

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY**

FINANCIAL STATEMENTS

July 31, 2009 and 2008

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY**

TABLE OF CONTENTS

July 31, 2009

	<u>Page No.</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Statement of Net Assets	8
Statement of Activities	9
Statement of Net Assets – Proprietary Fund	10
Reconciliation of the Statement of Net Assets – Proprietary Fund to the Statement of Net Assets	11
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Fund	12
Reconciliation of the Proprietary Fund Changes in Net Assets to the Statement of Activities	13
Statement of Cash Flows – Proprietary Fund	14
Notes to the Financial Statements	15-19
Supplementary Information	20-26
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Governmental Auditing Standards	27-28



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of net assets of the County of Oswego Industrial Development Agency (the Agency), a component unit of the County of Oswego, as of July 31, 2009 and the related statements of activities, and cash flows for the year 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 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, 2009, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2009, 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, 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 important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-7 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.

Our audit was conducted for the purpose of forming an opinion on the Agency's basic financial statements taken as a whole. The Schedules of Supplementary Information including the Schedule of Bonds Issued – A Limited Obligation of the Agency, on pages 20-21, and the Schedule of Straight Leases, on pages 22-26, are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by New York State. Except as described in the following sentence, such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. Due to the fact that bondholders information is at private locations around the United States and not readily available to the Agency, we have applied 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. In our opinion, except for the effect of such adjustments, if any, as might have been deemed to be necessary had we been able to confirm the bond balances, the Schedule of Bonds Issued – A Limited Obligation of the Agency, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Green + Seifter CPAs

Syracuse, New York
October 16, 2009

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

July 31, 2009

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, 2009. This section is a summary of the Agency's financial activities based on currently known 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 \$15,118,703 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$14,543,829.
- Total net assets are comprised of the following:
 - 1) Cash of \$5,604,868, of which \$4,493,780 is restricted to funding loans.
 - 2) Loans receivable, net of related allowance, of \$9,256,831.
 - 3) Net assets of \$12,175,712 are restricted by constraints imposed from outside the Agency such as the County of Oswego, grantors, laws, or regulations.
 - 4) Unrestricted net assets of \$2,942,991 represent the portion available now or as loans are repaid to maintain the Agency's economic development operations including future loans. Unrestricted cash totals \$1,111,088. Unrestricted loans total \$1,574,899 with repayments spread over several years.
- The Agency's business-type activities reported a total ending net assets of \$13,803,630 this year. This compared to the prior year ending net assets, of \$13,125,084 showing an increase of \$678,546 during the current year. Unrestricted net assets of \$2,942,991 for fiscal year 2009 shows a \$148,093 increase over the prior year.
- At the end of the current fiscal year, unrestricted net assets for the Agency was \$2,942,991 or about 38 times total expenditures and about 5 times total revenues.
- Total liabilities of the Agency decreased by \$4,000 to \$41,077 during the fiscal year due primarily to interest payments made to HUD.

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, 2009

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 financial 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 8-9 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, which are business-type activities, are reported in the fund financial statements and generally report services for which the Agency charges a fee. 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.

The basic Proprietary Fund financial statements are presented on pages 10 through 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.

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

July 31, 2009

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 20.

Financial Analysis of the Agency

The Agency's net assets at fiscal year end are \$15,118,703. This is a \$574,874 increase over last year's net assets of \$14,543,829. The following table provides a summary of the Agency's net assets:

	Business-type Activities 2009	Business-type Activities 2008	Percent Change
Cash and other assets	\$ 5,902,949	\$ 5,270,846	12.0%
Loans Receivable	9,256,831	9,318,210	-0.7%
Total assets	<u>\$ 15,159,780</u>	<u>\$ 14,589,056</u>	<u>3.9%</u>
Other liabilities	<u>\$ 41,077</u>	<u>\$ 45,227</u>	<u>-9.2%</u>
Net assets			
Restricted	12,175,712	11,748,931	3.6%
Unrestricted	<u>2,942,991</u>	<u>2,794,898</u>	<u>5.3%</u>
Total net assets	<u>\$ 15,118,703</u>	<u>\$ 14,543,829</u>	<u>4.0%</u>

Business-type activities realize benefits from loan repayments and administrative fees for company project assistance.

