

**Schenectady Metroplex Development  
Authority  
(A New York Public Benefit Corporation)**

Financial Report

December 31, 2013 and 2012

**Schenectady Metroplex Development Authority  
(A New York Public Benefit Corporation)**

Financial Report

December 31, 2013 and 2012

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## Independent Auditor's Report

Board of Directors  
Schenectady Metroplex Development Authority  
Schenectady, New York

### Report on the Financial Statements

We have audited the accompanying statement of net position of the Schenectady Metroplex Development Authority (Authority) (a New York public benefit corporation), as of December 31, 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schenectady Metroplex Development Authority as of December 31, 2013, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Prior Year Financial Statements*

The financial statements of the Authority, as of and for the year ended December 31, 2012, were audited by Bollam, Sheedy, Torani & Co. LLP which merged with Sax Macy Fromm & Co., PC to form SaxBST LLP on January 1, 2014. Bollam, Sheedy, Torani & Co. LLP's report dated March 14, 2013, expressed an unmodified opinion on those statements.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The 2012 required supplementary information was subjected to the audit procedures applied in the audit of the basic financial statements by Bollam, Sheedy, Torani & Co. LLP, and their report dated March 14, 2013, did not express an opinion or provide any assurance on the information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

SaxBST LLP

Albany, New York  
March 25, 2014



# Schenectady Metroplex Development Authority

## Management's Discussion and Analysis December 31, 2013 and 2012

The Schenectady Metroplex Development Authority, hereafter referred to as the Authority, is pleased to present its Financial Report for the years ended December 31, 2013 and 2012, developed in compliance with Statement of Governmental Accounting Standard No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments* (hereafter GASB 34), and related standards. We encourage readers to consider the information presented on pages 3 to 8 in conjunction with the Authority's financial statements (presented on pages 9 to 11) to enhance their understanding of the Authority's financial performance.

### Responsibility and Controls

The Authority has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on the recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Authority's system of internal accounting controls is evaluated on an ongoing basis by the Authority's internal financial staff. Independent external auditors also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

The Audit Committee of the Authority's Board of Directors is comprised of members of the Board who are not employees and who provide a broad overview of management's financial reporting and control functions. Periodically, this Committee meets with management and the independent external auditors to ensure these groups are fulfilling their obligations and to discuss auditing, controls, and financial reporting matters.

Management believes that its policies and procedures provide guidance and reasonable assurance that the Authority's operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the net position, results of operations, and cash flows of the Authority in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

### Audit Assurance

The unmodified (i.e., clean) opinion of our independent external auditors, SaxBST LLP, is included on pages 1 and 2 of this report.

This section presents management's discussion and analysis of the Authority's financial condition and activities for the year ended December 31, 2013. This information should be read in conjunction with the financial statements.

### Financial Highlights

The year 2013 marked another outstanding year for the Authority. The Authority continued the growth of its redevelopment investments and activities within its statutory service area, and management believes the Authority's financial position remains very strong. Following are some of the highlights of 2013 results:

- Total operating revenues declined slightly by 2.6% from those of the prior fiscal period, reflecting a return to historical patterns of the national and regional economies, and especially in the consumer sector that drives the sales tax revenue stream. The Authority's sales tax revenues reached \$7.9 million, down less than 2% from its historical high of \$8 million in 2012. Management expects 2014 levels to continue to improve as the local economy continues its growth during the period.

# Schenectady Metroplex Development Authority

## Management's Discussion and Analysis December 31, 2013 and 2012

### Financial Highlights - Continued

- Total operating expenses increased to \$1,023,464 in 2013, a 6.8% increase over those of 2012, and 11.8% over 2011, due to staffing changes, employee health, and New York State and Local Retirement System costs.
- Other financing expenses for 2013 were 1.2% lower than those of 2012, which were also down 9.1% from 2011, as the Authority refunded higher cost debt at lower interest rates in 2012.
- Total assets at the end of 2013 declined by 2.6% from the prior year to \$21.0 million, representing a 7% reduction from the 2011 year-end with the completion of several major projects. Net operating revenues for the period declined slightly (down 3.9%) for the year, and were also 1.9% lower than those of 2011. Consequently, net position was increased by \$4.8 million in 2013, compared to \$5 million in 2012 and \$4.7 million in 2011.
- Net project grants and expenditures declined by \$4.3 million to \$4 million, and were \$.4 million less than those of 2011. Undistributed project commitments; however, increased to \$11.6 million at the end of 2013, as compared to \$3.1 million at 2012 and \$9.6 million at the end of 2011.
- The Authority issued \$5,000,000 in Bond Anticipation Notes to fund project grant activities.

### Required Financial Statements

The financial statements of the Authority report information about the Authority's use of accounting methods which are similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The statement of net position includes all of the Authority's assets, deferred outflows, and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to Authority creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered its operating costs through its sales tax revenues.

Net position represents the accumulated earnings of the Authority, since inception, less project grants and expenditures disbursed.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and the overall change in cash during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

# Schenectady Metroplex Development Authority

## Management's Discussion and Analysis December 31, 2013 and 2012

### Summary of Organization and Business

The Authority is a public benefit corporation created pursuant to Article 8, Title 28-B of the New York Public Authorities Law. The Authority was created to pursue a comprehensive, coordinated program of economic development activities in the Route 5 and Route 7 corridors of Schenectady County, New York, with special emphasis on the downtown region of the City of Schenectady, New York.

