

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY**

FINANCIAL STATEMENTS

July 31, 2018 and 2017

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY**

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CERTIFIED PUBLIC ACCOUNTANTS PLLC

INDEPENDENT AUDITOR'S REPORT

Agency Members
County of Oswego Industrial Development Agency
Oswego, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the County of Oswego Industrial Development Agency (the Agency), a component unit of the County of Oswego, as of and for the years ended July 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Agency'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 County of Oswego Industrial Development Agency as of July 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 3-6 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 Agency's basic financial statements. The Schedules of Supplementary Information (Schedule of Bonds Issued – A Limited Obligation of the Agency, on page 19, and the Schedule of Straight Leases, on pages 20-23) are presented for purposes of additional analysis and are not a required part of the financial statements, but are supplementary information required by New York State.

These Schedules of Supplementary Information are the responsibility of management and have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2018, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Grossman St. Amour CPAs

Syracuse, New York

October 18, 2018

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
July 31, 2018

The following is a discussion and analysis of the County of Oswego Industrial Development Agency's (the Agency), a component unit of the County of Oswego, financial performance for the fiscal year ended July 31, 2018. This section is a summary of the Agency's financial activities based on currently known facts, decisions or conditions. It is also based on the Agency financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Agency's financial statements, which immediately follow this section.

Financial Highlights

- The Agency's assets exceeded its liabilities and deferred inflows of resources by \$18,552,828 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities and deferred inflows of resources by \$18,306,736.
- Total net position is comprised of the following:
 - 1) Cash of \$10,879,747, of which \$8,181,948 is restricted to funding loans, leases and approved economic development projects.
 - 2) Loans receivable, net of related allowance, of \$7,668,054.
 - 3) Net position of \$13,961,341 is restricted by constraints imposed from outside the Agency such as the County of Oswego, grantors, laws, or regulations.
 - 4) Net investment in capital assets of \$1,544,433, which represents capital assets reduced by outstanding balances of any related debt obligations.
 - 5) Unrestricted net position of \$3,047,054 represents the portion available now or as loans are repaid to maintain the Agency's economic development operations including future loans. Unrestricted cash totals \$2,697,799.
- At the end of the current fiscal year, unrestricted net position for the Agency was \$3,047,054 or about five times total expenditures and four times total revenues.
- Total liabilities of the Agency increased by \$56,269 to \$1,261,859 during the fiscal year.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Agency's basic financial statements. The basic financial statements include: (1) Agency financial statements, (2) notes to the financial statements. The Agency also includes in this report additional information to supplement the basic financial statements.

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
July 31, 2018

Agency Financial Statements

The Agency's annual report includes the Agency financial statements. These statements provide both long-term and short-term information about the Agency's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these Agency statements is the Statement of Net Position. This is the Agency statement of financial position presenting information that includes all of the Agency's assets and liabilities and deferred inflows of resources, with the difference 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 Agency as a whole is improving or deteriorating. Evaluation of the overall health of the Agency may extend to other non-financial factors in addition to the financial information provided in this report.

The second Agency statement is the Statement of Revenues, Expenditures and Changes in Net Position, which reports how the Agency's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

An important purpose of the design of the Statement of Revenues, Expenditures and Changes in Net Position is to show the financial reliance of the Agency's distinct activities or functions on revenues. Both Agency financial statements show business-type activities that are intended to recover all, or a significant portion, of their costs through user fees and charges. Business-type activities include loans, bonds, and economic development. The Agency's financial reporting includes the Agency only, a component unit of the County of Oswego. The Agency is a legally separate organization managed by seven members. The Agency financial statements are presented on pages 7 to 8 of this report.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the Agency and fund financial statements. The notes to the financial statements begin on page 10 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain New York State required supplementary information concerning the Agency's issuance of bonds, a limited obligation of the Agency and straight leases. This information begins on page 18.

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
July 31, 2018

Financial Analysis of the Agency

The Agency's net position at fiscal year-end is \$18,552,828. This is a \$246,092 increase over last year's net position of \$18,306,736. Of this year-end total, \$3,047,054 is unrestricted indicating availability for continuing Agency service requirements. Restricted net position consists of \$13,961,341 for economic development loans and leases to the business community funded with federal grants, county authorized pilot funding and loan repayments and lease payments. The following table provides a summary of the Agency's net position:

	2018	2017	Percent Change
Cash and other assets	\$ 13,113,162	\$ 12,065,832	8.7%
Loans receivable	7,668,054	8,545,130	-10.3%
Total assets	<u>\$ 20,781,216</u>	<u>\$ 20,610,962</u>	<u>0.8%</u>
Liabilities	\$ 1,261,859	\$ 1,205,590	4.7%
Deferred inflows of resources	966,529	1,098,636	-12.0%
Total liabilities and deferred inflows of resources	<u>2,228,388</u>	<u>2,304,226</u>	<u>-3.3%</u>
Net position			
Net investment in capital assets	1,544,433	1,524,311	1.3%
Restricted	13,961,341	13,579,878	2.8%
Unrestricted	3,047,054	3,202,547	-4.9%
Total net position	<u>\$ 18,552,828</u>	<u>\$ 18,306,736</u>	<u>1.3%</u>

The Agency realizes benefits from loan repayments and administrative fees for company project assistance.

