

STEBEN COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
For the Year Ended December 31, 2012

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, 2012. The management's discussion and analysis is a summary of the Agency's financial activities based on current 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 \$3,829,092 and \$3,814,550 for the years ended December 31, 2012 and 2011, respectively. This represents an increase of \$14,542, or 0.4% from the prior year.
- Total revenues equal \$445,818 for the year ended December 31, 2012, an increase of \$96,946 from the prior year revenues of \$348,872. The substantial increase in revenues was due to an increase in deal flow. Total operating expenses equal \$447,983 for the year ended December 31, 2012. This represents a decrease of \$37,263, or 7.7% from the prior year expenditures of \$485,246.

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 Position** - Present all assets, liabilities and net position of the Agency at December 31, 2012 and 2011. The statements provide information about the amounts and investments in resources (assets) and the obligations to creditors (liabilities).
- **Statements of Income, Expenses, and Changes in Net Position** - Present the financial activity for the years ended December 31, 2012 and 2011 and displays how this activity changed the Agency's net position. 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 2012 and 2011 and how it affects the cash balances at December 31, 2012 and 2011.
- **Notes to Financial Statements** - Provide information regarding the Agency and explain in more detail information included in the financial statements.

STEBEN COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
For the Year Ended December 31, 2012

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 position may serve over time as a useful indicator of its financial position. In the case of the Agency, assets exceeded liabilities by \$3,727,325 and \$3,729,490 at December 31, 2012 and 2011, respectively.

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

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

	<u>2012</u>	<u>2011</u>	<u>Dollar</u> <u>Change</u>	<u>%</u> <u>Change</u>
Assets				
Cash and cash equivalents	\$ 1,726.7	\$ 1,751.9	\$ (25.2)	(1.4)
Cash and cash equivalents - restricted	845.8	739.7	106.1	14.3
Note receivable	65.3	150.8	(85.5)	(56.7)
Windmill escrow	98.8	66.9	31.9	47.7
Property and equipment - net	1,073.1	1,075.8	(2.7)	(0.3)
Other assets - net	<u>19.3</u>	<u>29.4</u>	<u>(10.1)</u>	<u>(34.4)</u>
Total assets	<u>\$ 3,829.0</u>	<u>\$ 3,814.5</u>	<u>\$ 14.5</u>	<u>0.4</u>
Liabilities				
Accounts payable	\$ -	\$ 16.1	\$ (16.1)	100.0
Accrued liabilities	2.9	2.0	0.9	45.0
Windmill escrow	<u>98.8</u>	<u>66.9</u>	<u>31.9</u>	<u>47.7</u>
Total liabilities	<u>\$ 101.7</u>	<u>\$ 85.0</u>	<u>\$ 16.7</u>	<u>19.6</u>
Net Position				
Net investment of capital assets	\$ 1,073.1	\$ 1,075.8	\$ (2.7)	(0.3)
Restricted net position - CDBG	495.0	495.0	-	-
Restricted net position - Millennium	350.8	244.7	106.1	43.4
Unrestricted	<u>1,808.4</u>	<u>1,914.0</u>	<u>(105.6)</u>	<u>(5.5)</u>
Total net position	<u>\$ 3,727.3</u>	<u>\$ 3,729.5</u>	<u>\$ (2.2)</u>	<u>(0.1)</u>

Net position remained relatively consistent from 2011 to 2012. The Agency continues to collect on its note receivable and retained more cash on hand at the end of 2012 as opposed to 2011.

STEBEN COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
For the Year Ended December 31, 2012

A condensed version of the Agency's statements of income, expenses, and changes in net position follows:

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

	<u>2012</u>	<u>2011</u>	<u>Dollar</u> <u>Change</u>	<u>%</u> <u>Change</u>
Income				
Administrative income	\$ 319.1	\$ 204.1	\$ 115.0	56.3
Grant income	108.0	120.5	(12.5)	(10.4)
Interest income - bank	11.3	18.4	(7.1)	(38.6)
Interest income - note	2.7	3.7	(1.0)	(27.0)
Lease income	2.0	2.0	-	-
Miscellaneous income	<u>2.7</u>	<u>0.2</u>	<u>2.5</u>	<u>1,250.0</u>
Total income	<u>445.8</u>	<u>348.9</u>	<u>96.9</u>	<u>27.8</u>
Total Expenses				
Administrative expenses	-	25.0	(25.0)	(100.0)
Amortization	10.1	0.8	9.3	1,162.5
Conferences	3.8	0.4	3.4	850.0
Contract expense	74.0	65.9	8.1	12.3
Depreciation	6.8	7.2	(0.4)	(5.6)
Grant expense	-	16.6	(16.6)	(100.0)
Insurance	43.2	42.8	0.4	0.9
Maintenance	5.4	7.6	(2.2)	(28.9)
Office expense	36.9	25.9	11.0	42.5
Pension expense	24.7	24.4	0.3	1.2
Professional fees	20.1	17.9	2.2	12.3
Program expense	19.7	19.4	0.3	1.5
Salaries and wages	183.6	212.8	(29.2)	(13.7)
Travel and entertainment	2.3	11.5	(9.2)	(80.0)
Utilities and telephone	5.9	7.1	(1.2)	(16.9)
Vehicle	<u>11.6</u>	<u>-</u>	<u>11.6</u>	<u>100.0</u>
Total expenses	<u>448.1</u>	<u>485.3</u>	<u>(37.2)</u>	<u>(7.7)</u>
Change in Net Position	(2.3)	(136.4)	134.1	(98.3)
Beginning Net Position	<u>3,729.5</u>	<u>3,865.9</u>	<u>(136.4)</u>	<u>(3.5)</u>
Ending Net Position	<u>\$ 3,727.2</u>	<u>\$ 3,729.5</u>	<u>\$ (2.3)</u>	<u>(0.1)</u>

The increase in revenues noted in the statement of activities from 2011 to 2012 is a result of increased business development activities in the fourth quarter of 2012.

STEBEN COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
For the Year Ended December 31, 2012

Another important factor in the consideration of 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>2012</u>	<u>2011</u>
Cash Flow from Operating Activities		
Cash received from operating income	\$ 517.3	\$ 398.0
Cash paid for operating expenses	<u>(446.3)</u>	<u>(459.3)</u>
Net cash flows from operating activities	<u>71.0</u>	<u>(61.3)</u>
Cash Flow from Capital and Related Financing Activities		
Purchases of fixed assets	(4.1)	(1.6)
Purchase of other assets	<u>-</u>	<u>(30.2)</u>
Net cash flows from capital and related financing activities	<u>(4.1)</u>	<u>(31.8)</u>
Cash Flow from Investing Activities		
Interest received	<u>14.0</u>	<u>22.1</u>
Net Change in Cash and Cash Equivalents	80.9	(71.0)
Beginning Cash and Cash Equivalents	<u>2,491.6</u>	<u>2,562.6</u>
Ending Cash and Cash Equivalents	<u>\$ 2,572.5</u>	<u>\$ 2,491.6</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. Additionally, the Agency owns 97.8 acres of land designated as an industrial park.

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 \$425,476 in bonds outstanding at the end of 2012. These transactions are not recorded on the Agency's financial statements but are disclosed in the notes to the financial statements.

STEBEN COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
For the Year Ended December 31, 2012

Factors Bearing on the Future of the Agency

- In 2012, the Agency continued to maintain the partnerships that were developed in 2011 and saw a number of projects begin to develop including the completion of the Calamar Housing project in Erwin, construction on a \$64 million expansion to the Corning Museum of Glass and continued exploration and development activities in the wind energy market.
- The Agency also completed the generic environmental review on the Wayland Business Park development and was successful in securing funding to extend water and sewer infrastructure to the site.
- The Agency also played a much more active role in the Southern Tier Regional Economic Development Council and the efforts associated with identifying and applying for funding through the State's consolidated funding application process.
- Business development activities also started to increase in the 4th quarter of 2012 with several new expansion opportunities identified for 2013. Finally, in 2012 the Agency identified funding to support a business development position and plans were put in place to hire an additional staff person during the 1st quarter of 2013.
- Steuben County Industrial Development Agency anticipates the following in 2013:
 - ◆ Expand staff by creating a position and hiring a Director of Business Development.
 - ◆ The completion of the \$64 million expansion for the Corning Museum of Glass.
 - ◆ Rehabilitation of the B&H Rail Line to the IDA owned industrial park.
 - ◆ The construction of the Marsh Hill Wind Energy project in Jasper.
 - ◆ Work with Guthrie/ Corning Hospital on the redevelopment of the old Corning Hospital Site.
 - ◆ Assist with the redevelopment of the former Kmart and P&C plazas in Riverside.
 - ◆ Assist with the redevelopment of the former War Memorial Library in the City of Corning.

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:

Mr. James Johnson
Executive Director
7234 Route 54 P.O. Box 393
Bath New York, 14810
607-776-3316