

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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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, 2019. 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, 2019:

- Overall net position of the Agency increased \$195,000 during the year ended December 31, 2019.
- The Agency's total revenue and other sources were approximately \$4,029,000 during 2019 as compared with \$4,585,000 during 2018. This decrease was primarily related to administrative fees related to a wind farm project breaking ground in 2019 being approximately \$500,000 less than the Athenex project that broke ground in 2018.
- The Agency's total expenses and other uses were approximately \$3,834,000 during 2019 as compared to \$3,866,000 during 2018. This decrease was primarily the result of the grant expense decreasing due to decline in grant expense and LECOM expenses offset by an increase in bad debt expense.
- PILOT payments passed through to local governmental units were approximately \$2,957,000 during 2019 as compared to \$1,345,000 during 2018. This increase was related to wind farm PILOT's.

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 8) 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.

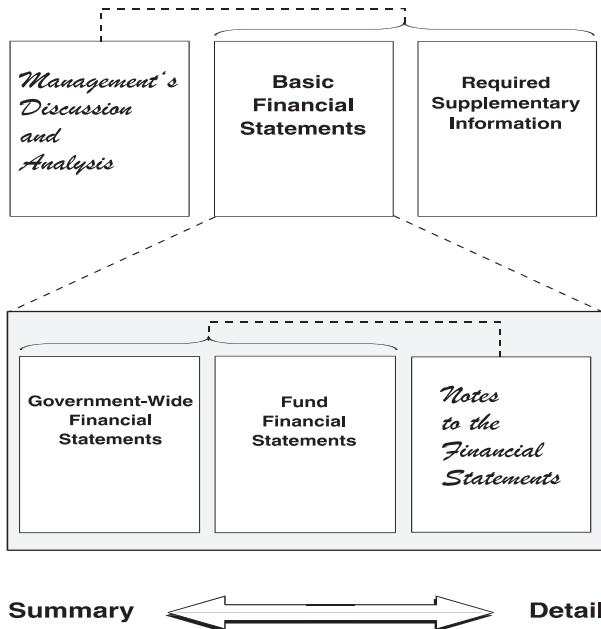
2. Combined Statement of Revenue, Expenditures, and Changes in Net Position-All Fund Types

The Combined Statement of Revenue Expenditures and Changes in Net Position (page 9) 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.

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



IV. Financial Analysis of the Agency as a Whole

Net Position

The Agency's total entity-wide net position at December 31, 2019 was approximately \$14,372,000. This includes: capital assets, net of related debt of \$654,000, restricted net position of \$10,899,000; and unrestricted net position of \$2,819,000.

Revenue

The Agency's total revenue and other sources were approximately \$4,029,000 during the year ended December 31, 2019. The Agency also received approximately \$2,957,000 of pass-through revenue during the year ended December 31, 2019. 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 7% of the Agency's total revenue increased by \$61,000 during the year ended December 31, 2019. This increase was primarily attributable to an increase in rent related to the Dunkirk Airport.

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

Revenue (continued)

- Revenue from application and administrative fees decreased \$606,000 during the year ended December 31, 2019. This decrease was primarily related to administrative fees related to a wind farm project breaking ground in 2019 being approximately \$500,000 less than the Athenex project that broke ground in 2018.
- Grant income decreased \$296,000 during the year ended December 31, 2019. This decrease was primarily related to grant income related to Community Development Block Grants. In 2018 two grants were passed through for approximately \$700,000 compared to one grant in 2019 for approximately \$400,000.
- Revenue from interest income decreased \$3,000 during the year ended December 31, 2019.
- Revenue related to the LECOM Health Challenge totaled \$391,000 during the year ended December 31, 2019 which decreased \$428,000 related to a decline in sponsorships.

Expenses

The total cost of all programs and services of the Agency was approximately \$3,834,000. The Agency's expenses consist primarily of grant expenses, 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 \$3,834,000 during the year ended December 31, 2019 as compared with \$3,866,000 during the year ended December 31, 2018. This decrease was primarily the result of the grant expense decreasing due to the grant expense and LECOM expenses that was recognized in the prior year offset by an increase in bad debt expense.
- The Agency's general and administration costs were approximately \$2,253,000 during the year ended December 31, 2019 as compared with \$2,128,000 during the year ended December 31, 2018. This increase was caused by airport operations in the component unit, CREDC, having increased fuel costs.
- 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, 2019, the Agency has reserved against potential uncollectible loans approximately \$40,000 and \$1,234,000 for the Chautauqua Revolving Loan Fund and the AI-Tech Trust Fund, respectively. Bad debt expense totaled \$629,000 and \$279,000 during the years ended December 31, 2019 and 2018, respectively.

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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			
	2019	2018	% Change	
Assets				
Current and other assets	\$ 3,587	\$ 3,592	0%	
Capital assets, net	1,792	1,714	5%	
Other assets	14,556	14,658	-1%	
Total assets	\$ 19,935	\$ 19,964	0%	
Liabilities				
Current liabilities	\$ 3,375	\$ 3,436	-2%	
Long-term liabilities	2,188	2,351	-7%	
Total liabilities	5,563	5,787	-4%	
Net Position				
Invested in capital assets, net of related debt	654	560	17%	
Restricted	10,899	11,675	-7%	
Unrestricted	2,819	1,942	45%	
Total net position	14,372	14,177	1%	
Total liabilities and net position	\$ 19,935	\$ 19,964	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			
	2019	2018	% Change	
Revenue				
Application & administration fees	\$ 1,527	\$ 2,133	-28%	
Grant income	516	812	-36%	
Rental income	267	206	30%	
Interest income	458	455	1%	
LECOM health challenge revenue	391	819	-52%	
Other income and gain (loss) on sale	870	160	444%	
Total revenue	4,029	4,585	-12%	
Expenses				
General and administrative	2,253	2,128	6%	
LECOM health challenge expenses	576	818	-30%	
Grant expenses	30	300	-90%	
Bad debt expenses	629	279	126%	
Other expenses	135	122	11%	
Depreciation	83	89	-6%	
Interest expense	128	130	-1%	
Total expenses	3,834	3,866	-1%	
Change in net position	\$ 195	\$ 719		