In creating the Authority, the New York State Legislature determined that its establishment was necessary to provide, within the Authority's statutorily described service district, for the economic prosperity, health, safety, and general welfare of the people of the State of New York, through the construction, development, and operation of infrastructure improvements and new facilities to redevelop an area characterized by deteriorated industrial and commercial structures, uncoordinated and incompatible commercial uses, inadequate public facilities, and substandard economic conditions. The Legislature declared the Authority to be performing an essential governmental function. Accordingly, the property, income, and operations of the Authority are exempt from taxation, assessments, special assessments, fees, and special ad valorem levies or assessments of any kind, whether state or local, upon or with respect to any property owned by the Authority, or under its jurisdiction, control, or supervision, or upon the uses thereof. Any fares, tolls, rentals, rates, charges, fees revenues, or other income by the Authority are likewise exempt from taxation.

The Authority is governed by a board of eleven members (the Board), all of whom are residents of Schenectady County, each of whom is appointed by majority vote of the Schenectady County Legislature. Two of the Board members are nominated by the City of Schenectady - one each upon the recommendation of the Mayor and the City Council; one member is nominated by each of three different townships within Schenectady County; one member is nominated upon the joint recommendation of the supervisors of two townships in Schenectady County; one member is nominated by the minority leader of the Schenectady County Legislature; two are nominated by the chairman of the Schenectady County Legislature; and two are nominated by joint recommendation of the Schenectady County Legislature. The Board conducts regular monthly meetings that are open to the public pursuant to Article 7 of the New York Public Officers Law, which is New York's version of an "open meetings" law.

The Authority's general purposes are to design, develop, plan, finance, create, site, construct, renovate, administer, operate, manage, and/or maintain buildings, parks, structures, and other facilities within its service district including, without limitation, industrial, manufacturing, entertainment, and infrastructure facilities, and business, commercial, retail, and government office buildings or space. To carry out its corporate purposes, the Authority is vested with and has broad powers, including the authority to borrow money, issue bonds, and enter into contracts and leases.

The Authority is statutorily entitled to receive, for the period beginning September 1, 1998, and ending August 31, 2033, 70% of one half of one percent of all sales and compensating use tax revenue received by Schenectady County, which may be used to support all of its statutorily authorized purposes and powers. The Authority has a limited obligation to return a portion of its sales tax revenues in the event such revenues exceed statutorily prescribed limits, which are a function of the Authority's current liabilities, reserve fund requirements, and anticipated project funding requirements.

# Schenectady Metroplex Development Authority

## Management's Discussion and Analysis December 31, 2013 and 2012

### Financial Analysis

The following comparative condensed financial statements and other selected information provide key financial data and indicators for management, monitoring, and planning.

#### Condensed Statements of Net Position

	December 31,				
	2013	2013 vs. 2012	2012	2012 vs. 2011	2011
<b>ASSETS</b>					
Current assets	\$ 6,746,857	2.8%	\$ 6,564,421	1.3%	\$ 6,483,051
Capital assets, net	44,424	-21.3%	56,455	-14.7%	66,169
Other assets	14,252,118	-4.9%	14,985,855	-6.8%	16,078,772
Total assets	<u>21,043,399</u>	-2.6%	<u>21,606,731</u>	-4.5%	<u>22,627,992</u>
<b>DEFERRED OUTFLOWS, net</b>	<u>525,068</u>	100.0%	<u>574,293</u>	0.0%	<u>-</u>
<b>LIABILITIES</b>					
Current liabilities	4,939,800	-47.5%	9,410,202	115.5%	4,366,638
Long-term debt	44,720,993	7.4%	41,621,246	-5.0%	43,793,850
Total liabilities	<u>49,660,793</u>	-2.7%	<u>51,031,448</u>	6.0%	<u>48,160,488</u>
<b>NET POSITION</b>					
Investment in capital assets	44,424	-21.3%	56,455	-14.7%	66,169
Restricted	2,727,582	-8.7%	2,986,409	-11.6%	3,377,748
Unrestricted	<u>(30,864,332)</u>	-3.2%	<u>(31,893,288)</u>	10.1%	<u>(28,976,413)</u>
<b>Total net position</b>	<b><u>\$ (28,092,326)</u></b>	<b>-2.6%</b>	<b><u>\$ (28,850,424)</u></b>	<b>13.0%</b>	<b><u>\$ (25,532,496)</u></b>

#### Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,				
	2013	2013 vs. 2012	2012	2012 vs. 2011	2011
Sales tax revenue	\$ 7,857,943	-1.9%	\$ 8,013,075	2.8%	\$ 7,798,305
Other operating revenues	72,979	-45.1%	133,000	-15.0%	156,467
Total operating revenues	<u>7,930,922</u>	-2.6%	<u>8,146,075</u>	2.4%	<u>7,954,772</u>
Depreciation and amortization	21,376	11.0%	19,264	2.0%	18,887
Other operating expenses	1,002,088	6.7%	938,896	4.7%	896,547
Total operating expenses	<u>1,023,464</u>	6.8%	<u>958,160</u>	4.7%	<u>915,434</u>
Net operating revenues	6,907,458	-3.9%	7,187,915	2.1%	7,039,338
Non operating expenses, net	<u>(2,129,260)</u>	-1.2%	<u>(2,154,054)</u>	-9.1%	<u>(2,369,504)</u>
Increase in net position	4,778,198	-5.1%	5,033,861	7.8%	4,669,834
<b>NET POSITION, beginning of year</b>	<b>(28,850,424)</b>	<b>13.0%</b>	<b>(25,532,496)</b>	<b>-0.8%</b>	<b>(25,734,251)</b>
Project grants, net of project grant revenues	<u>(4,020,100)</u>	-51.9%	<u>(8,351,789)</u>	86.9%	<u>(4,468,079)</u>
<b>NET POSITION, end of year</b>	<b><u>\$ (28,092,326)</u></b>	<b>-2.6%</b>	<b><u>\$ (28,850,424)</u></b>	<b>13.0%</b>	<b><u>\$ (25,532,496)</u></b>

### General Trends And Significant Events

During 2013, the pace of the Authority's redevelopment efforts throughout its statutorily-defined service district continued with many of its prior project commitments expected to begin in 2014, and those more recent being well underway. Management anticipates that the continuing recovery in the revitalized local economy will create new opportunities in the years ahead.

