

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Page 3

I. Discussion and Analysis

The following is a discussion and analysis of the *County of Chautauqua Industrial Development Agency* and its component units' financial performance for the year ended December 31, 2017. This section is a summary of the Agency's financial activities based on currently known facts, decisions, or conditions. It is based on the financial statements. The results of the current year are discussed in the following paragraphs. This section is only an introduction and should be read in conjunction with the Agency's financial statements, which follow this section.

II. Financial Highlights

The following items are the financial highlights experienced by the *County of Chautauqua Industrial Development Agency* during the year ended December 31, 2017:

- Overall net position of the Agency increased \$185,000 during the year ended December 31, 2017.
- The Agency's total revenue and other sources were approximately \$3,837,000 during 2017 as compared with \$4,289,000 during 2016. This decrease was primarily related to a decrease in grant income from the County and a decrease in revenue related to the LECOM Health Challenge Golf Tournament that was offset by an increase in administration fees related to Wind Farm fees.
- The Agency's total expenses and other uses were approximately \$3,652,000 during 2017 as compared to \$4,556,000 during 2016. This decrease was primarily the result of a decrease in bad debt expense and LECOM Health Challenge expenses. This decrease was offset by an increase in general and administrative costs.
- PILOT payments passed through to local governmental units were approximately \$1,514,000 during 2017 as compared to \$5,656,000 during 2016. This decrease was related to a substantial decrease in the NRG PILOT agreement.

III. Overview of the Financial Statements

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information.

A. Reporting the Agency as a Whole (Government-wide Financial Statements):

The government-wide statements report information about the entity as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

1. Combined Statement of Net Position-All Fund Types

The Combined Balance Sheet (page 9) shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (the resources that would remain if all obligations were settled) of the Agency. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are designated for certain purposes or reserved for emergencies and cash flow purposes. Some assets are available to fund budgets of the following year.

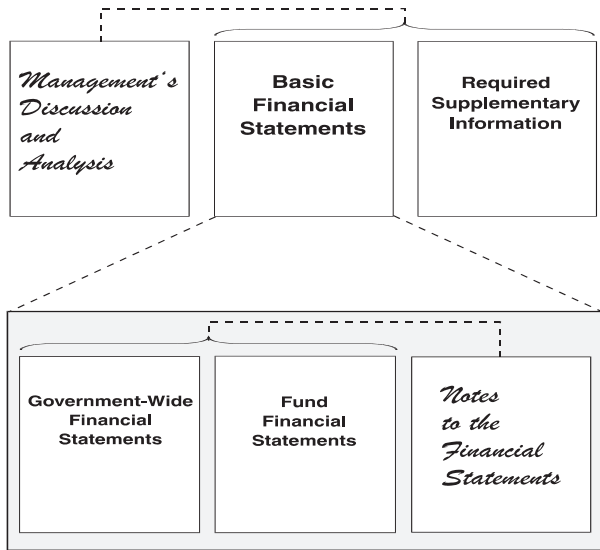
2. Combined Statement of Revenue, Expenditures, and Changes in Net Position-All Fund Types

The Combined Statement of Revenue Expenditures and Changes in Net Position (page 10) shows the amounts of program-specific and general Agency revenue used to support the Agency's various functions.

The two government-wide statements report the Agency's net position and how they have changed. Net Position – the difference between the Agency's assets and liabilities – is one way to measure the Agency's financial health or position. Over time, increases or decreases in the Agency's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the Agency's overall health additional non-financial factors also need to be considered.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Figure A-2 - Required Components of the Agency's Annual Financial Report



Summary ↔ **Detail**

IV. Financial Analysis of the Agency as a Whole

Net Position

The Agency's total entity-wide net position at December 31, 2017 was approximately \$13,458,000. This includes: capital assets, net of related debt of \$1,234,000, restricted net assets of \$11,694,000; and unrestricted net assets of \$530,000.

Revenue

The Agency's total revenue and other sources were approximately \$3,837,000 during the year ended December 31, 2017. The Agency also received approximately \$1,514,000 of pass-through revenue during the year ended December 31, 2017. The Agency acts as an intermediary for these funds, and appropriately recognizes each pass-through amount as an expenditure upon distribution.