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
July 31, 2018

Financial Analysis of the Agency (continued)

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

	2018	Percent of Total	2017	Percent of Total
Revenues				
Charges for services	\$ 247,076	28.7%	\$ 402,856	41.0%
Rent income	37,920	4.4%	89,857	9.2%
Interest - loans	146,540	17.0%	177,864	18.1%
Interest - savings	1,825	0.2%	1,690	0.2%
Payments in lieu of taxes	207,002	24.1%	198,247	20.2%
Grant revenue	79,000	9.2%	-	0.0%
Loan repayments	132,107	15.4%	110,032	11.2%
Other revenues	8,722	1.0%	1,000	0.1%
Total revenues	<u>860,192</u>	<u>100.0%</u>	<u>981,546</u>	<u>100.0%</u>
Expenses				
Administration	391,986	63.8%	329,047	64.9%
Professional fees	169,275	27.6%	128,148	25.3%
Building insurance	36,761	6.0%	23,143	4.6%
Depreciation expense	9,896	1.6%	23,750	4.7%
Grant and development	6,182	1.0%	2,575	0.5%
Other expenses	-	0.0%	90	0.0%
Total expenses	<u>614,100</u>	<u>100.0%</u>	<u>506,753</u>	<u>100.0%</u>
Change in net position	246,092		474,793	
Beginning net position	<u>18,306,736</u>		<u>17,831,943</u>	
Ending net position	<u>\$ 18,552,828</u>		<u>\$ 18,306,736</u>	

The total ending net position of the Agency shows an increase of \$246,092 over the prior year. This increase is primarily the result of the events and programs of the Agency for economic development within the community. The Agency also receives one-time Housing and Urban Development (HUD) grants for loans to assist in economic development.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's finances, comply with finance-related laws and regulations, and demonstrate the Agency's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the County of Oswego Industrial Development Agency, 44 West Bridge Street, Oswego, NY 13126.

L. Michael Treadwell
Chief Executive Officer

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Statements of Net Position

	July 31,	
	2018	2017
ASSETS		
Current assets:		
Cash - unrestricted	\$ 2,697,799	\$ 2,616,467
Cash - restricted	8,181,948	7,255,054
Loans receivable	1,076,115	1,232,322
Accounts receivable	49,000	-
Total current assets	<u>12,004,862</u>	<u>11,103,843</u>
Other assets:		
Loans receivable- long term	6,710,336	7,431,205
Allowance for uncollectible loans receivable	<u>(118,397)</u>	<u>(118,397)</u>
	6,591,939	7,312,808
Project assets, net	2,184,415	2,194,311
	<u>\$ 20,781,216</u>	<u>\$ 20,610,962</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET ASSETS		
Current liabilities:		
Current portion of loan payable	\$ 18,850	\$ 25,835
Current portion of mortgage payable	30,000	30,000
Due to other agencies	98,409	-
Accounts payable and other liabilities	39,876	34,270
Total current liabilities	<u>187,135</u>	<u>90,105</u>
Non-current liabilities:		
Loan payable	464,742	475,485
Mortgage payable	609,982	640,000
Total liabilities	<u>1,261,859</u>	<u>1,205,590</u>
Deferred inflows of resources	<u>966,529</u>	1,098,636
Net position:		
Net investment in capital assets	1,544,433	1,524,311
Restricted - cash	8,181,948	7,255,054
Restricted - loans receivable	5,779,393	6,324,824
Unrestricted	3,047,054	3,202,547
Total net position	<u>18,552,828</u>	<u>18,306,736</u>
	<u>\$ 20,781,216</u>	<u>\$ 20,610,962</u>

The accompanying notes are an integral part of these financial statements

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Statements of Revenues, Expenditures and Changes in Net Position