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

July 31, 2009

Financial Analysis of the Agency (continued)

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

	Business-type Activities			
	2009	Percent of Total	2008	Percent of Total
Revenues				
Charges for services	\$ 123,240	18.9%	\$ 130,095	18.7%
Grants/miscellaneous	3,000	0.5%	3,000	0.4%
Interest - loans	304,472	46.7%	260,600	37.5%
Interest - savings	37,286	5.7%	123,662	17.8%
Payments in Lieu of Taxes	184,605	28.3%	177,817	25.6%
Total revenues	<u>652,603</u>	<u>100.0%</u>	<u>695,174</u>	<u>100.0%</u>
Expenses				
Administration	135,617	174.5%	136,935	14.2%
Professional fees	114,450	147.2%	123,801	12.9%
Cogeneration facility	68,373	88.0%	334,760	34.8%
Other	20,047	25.8%	2,347	0.2%
Provision for uncollectible loans	(260,758)	-335.5%	363,499	37.8%
Total expenses	<u>77,729</u>	<u>100.0%</u>	<u>961,342</u>	<u>100.0%</u>
Change in net assets	574,874	<u>4.0%</u>	(266,168)	<u>-1.8%</u>
Beginning net assets	<u>14,543,829</u>		<u>14,809,997</u>	
Ending net assets	<u>\$ 15,118,703</u>		<u>\$ 14,543,829</u>	

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

July 31, 2009

Financial Analysis of the Agency's Fund

Agency Proprietary Fund

As discussed, the Agency proprietary 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 proprietary fund reported ending net assets of \$13,803,630. Of this year end total, \$2,942,991 is unrestricted indicating availability for continuing Agency service requirements. Restricted net assets consist of \$10,860,639 for economic development loans to the business community funded with federal grants, county authorized pilot funding and loan repayments.

The total ending net assets of the Agency proprietary fund shows an increase of \$678,546 over the prior year. This increase is primarily the result of the events and programs described within the analysis of the Agency's business-type activities.

Major Business-Type Activities

The Agency is a proprietary fund. Net assets increased by \$678,546. A key factor contributing to this increase relates to the Agency incurring less expenses in the current year related to a default on a PILOT agreement.

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
STATEMENT OF NET ASSETS**

	July 31,	
	2009	2008
ASSETS		
Current Assets		
Cash - unrestricted	\$ 1,111,088	\$ 750,462
Cash - restricted	4,493,780	4,104,507
Accounts receivable	18,361	136,157
Loans receivable	1,751,723	1,492,342
Total current assets	<u>7,374,952</u>	<u>6,483,468</u>
Other Assets		
Loans receivable - long term	7,623,298	8,204,816
Allowance for loans receivable	(118,190)	(378,948)
Net loans receivable	<u>7,505,108</u>	<u>7,825,868</u>
Project assets	279,720	279,720
	<u>\$ 15,159,780</u>	<u>\$ 14,589,056</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Deferred revenue	\$ 13,967	13,967
Accounts payable	14,457	19,986
Due to government	12,653	11,274
Total current liabilities	<u>41,077</u>	<u>45,227</u>
Net Assets		
Restricted - cash	4,493,780	4,104,507
Restricted - loans receivable	7,681,932	7,644,424
Unrestricted	2,942,991	2,794,898
Total net assets	<u>15,118,703</u>	<u>14,543,829</u>
	<u>\$ 15,159,780</u>	<u>\$ 14,589,056</u>

The accompanying notes are an integral part of these financial statements

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES**

	For the years ended July 31,	
	2009	2008
REVENUES		
Administration/application fees	\$ 123,240	\$ 130,095
Interest on savings	37,286	123,662
Interest on loans	304,472	260,600
Payments in Lieu of Taxes	184,605	177,817
Rent income	3,000	3,000
Total revenues	652,603	695,174
EXPENSES		
Administration:		
Administration fee	130,000	125,000
Dues	4,375	4,800
Professional fees	114,450	123,801
Miscellaneous	1,242	7,135
Cogeneration facility expenses (Note 8)	68,373	334,760
Provision for uncollectible loans	(260,758)	363,499
Other expenses	20,047	2,347
Total expenses	77,729	961,342
Change in net assets	574,874	(266,168)
Net assets, beginning of year	14,543,829	14,809,997
Net assets, end of year	\$ 15,118,703	\$ 14,543,829