Figure A-4 presents the major sources of revenue of the Agency. The most significant sources of governmental revenue in the Agency are more thoroughly discussed as follows:

- Rental revenue which represents approximately 14% of the Agency's total revenue increased by \$7,000 during the year ended December 31, 2017. This increase was primarily attributable to an increase in rent from Classic Brass and utility income. This was offset by a decrease in rent related to the Harrison Street location which was sold during 2017.

IV. Financial Analysis of the Agency as a Whole (continued)

Revenue (continued)

- Revenue from application and administrative fees increased \$345,000 during the year ended December 31, 2017. This increase was primarily related to fees associated with the Arkwright wind farm. During 2017 construction began on the Arkwright wind farm and the related \$500,000 in administrative fees to be collected through 2022 were recognized as revenue.
- Grant income decreased \$702,000 during the year ended December 31, 2017. This decrease was primarily related to grant income from Chautauqua County which provided funding to purchase land for development in the prior year.
- Revenue from interest income increased \$5,000 during the year ended December 31, 2017.
- Revenue related to the LECOM Health Challenge totaled \$858,000 during the year ended December 31, 2017 which decreased \$219,000 related to a decline in sponsorships.

Expenses

The total cost of all programs and services of the Agency was approximately increased. The Agency's expenses consist primarily of grant expenses, in-kind expenditures, depreciation, interest expense and general and administrative expenses.

The Agency's expenses are more thoroughly discussed as follows:

- The Agency's total costs were approximately \$3,652,000 during the year ended December 31, 2017 as compared with \$4,556,000 during the year ended December 31, 2016. This decrease was primarily related to less bad debt expense.
- The Agency's general and administration costs were approximately \$1,903,000 during the year ended December 31, 2017 as compared with \$1,714,000 during the year ended December 31, 2016. This increase in management and administration costs was mainly the result of an increase in rent expense and professional fees.
- The Agency's loan funds by their very design often function as a lender of last resort. Because of this, management is constantly challenged to evaluate its loan portfolio with respect to its collectability. At December 31, 2017, the Agency has reserved against potential uncollectible loans approximately as follows: \$40,000 and \$475,000 for the Chautauqua Revolving Loan Fund and the AI-Tech Trust Fund, respectively. Bad debt expense totaled \$300,000 and \$1,214,000 during the years ended December 31, 2017 and 2016, respectively.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Figure A-3 - Combined Statement of Net Position

County of Chautauqua Industrial Development Agency and Component Units Combined Statement of Net Position (in thousands of dollars)			
	Total Government-wide		
	2017	2016	% Change
Assets			
Current and other assets	\$ 3,696	\$ 3,225	15%
Capital assets, net	3,460	3,863	-10%
Other assets	11,959	12,071	-1%
Total assets	\$ 19,115	\$ 19,159	0%
Liabilities			
Current liabilities	\$ 3,283	\$ 3,097	6%
Long-term liabilities	2,374	2,788	-15%
Total liabilities	5,657	5,885	-4%
Net Position			
Invested in capital assets, net of related debt	1,234	1,277	-3%
Restricted	11,694	11,707	0%
Unrestricted	530	290	83%
Total net position	13,458	13,274	1%
Total liabilities and net position	\$ 19,115	\$ 19,159	0%

Figure A-4 Statement of Revenue & Expenses

County of Chautauqua Industrial Development Agency and Component Units Changes in Net Position from Operating Results (in thousands of Dollars)			
	Total Government-wide		
	2017	2016	% Change
Revenue			
Application & administration fees	\$ 1,171	\$ 826	42%
Grant income	235	937	-75%
In-kind donations	60	39	55%
Rental income	536	529	1%
Interest income	483	478	1%
LECOM health challenge revenue	858	1,077	-20%
Other income and gain (loss) on sale	494	403	23%
Total revenue	3,837	4,289	-11%
Expenses			
General and administrative	1,903	1,714	11%
LECOM health challenge expenses	864	1,032	-16%
Grant expenses	-	50	-100%
In-kind expenditures	60	39	55%
Bad debt expenses	300	1,214	-75%
Other expenses	262	207	26%
Depreciation	130	158	-18%
Interest expense	133	142	-6%
Total expenses	3,652	4,556	-20%
Change in net assets	\$ 185	\$ (267)	

