

**COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY  
AUDIT REPORT**

**July 31, 2007 and 2006  
and For the Years then Ended**

**Date of Report: October 31, 2007**

**Jack B. Alter  
Certified Public Accountant  
175 South Second Street**

Fulton, New York 13069  
315-598-4411

**COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY**

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JACK B ALTER  
Certified Public Accountant  
175 South Second Street  
Fulton, New York 13069  
315-598-4411

Agency Members  
County of Oswego  
Industrial Development Agency  
44 West Bridge Street  
Oswego, New York 13126

Independent Auditor's Report

We have audited the accompanying balance sheets of the County of Oswego Industrial Development Agency, component unit of the County of Oswego, as of July 31, 2007 and 2006 and the related Statements of Revenues and Expenditures and Changes in Retained Earnings and Statements of Cash Flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IDA's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2007 and 2006, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 to 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The Statement of Bonds Issued - A Limited Obligation of this Agency on pages 21-24 and the Statement of Straight Leases on pages 25-29 are not a required part of the basic financial statements but are supplementary information required by New York State. Due to the fact that Bond Holders' information is at private company locations around the United States and not readily available to the County of Oswego Industrial Development Agency, we have applied certain limited procedures, which consisted principally of inquiries of management and company confirmations of presentation of that supplementary information. However, it was not possible to confirm Bond Balances and we did not audit Bond Balances and express no opinion on those amounts. The remaining supplementary information, other than Bond Balances have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2007 on our consideration of the County of Oswego Industrial Development Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Fulton, New York  
October 31, 2007

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis

July 31, 2007

The following is a discussion and analysis of the County of Oswego Industrial Development Agency, a component unit of the County of Oswego, financial performance for the fiscal year ended July 31, 2007. The section is a summary of the Agency's financial activities based on currently know facts, decisions, or conditions. It is also based on both the agency and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Agency's financial statements, which immediately follow this section.

Financial Highlights

- The Agency's assets exceeded its liabilities by \$14,809,997 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$14,586,917.
- Total net assets are comprised of the following:
  - 1) Cash of \$5,208,519, of which \$4,224,617 is restricted to funding loans.
  - 2) Loans receivable, net of related allowance for loans, of \$9,120,033.
  - 3) Net assets of \$11,498,182 are restricted by constraints imposed from outside the Agency such as the County of Oswego, grantors, laws, or regulations.
  - 4) Unrestricted net assets of \$3,311,815 represent the portion available now or as loans are repaid to maintain the Agency's economic development operations including future loans. Unrestricted cash totals \$983,902. Unrestricted loans total \$1,846,468 with repayments spread over several years.
- The Agency's governmental funds reported a total ending retained earnings of \$13,268,509 this year. This compared to the prior year ending retained earnings, of \$12,886,406 showing an increase of \$382,103 during the current year. Unreserved retained earnings of \$3,311,815 for fiscal year 2007 shows a \$424,210 decrease over the prior year.
- At the end of the current fiscal year, unreserved retained earnings for the Agency was \$3,311,815 or about 7 times total expenditures and about 4 times total revenues.
- Total liabilities of the Agency increased by \$2,730 to \$52,227 during the fiscal year due primarily to an increase in accounts payable.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Agency's basic financial statements. The basic financial statements include: (1) agency financial statements, (2) fund financial statements, and (3) notes to the financial

statements. The Agency also includes in this report additional information to supplement the basic financial statements.

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis

July 31, 2007

*Agency Financial Statements*

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

The first of these agency statements is the *Statement of Net Assets*. This is the Agency statement of position presenting information that includes all of the Agency's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency as a whole is improving or deteriorating. Evaluation of the overall health of the Agency may extend to other non-financial factors in addition to the financial information provided in this report.

The second agency statement is the *Statement of Activities* which reports how the Agency's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Agency's distinct activities or functions on revenues.

Both agency financial statements show business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Business-type activities include loans, bonds, and economic development.

The Agency's financial reporting includes the Agency only, a component unit of the County of Oswego. The Agency is a legally separate organization managed by seven members.

The agency financial statements are presented on pages 10-11 of this report.

*Fund Financial Statements*

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives and to ensure and demonstrate compliance with finance-related laws and regulations. The Agency is a proprietary fund.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the Agency charges a fee. Enterprise funds essentially encompass the same functions reported as business-type activities in the agency statements. Services are provided to companies external to the organization such as making loans and issuing bonds.

Proprietary fund statements provide both long-term and short-term financial

information consistent with the focus provided by the agency financial statements but with more detail.

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INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis

July 31, 2007

The basic proprietary fund financial statements are presented on pages 12-14 of this report.