# Schenectady Metroplex Development Authority

## Management's Discussion and Analysis December 31, 2013 and 2012

### Financial Condition

The overall financial position of the Authority remained strong at year-end. Current assets at year-end 2013 were virtually unchanged from those of 2012 and represented 32% of total assets as compared to 30% in 2012 and 29% in 2011. Although total operating expenses in 2013 increased by \$66,000 from the prior year, they represented less than 13% of total revenues, comparable to 2011 and 2010 levels. Total revenues of almost \$8 million have declined only slightly from 2012, and remain consistent with those of 2011.

Despite the recent fluctuations in its sales tax revenue stream, taxable sales have grown at an average annual rate of almost 3% for several decades, and are expected to continue to do so in the years ahead. The Authority performs periodic internal cash flow projections to evaluate cash adequacy (particularly during the annual budget process) and to control operational expenses to meet the debt ratio coverage covenant in the Trust Indenture that governs operations and financial requirements.

### Results of Operations

#### *Revenue*

Total revenue for 2013, exclusive of unrealized gain/loss on investments, was \$7,930,923 compared to \$8,146,075 in 2012 and \$7,954,772 in 2011.

#### *Expense*

Total operating expenses for the year 2013 were \$1,023,464 compared to \$958,160 in 2012 and \$915,434 in 2010. Cash or equivalents on hand for debt service payments were in excess of \$4 million.

### Long-Term Obligations

During January 2013, the Authority issued \$5,000,000 of Bond Anticipation Notes to fund project grants.

As of December 31, 2013, the Authority had \$39,825,000 in bonds outstanding related to five separate general resolution bond issues in 2004, 2005, 2006, 2010, and 2012. The bonds mature in 2013, 2013, 2028, 2028, 2033, and 2027 respectively. Principal payments related to these bonds will total \$1,825,000 during 2014.

More detailed information about the Authority's long-term obligations is presented in the notes to the financial statements on pages 17-20.

### Final Comments

The Authority periodically is requested by institutional or commercial interests to review options for various types of interest rate related derivative products. The Trust Indenture requires such to be financially feasible and to have no material effect on the Authority's ability to make current debt payments. To date, the Authority has chosen not to make use of such products. The Authority closely monitors asset liquidity and project demand among other factors in determining feasibility of additional facilities.

Under terms of the Trust Indenture the Authority has agreed to maintain operating levels which shall be sufficient to produce net revenue for each fiscal year: (i) to pay Authority expenses; (ii) to pay debt service on outstanding bond obligations (or other parity debt); and (iii) to produce a debt service coverage ratio greater than or equal to 1.25 in each fiscal year.

# Schenectady Metroplex Development Authority

## Management's Discussion and Analysis December 31, 2013 and 2012

There were no changes in Board membership in 2013.

Jayne Lahut, Executive Director since 1999, continues to serve in that capacity.

### Contacting The Authority's Director Of Finance

This financial report is intended to provide a general overview of the Authority's financial position and to illustrate the Authority's accountability for the revenue it receives. If you have any questions about this report or need additional financial information, contact the Schenectady Metroplex Development Authority's Director of Finance, 433 State Street, Schenectady, New York 12305, or on the internet at [www.schenectadymetroplex.org](http://www.schenectadymetroplex.org).

### Principal Officials

The members of the Authority's Board of Directors, confirmed by the Schenectady County Legislature, are as follows:

<u>Name</u>	<u>Board Office</u>	<u>Term Expiration</u>
Ray Gillen	Chair	December 31, 2013
Bradley G. Lewis	Vice Chair	December 31, 2013
Robert L. Wall	Secretary	December 31, 2014
Sharon A. Jordon	Treasurer	December 31, 2014
Edward L. Capovani		December 31, 2014
William R. Chapman		December 31, 2014
Neil M. Golub		December 31, 2013
Janet Hutchison		December 31, 2013
John Mallozzi		December 31, 2013
Robert J. Mantello		December 31, 2014
Karen Zalewski-Wildzunas		December 31, 2014

# Schenectady Metroplex Development Authority

## Statements of Net Position

	December 31,	
	2013	2012
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash, unrestricted	\$ 1,346,006	\$ 1,420,366
Cash, restricted	800,000	841,682
Sales tax receivable	3,354,735	3,538,286
Other receivables	39,007	67,688
Current installments of loans receivable, net	1,062,851	557,454
Current installments of notes receivable, net	61,879	60,097
Interest receivable	4,997	8,451
Prepaid expenses	77,382	70,397
Total current assets	6,746,857	6,564,421
<b>CAPITAL ASSETS, net</b>	44,424	56,455
<b>OTHER ASSETS</b>		
Loans receivable, less current installments, net	11,215,762	11,623,950
Note receivable, less current installments, net	308,774	375,496
Investment reserves, restricted	2,727,582	2,986,409
	14,252,118	14,985,855
Total assets	21,043,399	21,606,731
<b>DEFERRED OUTFLOWS, NET</b>		
Deferred outflow resulting from refunding of debt, net	525,068	574,293
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Current installments of bonds payable	1,825,000	2,270,000
Accounts payable, project expenses, and accrued expenses	1,349,366	210,915
Accrued interest	849,481	827,110
Due to the County of Schenectady, current portion	48,081	46,015
Grants payable	-	5,150,000
Premium on bonds, net of amortization, current portion	67,872	64,480
Escrow payable	800,000	841,682
Total current liabilities	4,939,800	9,410,202
<b>LONG-TERM DEBT</b>		
Bonds payable, less current installments	38,000,000	39,825,000
Bond anticipation note payable	5,000,000	-
Due to the County of Schenectady, less current portion	861,565	909,646
Premium on bonds, net of amortization, less current portion	859,428	886,600
	44,720,993	41,621,246
Total liabilities	49,660,793	51,031,448
<b>NET POSITION</b>		
Investment in capital assets	44,424	56,455
Restricted	2,727,582	2,986,409
Unrestricted	(30,864,332)	(31,893,288)
<b>Total net position</b>	<b>\$ (28,092,326)</b>	<b>\$ (28,850,424)</b>