Figure A-5 Sources of Revenue

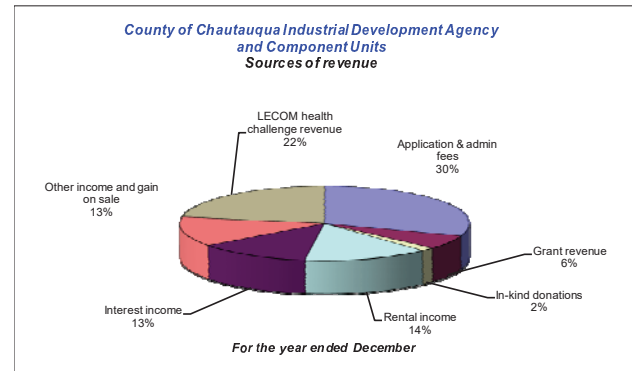
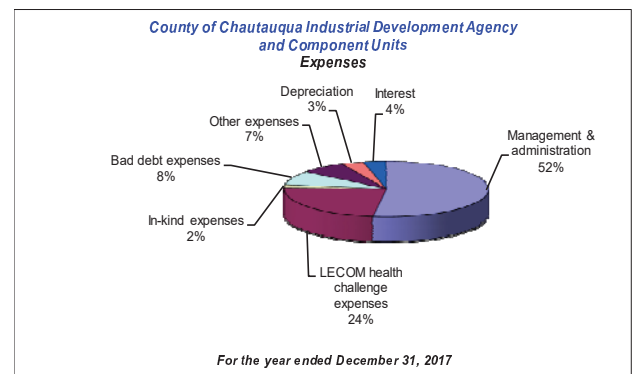


Figure A-6 – Expenses



V. Financial Analysis of the Agency Funds

Industrial Development Agency (IDA)

Net Position

During the current year, IDA general fund total revenue exceeded total expenses by \$357,000. Total net position increased from \$1,230,000 to \$1,587,000.

Revenue

During the current year, total general fund revenue and other sources were \$2,315,000 as compared with \$2,640,000 during 2016. This decrease was primarily the result of a decrease in grant income from the County of Chautauqua which provided funding to purchase land in the prior year offset by an increase in administrative fees related to the Arkwright wind farm project.

Expenses

During the current year, total general fund expenses were \$1,958,000 as compared with \$1,756,000 during 2016. This increase was primarily the result of an increase in rent expense and industrial park expenses.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

**V. Financial Analysis of the Agency Funds
(continued)**

Chautauqua Revolving Loan Fund (CRLF)

The IDA operates a revolving loan fund which originated from grant revenue received from the Appalachian Regional Commission for the purpose of extending loans to companies for eligible energy improvements. This fund is operated on a revolving basis and is administered by the IDA.

Net Position

During the current year, the CRLF's total revenue exceeded total expenses by approximately \$12,000 causing total net position to increase from \$569,000 to \$581,000.

Revenue

During the current year, total revenue of the CRLF was \$22,000 as compared with \$20,000 during 2016. This increase was primarily the result of an increase in interest income.

Expenses

During the current year, total expenses of the CRLF were \$10,000 as compared with \$15,000 during 2016. This decrease was attributable to a decrease in bad debt expense.

AI-Tech Trust Fund

The AI Tech Trust Fund was established as a result of a \$10,000,000 grant from the U.S. Economic Development Administration (EDA) to Chautauqua and Albany Counties. Pursuant to a letter dated April 20, 2006, the EDA authorized a transfer of the AL Tech Trust Fund to the IDA, which was previously administered by the Job Development Authority (JDA).

Net Position

During the current year, the AI-Tech Trust Fund total revenues exceeded total expenses by approximately \$96,000 causing total net position to decrease from \$11,076,000 to \$10,980,000 as of December 31, 2017.

Revenue

During the current year, total revenue and other sources of AI-Tech Trust Fund was \$457,000 as compared with \$417,000 during the prior year. This increase was primarily the result of increases in application fees and other income.