*Notes to the financial statements*

The accompanying notes to the financial statements provide information essential to a full understanding of the agency and fund financial statements. The notes to the financial statements begin on page 15 of this report.

*Other information*

In addition to the basic financial statements and accompanying notes, this report also presents certain New York State required supplementary information concerning the Agency's issuance of bonds, a limited obligation of the Agency and straight leases. This information begins on Page 21.

Financial Analysis of the Agency

The Agency's net assets at fiscal year-end are \$14,809,997. This is a \$223,080 increase over last year's net assets of \$14,586,917. The following table provides a summary of the Agency's net assets:

Summary of Net Assets

	Business-type Activities <u>2007</u>	Business-type Activities <u>2006</u>	Percent Change
Cash and other assets	\$ 5,742,191	\$ 5,769,563	- .5
Loans Receivable	<u>9,120,033</u>	<u>8,866,851</u>	+ 2.9
Total assets	<u>14,862,224</u>	<u>14,636,414</u>	+ 1.5
Other liabilities	<u>52,227</u>	<u>49,497</u>	+ .5
Total liabilities	<u>52,227</u>	<u>49,497</u>	+ .5
Net assets:			
Restricted	11,498,182	10,850,891	+ 5.9
Unrestricted	<u>3,311,815</u>	<u>3,736,026</u>	+ 11.4
Total net assets	<u>\$14,809,997</u>	<u>\$14,586,917</u>	+ 1.5

The Agency's overall financial position improved slightly during fiscal year 2007.

Business-type activities realized benefits from loan repayments and

administrative fees for company project assistance.

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis

July 31, 2007

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

Summary of Changes in Net Assets

		<u>Business-type Activities</u>		
		2007	% of <u>Totals</u>	2006
				% of <u>Totals</u>
<b>Revenues:</b>				
Charges for services	\$ 32,605		4.8	548,795
Grants/Miscellaneous	15,602		2.3	3,000
Interest - Loans	256,913		38.1	272,941
Interest - Savings	182,692		27.1	176,259
Payments in lieu of taxes	<u>187,035</u>		<u>27.7</u>	<u>194,827</u>
<b>Total revenues</b>	<b><u>\$674,847</u></b>		<b><u>100.0</u></b>	<b><u>1,195,822</u></b>
<b>Expenses:</b>				
Administration	117,015		17.3	141,732
Professional Fees	101,682		15.1	112,636
Program Expenses	9,588		1.4	9,250
Grants/Costs	2,145		.3	44,611
Provision Uncollectible Loans	<u>221,337</u>		<u>32.8</u>	<u>41,115</u>
<b>Total expenses</b>	<b><u>451,767</u></b>		<b><u>66.9</u></b>	<b><u>349,344</u></b>
<b>Change in net assets</b>	<b>223,080</b>		<b><u>33.1</u></b>	<b>846,478</b>
<b>Beginning net assets</b>	<b><u>14,586,917</u></b>			<b><u>13,740,439</u></b>
<b>Ending net assets</b>	<b><u>\$14,809,997</u></b>			<b><u>14,586,917</u></b>

Financial Analysis of the Agency's Fund

*Agency Governmental funds*

As discussed, the Agency governmental fund is reported in the fund statements with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The Agency governmental fund reported an ending retained earnings of \$13,268,509. Of this year-end total, approximately \$3,311,815 is unreserved indicating availability for continuing



COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis

July 31, 2007

Agency service requirements. Reserved fund balances consist of \$9,956,694 reserved for economic development loans to the business community funded with county and federal grants and loan repayments.

The total ending fund balance of the Agency governmental fund shows an increase of \$382,103 over the prior year. This increase is primarily the result of the events and programs described within the analysis of the Agency's governmental activities.

*Major Governmental Fund*

The Agency is a proprietary fund. Retained earnings increased by \$382,103. Key factors contributing to this increase were revenues from fees, increased savings interest income and loan repayments.

The Agency also receives one-time HUD grants for loans to assist in economic development.

Contacting the Agency's Financial Management

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

L. Michael Treadwell  
Secretary/Treasurer

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

Reconciliation of the Balance Sheet of  
Governmental Fund to the Statement  
of Net Assets

July 31, 2007

Total retained earnings -  
total governmental funds \$13,268,509

Amounts reported for  
governmental activities  
in the statement of net  
assets are different because:

Deferred revenues are recorded  
in accordance with grant  
accounting rules to account for  
HUD revolving loan funds, but  
eliminated as agency liabilities. 1,541,488

Net Assets of governmental activities \$14,809,997

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

Reconciliation of the Governmental Income  
Statement to the Statement of Activities

