

STEBEN COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
For the Year Ended December 31, 2011

The following is a discussion and analysis of the Steuben County Industrial Development Agency's (the "Agency") financial performance for the year ended December 31, 2011. The management's discussion and analysis is a summary of the Agency's financial activities based on currently known facts, decisions, or conditions. 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

- Total assets as reported equal \$3,814,550 and \$3,926,197 for the years ended December 31, 2011 and 2010, respectively. This represents a decrease of \$111,647, or 2.84% from the prior year.
- Total revenues equal \$348,872 for the year ended December 31, 2011, a decrease of \$617,267 from the prior year revenues of \$966,139. The substantial decrease in revenues was due to fewer projects in the current year. In the prior year, the Agency assisted with several large projects related to energy resources including storage, transportation, and generation. Total operating expenses equal \$485,246 for the year ended December 31, 2011. This represents an increase of \$30,179, or 6.63% from the prior year expenditures of \$455,067.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. This report includes the independent auditors' report, financial statements, notes to financial statements and other supplemental information that will enhance the reader's understanding of the financial condition of the Agency.

Required Financial Statements - The financial statements are prepared using the accrual basis of accounting. The financial statements include:

- **Statements of Net Assets** - Present all assets, liabilities and net assets of the Agency at December 31, 2011 and 2010. The statements provide information about the amounts and investments in resources (assets) and the obligations to creditors (liabilities).
- **Statements of Activities** - Present the financial activity for the years ended December 31, 2011 and 2010 and displays how this activity changed the Agency's net assets. The statements provide information on the Agency's operations and can be used to determine if the Agency has recovered all of its costs through grants, user fees and other charges.
- **Statements of Cash Flows** - Present the cash provided and used in operations, investments and financing activities during 2011 and 2010 and how it affects the cash balances at December 31, 2011 and 2010.
- **Notes to Financial Statements** - Provide information regarding the Agency and explain in more detail information included in the financial statements.

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Financial Analysis

The Agency provides financial incentives and technical assistance to businesses moving to or expanding in Steuben County where job and capital creation will help improve the economic climate of the County. The Agency's net assets may serve over time as a useful indicator of its financial position. In the case of the Agency, assets exceeded liabilities by \$3,729,490 and \$3,865,864 at December 31, 2011 and 2010, respectively.

The Agency's largest type of asset is its property and equipment. A condensed version of the Agency's statement of net assets follows:

Table 1
Condensed Statements of Net Assets
(In Thousands of Dollars)

	<u>2011</u>	<u>2010</u>	<u>Dollar</u> <u>Change</u>	<u>%</u> <u>Change</u>
Assets				
Cash and cash equivalents	\$ 1,751.9	\$ 1,896.5	\$ (144.6)	(7.6)
Cash and cash equivalents - restricted	739.7	666.1	73.6	11.0
Note receivable	150.8	222.1	(71.3)	(32.1)
Windmill escrow	66.9	60.1	6.8	11.3
Property and equipment - net	1,075.8	1,081.4	(5.6)	(0.5)
Other assets - net	<u>29.4</u>	<u>-</u>	<u>29.4</u>	<u>100.0</u>
Total assets	<u>\$ 3,814.5</u>	<u>\$ 3,926.2</u>	<u>\$ (111.7)</u>	<u>(2.8)</u>
Liabilities				
Accounts payable	\$ 16.1	\$ -	\$ 16.1	100.0
Accrued liabilities	2.0	0.2	1.8	900.0
Windmill escrow	<u>66.9</u>	<u>60.1</u>	<u>6.8</u>	<u>11.3</u>
Total liabilities	<u>\$ 85.0</u>	<u>\$ 60.3</u>	<u>\$ 24.7</u>	<u>41.0</u>
Net Assets				
Invested in capital assets	\$ 1,075.8	\$ 1,081.4	\$ (5.6)	(0.5)
Restricted net assets - CDBG	495.0	495.0	-	-
Restricted net assets - Millennium	244.7	171.0	73.7	43.1
Unrestricted	<u>1,914.0</u>	<u>2,118.5</u>	<u>(204.5)</u>	<u>(9.7)</u>
Total net assets	<u>\$ 3,729.5</u>	<u>\$ 3,865.9</u>	<u>\$ (136.4)</u>	<u>(3.5)</u>

Overall decrease in net assets from 2010 to 2011 is due to a decrease in administrative income which resulted from a timing difference in the closing of a large project for the Agency.

