

OPERATION OSWEGO COUNTY, INC.

FINANCIAL STATEMENTS

December 31, 2020 and 2019



grossman st. amour

CERTIFIED PUBLIC ACCOUNTANTS PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Operation Oswego County, Inc.
Oswego, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Operation Oswego County, Inc. (the Organization), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements.

Management's Responsibility for the Financial Statements

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Operation Oswego County, Inc. as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Organization's basic financial statements. The Schedules of Supplementary Information (Statements of Functional Expenses on pages 19 and 20) are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedules of Supplementary Information are the responsibility of management, were derived from, and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Supplementary Information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2021, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Grossman St Amour CPAs

Syracuse, New York
March 22, 2021

OPERATION OSWEGO COUNTY, INC.

Management's Discussion and Analysis (unaudited)

As management of the Operation Oswego County, Inc. (the "Organization"), we offer readers of this Organization's financial statements this narrative overview and analysis of the financial activities of the Organization for the fiscal years ended December 31, 2020 and 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements.

The Organization is a local authority as defined by the New York State Public Authorities Law (PAL). As such, the Organization is subject to the reporting requirements contained in the PAL and the Public Authorities Reporting Information System.

FINANCIAL HIGHLIGHTS

- The Organization's assets exceeded its liabilities by \$3,551,646 (net position) for the fiscal year reported. In the previous year, assets exceeded liabilities by \$3,654,057. This represents a decrease in assets in excess of liabilities of \$102,411, a 2.8% decrease.
- Total liabilities of the Organization increased by \$340,730 to \$2,083,956 during the fiscal year, an increase of 19.5%.
- The Organization's long-term debt, which is primarily associated with the development of buildings, industrial parks and assistance to business, was increased by \$298,718 to \$1,657,531, net of related allowance. This represents an increase of 22.0% from the prior fiscal year.
- Operating expenses exceeded support and revenues by \$102,411 and generated a decrease in net position of \$102,411.
- The actual changes from the previous fiscal year in support and revenue were a decrease of \$353,015 and 27.4%.
- Rental revenue was \$165,151 for the fiscal year, representing 17.5% of the Organization's revenue, a reduction from the previous fiscal year when it was \$230,170.
- The Organization established the COVID-19 Emergency Relief Loan Fund during 2020 and lent forty-four businesses \$381,800 for COVID-19 relief.

OPERATION OSWEGO COUNTY, INC.

Management's Discussion and Analysis (unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Organization's basic financial statements. The Organization's basic financial statements are comprised of two components: 1) government-wide financial statements, and 2) fund financial statements.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the Organization's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the Organization's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

The Statement of Activities presents information showing how the Organization's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods. Both of the government-wide financial statements report only business-type (proprietary) activities, since none of the Organization's activities are considered to be governmental activities supported primarily by taxes.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements. The notes to the financial statements can be found on pages 11 through 18 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also includes certain supplemental information, which includes information concerning the allocation of expenses on a functional basis. This supplementary information can be found on pages 19 and 20 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Organization's financial position. In the case of the Organization, assets exceeded liabilities by \$3,551,646 and \$3,654,057 as of December 31, 2020 and 2019, respectively. This net position balance primarily represents cash and cash equivalents of \$941,019, which may be used by the Organization for future economic development needs as more fully described in the Organization's mission statement. The Organization's only fund is treated as a proprietary (business-type) fund. The following are summarized versions of the government-wide financial statements for 2020 and 2019:

OPERATION OSWEGO COUNTY, INC.

Management's Discussion and Analysis (unaudited)

Net Position		
	2020	2019
Cash and cash equivalents	\$ 941,019	\$ 847,230
Accounts receivable and prepaid expenses	582	17,124
Deposit in loan fund	44,305	44,305
Loans receivable, net	2,068,531	1,890,371
Capital assets, net	2,581,165	2,598,253
Total assets	\$ 5,635,602	\$ 5,397,283
Accounts payable	\$ 46,273	\$ 36,519
Security deposits	1,002	12,990
Deferred inflows of resources	379,150	334,904
Debt obligations	1,657,531	1,358,813
Total liabilities	\$ 2,083,956	\$ 1,743,226
Net position	\$ 3,551,646	\$ 3,654,057
Change in Net Position		
	2020	2019
Support and revenue:		
Local governments	\$ 705,172	\$ 780,770
Micro enterprise program	-	9,319
State and other grants	1,264	201,264
Rental revenue	165,151	230,170
Service charge loans	36,969	45,511
Interest income	23,513	16,513
Miscellaneous	1,598	3,135
Total support and revenue	933,667	1,286,682
Operating expenses:		
Program expenses	865,967	976,369
Rental depreciation expense	60,447	83,962
Management and general	101,665	99,998
Management and general depreciation expense	7,999	8,067
Total operating expenses	1,036,078	1,168,396
Change in net position before nonoperating expenses	(102,411)	118,286
Nonoperating expenses:		
Loss on sale of building	-	24,888
Change in net position	(102,411)	93,398
Net position at beginning of year	3,654,057	3,560,659
Net position at end of year	\$ 3,551,646	\$ 3,654,057