	For the years ended July 31,	
	2018	2017
REVENUES		
Administration and application fees	\$ 247,076	\$ 402,856
Interest on savings	1,825	1,690
Interest on loans	132,820	157,160
Payments in lieu of taxes	207,002	198,247
Rent income	37,920	89,857
Grant revenue	79,000	-
Other revenues	8,722	1,000
Federal funds - loan repayments		
Principal	132,107	110,032
Interest	13,720	20,704
Total revenues	<u>860,192</u>	<u>981,546</u>
EXPENDITURES		
Administration:		
Administration fee	316,250	275,000
Dues	400	400
Professional fees	169,275	128,148
Miscellaneous	75,336	53,647
Grant and development expenses	6,182	2,575
Building insurance	36,761	23,143
Depreciation expense	9,896	23,750
Other expenses	-	90
Total expenditures	<u>614,100</u>	<u>506,753</u>
Change in net position	246,092	474,793
Net position, beginning of year	<u>18,306,736</u>	<u>17,831,943</u>
Net position, end of year	<u>\$ 18,552,828</u>	<u>\$ 18,306,736</u>

The accompanying notes are an integral part of these financial statements

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Statements of Cash Flows

	For the years ended July 31,	
	2018	2017
Cash flows from operating activities:		
Cash received for administration/application fees	\$ 255,798	\$ 418,942
Cash received for PILOT program	305,411	198,247
Cash received for interest	148,365	179,554
Cash received for grant programs	30,000	-
Cash received for rent	37,920	89,857
Cash received for loan repayments	1,617,076	1,334,435
Cash paid for loan receivables	(740,000)	(126,127)
Cash paid for administration	(316,250)	(275,000)
Cash paid for grant and development expenses	(6,182)	(2,575)
Cash paid for professional fees	(169,275)	(128,148)
Cash paid for other operating expenses	(106,891)	(43,352)
Net cash provided by operating activities	<u>1,055,972</u>	<u>1,645,833</u>
Cash flows from investing activities:		
Purchase of property	-	(1,033,341)
Net cash used in investing activities	<u>-</u>	<u>(1,033,341)</u>
Cash flows from financing activities:		
Loans issued	(17,728)	(25,631)
Cash paid for mortgage	(30,018)	(30,000)
Net cash used in financing activities	<u>(47,746)</u>	<u>(55,631)</u>
Net change in cash	1,008,226	556,861
Cash, beginning of year	9,871,521	9,314,660
Cash, end of year	<u>\$ 10,879,747</u>	<u>\$ 9,871,521</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Change in net assets	\$ 246,092	\$ 474,793
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,896	23,750
Net change in accounts receivable	(49,000)	15,086
Net change in loans receivable	877,076	1,208,308
Net change in deferred inflows of resources	(132,107)	(110,032)
Net change in PILOT payable	98,409	-
Net change in accounts payable and PILOT payable	5,606	33,928
Net cash provided by operating activities	<u>\$ 1,055,972</u>	<u>\$ 1,645,833</u>

The accompanying notes are an integral part of these financial statements

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Nature of Operations

The County of Oswego Industrial Development Agency (the Agency) was created as a public benefit corporation by the County of Oswego under provisions of the laws of New York State for the purpose of encouraging economic growth in the County of Oswego. The Agency is exempt from federal, state and local income taxes. The Agency, although established by and as a component unit of the County of Oswego, is a separate entity and operates independently of the County of Oswego.

The Agency uses the reporting model standards required by Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—For State and Local Governments*.

Basis of Accounting

The accounts of the Agency are maintained on the accrual basis of accounting. The Agency is regulated by the Office of the State Comptroller and must maintain its records in accordance with the prescribed New York State "Uniform System of Accounts for Industrial Development Agencies."

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Agency complies with the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements provide guidance on presenting deferred outflows, deferred inflows, and net position. Net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources. GASB requires the classification of net position into three classification, defined as follows:

Net investment in capital assets – The component of net position consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – Reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Notes to the Financial Statements

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Unrestricted net position – Reports all other net position that do not meet the definition of the above classification and are deemed to be available for general use by the Agency.

Taxes

Generally, the Agency is exempt from taxes. Section 874 of the New York State General Municipal Law authorized an exemption from real property taxation for any property acquired by an industrial development agency (IDA) or under its jurisdiction or control. To obtain such an exemption, section 412-a of the Real Property Tax Law requires the IDA to file an exemption form with the tax assessor. Qualified IDA property is entitled to an exemption from all general taxes imposed by or on behalf of a county, city, town, village or school district, but not from special ad valorem (property) levies or special assessments.

Deferred Outflows and Inflows of Resources

In the Statement of Net Position, in addition to assets, the Agency may sometimes report a separate section of deferred outflows of resources. This separate financial statement element represents consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency did not have any deferred outflows of resources at July 31, 2018 and 2017.

The Agency also records deferred inflows of resources, representing an increase in net assets that applies to future periods. The amounts recorded at July 31, 2018 and 2017 represent HUD grants received that have been subsequently loaned to local businesses and will be recognized as revenue as loan payments are made in the future.