The accompanying notes are an integral part of these financial statements

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET ASSETS - PROPRIETARY FUND**

ASSETS	July 31,	
	2009	2008
Current Assets		
Cash - unrestricted	\$ 1,111,088	750,462
Cash - restricted	4,493,780	4,104,507
Accounts receivable	18,361	136,157
Loans receivable - current	1,751,723	1,492,342
Total current assets	7,374,952	6,483,468
Other Assets		
Loans receivable	7,623,298	8,204,816
Allowance for loans receivable	(118,190)	(378,948)
Net loans receivable	7,505,108	7,825,868
Project assets	279,720	279,720
	\$ 15,159,780	\$ 14,589,056
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Deferred revenue	\$ 1,329,040	1,432,712
Accounts payable	14,457	19,986
Due to government	12,653	11,274
Total current liabilities	1,356,150	1,463,972
 Net Assets		
Reserved - cash	4,493,780	4,104,507
Reserved - loans receivable	6,366,859	6,225,679
Unreserved	2,942,991	2,794,898
Total net assets	13,803,630	13,125,084
	\$ 15,159,780	\$ 14,589,056

The accompanying notes are an integral part of these financial statements

COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
RECONCILIATION OF THE STATEMENT OF NET ASSETS -
PROPRIETARY FUND TO THE STATEMENT OF NET ASSETS
For the year ended July 31, 2009

Total net assets - proprietary fund	\$ 13,803,630
Amounts reported for business-type 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.	<u>1,315,073</u>
Net assets	<u><u>\$ 15,118,703</u></u>

The accompanying notes are an integral part of these financial statements

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS - PROPRIETARY FUND**

	For the years ended July 31,	
	2009	2008
REVENUES		
Administration/ application fees	\$ 123,240	130,095
Interest on savings	37,286	123,662
Interest on loans	288,665	241,916
Payments in Lieu of Taxes	184,605	177,817
Rent income	3,000	3,000
Federal funds - loan repayments		
Principal	103,672	122,743
Interest	15,807	18,684
Total revenues	<u>756,275</u>	<u>817,917</u>
EXPENDITURES		
Administration:		
Administration fee	130,000	125,000
Dues	4,375	4,800
Professional fees	114,450	123,801
Miscellaneous	1,242	7,135
Cogeneration facility expenses (Note 8)	68,373	334,760
Provision for uncollectible loans	(260,758)	363,499
Other expenses	20,047	2,347
Total expenditures	<u>77,729</u>	<u>961,342</u>
Change in net assets	678,546	(143,425)
Net assets, beginning of year	<u>13,125,084</u>	<u>13,268,509</u>
Net assets, end of year	<u>\$ 13,803,630</u>	<u>\$ 13,125,084</u>

The accompanying notes are an integral part of these financial statements

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS - PROPRIETARY FUND
TO THE STATEMENT OF ACTIVITIES**

For the year ended July 31, 2009

Change in net assets - proprietary fund	\$ 678,546
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 and expense.	<u>(103,672)</u>
Change in Net Assets of Statement of Activities	<u>\$ 574,874</u>

