: lease through June 30, 2020 with payments of \$200 due monthly, and a second lease beginning in January 2020 through June 30, 2020 with payments of \$200 due monthly.

Rental income from the above organizations and other minor leasing arrangements for the years ended December 31, 2019 and 2018 approximated \$230,200 and \$268,400, respectively.

8. Subsequent Events

Management has evaluated subsequent events through March 9, 2020, 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, 2019**

	Program Services	Management and General	Total Expenses
Salaries	\$ 414,008	\$ 56,456	\$ 470,464
Pension plan	46,974	6,406	53,380
Employee benefits	103,382	14,098	117,480
Accounting and legal	16,172	2,205	18,377
Payroll taxes	33,846	4,615	38,461
Supplies	17,347	2,365	19,712
Telephone	6,973	951	7,924
Occupancy	3,338	455	3,793
Maintenance and repairs	37,801	5,155	42,956
Printing and publications	7,822	-	7,822
Travel	32,316	-	32,316
Insurance	26,695	3,640	30,335
Land taxes	6,886	-	6,886
Advertising	47	-	47
Professional services	71,646	396	72,042
Community relations	41,604	757	42,361
Miscellaneous	16,996	2,318	19,314
Dues and subscriptions	6,305	181	6,486
Micro enterprise program	1,600	-	1,600
Grant expense	7,500	-	7,500
Rental and development expenses	77,111	-	77,111
	<u>\$ 976,369</u>	<u>\$ 99,998</u>	<u>\$ 1,076,367</u>

See paragraph on other information included in the auditor's report.

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>

See paragraph on other information included in the auditor's report.



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, 2019, 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 9, 2020.

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 identified an instance of noncompliance, a significant deficiency and other matters that are required to be reported under *Government Auditing Standards* and have been reported to the management of Operation Oswego County, Inc. in a separate letter dated March 9, 2020.

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 9, 2020