

STEBEN COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
For the Year Ended December 31, 2013

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, 2013. 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 \$3,458,614 and \$3,829,092 for the years ended December 31, 2013 and 2012, respectively. This represents an decrease of \$370,478, or 9.7% from the prior year.
- Total revenues equal \$1,188,842 for the year ended December 31, 2013, an increase of \$743,024 from the prior year revenues of \$445,818. The substantial increase in revenues was due to new grants received and the sale of land. Total operating expenses equal \$1,587,944 for the year ended December 31, 2013. This represents a increase of \$1,139,961, or 254.5% from the prior year expenditures of \$447,983. The increase in operating expenses is mainly due to the various grants provided by the Agency.

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 in accordance with accounting principles generally accepted in the United States of America. The financial statements include:

- **Statements of Net Position** - Present all assets, liabilities and net position of the Agency at December 31, 2013 and 2012. 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, 2013 and 2012 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 2013 and 2012 and how it affects the cash balances at December 31, 2013 and 2012.
- **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 position may serve over time as a useful indicator of its financial position. In the case of the Agency, assets exceeded liabilities by \$3,328,223 and \$3,727,325 at December 31, 2013 and 2012, respectively.

A condensed version of the Agency's statement of net position follows:

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

	<u>2013</u>	<u>2012</u>	<u>Dollar</u> <u>Change</u>	<u>%</u> <u>Change</u>
Assets				
Cash and cash equivalents	\$ 1,763.9	\$ 1,726.7	\$ 37.2	2.2
Cash and cash equivalents - restricted	583.0	845.8	(262.8)	(31.1)
Note receivable	-	65.3	(65.3)	(100.0)
Windmill escrow	66.7	98.8	(32.1)	(32.5)
Property and equipment - net	1,035.7	1,073.1	(37.4)	(3.5)
Other assets - net	<u>9.2</u>	<u>19.3</u>	<u>(10.1)</u>	<u>(52.3)</u>
Total assets	<u>\$ 3,458.5</u>	<u>\$ 3,829.0</u>	<u>\$ (370.5)</u>	<u>(9.7)</u>
Liabilities				
Due to Steuben County	\$ 54.0	\$ -	\$ 54.0	DIV/0
Accrued liabilities	9.7	2.9	6.8	234.5
Windmill escrow	<u>66.7</u>	<u>98.8</u>	<u>(32.1)</u>	<u>(32.5)</u>
Total liabilities	<u>\$ 130.4</u>	<u>\$ 101.7</u>	<u>\$ 28.7</u>	<u>28.2</u>
Net Position				
Net investment in capital assets	\$ 1,035.7	\$ 1,073.1	\$ (37.4)	(3.5)
Restricted net position - CDBG	95.0	495.0	(400.0)	(80.8)
Restricted net position - Millennium	397.1	350.8	46.3	13.2
Restricted net position - New York State Department of Transportation	90.9	-	90.9	100.0
Unrestricted	<u>1,709.5</u>	<u>1,808.4</u>	<u>(98.9)</u>	<u>(5.5)</u>
Total net position	<u>\$ 3,328.2</u>	<u>\$ 3,727.3</u>	<u>\$ (399.1)</u>	<u>(10.7)</u>

Net position decreased from 2012 to 2013. The Agency retained less cash on hand at the end of 2013 as opposed to 2012 due to less administrative income received than expected in the current year, as well as the grant expenditures provided by the Agency.

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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>2013</u>	<u>2012</u>	<u>Dollar</u> <u>Change</u>	<u>%</u> <u>Change</u>
Income				
Administrative income	\$ 333.9	\$ 319.1	\$ 14.8	4.6
Business development support	45.0	-	45.0	100.0
Gain on sale of assets	39.6	-	39.6	100.0
Grant income - CDBG	284.0	-	284.0	100.0
Grant income - Millennium Pipeline	108.0	108.0	-	-
Grant income - NYSDOT	367.0	-	367.0	100.0
Interest income - bank	6.9	11.3	(4.4)	(38.9)
Interest income - note	0.6	2.7	(2.1)	(77.8)
Lease income	1.9	2.0	(0.1)	(5.0)
Miscellaneous income	<u>2.0</u>	<u>2.7</u>	<u>(0.7)</u>	<u>(25.9)</u>
Total income	<u>1,188.9</u>	<u>445.8</u>	<u>743.1</u>	<u>166.7</u>
Total Expenses				
Amortization	10.1	10.1	-	-
Conferences	3.9	3.8	0.1	2.6
Contract expense	74.0	74.0	-	-
Depreciation	7.3	6.8	0.5	7.4
Grant expense - CDBG	284.0	-	284.0	100.0
Grant expense - NYSDOT	413.8	-	413.8	100.0
Grant expense - diesel facility	400.0	-	400.0	100.0
Insurance	43.6	43.2	0.4	0.9
Maintenance	5.3	5.3	-	-
Office expense	32.8	36.9	(4.1)	(11.1)
Pension expense	29.3	24.7	4.6	18.6
Professional fees	16.1	20.1	(4.0)	(19.9)
Program expense	18.2	19.7	(1.5)	(7.6)
Salaries and wages	226.0	183.6	42.4	23.1
Travel and entertainment	6.9	2.3	4.6	200.0
Utilities and telephone	6.3	5.9	0.4	6.8
Vehicle	<u>10.4</u>	<u>11.6</u>	<u>(1.2)</u>	<u>(10.3)</u>
Total expenses	<u>1,588.0</u>	<u>448.0</u>	<u>1,140.0</u>	<u>254.5</u>
Change in Net Position	(399.1)	(2.2)	(396.9)	18,040.9
Net Position - Beginning	<u>3,727.3</u>	<u>3,729.5</u>	<u>(2.2)</u>	<u>(0.1)</u>
Net Position - Ending	<u>\$ 3,328.2</u>	<u>\$ 3,727.3</u>	<u>\$ (399.1)</u>	<u>(10.7)</u>