2. Revolving Economic Development Funds

The Agency has a revolving economic development fund pursuant to contractual requirements with the County of Oswego and certain federal agencies, offering low and no interest loans and lease financing to area businesses and tax-exempt organizations. The loan rates are approved by the governing board after giving consideration to the enhancement of the local economic environment. Revenue recognition on these loans/leases is limited to the receipt of interest. However, repayment of loans of federal funds is recognized as the receipt of federal funds in the accompanying Statement of Revenues, Expenditures and Changes in Net Position.

3. Industrial Development Revenue Bond and Note Transactions

Certain industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies and is retired by lease payments. The bonds and notes are not general obligations of the Agency, County or the State. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Notes to the Financial Statements

3. Industrial Development Revenue Bond and Note Transactions (continued)

financing between the borrowing companies and bond and note holders. Funds arising from these transactions are controlled by trustees or banks, acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. At July 31, 2018 the cumulative original issue value of bonds aggregated \$275,120,246 and the outstanding balance was \$16,694,312.

The Agency takes title to, or a leasehold interest in, the property as security interest and retains such title until the bonds are paid in full. When real property is involved, a Payment in Lieu of Taxes Agreement is also executed. The Agency has limited liability on bonds issued. The Agency is liable for repayment of bonds solely to the extent of payments received from project occupants and its interest in the property financed.

4. Investments

The Agency's investment policies are governed by State statutes. In addition, the Agency has its own written investment policy. Agency monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The Secretary/Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposits at 105% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

5. Cash and Cash Equivalents

The Agency considers all short-term investments purchased with a maturity of three months or less to be cash equivalents. At various times during the year, the Agency's cash and cash equivalent balances may exceed the insured limits of the Federal Deposit Insurance Corporation.

6. Allowance for Uncollectible Loans Receivable

Management evaluates the allowance for uncollectible loans annually based on review of delinquent outstanding loans along with other known client factors to estimate uncollectible amounts. Based on management's evaluation, the allowance was determined to be approximately \$118,000 at July 31, 2018 and 2017.

7. Commitments and Contingencies

The Agency occupies space for its operations and has an agreement with Operation Oswego County, Inc. (OOC) to provide professional services to the Agency for an administrative support fee, which is determined annually. During fiscal years 2018 and 2017, administrative support fees were \$316,250 and \$275,000, respectively.

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Notes to the Financial Statements

7. Commitments and Contingencies (continued)

Over the period of several years, the Agency has also made interest-free loans to OOC as a conduit to benefit economic development projects which loans are repaid solely from monies received from third party project occupants. Loans receivable from OOC were approximately \$1,470,000 and \$1,548,000 at July 31, 2018 and 2017, respectively.

In addition, the Chief Executive Officer of the Agency serves as the Executive Director of OOC.

The Agency is subject to Federal and State audit and inspection to determine compliance with contract requirements. At July 31, 2018, the Agency had approved funding applications of approximately \$4,885,327.

8. Restricted Cash

The segregation of cash is a contractual requirement, except for the designated funds. The Agency maintains separate cash accounts for federal funds, payment in lieu of taxes (PILOT) revolving economic development funds, micro enterprise revolving loan funds and designated grant funds, as follows:

	2018	2017
Federal Funds	\$ 1,179,563	\$ 1,052,983
PILOT Funds	6,202,477	5,335,687
Micro Enterprise	379,132	339,088
IRP Funds	360,733	467,265
Loan Loss Reserve	60,043	60,031
	\$ 8,181,948	\$ 7,255,054

Approved PILOT financing commitments at July 31, 2018 of approximately \$4,461,000 reduce the available restricted cash balance in the PILOT funds to approximately \$1,741,500.

9. Restricted Loans Receivable

The Agency, per contractual requirements, maintains revolving economic development funds in which principal and interest repayments on current financing are a source of funds for future financing to businesses. Such fund balances are, therefore, also restricted. Balances are as follows:

	2018	2017
PILOT Funds	\$ 5,156,463	\$ 5,892,814
HUD Funds	991,248	991,248
HUD Micro Enterprise Funds	105,311	143,185
IRP Loan	492,900	396,213
Total	6,745,922	7,423,460
Less deferred revenue	(966,529)	(1,098,636)
	\$ 5,779,393	\$ 6,324,824

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Notes to the Financial Statements

10. Due to Other Governments

The Agency maintains a separate savings account for Federal Funds, as indicated in Note 8. Interest earned on the Federal Funds is required to be remitted to the Department of Housing and Urban Development (HUD) shortly after December 31, each year. This is recorded in accounts payable and other liabilities and was paid in full as of July 31, 2018 and 2017.

11. PILOT Payable

The Agency acts as a conduit for the receiving and disbursing of PILOT payments. At July 31, 2018, the Agency owed approximately \$98,400 to other governments for PILOT payments. No amounts were owed at July 31, 2017.