July 31, 2007

Net Change in retained earnings	\$ 382,103
Principal on loan repayments and federal fund expenditures are recorded in accordance with grant accounting rules to account for HUD revolving loan funds, but eliminated as Agency revenue (\$159,023) and expense (0).	<u>(159,023)</u>
Change in net assets of Governmental activities	\$ <u>223,080</u>

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF NET ASSETS  
July 31, 2007  
(with comparative totals  
as of July 31, 2006)

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash - Unrestricted	\$ 983,902	\$ 1,138,740
Cash - Restricted	4,224,617	3,852,014
Receivables	253,952	499,089
Loans Receivable - Current	1,434,437	1,231,736
Loans Receivable - Long Term	7,991,753	7,753,114
Allowance for Loans Receivable	(306,157)	(117,999)
Project Assets	<u>279,720</u>	<u>279,720</u>
Total Assets	14,862,224 =====	14,636,414 =====
 <b>LIABILITIES</b>		
Deferred Revenue	13,967	13,967
Accounts Payable	16,956	24,970
Due to Government	<u>21,304</u>	<u>10,560</u>
Total Liabilities	<u>52,227</u>	<u>49,497</u>
 <b>NET ASSETS</b>		
Restricted - Cash	4,224,617	3,852,014
Restricted - Loans Receivable	7,273,565	6,998,877
Unrestricted	<u>3,311,815</u>	<u>3,736,026</u>
Total Net Assets	\$14,809,997 =====	14,586,917 =====

See Notes to Financial Statements.

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES  
July 31, 2007  
(with comparative totals  
as of July 31, 2006)

	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>		
Administration/Application Fees	\$ 32,605	548,795
Interest on Savings	182,692	176,259
Interest on Loans	256,913	272,941
Payments in Lieu of Taxes	187,035	194,827
Option - Easement	12,602	0
Rent Income	<u>3,000</u>	<u>3,000</u>
Total Revenues	<u>674,847</u>	<u>1,195,822</u>
<b>EXPENSES</b>		
<b>Administration:</b>		
Administration Fee - Operation Oswego County, Inc.	115,000	140,000
Dues	825	375
Meetings/Miscellaneous	1,190	1,357
Professional Fees	101,682	112,636
Taxes - Property	6,212	0
Program Expenses	3,376	9,250
Provision For Uncollectible Loans	221,337	41,115
Company Grants/Costs	<u>2,145</u>	<u>44,611</u>
Total Expenses	<u>451,767</u>	<u>349,344</u>
Changes in Net Assets	223,080	846,478
Net Assets, Beginning	<u>14,586,917</u>	<u>13,740,439</u>
Net Assets, Ending	\$14,809,997 =====	14,586,917 =====

See Notes to Financial Statements.

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

BALANCE SHEETS

July 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<u>Current Assets</u>		
Cash - Unrestricted	\$ 983,902	1,138,740
Cash - Restricted	4,224,617	3,852,014
Receivables	253,952	499,089
Loans Receivable - Current	<u>1,434,437</u>	<u>1,231,736</u>
Total Current Assets	<u>6,896,908</u>	<u>6,721,579</u>
<u>Other Assets</u>		
Loans Receivable - Long Term	7,991,753	7,753,114
Allowance for Loans Receivable	<u>(306,157)</u>	<u>(117,999)</u>
Net Loans Receivable	<u>7,685,596</u>	<u>7,635,115</u>
Project Assets	<u>279,720</u>	<u>279,720</u>
Total Assets	<u>14,862,224</u>	<u>14,636,414</u>
	=====	=====
<b>LIABILITIES AND RETAINED EARNINGS</b>		
<u>Current Liabilities</u>		
Deferred Revenue	1,555,455	1,714,478
Accounts Payable	16,956	24,970
Due To Government	<u>21,304</u>	<u>10,560</u>
Total Liabilities	<u>1,593,715</u>	<u>1,750,008</u>
<u>Retained Earnings</u>		
Reserved - Cash	4,224,617	3,852,014
- Loans Receivable	5,732,077	5,298,367
Unreserved	<u>3,311,815</u>	<u>3,736,025</u>
Total Retained Earnings	<u>13,268,509</u>	<u>12,886,406</u>
Total Liabilities and Retained Earnings	<u>\$14,862,224</u>	<u>14,636,414</u>
	=====	=====

See Notes to Financial Statements.