OPERATION OSWEGO COUNTY, INC.

Management's Discussion and Analysis (unaudited)

REQUEST FOR INFORMATION

This financial report is designed to provide readers with a general overview of the Organization's finances. If you have questions about this report or need additional information, contact the Organization's board at Operation Oswego County, Inc., 44 West Bridge Street, Oswego, NY 13126.

OPERATION OSWEGO COUNTY, INC.

Statements of Net Position

ASSETS		
December 31,		
	2020	2019
Assets:		
Cash and cash equivalents	\$ 941,019	\$ 847,230
Accounts receivable	582	17,124
Deposit in loan fund	44,305	44,305
Loans receivable, net	2,068,531	1,890,371
Property and improvements, net	665,499	682,587
Land for development	1,915,666	1,915,666
	\$ 5,635,602	\$ 5,397,283
	\$ 5,635,602	\$ 5,397,283
LIABILITIES AND NET POSITION		
Liabilities:		
Accounts payable and accrued expenses	\$ 46,273	\$ 36,519
Security deposits	1,002	12,990
Deferred inflow of resources	379,150	334,904
Debt obligations	1,657,531	1,358,813
	2,083,956	1,743,226
Total liabilities	2,083,956	1,743,226
Unrestricted net position	3,551,646	3,654,057
	\$ 5,635,602	\$ 5,397,283

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

OPERATION OSWEGO COUNTY, INC.

Statements of Support and Revenue, Expenses and Changes in Net Position

	Years Ended December 31,	
	2020	2019
Support and revenue:		
Local governments	\$ 705,172	\$ 780,770
Micro enterprise program	-	9,319
State and other grants	1,264	201,264
Rental revenue	165,151	230,170
Service charges- loans	36,969	45,511
Interest income	23,513	16,513
Miscellaneous	1,598	3,135
Total support and revenue	<u>933,667</u>	<u>1,286,682</u>
Operating expenses:		
Program expenses	865,967	976,369
Rental depreciation expense	60,447	83,962
Management and general	101,665	99,998
Management and general depreciation expense	7,999	8,067
Total operating expenses	<u>1,036,078</u>	<u>1,168,396</u>
Change in net position before nonoperating expenses	<u>(102,411)</u>	<u>118,286</u>
Nonoperating expenses:		
Loss on sale of building	-	24,888
	<u>-</u>	<u>24,888</u>
Change in net position	<u>(102,411)</u>	<u>93,398</u>
Net position at beginning of year	<u>3,654,057</u>	<u>3,560,659</u>
Net position at end of year	<u><u>\$ 3,551,646</u></u>	<u><u>\$ 3,654,057</u></u>

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

OPERATION OSWEGO COUNTY, INC.