12. Project Assets

The Agency had previously partnered with the City of Fulton and the Fulton Community Development Agency to purchase real property in the City of Fulton. The Agency's share of the \$1,000,000 purchase price was \$254,720. Title is in the name of the Agency. The property is leased under an operating lease through September 2020. Annual rent is \$14,428. Rent is adjusted upward every five years based on a Consumer Price Index formula, limited to a maximum 10% increase. The Agency's share of the annual rent is \$3,607.

In addition, the Agency previously expended \$25,000 to purchase real property for possible expansion by a developing company in the future.

The Agency previously purchased a building for \$950,000 and leased the building through December 2017. The building was placed out of service as of January 1, 2018 and the building was listed for sale. As of July 31, 2018, the sale of the property is pending. The useful life of the building is forty years and depreciation is calculated using the straight-line method. Depreciation expense for the year ended July 31, 2018 and 2017 was \$9,896 and \$23,750, respectively.

The following is a summary of the cost and accumulated depreciation of the Agency's project assets for the years ended July 31, 2017 and 2018:

	Balance at July 31, 2017	Additions	Reductions	Balance at July 31, 2018
Capital assets at cost:				
Land	\$ 1,072,819	\$ -	\$ -	\$ 1,072,819
Buildings	1,263,992	-	-	1,263,992
	<u>2,336,811</u>	<u>-</u>	<u>-</u>	<u>2,336,811</u>
Accumulated depreciation:				
Accumulated depreciation	(142,500)	(9,896)	-	(152,396)
Capital assets, net	<u>\$ 2,194,311</u>	<u>\$ (9,896)</u>	<u>\$ -</u>	<u>\$ 2,184,415</u>

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Notes to the Financial Statements

13. Long-Term Debt

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

	Balance at July 31, 2017	Additions	Reductions	Balance at July 31, 2018	Amounts Due Within One Year
Mortgage payable	\$ 670,000	\$ -	\$ 30,018	\$ 639,982	\$ 30,000
Loan payable	501,320	-	17,728	483,592	26,093
Total	<u>\$ 1,171,320</u>	<u>\$ -</u>	<u>\$ 47,746</u>	<u>\$ 1,123,574</u>	<u>\$ 56,093</u>

The following is a summary of the maturity of long-term indebtedness at July 31, 2018:

Description	Date of Original Issue	Date of Final Maturity	Interest Rate	Outstanding Balance
Mortgage payable	June 29, 2011	July 1, 2041	2.75%	\$ 639,982
Loan payable	January 11, 2011	January 12, 2035	1.00%	483,592
				<u>\$ 1,123,574</u>

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

	Mortgage Payable		Loan Payable	
	Principal	Interest	Principal	Interest
Year ended July 31,				
2019	\$ 30,000	\$ 17,668	\$ 18,850	\$ 4,827
2020	30,000	16,843	19,038	4,639
2021	30,000	16,018	19,229	4,448
2022	30,000	15,193	19,421	4,256
2023	30,000	14,368	19,615	4,062
2024-2028	150,000	59,466	101,059	17,326
2029-2033	150,000	38,841	106,214	12,171
2034-2038	150,000	18,216	111,632	6,753
2039-2043	39,982	1,534	68,534	1,336
	<u>\$ 639,982</u>	<u>\$ 198,147</u>	<u>\$ 483,592</u>	<u>\$ 59,818</u>

The Agency's loan payable is through the Intermediary Relending Program (IRP) with the United States Department of Agriculture- Rural Development for a loan not to exceed \$750,000 over a term of 30 years at 1% interest, with annual payments.

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Notes to the Financial Statements

14. Tax Abatement Programs

The Industrial Development Agency Act (the "Act") of New York State sets forth the powers that the Agency can carry out. In accordance with the Act, the Agency was created to promote, develop, encourage and assist industrial, manufacturing, warehousing, commercial, research and recreation facilities to advance job opportunities, health, and economic welfare of the people of the State of New York. The Agency carries out its mandate by offering financial incentives to attract, retain and expand businesses within the County of Oswego. The Agency's financial assistance can include the issuance of low interest revenue bonds and exemptions from real property tax (through the use of payment in lieu of tax (PILOT) agreements), mortgage recording tax and sales and use tax.

The Agency has instituted a Uniform Tax Exemption Policy, "UTEP", on March 1, 1999, which provides guidelines for the granting of real property, mortgage recording and sales and use tax exemptions. To be eligible for financial assistance, the recipient of the financial assistance must abide by the requirements of this policy and complete an application process as instituted by the Agency. The governing board of the Agency is required to approve all financial incentive assistance requests by recipients in accordance with the UTEP.