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A condensed version of the Agency's statements of activities follows:

Table 2
Condensed Statements of Income, Expenses, and Changes in Net Assets
(In Thousands of Dollars)

	<u>2011</u>	<u>2010</u>	<u>Dollar</u> <u>Change</u>	<u>%</u> <u>Change</u>
Revenues				
Administrative income	\$ 204.1	\$ 843.4	\$ (639.3)	(75.8)
Grant income	120.5	108.0	12.5	11.6
Interest income - bank	18.4	7.5	10.9	145.3
Interest income - note	3.7	5.3	(1.6)	(30.2)
Lease income	2.0	2.0	-	-
Miscellaneous income	<u>0.2</u>	<u>-</u>	<u>0.2</u>	<u>100.0</u>
Total revenues	<u>348.9</u>	<u>966.2</u>	<u>(617.3)</u>	<u>(63.9)</u>
Total revenues				
Administrative expenses	25.0	25.0	-	-
Amortization	0.8	-	0.8	100.0
Conferences	0.4	1.6	(1.2)	(75.0)
Contract expense	65.9	49.2	16.7	33.9
Depreciation	7.2	6.5	0.7	10.8
Grant expense	16.6	45.0	(28.4)	(63.1)
Insurance	42.8	30.6	12.2	39.9
Maintenance	7.6	9.3	(1.7)	(18.3)
Office expense	25.9	28.9	(3.0)	(10.4)
Pension expense	24.4	16.4	8.0	48.8
Professional fees	17.9	16.5	1.4	8.5
Program expense	19.4	35.0	(15.6)	(44.6)
Salaries and wages	212.8	171.3	41.5	24.2
Travel and entertainment	11.5	11.5	-	-
Utilities and telephone	<u>7.1</u>	<u>8.3</u>	<u>(1.2)</u>	<u>(14.5)</u>
Total expenses	<u>485.3</u>	<u>455.1</u>	<u>30.2</u>	<u>6.6</u>
Change in Net Assets	(136.4)	511.1	(647.5)	(126.7)
Beginning Net Assets	<u>3,865.9</u>	<u>3,354.8</u>	<u>511.1</u>	<u>15.2</u>
Ending Net Assets	<u>\$ 3,729.5</u>	<u>\$ 3,865.9</u>	<u>\$ (136.4)</u>	<u>(3.5)</u>

The decrease in revenues noted in the statement of activities from 2010 to 2011 is a result of timing differences between the two years related to the closing of a large project for the Agency.

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Another important factor in the consideration of the fiscal condition is the Agency's cash position and statement of cash flows. A condensed version of the Agency's statements of cash flows follows:

Table 3
Condensed Statements of Cash Flows
(In Thousands of Dollars)

	<u>2011</u>	<u>2010</u>
Cash Flow from Operating Activities		
Cash received from operating income	\$ 398.0	\$ 1,035.2
Cash paid for operating expenses	<u>(459.3)</u>	<u>(455.4)</u>
Net cash flows from operating activities	<u>(61.3)</u>	<u>579.8</u>
Cash Flow from Capital and Related Financing Activities		
Purchases of fixed assets	(1.6)	(7.4)
Purchase of other assets	<u>(30.2)</u>	<u>-</u>
Net cash flows from capital and related financing activities	<u>(31.8)</u>	<u>(7.4)</u>
Cash Flow from Investing Activities		
Interest received	<u>22.1</u>	<u>12.8</u>
Net Change in Cash and Cash Equivalents	(71.0)	585.2
Beginning Cash and Cash Equivalents	<u>2,562.6</u>	<u>1,977.4</u>
Ending Cash and Cash Equivalents	<u>\$ 2,491.6</u>	<u>\$ 2,562.6</u>

Capital Assets

The Agency's capital assets consist primarily of land and equipment associated with various Agency owned railroads as well as the office building that the Agency's offices are located in.

Long-Term Debt

The Corporation has no direct long-term debt but has entered into conduit financing agreements with a company with a total of \$467,867 in bonds outstanding at the end of 2011. These transactions are not recorded on the Agency's financial statements but are disclosed in the notes to the financial statements.

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Factors Bearing on the Future of the Agency

- In 2011, the Agency hired James C. Johnson to replace James Sherron, who retired after serving the agency for 16 years. During the latter half of 2011, the Agency focused on expanding its agency partnerships to provide more diverse resources to the business community. At the beginning of 2012, these partnerships included serving as a satellite location for the Corning Small Business Development Center and primary intake organization for financing programs through the New York Business Development Corporation. In addition, the Agency now has board representation on the Southern Tier Regional Council, REDEC, The Alliance for Manufacturing and Technology, New York State Economic Development Council, and Southern Tier Central Regional Planning and Development Commission.
- The Agency will focus additional resources toward site development including re-establishing rail service to the Agency-owned railroad in Bath and inducing the first development at the site. In addition, the Agency will be completing the SEQRA process at the Finger Lakes Highland Industrial Park in Wayland which will entice development along the Interstate 390 corridor.
- Steuben County Industrial Development Agency anticipates the following in 2012:
 - ◆ The completion of the Calamar housing project in Erwin, which will provide 100+ senior housing units in southeastern Steuben County.
 - ◆ The Corning Museum of Glass will undertake a \$64 million expansion/renovation.
 - ◆ The addition of two more turbines for the Howard Wind project along with renewed interest in wind energy projects in Prattsburgh, Canisteo and Woodhull.

Contacting the Agency's Financial Management

This financial report is written to provide citizens, taxpayers, customers, investors and creditors with a general overview of the finances of the Agency and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

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