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF REVENUES AND EXPENDITURES  
AND CHANGES IN RETAINED EARNINGS  
Years Ended July 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>Revenues</u>		
Administration/ Application Fees	\$ 32,605	548,795
Interest on Savings	182,692	176,259
Interest on Loans	237,279	247,443
Payments in Lieu of Taxes	187,035	194,827
Option - Easement	12,602	0
Rent Income	3,000	3,000
Federal Funds - Loan Repayments		
Principal	159,023	150,927
Interest	<u>19,634</u>	<u>25,498</u>
Total Revenues	<u>833,870</u>	<u>1,346,749</u>
<u>Expenditures</u>		
Administration:		
Administration Fee - Operation		
Oswego County, Inc.	115,000	140,000
Dues	825	375
Legal/Accounting	101,682	112,636
Meetings/Miscellaneous	1,190	1,357
Taxes - Property	6,212	0
Provision For Uncollectible Loans	221,337	41,115
Company Grants/Costs	2,145	44,611
Federal Funds Loans	0	0
Federal Funds Administration	<u>3,376</u>	<u>9,250</u>
Total Expenditures	<u>451,767</u>	<u>349,344</u>
Excess of Revenues over Expenditures	382,103	997,405
Retained Earnings, Beginning	<u>12,886,406</u>	<u>11,889,001</u>
Retained Earnings, Ending	\$ 13,268,509	12,886,406
	=====	=====

See Notes to Financial Statements.

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS  
Years Ended July 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>Cash Flows from Operating Activities</u>		
Excess of Revenues over		
Expenditures	\$ 382,103	997,405
Adjustments to reconcile Excess of		
Revenues over Expenditures to Net		
Cash provided by Operating Activities		
Allowance for Loans Receivable	188,158	19,408
Net Change in Loans Receivable	(441,340)	(492,503)
Net Change in Receivables	245,137	(480,728)
Net Change in Project Assets	0	(25,000)
Net Change in Deferred Revenue	(159,023)	(150,927)
Net Change in Accounts Payable/Due To	<u>2,730</u>	<u>157</u>
Total Adjustments	<u>(164,338)</u>	<u>(1,129,593)</u>
Net Cash provided (used) by		
Operating Activities	217,765	(132,188)
	=====	=====
<u>Cash Flows from Investing Activities</u>	0	0
	=====	=====
<u>Cash Flows from Financing Activities</u>	0	0
	=====	=====
<u>Net Change in Cash and Cash Equivalents</u>		
Operating Activities	217,765	(132,188)
Cash and Cash equivalents at Beginning		
of Year	<u>4,990,754</u>	<u>5,122,942</u>
Cash and Cash equivalents at End		
of Year	\$5,208,519	4,990,754
	=====	=====
Supplemental disclosure of Cash Flows information:		
Cash paid during the year for:		
Interest	0	0
Income Taxes	0	0

See Notes to Financial Statements.



COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

July 31, 2007 and 2006

NOTE A -- INTRODUCTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the County of Oswego Industrial Development Agency are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Agency's financial activities for the fiscal year ended July 31, 2007.

The Agency implemented new reporting model standards as required by Government Accounting Standards Board (GASB) Statement No.34 beginning August 1, 2001. Comparability with reports of all prior (2001) years will be affected. GASB 34 generally requires two sets of financial statements: one set to report in accordance with government fund accounting; one set to report with a business focus similar to the private sector with full accrual accounting.

Summary of Significant Accounting Policies

The financial statements of the County of Oswego Industrial Development Agency (Agency) have been prepared in conformity with accounting principles generally accepted in the United States of America. Significant accounting policies are:

1. Organization and Purpose

The Agency was created on April 23, 1973 as a public benefit corporation by the County of Oswego under provisions of the Laws of New York State for the purpose of encouraging economic growth in the County of Oswego. The Agency is exempt from Federal, State and Local income taxes. The Agency, although established by the County of Oswego is a separate entity and operates independently of the County of Oswego.

2. 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 NYS "Uniform System of Accounts for Industrial Development Agencies."

3. Grant Accounting

Pass-through grants are recorded as receivables, revenues, liabilities and expenses when awarded. All other grants are recorded as receivables and deferred revenues upon award of the contracts; revenues are recognized as the Agency meets performance requirements of the contracts. Federal funds unpaid loans are reflected as Loans Receivable and Deferred Revenue.

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS - Continued

July 31, 2007 and 2006

4. 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.

NOTE B -- REVOLVING FUNDS

The Agency has established a revolving loan fund offering low interest loans (less than Prime Rate) and, in four special cases, no interest loans to area businesses and tax-exempt organizations. The loans are approved by the governing board after giving consideration to the major criteria, i.e. enhancement of economic environment. Revenue recognition on these loans is limited to the receipt of interest. However, repayment of loans of federal funds are recognized as the receipt of federal funds.

NOTE C -- INDUSTRIAL REVENUE BOND AND NOTE TRANSACTIONS

Certain industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the Agency, County, or the State. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and bond and note holders, and funds arising therefrom 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, 2007 the original issue value of bonds issued aggregated \$265,120,246 and the approximate outstanding balance was \$45,762,797 at July 31, 2007.