In accordance with the New York State General Municipal Law, the Agency has instituted a Recapture Policy that is incorporated in the UTEP, which allows for the recapture of financial incentive assistance provided to recipients for failure to comply with such Recapture Policy. New York State requires a mandatory recapture of the New York State portion of sales and use taxes for recipients for which the recipient was: a) not entitled to; b) in excess of the amounts authorized by the Agency; c) for property or services not authorized by the Agency; and/or d) for a recipient that has failed to comply with material term or condition to use the property or services in the manner required by any of the project documents between the recipient and the Agency. With respect to all other financial assistance provided to the recipient, the Agency shall have the right to suspend, discontinue, recapture or terminate financial assistance to any recipient to the extent that: a) for projects that utilized local sales and use tax exemptions, the project was not entitled to such exemptions, such exemptions were in excess of the amounts authorized by the Agency, and /or such exemptions were for property or services not authorized by the Agency; b) the recipient, upon completion of their project, fails to reach and maintain at least 60% of its employment requirements for job creation and/or retention; c) significant change in the use of the facility or significant change in business activities or project applicant or operator; d) material noncompliance with the terms of the Agency transaction documents including required annual reporting on job creation and retention, sales and use tax exemption (ST-340) and payroll.

Information relevant to the disclosure of all tax abatement programs for the fiscal year ended July 31, 2018 is as follows:

Tax abatement program	August 1, 2017- July 31, 2018
Mortgage recording tax exemption	\$ 33,638
Sales and use tax exemption	986,626
Payment in lieu of tax (PILOT)	19,729,481
Total taxes abated	\$ 20,749,745

PILOT exemptions represented 36.6% of what normal taxes would have been without a PILOT exemption.

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Notes to the Financial Statements

15. Subsequent Events

As of the date of these financial statements, the sale of both the 120 Saint Paul Street and 29 East Cayuga Street properties are pending. Management has evaluated subsequent events through October 18, 2018, which is the date the financial statements were available to be issued.

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Schedule of Bonds Issued- A Limited Obligation of the Agency
July 31, 2018

Project / Owner	Purpose Code	Issued/ Maturity Date	Interest Rate	Tax Status	Beginning/ Ending Balances	Jobs Before IDA Status	Current Jobs	FY Impact Estimated Jobs Created / Retained	Tax Exemptions	PILOTS
Oswego County Opportunities, Inc. 239 Oneida St. Fulton, NY 13069	Civic Facility	1/2/1998 7/1/2018	6.23%	Exempt	51,992	362	495	0 / 495	-	-
O.H. Properties, Inc. 110 West Sixth St. Oswego, NY 13126	Civic Facility	6/29/1999 6/1/2024	3.45% - 4.02%	Exempt	860,000 760,000	0	0	0 / 0	-	-
O.H. Properties, Inc. 110 West Sixth St. Oswego, NY 13126	Civic Facility	6/29/1999 6/1/2024	5.37% - 5.45%	Taxable	505,000 445,000	0	0	0 / 0	19,215	19,215
Springside at Seneca Hill 110 West Sixth St. Oswego, NY 13126	Civic Facility	12/6/2000 6/1/2021	3.45% - 4.02%	Exempt	1,195,000 955,000	0	13	0 / 13	104,501	25,764
Fulton Thermal Corporation 972 Centerville Road Pulaski, NY 13142	Manufacturing	9/29/2010 10/1/2036	LIBOR rate	Exempt	8,970,000 8,725,000	223	197	0 / 197	468,933	187,573
Pathfinder Courts Norstar Dev USA, LP 1100 Emery Street Fulton, NY 13069	Civic Facility	12/27/2002 12/1/2034	2.8% above LIBOR rate	Exempt	1,187,091 1,149,312	5	6	0 / 6	3,398	3,398
Oswego School District Public Library 120 East Second Oswego, NY 13126	Civic Facility	6/29/2006 12/15/2035	4-5%	Exempt	4,820,000 4,660,000	8	11	0 / 11	-	-

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Schedule of Straight Leases
July 31, 2018