See accompanying Notes to Financial Statements.

# Schenectady Metroplex Development Authority

## Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,	
	2013	2012
<b>OPERATING REVENUES</b>		
Sales tax revenues	\$ 7,857,943	\$ 8,013,075
Other income	72,979	133,000
	7,930,922	8,146,075
<b>OPERATING EXPENSES</b>		
Payroll	456,081	432,589
Payroll taxes	37,091	35,864
Pension plan	83,883	61,326
Health insurance	53,654	44,842
Other employee benefits	5,032	5,097
Accounting	63,825	65,374
Advertising	3,995	19,245
Automobile	5,605	7,261
Consulting	18,633	4,375
Depreciation	21,376	19,264
Dues and subscriptions	7,420	4,640
Hosting and travel	3,782	5,264
Insurance	42,062	26,393
Legal	61,307	80,905
Office supplies	18,232	10,261
Postage	3,118	2,669
Rent	55,068	52,091
Repairs and maintenance	22,532	21,953
Resource data	37,671	32,749
Utilities	23,097	25,998
	1,023,464	958,160
<b>Net operating revenues</b>	<b>6,907,458</b>	<b>7,187,915</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment earnings	34,610	64,781
Interest expense	(2,142,636)	(2,052,615)
Bond issuance costs	(30,716)	(149,420)
Debt service fees	(13,050)	(16,800)
Miscellaneous income	22,532	-
	(2,129,260)	(2,154,054)
<b>Increase in net position</b>	<b>4,778,198</b>	<b>5,033,861</b>
<b>NET POSITION, <i>beginning of year</i></b>	(28,850,424)	(25,532,496)
Project grants and expenditures, net of project grant revenues	(4,020,100)	(8,351,789)
<b>NET POSITION, <i>end of year</i></b>	<b>\$(28,092,326)</b>	<b>\$(28,850,424)</b>

See accompanying Notes to Financial Statements.

# Schenectady Metroplex Development Authority

## Statements of Cash Flows

	Years Ended December 31,	
	2013	2012
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Cash received from sales tax revenues	\$ 7,639,705	\$ 7,794,837
Cash received from other sources	293,449	115,729
Cash paid to suppliers and other vendors	(378,364)	(372,165)
Cash paid for salaries and employee benefits	(630,709)	(574,621)
	<b>6,924,081</b>	<b>6,963,780</b>
<b>CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from bond anticipation note	5,000,000	-
Debt service fees	(13,050)	(16,800)
Bond issuance costs	(30,716)	-
Proceeds from bond issuance	-	6,109
Repayments of bond principal	(2,270,000)	(2,350,000)
Repayment of amounts due to the County of Schenectady	(46,015)	(44,038)
Interest paid	(2,094,820)	(2,055,945)
	<b>545,399</b>	<b>(4,460,674)</b>
<b>CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of office furniture and equipment	<b>(9,345)</b>	<b>(9,550)</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Change in cash, restricted	210,000	-
Proceeds from restricted investment reserves	258,827	155,942
Issuance of loans receivable	(909,481)	-
Repayment of loans receivable	543,975	541,304
Repayment of notes receivable	64,940	53,301
Investment earnings received	38,064	58,534
Miscellaneous cash flow receipts	22,532	-
Project grants and expenditures paid, net of project grant revenues received	(7,763,352)	(3,278,954)
	<b>(7,534,495)</b>	<b>(2,469,873)</b>
<b>Net increase (decrease) in cash</b>	<b>(74,360)</b>	<b>23,683</b>
<b>CASH, beginning of year</b>	<b>1,420,366</b>	<b>1,396,683</b>
<b>CASH, end of year</b>	<b>\$ 1,346,006</b>	<b>\$ 1,420,366</b>
<b>RECONCILIATION OF NET OPERATING REVENUES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Net operating revenues	\$ 6,907,458	\$ 7,187,915
Adjustments to reconcile net operating revenues to net cash provided (used) by operating activities		
Depreciation	21,376	19,264
Change in accounts receivable	2,232	(235,509)
Change in prepaid expenses	(6,985)	(7,890)
	<b>\$ 6,924,081</b>	<b>\$ 6,963,780</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Noncash project expenditures	\$ 98,992	\$ 259,829
2012 Bond refunding proceeds placed in escrow	-	14,051,673
2012 Bond refunding proceeds used to pay bond issuance costs	-	149,420
Redeemed/defeased bonds	-	13,610,000

See accompanying Notes to Financial Statements.