The accompanying notes are an integral part of these financial statements

COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

	For the years ended July 31,	
	2009	2008
Cash Flows from Operating Activities		
Cash received for administration/application fees	\$ 241,036	\$ 247,890
Cash received for PILOT program	184,605	177,817
Cash received for interest	341,758	384,262
Cash received for rent	3,000	3,000
Cash paid for administration	(139,767)	(143,935)
Cash paid for cogeneration facility expenses	(68,373)	(334,760)
Cash paid for professional fees	(114,450)	(123,801)
Cash paid for other operating expenses	(20,047)	(2,347)
Cash paid net, for loans	322,137	(561,676)
Net cash provided (used) by operating activities	749,899	(353,550)
Cash at beginning of year	4,854,969	5,208,519
Cash at end of year	\$ 5,604,868	\$ 4,854,969
Reconciliation of Changes in Net Assets to Net Cash Provided (Used) by Operating Activities		
Change in net assets	\$ 678,546	\$ (143,425)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Allowance for loans receivable	(260,758)	72,791
Net change in loans receivable	322,137	(270,968)
Net change in receivables	117,796	117,795
Net change in deferred revenue	(103,672)	(122,743)
Net change in accounts payable/due to	(4,150)	(7,000)
Net cash provided (used) by operating activities	\$ 749,899	\$ (353,550)

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 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 and as a component unit of the County of Oswego, is a separate entity and operates independently of the County of Oswego.

The Agency has previously implemented the reporting model standards required by Government Accounting Standards Board (GASB) Statement No.34. 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.

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."

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. Unpaid loans, which consist of federal funds, are reflected as Loans Receivable and Deferred Revenue.

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.

2. Revolving Economic Development Funds

The Agency has a revolving economic development fund 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, Expenses and Changes in Net Assets.

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS**

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 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. 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, 2009 the original issue value of bonds aggregated \$265,120,246 and the approximate outstanding balance was \$43,746,000.

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.

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 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 July 31, 2009 totaling \$250,000 were entirely covered by the FDIC. Deposits totaling \$5,364,125 were fully collateralized at July 31, 2009.

Cash includes savings deposits of \$5,410,639 and \$4,737,725 at July 31, 2009 and 2008, respectively.

5. 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 fiscal 2009 and 2008, the Agency disbursed \$130,000 and \$125,000, respectively, to OOC as an administrative support fee.

The Agency has also made interest-free loans to OOC for building construction. Loans receivable from OOC were approximately \$1,940,000 and \$2,046,000 at July 31, 2009 and 2008, respectively.

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS**

6. Cash and Cash Equivalents

The Agency considers all short-term investments purchased with a maturity of three months or less to be cash equivalents.

7. Allowance for Loans Receivable

Management determines an allowance for doubtful loans annually. The allowance was determined using a formula of 25% of delinquent loans six to twelve months in arrears; 50% of delinquent loans over one year in arrears with subsequent collections; and 100% of bankrupt borrowers and loans delinquent over one year without subsequent collections. Based on the formula, the allowance was approximately \$118,000 and \$379,000 at July 31, 2009 and 2008, respectively. Accordingly, the provision for uncollectible loans was reduced by approximately \$261,000 in fiscal 2009 in the accompanying statement of activities and statement of revenues, expenditures and changes in net assets - proprietary fund.

8. Contingency

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

The Agency is the plaintiff in litigation involving Fulton Cogeneration Associates and its general partners. The Agency has obtained a Judgment in the amount of \$4,728,799, plus interest, attorney's fees and costs. Two of the defendants have appealed the decision of the Court awarding the Judgment and that appeal is pending. The Agency attached property in connection with the litigation in the amount of approximately \$3.5 million. Subsequent to July 31, 2009 and according to court authorization, the Agency sold the attached property, and used the proceeds to pay the defaulted PILOT payments to applicable taxing authorities. The Agency is aggressively pursuing the litigation. Through July 31, 2009, the Agency has incurred actual expenses of approximately \$703,000 in connection with the litigation.

9. 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 July 31, 2009 and are considered fully collectible.

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS**

10. 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:

	<u>2009</u>	<u>2008</u>
Federal Funds	\$ 1,053,798	930,600
PILOT Funds	3,032,071	2,750,435
Micro Enterprise	407,911	423,472
	<u>\$ 4,493,780</u>	<u>\$ 4,104,507</u>

Approved PILOT financing loan commitments at July 31, 2009 of approximately \$1,868,000 reduce the available restricted cash balance in the PILOT funds to approximately \$1,164,000.