Project / Owner	Purpose	Straight Lease End Date	Lease Amount	Jobs Before IDA Status	Current Jobs	Estimated Jobs Created / Retained	FY Impact	
							Tax Exemptions	PILOTS
Oswego Speedway 300 East Albany St. Oswego, NY 13126	Services	12/31/2021	A	0	21	0 / 21	\$ 68,390	\$ 56,367
Huhtamaki Packaging 100 State Street Fulton, NY 13069	Manufacturing	12/31/2025	A	429	437	0 / 437	478,265	251,816
Sithe Energies 59 Independence Way Oswego, NY 13126	Electric	12/31/2029	A	0	36	2 / 34	7,431,702	5,466,666
Operation Oswego Co., Inc. Discover Day Care Center 44 West Bridge Street Oswego, NY 13126	Services	3/31/2040	A	0	9	0 / 9	27,677	3,250
McIntosh Box & Pallet P.O. Box 127 East Syracuse, NY 13057	Manufacturing	12/31/2033	A	30	43	0 / 43	26,752	16,520
Operation Oswego Co., Inc. CITI Education Center 44 West Bridge Street Oswego, NY 13126	Services	3/31/2025	A	0	23	15 / 8	25,100	6,703
Brookfield Power (Orwell) Erie Blvd. Hydropower, LP. 225 Greenfield Parkway Liverpool, NY 13138	Electric	12/31/2020	A	2	4	0 / 4	594,863	645,000
Operation Oswego Co., Inc. Spec Building 44 West Bridge Street Oswego, NY 13126	Manufacturing	3/31/2027	A	0	26	3 / 23	56,772	10,562
Whitewater Commons, Inc. 7 Bridle Square Oswego, NY 13126	Services	3/31/2023	A	0	0	0 / 0	45,282	39,774
Sunoco, Inc. 376 Owen Road Fulton, NY 13069	Manufacturing	3/31/2027	A	0	92	8 / 84	1,066,243	530,160

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

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
Schedule of Straight Leases
July 31, 2018

Project / Owner	Purpose	Straight Lease End Date	Lease Amount	Jobs Before IDA Status	Current Jobs	Estimated Jobs Created / Retained	Tax Exemptions	PILOTS	FY Impact	
Bridgewood Holdings/ Teti Bakery 99 Harris Street Fulton, NY 13069	Manufacturing	12/31/2033	A	0	35	8 / 27	27,643	24,682		
Oswego Hamilton Homes, LLC Phase I, II, III 1201 East Fayette Street Syracuse, NY 13212	Other	9/1/2027	A	5	3	0 / 3	229,457	21,852		
Wire Road, LLC 5879 Sugar Bush Drive Tully, NY 13159	Other	12/31/2021	A	0	17	4 / 13	37,083	25,957		
Operation Oswego Co., Inc. Oswego County Business Expansion Center 44 West Bridge Street Oswego, NY 13126	Other	12/31/2050	A	0	22	0 / 22	31,385	1,062		
Otis Products, Inc. 6987 Laura St. Lyons Falls, NY 13368	Manufacturing	3/31/2030	A	0	7	2 / 5	34,599	25,278		
Captain's Quarters G&S Broadwell, Inc. 26 East First Street Oswego, NY 13126	Services	7/31/2030	A	0	45	0 / 45	535,057	76,000		
Port City Logistics, Inc. 305 E. Seneca St. Oswego, NY 13126	Warehousing	12/31/2027	A	9	22	0 / 22	56,019	22,408		
Hansdev, Inc. 3800 State Route 13 Pulaski, NY 13142	Services	3/31/2022	A	0	9	1 / 8	57,005	57,005		
Champlain Valley Specialty of New York, Inc. 8033 State Route 104 Oswego, NY 13126	Manufacturing	12/31/2031	A	0	125	15 / 110	38,363	25,895		
Champlain Valley Specialty of New York, Inc. 8033 State Route 104 Oswego, NY 13126	Manufacturing	12/31/2033	A	25	125	16 / 109	25,895	15,345		

COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
 Schedule of Straight Leases
 July 31, 2018

Project / Owner	Purpose	Straight Lease End Date	Lease Amount	Jobs Before IDA Status	Current Jobs	Estimated Jobs Created / Retained	FY Impact	
							Tax Exemptions	PILOTS
Stevodore Lofts, LLC 317 West First Street Oswego, New York 13126	Other	12/31/2042	A	0	1	0 / 1	116,706	14,000
Altmar Genesee, LLC 505 East Fayette Street Syracuse, New York 13202	Services	12/31/2023	A	0	48	6 / 42	113,691	52,297
R.M. Burritt Motors, Inc. 340 State Route 104 Oswego, New York 13126	Retail	12/31/2023	A	39	54	0 / 54	102,702	82,162
LEE, LLC 247 West Utica St. Oswego, New York 13126	Other	12/31/2023	A	0	2	0 / 2	88,697	54,187
SAM North America, LLC 12 Harold Drive Fulton, New York 13069	Manufacturing	12/31/2033	A	3	8	0 / 8	14,761	3,690
United Wire Technologies 4693 Becker Road Brewerton, New York 13029	Manufacturing	12/31/2033	A	8	17	0 / 17	27,766	12,175
Seaway Lofts Associates c/o Sutton Real Estate Co. 525 Plum Street Syracuse, New York 13204	Other	12/31/2033	A	0	1	0 / 1	93,365	15,737
V-Squared Management, LLC 3420 Maple Ave. Pulaski, New York 13142	Other	12/31/2023	A	0	0	0 / 0	17,035	3,030
Novelis Corporation (Falcon) 448 County Route 1A Oswego, New York 13126	Manufacturing	12/31/2033	A	217	390	0 / 390	370,827	85,162
Novelis Corporation (Hawk) 448 County Route 1A Oswego, New York 13126	Manufacturing	12/31/2035	A	217	391	1 / 390	185,414	42,581
Novelis Corporation (Scrap) 448 County Route 1A Oswego, New York 13126	Manufacturing	12/31/2035	A	217	390	0 / 390	259,579	56,613