# Schenectady Metroplex Development Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 1 - Organization and Summary of Significant Accounting Policies

### a. Organization

On June 30, 1998, the Public Authorities Law and the Executive Law of the State of New York were amended to allow for the establishment of the Schenectady Metroplex Development Authority (Authority) as a public benefit corporation, and to amend the tax law in relation to authorizing additional sales and compensating use taxes in Schenectady County (County). The amended laws (Laws of New York, 1998; Chapter 124, Article 8, Title 28-B) allowed for collection of additional sales and compensating use taxes to begin on September 1, 1998, and to end on August 31, 2033. The Schenectady Metroplex Development Authority Act (Act) was created by the New York State Legislature with powers to provide the State of New York and the County with the capability to effectively and efficiently develop, renovate, and optimize the economic and social activities of the Route 5 and Route 7 corridors of the County. The Authority began operations on January 1, 1999.

The Authority is governed by a Board of eleven members who are residents of the County and are appointed by a majority vote of the County Legislature.

### b. Basis of Accounting and Financial Statement Presentation

The Authority's financial statements are prepared using accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statements of net position. Net position is segregated into restricted and unrestricted components, as follows:

- *Investment in capital assets* consists of capital assets, net of accumulated depreciation.
- *Restricted net position* has external constraints placed on use.
- *Unrestricted net position* consists of assets, liabilities, and deferred outflows that do not meet the definition of net investment in capital assets or restricted.

Revenues are recognized when earned, and expenses are recognized when incurred. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues include sales tax revenue and other revenues collected based on the services provided by the Authority. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Project grants and expenditures, net of project revenues, are reported as a direct adjustment to net position.

### c. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# Schenectady Metroplex Development Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 1 - Organization and Summary of Significant Accounting Policies - Continued

### *d. Sales Tax Revenues*

Pursuant to Subdivision (C) of Section 1210 (C) of the tax law, the County shall dedicate one-half of one percent of County sales and compensating use tax on all sales and compensating uses taxable pursuant to Article 29 of the tax law, beginning on September 1, 1998, and ending on August 31, 2033, and shall annually deposit such net collections received there from in the Schenectady Metroplex Development Authority Support Fund, held by the County. Beginning January 1, 1999, and then quarterly thereafter, the County shall transfer 70% of net collections received from the one-half of one percent to the Authority. The remaining 30% is transferred by the County to the Schenectady County real property tax abatement and economic development fund.

### *e. Cash*

Statutes authorize the Authority to maintain deposits with financial institutions and to invest in certificates of deposit, obligations of New York State, the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

Unrestricted and restricted cash are either adequately covered by federal depository insurance or collateralized by securities held by the pledging bank's trust department in the Authority's name or U.S. Government and/or federal agency securities held by the Trustee.

### *f. Cash, Restricted*

At December 31, 2013, restricted cash consisted of escrow deposits held as payment in lieu of taxes. At December 31, 2012, restricted cash consisted of escrow deposits held for the Downtown Schenectady Façade Program, the Upper Union Street Façade Program, the Countywide Façade Program (Note 9), and deposits held as payment in lieu of taxes.

For the purposes of reporting cash flows, restricted cash is treated as an investment.

### *g. Investment Reserves*

For the period ended December 31, 2013, the Authority's investments are composed of cash deposits and a money market mutual fund (Fund). The Fund invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations, and the U.S. government, rated in the highest short-term category or of comparable quality. The Authority's investment in the Fund can be redeemed on a daily basis. The Fund's credit quality composition is considered "first tier." Securities are considered to be "first tier" as follows: Standard & Poor's: A-1+ and A-1, based on the obligor's capacity to meet its financial commitment on the obligation; Moody's: P-1, based on the issuer's ability to repay short-term obligations; and Fitch: F-1+ and F-1, based on the issuer's liquidity necessary to meet financial commitments in a timely manner. For the period ended December 31, 2012, the Authority also invested in a money market mutual fund within underlying investments in U.S. Treasury obligations. To mitigate custodial credit risk, all of the Authority's investments are held in its own name.

### *h. Receivables*

Accounts receivable consists of amounts due from the County from the sales and compensating use tax collections plus interest thereon and amounts due from other entities. Receivables of \$3,354,735 and \$3,538,286, based in part on estimates by management, are being held by the County in the Schenectady Metroplex Development Authority Support Fund but have not yet been transferred to the Authority as of December 31, 2013 and 2012, respectively.

# Schenectady Metroplex Development Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 1 - Organization and Summary of Significant Accounting Policies - Continued

### *h. Receivables - Continued*

Loans and notes receivable are carried at the original loan amount less payments of principal received and an allowance for estimated uncollectible balances. Accrued interest income is reported for loan interest earned but not received at year-end. As of December 31, 2013 and 2012, the Authority has an allowance of \$1,618,157 and \$1,349,860, respectively, for loans and notes receivable.

Other than the allowance described above, management considers all other accounts and loans receivable to be fully collectible. If, in the future, management determines that amounts may be uncollectible, the account or loan will be written off or an allowance will be established, and operations will be charged when that determination is made.

### *i. Capital Assets*

Capital assets are reported at cost, net of accumulated depreciation. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repairs costs are expensed as incurred. The Authority uses a capitalization threshold of \$1,000 to analyze expenditures for capitalization. When capital assets are retired or disposed of, the appropriate accounts are relieved of costs and accumulated depreciation, and any resultant gain or loss is credited to operations.

Depreciation is provided for in amounts to relate the cost of depreciable assets to operations over their estimated useful lives on a straight-line basis. The estimated useful life for office machinery and equipment is five years. The estimated useful life for furniture and fixtures is seven years, and the estimated useful life for leasehold improvements is nine years.

The Authority evaluated prominent events or changes in circumstances affecting capital assets to determine if impairment of any capital assets has occurred. A capital asset is considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. There were no impaired capital assets at December 31, 2013 and 2012.