The Agency takes Title to the property as security interest and retains such Title until the Bonds are paid in full. When real property is involved, a Payment in Lieu of Taxes Agreement is also executed. The Agency has limited liability on Bonds issued. Since the financing arrangement is basically a sale/leaseback arrangement the Agency is liable to the extent of resources received under the sale/leaseback agreement. Additionally, members, directors, or officers of the issuer have no personal liability in connection with the issuance of the Bonds.

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS - Continued

July 31, 2007 and 2006

NOTE D -- INVESTMENTS

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

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

Deposits and Investments at year-end totaling \$200,000 were entirely covered by FDIC Insurance. Deposits totaling \$5,008,519 were fully collateralized at July 31, 2007.

Cash includes savings deposits of \$5,106,820 (\$4,854,734 at July 31, 2006).

NOTE E -- RELATED PARTY

The Agency provides a share of the funding for Operation Oswego County, Inc. (OOC), a separate tax-exempt Development Corporation. The financial records of the Agency are maintained at the offices of OOC. During this period the Agency disbursed \$115,000 (\$140,000 year end July 31, 2006) to OOC as an administrative support fee.

The Agency has also made interest-free loans to OOC. At July 31, 2007, those loan balances totaled \$2,273,470. The loans were used to construct buildings which are rented and a portion of rents is used to make repayments on the loans.

Also, a 4.75% interest-bearing loan was made to OOC to assist a local company. The loan balance at July 31, 2007 was \$9,660.

All loan repayments have been made as required.

NOTE F -- STATEMENT OF CASH FLOWS

The Agency includes cash equivalents (defined as investments having a maturity of three months or less) in cash flows for the year.

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS - Continued

July 31, 2007 and 2006

NOTE G -- ALLOWANCE FOR LOANS RECEIVABLE

Management determines an allowance for doubtful loans annually. The allowance was determined as 25% of delinquent loans six to twelve months in arrears and 50% of delinquent loans over one year in arrears and 100% of bankrupt borrowers. Two loans totaling \$33,179 was written off during the year.

Twenty-three loans are delinquent for one to fifty-nine months; payments and/or demand balances delinquent total \$361,513; loan balances total \$1,319,178. In the subsequent three months, \$8,403 of delinquent payments were collected and no delinquent loan balances were paid.

NOTE H -- CONTINGENCY

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

NOTE I -- RECEIVABLES

The Agency was involved in the project of reopening a closed manufacturing plant and received a State grant. Uncollected costs totaled \$18,361 at year end and are considered fully collectible. Also, the balance of a company administrative fee of \$235,592 will be paid in two equal annual installments of \$117,796.

NOTE J -- RESTRICTED CASH

The Agency maintains separate cash accounts for federal funds, payment in lieu of taxes (PILOT) revolving loan funds, micro enterprise revolving loan funds, and designated grant funds, as follows:

	<u>2007</u>	<u>2006</u>
Federal Funds	\$ 963,224	820,820
PILOT Funds	2,852,728	2,676,254
Micro Enterprise	408,665	354,940
	<u>\$4,224,617</u>	<u>3,852,014</u>

Approved PILOT loan commitments at July 31, 2007 reduce the available restricted cash balance as follows:

	<u>Balance</u>	<u>Commitments</u>	<u>Available Cash</u>
PILOT Funds	<u>\$2,852,728</u>	<u>1,101,000</u>	<u>1,751,728</u>

The segregation of cash is a contractual requirement, except for the Designated Funds.

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS - Continued

July 31, 2007 and 2006

NOTE J -- RESTRICTED CASH - Continued

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

	<u>2007</u>	<u>2006</u>
PILOT Loans	\$ 5,715,701	5,271,314
HUD Loans	1,492,354	1,619,350
HUD Micro		
Enterprise Loans	<u>65,510</u>	<u>108,213</u>
Totals	<u>7,273,565</u>	<u>6,998,877</u>
Less Deferred Revenue	<u>1,541,488</u>	<u>1,700,510</u>
Net	\$ <u>5,732,077</u>	<u>5,298,367</u>

NOTE K -- DUE TO GOVERNMENT

The Agency maintains a separate savings account for Federal Funds, as indicated in Note J. Interest earned on the Federal Funds is required to be remitted to the Department of Housing and Urban Development (HUD) on an annual basis. At July 31, 2007, interest income of \$21,304 was accumulated for the seven months ended July 31, 2007 and will be remitted to HUD shortly after December 31, 2007, when the total interest earned for the calendar year 2007 is complete.