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:

	<u>2009</u>	<u>2008</u>
PILOT Funds	\$ 6,204,058	\$ 6,030,768
HUD Funds	1,421,014	1,567,564
HUD Micro Enterprise Funds	56,860	46,092
Total	7,681,932	7,644,424
Less: Deferred Revenue	<u>(1,315,073)</u>	<u>(1,418,745)</u>
	<u>\$ 6,366,859</u>	<u>\$ 6,225,679</u>

11. Due to Government

The Agency maintains a separate savings account for Federal Funds, as indicated in Note 10. 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, 2009, interest income of \$12,653 was accumulated for the seven months ended July 31, 2009 and will be remitted to HUD shortly after December 31, 2009, when the total interest earned for the calendar year 2009 is complete.

**COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS**

12. Commitment

At July 31, 2009 approved financing applications totaled \$2,007,873. There has not been any financing closed subsequent to year end.

13. 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 Agency's share of the \$1,000,000 purchase price was \$254,720. Title is in the name of the Agency. Effective September 1, 2005, the property was leased under a ten year lease (with a five year extension) for \$12,000 annually. Rent is adjusted 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.

In addition, 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.

14. Deferred Revenue

Estimated legal fees of \$13,967 involving a plant closing have not yet been disbursed and are reflected in Deferred Revenue.

COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF BONDS ISSUED - A LIMITED OBLIGATION OF THIS AGENCY
July 31, 2009

Project / Owner	Purpose Code	Issued/ Maturity Date	Interest Rate	Tax Status	Beginning / Ending Balances	Estimated Jobs Created / Retained	Tax	
							Exemptions	PILOTS
Captain's Quarters G&S Broadwell, Inc. 26 East First Street Oswego, NY 13126	Services	10/21/1993 4/1/2015	8.3% for 7 yrs.; Prime + 1.5% 3 yrs.	Taxable	\$ 2,720,256 2,506,161	0 / 0	\$ 142,858	\$ 70,000
Seneca Hill Manor, Inc. 110 W. Sixth St. Oswego, NY 13126	Civic Facility	11/20/1997 8/1/2037	5.35% - 5.65%	Exempt	9,650,000 9,093,851	4 / 0	-	-
Oswego County Opportunities, Inc. 239 Oneida St. Fulton, NY 13069	Civic Facility	1/2/1998 7/1/2018	6.23%	Exempt	452,301 418,217	49 / 362	-	-
St. Luke Residential Health Care Facility, Inc. 299 E. River Rd. Oswego, NY 13126	Civic Facility	4/1/1998 2/1/2038	4.35% - 5.40%	Exempt	9,130,000 8,750,000	0 / 226	-	-
St. Luke Residential Health Care Facility, Inc. 299 E. River Rd. Oswego, NY 13126	Civic Facility	4/1/1998 2/1/2012	7%	Exempt	175,000 125,000	0 / 0	-	-
O.H. Properties, Inc. 110 West Sixth St. Oswego, NY 13126	Civic Facility	6/29/1999 6/1/2024	3.45% - 4.02%	Exempt	1,595,000 1,530,000	0 / 0	9,712	9,712
O.H. Properties, Inc. 110 West Sixth St. Oswego, NY 13126	Civic Facility	6/29/1999 6/1/2024	5.37% - 5.45%	Taxable	960,000 920,000	0 / 0	-	-

COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF BONDS ISSUED - A LIMITED OBLIGATION OF THIS AGENCY
July 31, 2009