### *j. Tax Status*

The Authority is exempt from federal income taxes under Section 115 of the Internal Revenue Code and is also exempt from New York State income taxes.

### *k. Advertising Costs*

Marketing and advertising costs are expensed as they are incurred.

### *l. New Accounting Pronouncements*

Effective January 1, 2013, the Authority adopted GASB issued Statement No. 66, *Technical Corrections - an amendment of Statements No. 10 and No. 62*. This statement establishes clarification on two recently issued statements; No. 54, *Fund Balance Reporting and Governmental Fund Type Definition* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement resolves conflicting guidance created as a result of the issuance of these two statements.

There was no significant impact to the Authority's financial statements as a result of adopting of GASB No. 66.

# Schenectady Metroplex Development Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 1 - Organization and Summary of Significant Accounting Policies - Continued

### *m. Reclassification*

Certain reclassifications were made to the prior year amounts in order to conform to the current year presentation.

### *n. Subsequent Events*

The Authority has evaluated subsequent events for potential recognition or disclosure through March 25, 2014, the date the financial statements were available to be issued.

## Note 2 - Loans Receivable

A summary of the Authority's loans receivable is as follows:

	December 31,	
	2013	2012
Loans receivable (a) (b)	\$ 13,696,770	\$ 13,331,264
Less allowance	1,418,157	1,149,860
Less current installments	1,062,851	557,454
Loans receivable, less current installments, net	<u>\$ 11,215,762</u>	<u>\$ 11,623,950</u>

(a) All of the loans include collateral which is specific to each loan. The collateral may include mortgages on real property, liens on furniture and fixtures and equipment, assignments of rents, and personal guarantees of the project owners.

(b) The loans include terms which vary with each loan. Maturity periods vary up to a maximum of 20 years. The latest maturity date is December 2029. Interest rates vary from 0% to 6%. Required monthly payments range from \$383 to \$9,535.

During 2013, the Authority was assigned the loans receivable balances of the Schenectady Local Development Corporation, which approximated \$315,000. The Authority has fully reserved for these loan balances and is investigating collection options.

Interest earnings on loans receivable were \$28,069 and \$61,100 for the years ended December 31, 2013 and 2012, respectively.

## Note 3 - Notes Receivable

### *a. L&S Realty, Inc.*

During 2000, the Authority sold redeveloped land to L&S Realty, Inc. for \$300,000. As consideration, the Authority received a 15-year note receivable. No payments were due, and the note was noninterest bearing for ten years. Monthly payments commenced in 2011 in the amount of \$5,390, including interest at 3%. The note receivable matures December 2015. The note is secured by various connected parcels of land located in Schenectady, New York.

# Schenectady Metroplex Development Authority

## Notes to Financial Statements December 31, 2013 and 2012

### Note 3 - Notes Receivable - Continued

*b. 426 State Street Associates, LLC*

During July 2006, the Authority sold real property to 426 State Street Associates, LLC for \$200,000. As consideration, the Authority received a 10-year note receivable with no interest. The operator must operate the restaurant on the premise for the borrower, or an affiliate of the borrower, for a period of five years from the initial opening of the restaurant, and if the borrower continues to own the property on a date which is ten years from the date of the note, the loan will be forgiven. In the event these terms are violated, the note will begin accruing interest at 12% until repaid in full. An allowance has been established for the entire note receivable in anticipation of the note being forgiven.

*c. 447 State Street*

During December 2008, the Authority transferred real property and a note receivable for \$250,000 from Grupo Lucano, LLC to Bombers Burito, Inc. As consideration, the Authority received a 20-year note receivable with no interest. The entire principal balance of the note is due December 2028, upon sale of the property, or due to non-performance.

A summary of the Authority's notes receivable is as follows:

	December 31,	
	2013	2012
L&S Realty, Inc.	\$ 120,653	\$ 185,593
426 State Street Associates, LLC	200,000	200,000
447 State Street	250,000	250,000
	570,653	635,593
Less allowance	200,000	200,000
Less current installments	61,879	60,097
Notes receivable, less current installments, net	\$ 308,774	\$ 375,496

### Note 4 - Capital Assets

Capital assets are summarized as follows:

	January 1, 2013	Additions	December 31, 2013
Office furniture and equipment	\$245,472	\$ 9,345	\$254,817
Leasehold improvements	26,874	-	26,874
	272,346	9,345	281,691
Accumulated depreciation	(215,891)	(21,376)	(237,267)
	\$ 56,455	\$ (12,031)	\$ 44,424

# Schenectady Metroplex Development Authority

## Notes to Financial Statements December 31, 2013 and 2012

### Note 4 - Capital Assets - Continued

	January 1, 2012	Additions	December 31, 2012
Office furniture and equipment	\$235,922	\$ 9,550	\$245,472
Leasehold improvements	26,874	-	26,874
	262,796	9,550	272,346
Accumulated depreciation	(196,627)	(19,264)	(215,891)
	\$ 66,169	\$ (9,714)	\$ 56,455

### Note 5 - Deferred Outflows, Net

During 2012, the Authority issued \$13,240,000 of General Resolution Refunding Bonds, Series 2012, to defease the General Resolution Bonds 2001A and the General Resolution Bonds, 2004A. As summarized below, the Authority's deposit into the Refunding Escrow account exceeded the net carrying value of the refunded bonds. This excess resulted in deferred outflows. The deferred outflows will be amortized using the straight-line method over the remaining life of the defeased bonds. The amortization will be reported as interest expense over the next twelve years.