NOTE L -- COMMITMENTS

At July 31, 2007 approved loan applications totaled \$1,300,500. Loans closed subsequent to year end and October 31, 2007 totaled \$131,000.

NOTE M -- PROJECT ASSETS

The Agency partnered with the City of Fulton and the Fulton Community Development Agency to purchase real property in the City of Fulton. The IDA's share of the \$1,000,000 purchase price was \$254,720. Title is in the name of the IDA. Effective September 1, 2005, the property was leased under a ten year lease (with a five year extension) for \$12,000 annually. Rent is adjustable upward every five years based on a Consumer Price Index formula, limited to a maximum 10 percent increase. The Agency retained \$3,000 as its share of the

annual rent.

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

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS - Continued

July 31, 2007 and 2006

NOTE N - DEFERRED REVENUE

Estimated legal fees of \$13,968 involving a plant closing have not yet been disbursed and are reflected in Deferred Revenue.

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENT OF BONDS ISSUED -  
A LIMITED OBLIGATION OF THIS AGENCY  
July 31, 2007

<u>Project/ Owner</u>	<u>Purpose Code</u>	<u>Issued/ Maturity Dates</u>	<u>Interest Rate</u>	<u>Tax Status</u>	<u>Beg/End Balances*</u>	<u>Estimated Jobs Created/ Retained</u>	<u>Tax Exemptions</u>	
<u>PILOTS</u>								
DKR Investments, LLC	5	11-19-87	6%	Taxable	2,282,786	Prior	Prior	
Prior Burdman Bros. 1057 Trumbell Girard, OH 44420	Retail	11-01-12			0	1990	1990	1990
Fulton Cogeneration Associates Project	7	2-27-91	11%	Taxable	18,725,000	0/0	None	None
ANR Venture Fulton Co. Coastal Tower 9 Greenway Plaza Houston, TX 77046-0995	Electric	3-31-06			0			
Captain's Quarters G&S Broadwell, Inc.	1	10-21-93	8.3%	Taxable	2,956,752	0/0	141,656	70,000
26 East First Street Oswego, NY 13126	Services	11-01-13	7 yrs. Prime +1.5 3 yrs.		2,848,895			
Seneca Hill Manor, Inc.	1	11-20-97	5.35%-	Exempt	9,739,838	0/0	0	0
110 W. Sixth St. Oswego, NY 13126	Services	8-01-37	5.65%		9,537,742			
Oswego County Opportunities, Inc.	1	1-2-98	6.23%	Exempt	514,433	14/362	0	0
235 Oneida St. Fulton, NY 13069	Services	7-1-18			484,332			

\* Unaudited

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF BONDS ISSUED -  
A LIMITED OBLIGATION OF THIS AGENCY  
Continued

July 31, 2007

<u>Project/ Owner</u>	<u>Purpose Code</u>	<u>Issued/ Maturity Dates</u>	<u>Interest Rate</u>	<u>Tax Status</u>	<u>Beg/End Balances*</u>	<u>Estimated Jobs Created/ Retained</u>	<u>Tax Exemptions</u>
<u>PILOTS</u>							
St. Luke Residential 0	1	4-1-98	4.35%-	Exempt	9,800,000	3/226	0
Health Care Facility, Inc. 299 E. River Rd. Oswego, NY 13126	Services	2-1-38	5.4%		9,315,000		
St. Luke Residential 0	1	4-1-98	7%	Exempt	300,000	0/0	0
Health Care Facility, Inc. 299 E. River Rd. Oswego, NY 13126	Services	2-1-12			225,000		
Crysteel Mfg., Inc.** 45,225	9	8-14-98	Multi Mode	Exempt	0	0/0	53,708
P.O. Box 78 Lake Crystal, MN 56055	Manufacturing	3-01-18	8-15%		0		
O.H. Properties, Inc. 14,738	6	6-29-99	3.45%-	Exempt	1,715,000	0/0	0
110 West Sixth St. Oswego, NY 13126	Real Estate	6-01-24	4.02%		1,655,000		



O.H. Properties, Inc.	6	6-29-99	5.37%-	Exempt	1,040,000	0/0	0
0							
110 West Sixth St.	Real Estate	6-01-24	5.45%		1,000,000		
Oswego, NY 13126							

\* Unaudited    \*\* Company left NYS.