Statements of Cash Flows

	For the years ended December 31,	
	2020	2019
Cash flows from operating activities:		
Cash received for economic development	\$ 765,960	\$ 743,203
Cash received for other development incentives	2,862	213,718
Cash received for interest and loan service charges	48,494	62,224
Cash received for rent	165,151	230,170
Cash received for loan repayments	299,336	128,565
Cash paid for loans issued	(501,800)	(200,000)
Cash paid for administration	(97,325)	(91,019)
Cash paid for grants	-	(7,500)
Cash paid for development and promotion expenses	(822,431)	(881,051)
Cash paid for professional fees	(38,122)	(90,419)
Net cash provided by (used in) operating activities	<u>(177,875)</u>	<u>107,891</u>
Cash flows from investing activities:		
Cash received for sale of property and improvements	-	40,825
Cash paid for the purchase of a property and improvements	(51,358)	(5,150)
Net cash provided by (used in) investing activities	<u>(51,358)</u>	<u>35,675</u>
Cash flows from financing activities:		
Cash paid loan repayments	(176,978)	(150,006)
Cash received from borrowings	500,000	-
Net cash provided by (used in) financing activities	<u>323,022</u>	<u>(150,006)</u>
Net change in cash	93,789	(6,440)
Cash, beginning of year	847,230	853,670
Cash, end of year	<u>\$ 941,019</u>	<u>\$ 847,230</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Change in net assets	\$ (102,411)	\$ 93,398
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	68,446	92,029
Loss on sale of building	-	24,888
Net change in accounts receivable	16,542	(16,119)
Net change in loans receivable	(202,464)	(71,435)
Net change in deferred inflows of resources	44,246	(21,448)
Net change in security deposits	(11,988)	200
Net change in accounts payable	9,754	6,378
Net cash provided by in operating activities	<u>\$ (177,875)</u>	<u>\$ 107,891</u>
Non-cash investing activities:		
Sale of building and loan issuance	<u>\$ -</u>	<u>\$ 800,000</u>

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

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Operations

Operation Oswego County, Inc., (the Organization) is a 501(c)(6) not-for-profit corporation subject to the reporting requirements contained in the New York State Public Authorities Law. The Organization contracts with the Oswego County, State, and local governments to provide economic development, promotion, advertising, technical assistance, financial planning and related services. The Governmental Accounting Standards Board (GASB) permits certain governmental not-for-profit organizations to report as special-purpose governments engaged only in business-type activities under GASB Statement No. 34. Accordingly, the Organization operates as a special-purpose government accounted for as a proprietary fund.

Basis of Presentation

The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units and are presented on the accrual basis of accounting utilizing an “economic resources” measurement focus.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net position and revenues, expenses, gains and losses are classified based on the existence, or absence of restrictions.

Governance

The Organization is managed by a Board of Directors, which establish the general policies governing the Organization. The Board of Directors as of December 31, 2020 and 2019 was comprised of 24 voting directors, respectively, and 5 non-voting ex-officio members in accordance with the by-laws of the Organization.

Annual Budgets

The Organization is required to provide to the New York State Authorities Budget Office (ABO) an annual budget on operations and capital construction setting forth the estimated receipts and expenditures for the next fiscal year and the current fiscal year. This budget is submitted to the ABO and can be found on the Organization’s website at <http://www.oswegocounty.org>.

Revenue Recognition

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

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Net Position

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

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

It is the Organization's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Net position is fully unrestricted for the years ending December 31, 2020 and 2019.

Property and Improvements

Property and improvements consist of buildings or improvements, which are stated at cost at the date the property was placed in service or acquired, less accumulated depreciation. It is the policy of the Organization to provide for depreciation of these assets over their estimated useful lives using the straight-line method. Depreciation of fixed assets amounted to approximately \$68,400 and \$92,000 at December 31, 2020 and 2019, respectively.

Maintenance and repairs are expensed as incurred and major renewals and betterments over \$3,000 are capitalized. At the time of the sale or retirement, the costs and accumulated depreciation of such assets are removed from the respective accounts, and the gain or loss is reflected in support and revenues.

Land Held for Development

Various parcels of land have been purchased by, or contributed to, the Organization for use in business development. Land is stated at cost or its fair market value at the date of acquisition. Development costs for these projects have been added to the land costs. Over the years, the Organization has purchased 182 acres of land to be developed into the Oswego County Industrial Park. The remaining undeveloped acreage as of December 31, 2020 and 2019 is 135 acres. The Organization has previously purchased land to form the Oswego County Airport Industrial Park, of which 139 acres remain available for development.

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Income Taxes

The Organization is exempt from Federal income taxes under section 501(c)(6) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements.

The Organization complies with the provisions of FASB ASC 740, Income Taxes, which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return, including maintenance of tax-exempt status. The Organization does not believe the financial statements include any uncertain tax positions. It is the Organization's policy to recognize any interest and penalties as expenses. The Organization's returns are subject to examination by taxing authorities for a period of three years from the date they are filed.

Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the statements of activities and functional expenses. Certain costs have been allocated based on management's estimate of time spent, occupancy or usage. Costs specifically identified to a program are charged directly to that program.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash accounts in financial institutions. Cash balances may have exceeded Federal Deposit Insurance (FDIC) limits of \$250,000 at various points throughout the year.