	December 31, 2013
Bond proceeds	
Par amount	\$ 13,240,000
Premium	967,200
Other sources	
Debt service funds	235,395
	14,442,595
Less	
Proceeds deposited into restricted fund	6,109
Debt issuance costs	149,420
Par amount of defeased debt	13,610,000
Unamortized premium on defeased debt	86,364
Deferred outflows	590,702
Accumulated amortization	(65,634)
Deferred outflows, net	\$ 525,068

### Note 6 - Bond Anticipation Notes, Net

In anticipation of the issuance of bonds during 2014, the Authority issued bond anticipation notes of \$5,000,000 that matured on January 23, 2014, at an interest rate of 1.25%. During January 2014, the Authority issued long-term bonds which included proceeds for refunding the bond anticipation notes. Accordingly, the BANs have been presented as long-term as of December 31, 2013.

Interest expense accrued on the bond anticipation notes was \$58,400 at December 31, 2013.

# Schenectady Metroplex Development Authority

## Notes to Financial Statements December 31, 2013 and 2012

### Note 7 - Bonds Payable, Net

During January 2002, the Authority issued \$8,080,000 of General Resolution Bonds, 2001A, to fund certain public transportation, parking, and infrastructure projects within the Authority's service district approved by the Authority's Board of Directors. The approved projects include the Broadway Parking Garage, Little Italy, State Streetscape, Upper Union Street Revitalization, and the Vale Village Revitalization. The terms of the bonds include annual payments of principal ranging from \$260,000 to \$625,000 plus interest at rates ranging from 3.00% to 5.50% during the life of the bond, payable on June 15 and December 15 of each year. Bonds maturing on or before December 15, 2012, are not subject to redemption prior to maturity. Bond maturing on or after December 15, 2012, are subject to redemption prior to maturity on or after December 15, 2012, at the option of the Authority, at the redemption price of 100% plus accrued interest thereon. These General Resolution Bonds, 2001A, were fully redeemed in 2012 with the General Resolution Refunding Serial Bonds issued in August 2012.

During September 2004, the Authority issued \$14,000,000 of General Resolution Bonds, 2004A, to fund certain public transportation, parking, and infrastructure projects within the Authority's service district approved by the Authority's Board of Directors. The 2004 bonds were issued at a premium of \$138,647, which is amortized over the life of the bonds on a straight-line basis. Amortization of the premium began in 2005. Accumulated amortization expense at December 31, 2013, is \$41,594. The approved projects include the Proctor's Theatre Expansion and the Broadway Garage acquisition. Terms of the bonds include annual payments of principal ranging from \$480,000 to \$1,005,000 plus interest at rates ranging from 3.00% to 4.50% during the life of the bonds, payable on March 15 and September 15 of each year. Bonds maturing through September 15, 2013, are not subject to redemption prior to maturity. Bonds maturing on or after September 15, 2014, are subject to redemption prior to maturity on or after September 15, 2014, at the option of the Authority, at the redemption price of 100% plus accrued interest thereon. These General Resolution Bonds, 2004A, were fully repaid in 2013.

During September 2005, the Authority issued \$11,405,000 of General Resolution Bonds, Series 2005A, and \$5,000,000 of General Resolution Bonds, Series 2005B, to fund certain infrastructure projects within the Authority's service district approved by the Authority's Board of Directors. The approved projects include the Hampton Inn, Broadway Commerce Park, the acquisition of certain State Street properties, and the payment of the lease obligations related to the MVP Parking Garage. The terms of the 2005A bonds include interest at rates ranging from 4.144% to 4.949% during the life of the bonds, payable on February 1 and August 1 of each year. The 2005B bonds bear interest at fixed rates ranging from 5.15% to 6.62%. The bonds include annual principal payments ranging from \$125,000 to \$360,000 and mature August 1, 2028.

During November 2006, the Authority issued \$11,440,000 of General Resolution Bonds, Series 2006A, to fund certain urban commercial real estate development projects within the Authority's service district approved by the Authority's Board of Directors. The approved projects include the 400 State Street Cinema construction, additional funding for the Hampton Inn, improvements, replacements, and reconstruction of infrastructure, as well as ancillary construction activities within the Proctor's Block of the City of Schenectady, a façade program within the central business district of the City, and the Dorp Salvage project. The terms of the 2006A bonds include interest at rates ranging from 5.13% to 5.62% during the life of the bonds, payable February 1 and August 1 of each year. The bonds include annual principal payments ranging from \$295,000 to \$850,000 and mature August 1, 2028.

# Schenectady Metroplex Development Authority

## Notes to Financial Statements December 31, 2013 and 2012

### Note 7 - Bonds Payable, Net - Continued

During June 2010, the Authority issued \$1,050,000 of General Resolution Bonds, Series 2010A, and \$5,360,000 of General Resolution Bonds, Series 2010B, to fund certain infrastructure projects within the Authority's service district approved by the Authority's Board of Directors. The terms of the 2010A bonds include interest at rates ranging from 2.00% to 3.50% during the life of the bonds, payable on February 1 and August 1 of each year. The terms of the 2010B bonds include interest at rates ranging from 1.715% to 5.304% during the life of the bonds, payable on February 1 and August 1 of each year. The bonds include annual principal payments ranging from \$120,000 to \$500,000 and mature August 1, 2033.