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF BONDS ISSUED -  
A LIMITED OBLIGATION OF THIS AGENCY  
Continued

July 31, 2007

<u>Project/ Owner</u>	<u>Purpose Code</u>	<u>Issued/ Maturity Dates</u>	<u>Interest Rate</u>	<u>Tax Status</u>	<u>Beg/End Balances*</u>	<u>Estimated Jobs Created/ Retained</u>	<u>Tax Exemptions</u>
<u>PILOTS</u>							
Bishop's Commons, Inc.	1	5-6-99	4.5%-	Exempt	5,750,000	0/0	0
7,038 299 East River Rd.	Services	2-1-49	5.375%		5,675,000		
Oswego, NY 13126							
Oswego Wire, Inc.	9	12-21-99	5.97%	Exempt	1,067,888	0/93	NO PILOT
PILOT							NO
One Wire Drive	Manufacturing	12-31-09			644,559		
Oswego, NY 13126							
Springside at	1	12-6-00	3.45%-	Exempt	2,785,000	0/0	0
23,256							
Seneca Hill	Services	6-1-21	4.02%		2,685,000		
110 West Sixth St.							
Oswego, NY 13126							
Fulton Thermal	9	12-1-00	per	Exempt	1,885,000	0/232	63,705

15,927 Corporation 3981 Port St. Pulaski, NY 13142	Manufacturing	6-1-14	remarketing agent		1,545,000		
Pathfinder Courts 3,076	8	12-27-02	2.8% above	Exempt	1,486,804	0/5	0
Norstar Dev USA, LP 200 S. Division St. Buffalo, NY 14204	Low Income Housing	12-01-34	LIBOR rate		1,469,957		

\* Unaudited

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF BONDS ISSUED -  
A LIMITED OBLIGATION OF THIS AGENCY  
Continued

July 31, 2007

<u>Project/ Owner</u>	<u>Purpose Code</u>	<u>Issued/ Maturity Dates</u>	<u>Interest Rate</u>	<u>Tax Status</u>	<u>Beg/End Balances*</u>	<u>Estimated Jobs Created/ Retained</u>	<u>Tax Exemptions</u>	<u>PILOTS</u>
Oswego College Foundation, Inc. 300 Washington Blvd. Oswego, NY 13126	1 Services	12-18-03 1-01-24	per remarketing agent	Exempt	4,835,000 4,650,000	1/0	0	0
Oswego School District Public Library 120 East Second Oswego, NY 13126	1 Services	6-29-06 12-15-35	4-5%	Exempt	6,000,000 4,027,312	0/0	0	0

\* Unaudited

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENT OF STRAIGHT LEASES  
July 31, 2007

<u>Project/ Owner</u>	<u>Purpose Code</u>	<u>Straight Lease End Dates</u>	<u>Lease Amount</u>	<u>Estimated Jobs Created/ Retained</u>	<u>Tax Exemptions</u>	<u>PILOTS</u>
Gioia & Associates, Inc. 300 E. Albany Street Oswego, NY 13126	1 Services	3-31-14	A	10/0	45,704	46,468
Empire Fresh Cuts, LLC 8033 State Route 104 Oswego, NY 13126	9 Manufacturing	3-31-24	A	0/0	41,426	10,356
Lighthouse Lanes, LLC 22 Lakeview Drive Oswego, NY 13126	1 Services	3-31-13	A	0/0	39,674	19,837
Pioneer Fulton Commons Fulton Commons 250 Clinton Street Syracuse, NY 13202	1 Services	12-31-12	A	0/0	145,634	145,634

Southern Graphic 67 County Rt. 59 Phoenix, NY 13135	9 Manufacturing	1-31-10	A	0/0	16,929	13,543
Coleman's Properties, LLC 100 South Lowell Ave. Syracuse, NY 13204	5 Retail	3-31-21	A	0/0	28,370	11,348

A - Lease equals debt service paid directly to lender.

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF STRAIGHT LEASES  
Continued

July 31, 2007

<u>Project/ Owner</u>	<u>Purpose Code</u>	<u>Straight Lease End Dates</u>	<u>Lease Amount</u>	<u>Estimated Jobs Created/ Retained</u>	<u>Tax Exemptions</u>	<u>PILOTS</u>
Brascan Power (Fulton) Erie Blvd. Hydropower, L.P. 225 Greenfield Parkway Liverpool, NY 13138	7 Electric	5-31-08	A	9/6	2,746,352	734,022
Huhtamaki Packaging 100 State Street Fulton, NY 13069	9 Manufacturing	9-30-07	A	0/429	421,489	251,816
Sithe Energies 59 Independence Way Oswego, NY 13126	7 Electric	1-21-13	A	0/0	20,566,961	4,933,333

Geo Hotel Co. P.O. Box 385 Oswego, NY 13126	1 Services	7-31-14	A	10/0	216,418	89,567
Discover Day Care Center Operation Oswego Co., Inc. 44 West Bridge Street Oswego, NY 13126	1 Services	until \$657,000 repaid	A	0/0	22,131	2,232

A - Lease equals debt service paid directly to lender.