Revenue Streams

The Organization has the following significant streams of revenue:

Rental revenue is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the organization and tenants are operating leases.

Local government grant revenue is deemed to be earned and reported as revenue when the Organization has incurred expenditures in compliance with the grant agreement. Amounts due from government agencies are recorded as receivables. The Organization considers the associated accounts receivables to be fully collectible based on management's review; accordingly, no allowance for doubtful accounts is required.

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Pension Plan

The Organization has a defined contribution plan, which covers all eligible employees. Pension costs approximated \$57,900 and \$53,400 for 2020 and 2019, respectively.

Risk and Uncertainties

Management has evaluated subsequent events through March 22, 2021, which is the date the financial statements were available to be issued. In March 2020, the World Health Organization categorized Coronavirus Disease 2019 (“COVID-19”) as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. The spread of this virus globally has caused business disruption domestically in the northeastern United States, the area in which the Organization primarily operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of this pandemic. Therefore, while the Organization expects this matter to negatively impact its financial condition, results of operations, and cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.

2. Loans Receivable

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

	2020	2019
K&N Foods USA	\$ 458,332	\$ 483,332
Town of Schroepfel	140,000	160,000
Holiday Inn Express	116,523	135,743
Universal Metal Works	107,426	117,320
Minetto Associates, LP	43,760	71,044
Northland Filter International, LLC	640,639	722,932
Design Concepts and Enterprises	195,693	200,000
Healthway Home Products Inc.	120,000	-
COVID-19 Emergency Relief Loans	270,462	-
	<u>2,092,835</u>	<u>1,890,371</u>
Less: allowance for uncollectable loans receivable (see Note 3)	<u>(24,304)</u>	<u>-</u>
	<u>\$ 2,068,531</u>	<u>\$ 1,890,371</u>

These loans receivable primarily relate to corresponding notes payable described in Note 4 in which the Organization received funds from the County of Oswego IDA and U.S. Department of HUD, respectively, and subsequently loaned the funds to the respective borrowers. Repayment of the loans is consistent with the terms described in Note 4. The Design Concepts and Enterprises’ loan receivable was funded through the proceeds of a grant from the County of Oswego IDA.

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

3. Allowance for Uncollectable Loans Receivable and Unpaid Debt Obligations

Management evaluates the allowance for uncollectible loans based on review of delinquent outstanding loans along with other known client factors to estimate uncollectible amounts. Management has an agreement with the County of Oswego IDA (the IDA) whereby the IDA lent the Organization \$500,000 to establish a COVID-19 Emergency Relief Fund to provide small business loans to companies within the community. As part of this agreement, any funds that are lent, and not subsequently repaid, will reduce the amount of funds repayable to the IDA. Due to the nature of the COVID-19 Emergency Relief funds, management has estimated an allowance of \$24,304 at December 31, 2020 and there was no allowance at December 31, 2019. There was no bad debt expense recognized in 2020 and 2019. Management recognized an allowance for unpaid debt obligations of \$24,304 to estimate the amount of debt that would not be repaid to the IDA due to uncollectable loans. There was no allowance for unpaid debt obligation at December 31, 2019.

4. Property and Improvements

Property and improvements consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 23,961	\$ 23,961
Property and improvements	2,467,193	2,415,835
Furniture and equipment	<u>133,711</u>	<u>133,711</u>
	2,624,865	2,573,507
Less: accumulated depreciation	<u>(1,959,366)</u>	<u>(1,890,920)</u>
	<u>\$ 665,499</u>	<u>\$ 682,587</u>

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

5. Lease Agreements

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

- Northland Filter International, LLC (Filtration L.A.B. USA, Inc.); month to month through August 2019, payments of \$9,073 due monthly. This lease was not renewed upon expiration of the lease agreement.
- Oswego County Opportunities, Inc.: Lease through January 31, 2022, payments of \$2,843.75 due monthly.
- Center for Instruction, Technology & Innovation: payments of \$5,958.33 due monthly through June 30, 2023.
- Wellhouse Ministries, Inc.: payments of \$210 due monthly through December 31, 2020, and a new lease beginning January 1, 2021 through December 31, 2021 with payments of \$225 due monthly.