The increase in revenues noted in the statement of activities from 2012 to 2013 is a result of increased business development activities throughout 2013 as well as the gain on the sale of land and grant income. The increase in expenditures is directly related to the grant expense that the Agency incurred in 2013.

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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>2013</u>	<u>2012</u>
Cash Flow from Operating Activities		
Cash received from operating income	\$ 448.1	\$ 409.3
Cash paid for operating expenses	(412.1)	(446.3)
Cash received from grants	759.0	108.0
Cash paid for grants	(1,097.8)	-
Net cash flows from operating activities	<u>(302.8)</u>	<u>71.0</u>
Cash Flow from Capital and Related Financing Activities		
Proceeds from sale of fixed assets	69.8	-
Purchases of fixed assets	-	(4.1)
Net cash flows from capital and related financing activities	<u>69.8</u>	<u>(4.1)</u>
Cash Flow from Investing Activities		
Interest received	<u>7.5</u>	<u>14.0</u>
Net Change in Cash and Cash Equivalents	(225.5)	80.9
Cash and Cash Equivalents - Beginning	<u>2,572.5</u>	<u>2,491.6</u>
Cash and Cash Equivalents - Ending	<u>\$ 2,347.0</u>	<u>\$ 2,572.5</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 88.56 acres of land designated as an industrial park, after the sale of 9.24 acres in 2013.

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 \$381,123 in bonds outstanding at the end of 2013. 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

- The 2013 year was an active year for the Agency as the organization supported growth at several Steuben County manufacturers. After two years of work by the Agency and several of its partners, Corning Incorporated announced an investment of approximately \$250 million to increase manufacturing capacity of the company's diesel emissions control products facility in Erwin, NY. The project will create 250 jobs in Steuben County and will increase capacity at the Erwin diesel facility.
- In addition to the Corning project, the Agency also provided direct assistance to World Kitchen to add a 9th production line to their Corning facility which has created an additional 20 jobs. Direct assistance was also provided to Advanced Transit Manufacturing who is expanding their operation in the Town of Hornellsville.
- The Agency also assisted several redevelopment efforts in the County including demolition and redevelopment of the former Kmart plaza site in Erwin, expansion and redevelopment of the Pultney Plaza in the Village of Riverside, and the rehabilitation and reuse of the former Harding Harley Davidson site in the City of Corning.
- The 2013 year saw additional investments in infrastructure to support business development efforts. Work got underway in a \$951,000 rehabilitation of the B&H rail line to serving the Agency owned industrial park in Bath. The Agency also leveraged \$1.1 million to support the extension of public water and sewer at the Wayland Industrial Park.
- Wind energy development also continued to grow in the County with the approval of the Marsh Hill Wind Project in Troupsburg. In addition, several other projects are currently in the data gathering stage and are expected to move forward in the next 12 - 24 months.
- The Agency continues to play an 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. The results of this work included the receipt of funding for several Steuben County projects.
- Finally, the Agency continued its aggressive business retention and expansion efforts. This included meeting with all major employers in 2013 to identify needs and possible growth opportunities. In addition, the Agency expanded its staff during the year adding a business and community development specialist to assist small and medium sized businesses and work with communities on infrastructure and community development investment opportunities.
- Steuben County Industrial Development Agency anticipates the following in 2014:
 - ◆ Completion of the \$250 million expansion for the Corning diesel facility.
 - ◆ Completion of the rehabilitation of the B&H Rail Line to the Agency owned industrial park.
 - ◆ Completion of construction of the Marsh Hill Wind Energy project in Jasper.
 - ◆ Work with Guthrie/ Corning Hospital on the redevelopment of the former Corning Hospital site.
 - ◆ Work with Phillips Lighting on the sale and redevelopment of the Bath manufacturing facility.
 - ◆ Assist with efforts to redevelop the former Curtis School in Hammondsport and Corning Free Academy in the City of Corning.
 - ◆ Continue the development of wind and other renewable energy projects.
 - ◆ Work with regional partners to develop Start Up NY and Regional Hot Spot initiatives in the County.
 - ◆ Assist with the development of branded hotel projects in the City of Corning and Town of Urbana.

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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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