Project / Owner	Purpose Code	Issued/ Maturity Date	Interest Rate	Tax Status	Beginning/ Ending Balances	Estimated Jobs Created / Retained	Tax	
							Exemptions	PILOTS
Bishop's Commons, Inc. 299 East River Rd. Oswego, NY 13126	Civic Facility	5/6/1999 2/1/2049	4.5% - 5.38%	Exempt	\$ 5,600,000 5,510,000	0 / 0	\$ -	\$ 7,618
Oswego Wire, Inc. One Wire Drive Oswego, NY 13126	Manufacturing	12/21/1999 3/31/2009	5.97%	Exempt	233,151	0 / 0	-	-
Springside at Seneca Hill 110 West Sixth St. Oswego, NY 13126	Civic Facility	12/6/2000 6/1/2021	3.45% - 4.02%	Exempt	2,585,000 2,485,000	0 / 0	-	23,712
Fulton Thermal Corporation 3981 Port St. Pulaski, NY 13142	Manufacturing	12/1/2000 6/1/2014	per remarketing agent	Exempt	1,195,000 830,000	0 / 219	61,163	24,465
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	1,451,934 1,432,652	1 / 5	3,005	3,005
Oswego College Foundation, Inc. 300 Washington Blvd. Oswego, NY 13126	Civic Facility	12/18/2003 1/1/2024	per remarketing agent	Exempt	4,455,000 4,255,000	5 / 0	-	-
Oswego School District Public Library 120 East Second Oswego, NY 13126	Civic Facility	6/29/2006 12/15/2035	4-5%	Exempt	6,000,000 5,890,000	0 / 0	-	-

COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF STRAIGHT LEASES
July 31, 2009

Project / Owner	Purpose	Straight Lease End Date	Lease Amount	Estimated Jobs Created / Retained	Tax Exemptions	PILOTS
Gioia & Associates, Inc. 300 E. Albany Street Oswego, NY 13126	Services	3/31/2014	A	14 / 0	\$ 46,092	\$ 46,468
Empire Fresh Cuts, LLC 8033 State Route 104 Oswego, NY 13126	Manufacturing	3/31/2024	A	2 / 0	32,589	8,147
Lighthouse Lanes, LLC 295 East Albany Street Oswego, NY 13126	Services	3/31/2013	A	0 / 0	40,011	24,006
Pioneer Management Group Fulton Commons 250 Clinton Street Syracuse, NY 13202	Services	12/31/2012	A	11 / 0	177,206	151,010
Southern Graphic 1327 E. Cary Street Richmond, VA 23261	Manufacturing	1/31/2010	A	20 / 0	18,248	14,599
Coleman's Properties, LLC 100 South Lowell Ave. Syracuse, NY 13204	Retail	3/31/2021	A	0 / 0	28,611	11,445
Huhtamaki Packaging 100 State Street Fulton, NY 13069	Manufacturing	3/31/2017	A	27 / 429	411,780	251,816

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

COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF STRAIGHT LEASES
July 31, 2009

Project / Owner	Purpose	Straight Lease End Date	Lease Amount	Estimated Jobs Created / Retained	Tax Exemptions	PILOTS
Sithe Energies 59 Independence Way Oswego, NY 13126	Electric	1/21/2013	A	0 / 0	\$ 20,242,689	\$ 5,200,000
Geo Hotel Co. P.O. Box 385 Oswego, NY 13126	Services	7/31/2014	A	0 / 0	218,256	89,567
Operation Oswego Co., Inc. Discover Day Care Center 44 West Bridge Street Oswego, NY 13126	Services	3/31/2040	A	0 / 0	23,849	2,297
McIntosh Box & Pallet P.O. Box 127 East Syracuse, NY 13057	Manufacturing	1/31/2016	A	13 / 27	5,514	3,584
Operation Oswego Co., Inc. SUNY Oswego Continuing Education Center 44 West Bridge Street Oswego, NY 13126	Services	3/31/2025	A	0 / 0	22,079	4,277
Widewaters Pierce Dr. Association 5786 Widewaters Pkwy. Dewitt, NY 13214	Retail	3/31/2009	A	0 / 0	410,912	328,729
Fulton Savings Bank 75 South First Street Fulton, NY 13069	Finance	2/1/2012	A	0 / 0	26,324	21,059

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COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF STRAIGHT LEASES
July 31, 2009