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

5. Lease Agreements (continued)

- ILRT, Inc.: payments of \$800.00 due monthly through January 31, 2021 and a second lease beginning February 1, 2021 through January 31, 2022 with payments of \$833.33 due monthly.
- Equanimity Counseling: two leases through June 30, 2020 with total payments of \$400.00 due monthly, and a new lease beginning in July 1, 2020 through June 30, 2021 with payments of \$433.33 due monthly.
- County of Oswego: payments of \$7,975 due quarterly through December 31, 2020.

Rental income from the above organizations and other minor leasing arrangements for the years ended December 31, 2020 and 2019 approximated \$165,200 and \$230,200, respectively.

6. Long-Term Debt

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

	2020	2019
Note payable to the County of Oswego for the development of an industrial park in the Town of Schroepfel, New York, interest free, payable solely from 60% of all net land sales and net lease proceeds until the total reaches the original note balance of \$528,922, secured by the land and building.	\$ -	\$ 826
Note payable to the County of Oswego Industrial Development Agency (IDA) for construction of an educational building, interest free, payable solely from 60% of annual rental income, secured by land and building.	5,282	46,574
Note payable to the County of Oswego IDA for construction of a day care center in the Oswego County Industrial Park, interest free, payable solely from 60% of annual rental income, secured by land and building.	305,469	325,782
Note payable to the County of Oswego IDA for construction of the 2001 SPEC building in the Lake Ontario Industrial Park, interest free, with payments made from 60% of prior year rent payments. Effective in August of 2019, this note became unsecured as the building was sold to Northland Filter International, LLC. Future payments will be made from a combination of 60% of rent and principal mortgage payments.	341,707	412,325
Note payable to the County of Oswego IDA for industrial loan for equipment and construction at K & N Foods USA, interest free, repayable solely from payments received on note from K & N Foods USA in 180 equal payments of \$2,777.78 beginning on June 30, 2019.	483,333	500,000

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

6. Long-Term Debt (continued)

Note payable to the County of Oswego for construction of a senior housing project, repayable solely from payments received on note from Minetto Associates, L.P. in monthly installments of \$2,322, including interest at 1%, through July 2022, secured by the building.

	46,044	73,306
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Note payable to the County of Oswego IDA for use in providing funding to applicants seeking financial assistance through the COVID-19 Emergency Relief Loan Program, interest free, repayable from principal payments received on notes from borrowers on or before December 31st of 2021, 2022 and 2023. In addition, any unlent principal will be returned at December 31, 2023.

	500,000	-
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Less: allowance for unpaid debt obligations

	<u>(24,304)</u>	<u>-</u>
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	<u>\$ 1,657,531</u>	<u>\$ 1,358,813</u>
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Aggregate maturities of debt are as follows as of December 31, 2020:

	2021	\$	339,068
	2022		226,118
	2023		195,339
	2024		69,733
	2025		69,733
	2026-2030		348,665
	2031-2035		332,003
	2036-2040		<u>101,176</u>
	Total long-term debt		1,681,835
	Less: allowance for unpaid debt obligations		<u>(24,304)</u>
			<u>\$ 1,657,531</u>

7. Related Parties and Commitments

In 2003, Operation Oswego County, Inc. set up a separate organization, Operation Oswego County Foundation, Inc. that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Foundation receives all contributions and pays all advertising and marketing costs, which previously had been accounted for by the Organization.

The Organization's Executive Director also serves as the Chief Executive Officer for the County of Oswego Industrial Development Agency (IDA), a public benefit corporation. In addition, the IDA contracts with the Organization for office space and administration services. The IDA paid \$350,000 and \$346,500 for the years ended December 31, 2020 and 2019, respectively, to the Organization for space and services.

OPERATION OSWEGO COUNTY, INC.

Notes to Financial Statements

7. Related Parties and Commitments (continued)

In previous years, the IDA provided the Organization approximately \$2,831,000 of interest free funding to construct the Education, Day Care and SPEC buildings held by the Organization. In 2013, the IDA provided the Organization \$500,000 of interest free financing to support the re-use of the Birds Eye plant located in the City of Fulton by K&N Foods. The Organization acted as a conduit lender for this financing and K&N Foods is responsible for repayment of the debt to the Organization. In 2020, the IDA provided the Organization \$500,000 of interest free funding to create the COVID-19 Emergency Relief Program. Current loan balances payable to the IDA as described in Note 4 approximate \$1,636,000 and \$1,285,000 for the years ended December 31, 2020 and 2019, respectively.