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENT OF STRAIGHT LEASES  
Continued  
July 31, 2007

<u>Project/ Owner</u>	<u>Purpose Code</u>	<u>Straight Lease End Dates</u>	<u>Lease Amount</u>	<u>Estimated Jobs Created/ Retained</u>	<u>Tax Exemptions</u>	<u>PILOTS</u>
McIntosh Box & Pallet P.O. Box 127 East Syracuse, NY 13057	9 Manufacturing	1-31-16	A	0/27	7,685	4,995
SUNY Oswego Continuing Education Center Operation Oswego Co., Inc. 44 West Bridge Street Oswego, NY 13126	1 Services	until \$730,569 repaid	28,000	0/0	20,489	3,918
Widewaters Pierce Dr. Association 5786 Widewaters Pkwy. Dewitt, NY 13214	5 Retail	12-29-08	A	2/0	439,001	351,201

Fulton Savings Bank 75 South First Street Fulton, NY 13069	6 Finance	2-1-17	A	0/0	26,945	17,515
Brascan Power (Orwell) Erie Blvd. Hydropower, L.P. 225 Greenfield Parkway Liverpool, NY 13138	7 Electric	12-31-12	A	0/3	1,102,612	800,000

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COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENT OF STRAIGHT LEASES  
Continued  
July 31, 2007

<u>Project/ Owner</u>	<u>Purpose Code</u>	<u>Straight Lease End Dates</u>	<u>Lease Amount</u>	<u>Estimated Jobs Created/ Retained</u>	<u>Tax Exemptions</u>	<u>PILOTS</u>
Fulton Tool Company, Inc. 802 W. Broadway Fulton, NY 13069	9 Manufacturing	12-31-14	A	0/12	20,241	19,786
Winter Harbor, LLC 604 County Route 37 Central Square, NY 13036	1 Services	3-31-15	A	0/0	36,820	14,728
Schuyler Street Commons Fulton Tool Company, Inc. 802 W. Broadway Fulton, NY 13069	1 Services	3-31-14	A	0/10	32,334	19,032
Spec Building Operation Oswego Co., Inc. 44 West Bridge Street	9 Manufacturing	12-31-20	A	0/0	48,045	11,199

Oswego, NY 13126

Buckhout-Jones Enterprises, Inc. 7 W. Bridge Street Oswego, NY 13126	5 Retail	3-31-12	A	0/0	11,805	7,082
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A - Lease equals debt service paid directly to lender.

COUNTY OF OSWEGO  
INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF STRAIGHT LEASES  
Continued

July 31, 2007

<u>Project/ Owner</u>	<u>Purpose Code</u>	<u>Straight Lease End Dates</u>	<u>Lease Amount</u>	<u>Estimated Jobs Created/ Retained</u>	<u>Tax Exemptions</u>	<u>PILOTS</u>
Whitewater Commons, Inc. 7 Bridie Square Oswego, NY 13126	5 Retail	3-31-13	A	0/0	31,306	15,653
Geo Hotel Corp d/b/a The Sub Shop 70 East First Street Oswego, NY 13126	5 Retail	3-01-14	A	0/0	9,011	6,048
Northeast Biofuels, LP 376 Owen Road P.O. Box 660 Fulton, NY 13069	9 Manufacturing	3-31-27	A	0/0	471,118	Starts 2008

Precision Wood Flooring Products, LLC 5790 Bull Hill Road Lafayette, NY 13084	9 Manufacturing	3-31-16	A	0/0	Starts 2008	Starts 2008
Sure-Lock Industries, LLC 193 East Seneca Street Oswego, NY 13126	9 Manufacturing	11-30-16	A	9/0	6,974	6,838

A - Lease equals debt service paid directly to lender.



JACK B ALTER  
Certified Public Accountant  
175 South Second Street  
Fulton, New York 13069  
315-598-4411

Agency Members  
County of Oswego  
Industrial Development Agency  
44 West Bridge Street  
Oswego, New York 13126

Report on Compliance and Other Matters and on  
Internal Control Over Financial Reporting  
Based on an Audit of Financial Statements  
Performed in Accordance with  
Government Auditing Standards

We have audited the financial statements of the County of Oswego Industrial Development Agency as of and for the year ended July 31, 2007, and have issued our report thereon dated October 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Oswego Industrial Development 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Oswego Industrial Development Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial

statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

We noted certain matters that we reported to management of the County of Oswego Industrial Development Agency in a separate letter dated October 31, 2007.

This report is intended solely for the information and use of the County of Oswego Industrial Development Agency's members, management, others within the organization and the New York State Office of the State Comptroller and is not intended to be and should not be used by anyone other than these specified parties.

Fulton, New York  
October 31, 2007