Figure A-5 Sources of Revenue

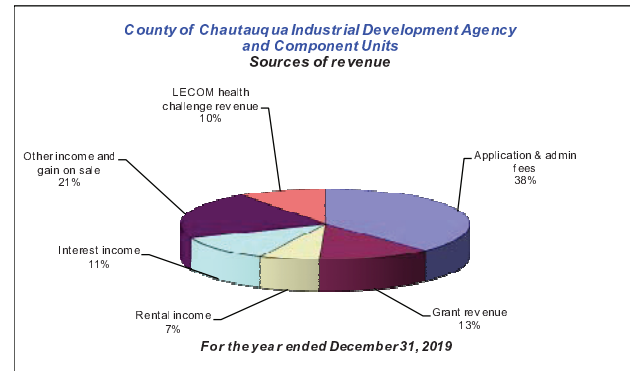
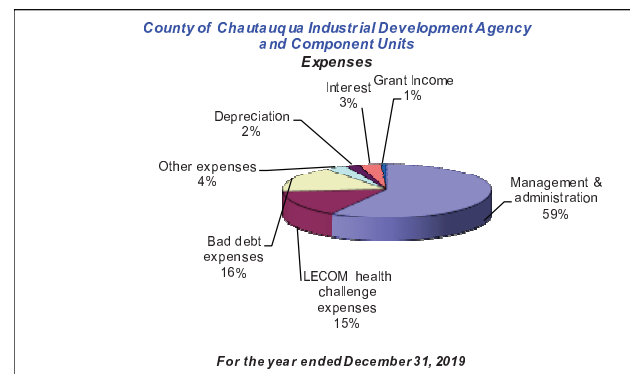


Figure A-6 – Expenses



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 \$845,000. Total net position increased from \$2,161,000 to \$3,006,000.

Revenue

During the current year, total general fund revenue and other sources were \$2,533,000 as compared with \$2,922,000 during 2018. This decrease in revenue was primarily due to administrative fees related to a wind farm project breaking ground in 2019 being approximately \$500,000 less than the Athenex project that broke ground in 2018.

Expenses

During the current year, total general fund expenses were \$1,688,000 as compared with \$2,348,000 during 2018. This decrease was primarily the result of a decrease in general and administrative expenses related to professional fees and the loss on the sale of the Stoneman Industrial Park in 2018.

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**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 \$15,000 causing total net position to increase from \$614,000 to \$629,000

Revenue

During the current year, total revenue of the CRLF was \$21,000 as compared with \$44,000 during 2018. This decrease was primarily the result of receiving a payment related to a previously written off loan of approximately \$24,000 in the year ended December 31, 2018.

Expenses

During the current year, total expenses of the CRLF were \$5,000 as compared with \$10,000 during 2018.

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 expenses exceeded total revenues by approximately \$655,000 causing total net position to decrease from \$10,925,000 to \$10,270,000 as of December 31, 2019.

Revenue

During the current year, total revenue and other sources of AI-Tech Trust Fund was \$381,000 as compared with \$388,000 during the prior year. This decrease was primarily the result of decreases in application fees and interest 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 \$1,036,000, as compared with \$444,000 during the prior year. This increase primarily resulted from an increase in professional fees, property taxes, and bad debt expense from certain significant notes receivable that were written off during the current 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 revenues exceeded total expenses by approximately \$11,000 causing total net position to decrease from \$477,000 to \$466,000.

Revenue

During the current year, total revenue of CREDC was \$1,092,000 as compared with \$1,715,000 during 2018. This decrease was primarily due to receiving one Community Development Block Grants (CDBG) in the current year as compared with two grants in the prior year.

Expenses

During the current year, total expenses of CREDC were \$1,103,000 as compared with \$1,549,000 during 2018. This decrease related to a decrease in expenses for the LECOM Health Challenge during the year, along with a decrease in CREDC grant expenses.

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**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 were no new Tax Exempt Bonds in 2019.

VI. Capital Asset and Debt Administration

Capital Assets

As depicted in Figure A-7, as of December 31, 2019, the Agency and its component unit had invested approximately \$ 1,792,000 in a broad range of capital assets, including industrial parks, buildings and furniture and equipment. Capital additions made during the year ended December 31, 2019, totaled approximately \$171,000. These costs were mostly attributable to capital improvements at Mason Park. 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, 2019, the Agency and its component units had approximately \$ 4,353,000 in bonds, notes payable and other liabilities, a decrease of approximately \$157,000 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>			
	2019	2018	Change
Buildings	\$ 1,954	\$ 1,944	1%
SPEC Buildings	27	27	0%
Improvements	368	217	70%
Equipment	129	129	0%
Accumulated depreciation	(686)	(603)	-14%
Capital Assets - net	\$ 1,792	\$ 1,714	5%

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>			
	2019	2018	Change
Bond - Stoneman Park SPEC Building	\$ 941	\$ 999	-6%
Bond - Chadwick Bay SPEC Building	1,314	1,396	-6%
Bond - Dunkirk Building	2,000	2,000	0%
Other bonds	98	115	-15%
Total long-term debt	\$ 4,353	\$ 4,510	-3%

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. 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