**V. Financial Analysis of the Agency Funds
(continued)**

AI-Tech Trust Fund (continued)

Expenses

During the current year, total expenses of the AI-Tech Trust Fund were \$553,000, as compared with \$1,473,000 during the prior year. This decrease primarily resulted from a decrease in bad debt expense from certain significant notes receivable that were written off during the prior year.

Chautauqua Region Economic Development Corporation (CREDC)

Chautauqua Region Economic Development Corporation was incorporated in 1986 under the Non-profit Corporation Law for the purpose of: relieving and reducing unemployment, promoting and providing for additional and maximum employment, bettering and maintaining job opportunities, etc. The financial statements of CREDC are treated as a blended component unit and are included in the audit report with the Industrial Development Agency.

Net Position

During the current year, the CREDC's total expenses exceeded total revenue by approximately \$88,000 causing total net position to decrease from \$398,000 to \$310,000.

Revenue

During the current year, total revenue of CREDC was \$998,000 as compared with \$1,244,000 during 2016. This decrease was primarily due to revenue from the LECOM Health Challenge golf tournament.

Expenses

During the current year, total expenses of CREDC were \$1,086,000 as compared with \$1,343,000 during 2016. This decrease related to a decline in costs associated with the LECOM Health Challenge golf tournament expenses.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

**V. Financial Analysis of the Agency Funds
(continued)**

**Chautauqua County Capital Resource Corporation
(CCRC)**

The Chautauqua County Capital Resource Corporation was incorporated in 2011. The key focus of the Corporation is to assist not for profit institutions, manufacturing and industrial businesses to obtain access to low interest tax-exempt and non tax-exempt financing for their eligible projects as well as other projects within the County for the purpose of promoting economic development and reducing unemployment. There was one new Tax Exempt Bond in 2017 for \$7,300,000 to Lutheran Housing Administration Services. The Corporation had revenue and expenditures related to the bond issuance costs of \$72,000.

VI. Capital Asset and Debt Administration

Capital Assets

As depicted in Figure A-7, as of December 31, 2017, the Agency and its component unit had invested approximately 3,460,000 in a broad range of capital assets, including industrial parks, buildings and furniture and equipment. Capital additions made during the year ended December 31, 2017, totaled approximately \$124,000. These costs were mostly attributable to capital improvements at the Dunkirk Airport. During the year the Harrison Street building was sold decreasing net property and equipment by approximately \$393,000. More detailed information about the Agency's capital assets is presented in the notes of the financial statements.

Long-term Debt

As depicted in Figure A-8, as of December 31, 2017, the Agency and its component units had approximately 4,633,000 in bonds, notes payable and other liabilities, a decrease of approximately \$408,000 as compared with the previous year. This decrease was related the Agency making debt principal payments on the SPEC buildings and notes payable.

Figure A-7 – Capital Assets

<i>County of Chautauqua Industrial Development Agency and Component Units Capital Assets</i>			
	2017	2016	Change
Buildings	\$ 1,943	\$ 4,371	-56%
SPEC Buildings	2,848	2,849	0%
Improvements	220	116	90%
Equipment	129	128	1%
Accumulated depreciation	(1,680)	(3,601)	53%
Capital Assets - net	\$ 3,460	\$ 3,863	-10%

VI. Capital Asset and Debt Administration (continued)

Figure A-8 – Long-term Debt

<i>County of Chautauqua Industrial Development Agency and Component Units Long-term Debt</i>			
	2017	2016	Change
Bond - Stoneman Park SPEC Building	\$ 1,030	\$ 1,108	-7%
Bond - Chadwick Bay SPEC Building	1,477	1,555	-5%
Bond - Dunkirk Building	2,000	2,000	0%
Notes payable	-	242	-100%
Other bonds	126	136	-7%
Total long-term debt	\$ 4,633	\$ 5,041	-8%

VII. Factors Bearing on the Agency's Future

At the time these financial statements were prepared and audited, the Agency was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Agency has entered in tax lease agreements with multiple wind farm projects and Athenex Inc. These agreements are expected to generate substantial administrative fee revenue for the Agency if the projects move forward.

VIII. Contacting the Agency's Financial Management

This financial report is designed to provide citizens, taxpayers, customers and 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:

County of Chautauqua Industrial Development Agency
Mr. Richard Dixon, CFO
201 West Third Street
Jamestown, New York 14701