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COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
 Schedule of Straight Leases
 July 31, 2018

Project / Owner	Purpose	Straight Lease End Date	Lease Amount	Jobs Before IDA Status	Current Jobs	Estimated Jobs Created / Retained	FY Impact	
							Tax Exemptions	PILOTS
K+N's Foods 607 Phillips St. Fulton, New York 13069	Manufacturing	12/31/2025	A	0	40	0 / 40	112,263	30,000
86 State Street Phoenix 6730 VIP Parkway Syracuse, New York 13211	Other	12/31/2023	A	0	0	0 / 0	2,787	2,787
Felix Schoeller NA 179 County Route 2A Pulaski, NY 13142	Manufacturing	12/31/2022	A	123	146	0 / 146	217,504	122,776
Lake Ontario Property Associates 300 State Route 104 Oswego, NY 13126	Services	12/31/2024	A	17	32	7 / 25	74,692	57,186
W&C LLC (FX Caprara) 3326 Maple Ave. Pulaski, NY 13142	Retail	12/31/2024	A	65	53	0 / 53	130,920	65,460
Pathfinder Industries 117 North Third Street Fulton, NY 13069	Manufacturing	12/31/2034	A	22	24	1 / 23	17,425	8,713
MDDO, LLC P.O. Box 1035 Oswego, NY 13126	Distribution	12/31/2025	A	49	91	3 / 88	107,664	53,832
Patterson Warehousing 100 Hubbard St. Fulton, NY 13069	Warehousing	12/31/2024	A	6	4	0 / 4	142,075	131,910
Red Ray Properties, LLC 6645 Co. Rt. 17 Redfield, NY 13437	Manufacturing	12/31/2039	A	59	52	8 / 44	11,838	11,838
Designer Hardwood Flooring 193 E. Seneca St. Oswego, NY 13126	Manufacturing	12/31/2025	A	0	0	0 / 0	11,159	2,587
Hardwood Transformations 193 E. Seneca St. Oswego, NY 13126	Manufacturing	12/31/2025	A	0	12	8 / 4	26,038	6,181

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COUNTY OF OSWEGO INDUSTRIAL DEVELOPMENT AGENCY
 Schedule of Straight Leases
 July 31, 2018

Project / Owner	Purpose	Straight Lease End Date	Lease Amount	Jobs Before IDA Status	Current Jobs	Estimated Jobs Created / Retained	FY Impact	
							Tax Exemptions	PILOTS
Oswego County Federal Credit Union 90 East Bridge Street Oswego, NY 13126	Services	12/31/2026	A	6	6	0 / 6	33,689	24,976
Branch Development Oswego Holiday Inn Express PO Box 390 Malone, NY 12953	Services	12/31/2036	A	0	15	0 / 15	240,882	60,220
R & D Design Associates 8182 Cranes Watch Circle Baldwinsville, NY 13027	Manufacturing	12/31/2036	A	0	3	0 / 3	9,738	9,738
Universal Metal Works 159 Hubbard St. Fulton, NY 13069	Manufacturing	12/31/2036	A	23	23	0 / 23	88,870	56,197
M&A Holdings of CNY The Gardens by Morningstar PO Box 5171 Oswego, NY 13126	Services	12/31/2046	A	0	59	3 / 56	180,270	13,198
Nine Mile Point Nuclear Station 348 Lake Road Oswego, NY 13126	Electric	12/31/2020	A	1000	950	0 / 950	39,189,011	25,227,998
Oswego Lodging Group Home 2 Suites 11751 E. Corning Rd. Corning, NY 14830	Services	12/31/2037	A	0	11	11 / 0	183,462	45,866
Solar City Corp. (Volney) 3055 Clearview Way San Mateo, CA 94402	Electric	12/31/2036	A	0	0	0 / 0	-	-
Solar City Corp. (Scriba) 3055 Clearview Way San Mateo, CA 94402	Electric	12/31/2036	A	0	0	0 / 0	-	-

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



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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

Agency Members
County of Oswego Industrial Development Agency
Oswego, New York

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 County of Oswego Industrial Development Agency (the Agency) as of and for the year ended July 31, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated October 18, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be 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 Agency'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
October 18, 2018