8. Deferred Inflows of Resources

The County of Oswego IDA advances funds annually. At December 31, 2020 and 2019, advances were not fully expended for the Economic Development Initiative Fund (EDIF). It is anticipated that the majority of funds will be expended during 2021 for ongoing projects and other identified needs. Revenue will be recognized annually. Total deferred inflows of resources at December 31, 2020 and 2019 approximated \$379,200 and \$334,900, respectively.

9. Subsequent Events

In February 2021, the IDA resolved to extend the period of repayment for collected COVID-19 Emergency Relief Loan Program principal from June 30, 2021 to December 31, 2021. This modification has been made within the terms of the loan payable in Note 6.

In March 2021 the Organization was granted \$126,698 from Pathfinder Bank through the Small Business Association (SBA), pursuant to the Paycheck Protection Program (PPP) Second Draw Loan under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which was enacted March 27, 2020. The PPP Second Draw Loan was available to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business.

Under the terms of the PPP Second Draw, the loan balance can be forgiven, in full or part, based on the use of the funds for qualifying expenses in accordance with the requirements of the CARES Act. Any unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of principal and interest payments for up to 17 months after the disbursement date, if no application for forgiveness is submitted. The Organization intends to use the funds to cover expenses qualifying for full forgiveness and will apply for such forgiveness at the appropriate time.

SUPPLEMENTARY INFORMATION

OPERATION OSWEGO COUNTY, INC.

**Statement of Functional Expenses
Year Ended December 31, 2020**

	Program Services	Management and General	Total Expenses
Salaries	\$ 423,292	\$ 57,722	\$ 481,014
Pension plan	50,978	6,952	57,930
Employee benefits	113,494	15,477	128,971
Accounting and legal	18,958	2,585	21,543
Payroll taxes	34,661	4,727	39,388
Supplies	16,040	2,187	18,227
Telephone	8,124	1,108	9,232
Occupancy	3,289	448	3,737
Maintenance and repairs	30,680	4,184	34,864
Printing and publications	8,009	-	8,009
Travel	16,608	-	16,608
Insurance	19,671	2,682	22,353
Land taxes	7,973	-	7,973
Advertising	237	-	237
Professional services	16,579	-	16,579
Community relations	10,067	117	10,184
Miscellaneous	23,210	3,165	26,375
Dues and subscriptions	6,554	311	6,865
Rental and development expenses	57,543	-	57,543
Depreciation	60,447	7,999	68,446
	<u>\$ 926,414</u>	<u>\$ 109,664</u>	<u>\$ 1,036,078</u>

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

OPERATION OSWEGO COUNTY, INC.

Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services	Management and General	Total Expenses
Salaries	\$ 414,008	\$ 56,456	\$ 470,464
Pension plan	46,974	6,406	53,380
Employee benefits	103,382	14,098	117,480
Accounting and legal	16,172	2,205	18,377
Payroll taxes	33,846	4,615	38,461
Supplies	17,347	2,365	19,712
Telephone	6,973	951	7,924
Occupancy	3,338	455	3,793
Maintenance and repairs	37,801	5,155	42,956
Printing and publications	7,822	-	7,822
Travel	32,316	-	32,316
Insurance	26,695	3,640	30,335
Land taxes	6,886	-	6,886
Advertising	47	-	47
Professional services	71,646	396	72,042
Community relations	41,604	757	42,361
Miscellaneous	16,996	2,318	19,314
Dues and subscriptions	6,305	181	6,486
Micro enterprise program	1,600	-	1,600
Grant expense	7,500	-	7,500
Rental and development expenses	77,111	-	77,111
Depreciation	83,962	8,067	92,029
	<u>\$ 1,060,331</u>	<u>\$ 108,065</u>	<u>\$ 1,168,396</u>

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



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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

To the Board of Directors
Operation Oswego County, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Operation Oswego County, Inc. as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Operation Oswego County, Inc.'s basic financial statements, and have issued our report thereon dated March 22, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Operation Oswego County, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Operation Oswego County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Operation Oswego County, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Operation Oswego County, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests identified an instance of noncompliance, a significant deficiency and other matters that are required to be reported under *Government Auditing Standards* and have been reported to the management of Operation Oswego County, Inc. in a separate letter dated March 22, 2021.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Grossman St Amour CPAs

Syracuse, New York
March 22, 2021