Project / Owner	Purpose	Straight Lease End Date	Lease Amount	Estimated Jobs Created / Retained	Tax Exemptions	PILOTS
Brookfield Power (Orwell) Erie Blvd. Hydropower, L.P. 225 Greenfield Parkway Liverpool, NY 13138	Electric	12/31/2012	A	0 / 2	\$ 771,085	\$ 650,100
Fulton Tool Company, Inc. 802 W. Broadway Fulton, NY 13069	Manufacturing	12/31/2015	A	0 / 12	19,775	19,786
Winter Harbor, LLC 604 County Route 37 Central Square, NY 13036	Services	3/31/2015	A	0 / 0	24,148	12,074
Schuyler Street Commons Fulton Tool Company, Inc. 802 W. Broadway Fulton, NY 13069	Services	3/31/2014	A	0 / 10	31,589	21,053
Operation Oswego Co., Inc. Spec Building 44 West Bridge Street Oswego, NY 13126	Manufacturing	3/31/2027	A	0 / 0	48,453	10,508
Buckhout-Jones Enterprises, Inc. 7 W. Bridge Street Oswego, NY 13126	Services	3/31/2012	A	1 / 0	11,905	8,333
Whitewater Commons, Inc. 7 Bridie Square Oswego, NY 13126	Services	3/31/2013	A	0 / 0	31,571	18,943

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COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF STRAIGHT LEASES
July 31, 2009

Project / Owner	Purpose	Straight Lease End Date	Lease Amount	Estimated Jobs Created / Retained	Tax Exemptions	PILOTS
Geo Hotel Corp d/b/a The Sub Shop 70 East First Street Oswego, NY 13126	Retail	3/1/2014	A	0 / 0	\$ 9,087	\$ 6,579
Northeast Biofuels, LP 376 Owen Road Fulton, NY 13069	Manufacturing	3/31/2009	A	0 / 0	1,174,676	293,669
Precision Wood Flooring Products, LLC 99 Harris Street Fulton, NY 13069	Manufacturing	3/31/2016	A	0 / 0	23,494	23,494
Sure-Lock Industries, LLC 193 East Seneca Street Oswego, NY 13126	Manufacturing	11/30/2017	A	0 / 0	31,746	34,357
Riccelli Fulton PO Box 6418 Syracuse, NY 13217	Transportation	3/31/2017	A	1 / 0	62,436	45,225
Oswego Hamilton Homes, LLC Phase I 1201 East Fayette Street Syracuse, NY 13212	Other	9/1/2027	A	0 / 0	78,043	13,133
Oswego Hamilton Homes, LLC Phase II 1201 East Fayette Street Syracuse, NY 13212	Other	9/1/2027	A	0 / 0	39,021	6,567
Super Coil, Inc. 43 County Route 59 Phoenix, NY 13136	Manufacturing	3/31/2010	A	0 / 0	10,541	8,433

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COUNTY OF OSWEGO
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF STRAIGHT LEASES
July 31, 2009

Project / Owner	Purpose	Straight Lease End Date	Lease Amount	Estimated Jobs Created / Retained	Tax Exemptions	PILOTS
Indeck Energy Services of Oswego, Inc. 600 North Buffalo Grove Road, Suite 300 Buffalo Grove, IL 60089	Electric	3/31/2010	A	0 / 0	\$ 396,828	\$ 317,463
Operation Oswego Co., Inc. Oswego County Start-Up Facility 44 West Bridge Street Oswego, NY 13126	Other	12/31/2050	A	0 / 0	10,348	4,693
Operation Oswego Co., Inc. Oswego County Business Expansion Center 44 West Bridge Street Oswego, NY 13126	Other	12/31/2050	A	0 / 0	26,786	1,170
Oneida Lake Ready-Mix, LLC 2915 State Route 49 Central Square, NY 13036	Manufacturing	3/31/2029	A	1 / 1	-	-
Sunoco Products Company Corporate Headquarters Hartsville, SC 29550-0160	Manufacturing	3/31/2009	A	0 / 0	82,182	69,302

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**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**

To the Board of Directors of
County of Oswego Industrial Development Agency
44 West Bridge Street
Oswego, New York 13126

We have audited the financial statements of the County of Oswego Industrial Development Agency (the Agency) as of and for the year ended July 31, 2009, and have issued our report thereon dated October 16, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Oswego Industrial Development Agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 report under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of Oswego Industrial Development Agency in a separate letter dated October 16, 2009.

This report is intended solely for the information and use of management, and the Board of Directors, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Green + Seifter CPA,
Syracuse, New York
October 16, 2009