During August 2012, the Authority issued \$13,240,000 of General Resolution Refunding Bonds to provide resources to purchase U.S. Government, state, and local government series securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$13,610,000 of the 2001A and 2004A General Resolution Bonds. The General Resolution Bonds, 2001A were fully redeemed in 2012 and the General Resolution Bonds, 2004A were fully redeemed in 2013. This advance refunding was undertaken to reduce total debt service payments by \$491,973 with an estimated present value savings of \$844,244. The 2012 bonds were issued at a premium of \$967,200, which is amortized over the life of the bonds on a straight-line basis. Amortization of the premium began in 2012. Accumulated amortization expense at December 31, 2013, totaled \$80,600. The terms of the 2012 bonds include interest at rates ranging from 3.00% to 5.00% during the life of the bonds, payable March 15 and September 15 of each year. The bonds include annual principal payments ranging from \$290,000 to \$1,125,000 and mature September 15, 2027.

All current holders of the Authority's bonds have been provided with a direct pledge of future sales tax revenues to ensure full repayment of outstanding bond balances.

A summary of the Authority's bonds payable is as follows:

	December 31,	
	2013	2012
General Resolution Bonds, Series 2004A	\$ -	\$ 640,000
General Resolution Bonds, Series 2005A	8,695,000	9,080,000
General Resolution Bonds, Series 2005B	3,805,000	3,965,000
General Resolution Bonds, Series 2006A	8,960,000	9,340,000
General Resolution Bonds, Series 2010A	955,000	990,000
General Resolution Bonds, Series 2010B	4,990,000	5,130,000
General Resolution Refunding Bonds, Series 2012	12,420,000	12,950,000
Bonds payable, end of year	\$ 39,825,000	\$ 42,095,000

A summary of bond transactions is as follows:

	December 31,	
	2013	2012
Bonds payable, beginning of year	\$ 42,095,000	\$ 44,815,000
Bonds issued	-	13,240,000
Principal payments	(2,270,000)	(2,350,000)
Bonds defeased	-	(13,610,000)
Bonds payable, end of year	\$ 39,825,000	\$ 42,095,000

# Schenectady Metroplex Development Authority

## Notes to Financial Statements December 31, 2013 and 2012

### Note 7 - Bonds Payable, Net - Continued

A summary of future principal payments and estimated interest payments on the bonds is as follows:

	Principal	Interest
For the year ending December 31,		
2014	\$ 1,825,000	\$ 1,994,892
2015	1,910,000	1,912,446
2016	1,995,000	1,825,006
2017	2,095,000	1,731,960
2018	2,190,000	1,632,850
2019 through 2023	12,645,000	6,454,013
2024 through 2028	14,985,000	2,931,526
2029 through 2033	2,180,000	446,047
	<u>\$39,825,000</u>	<u>\$18,928,740</u>

Interest expense for the years ended December 31, 2013 and 2012, was \$2,042,102 and \$2,011,938, respectively. Interest paid during the years ended December 31, 2013 and 2012, totaled \$2,019,732 and \$2,011,059, respectively.

As required by the bond documents, the Authority is required to establish and maintain certain reserves for the benefit of the bondholders. These reserves, which are made up of U.S. Treasury money markets and cash, are held in trust by M&T Investment Group and are reported at fair value as follows:

	December 31,	
	2013	2012
Investment reserves, restricted		
Bond Proceeds Fund	\$ 1	\$ 6,109
Debt Service Reserve Fund (a)	1,745,644	1,851,278
Debt Service Fund	981,937	1,129,022
	<u>\$ 2,727,582</u>	<u>\$ 2,986,409</u>

(a) The debt service reserve fund requirement at December 31, 2013, was \$1,918,424.

### Note 8 - Due to Schenectady County

During October 2006, the Authority was informed by Schenectady County that excessive sales and use tax collections were erroneously remitted to the Authority for periods prior to December 31, 2005. The Authority has agreed with the County's findings and has entered into a repayment agreement with the County to repay \$1,193,076 of excess sales tax revenues over a twenty-one year period with interest at 4.49%.

# Schenectady Metroplex Development Authority

## Notes to Financial Statements December 31, 2013 and 2012

### Note 8 - Due to Schenectady County - Continued

A summary of future principal payments and estimated interest payments on the amounts due to the County is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending December 31,			
2014	\$ 48,081	\$ 40,843	\$ 88,924
2015	50,240	38,684	88,924
2016	52,495	36,429	88,924
2017	54,853	34,071	88,924
2018	57,315	31,609	88,924
2019 through 2023	327,569	117,050	444,619
2024 through 2028	319,093	36,604	355,697
	<u>\$ 909,646</u>	<u>\$ 335,290</u>	<u>\$ 1,244,936</u>

Interest expense for the years ended December 31, 2013 and 2012, was \$42,134 and \$44,145, respectively. Interest paid during the years ended December 31, 2013 and 2012, totaled \$42,909 and \$44,886, respectively.

### Note 9 - Project Grants and Commitments

A summary of the Authority's project grants and commitments, with activity, as of and for the years ended December 31, 2013 and 2012, is as follows:

#### AAA Northway Relocation Project

The Authority has approved grants of \$84,000 and related expenses of \$174,184 for this project. As of December 31, 2013, the Authority had distributed grants of \$84,000 and had incurred expenses of \$174,184 in connection with this project.

#### Adirondack Trailways Façade

The Authority has approved grants of \$85,000 and related expenses of \$2,139 for this project. As of December 31, 2013, the Authority had distributed grants of \$85,000 and had incurred expenses of \$2,139 in connection with this project.

#### Airport Technology Park Infrastructure

The Authority has approved grants of \$58,445 and related expenditures of \$2,000 for this project. As of December 31, 2013, the Authority had not distributed any grants and had not incurred any expenses in connection with this project.

#### Auterra, Inc. Relocation

The Authority has approved grants of \$75,000 for this project. As of December 31, 2013, the Authority had distributed grants of \$75,000 in connection with this project.

# Schenectady Metroplex Development Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 9 - Project Grants And Commitments - Continued

### Bel Cibo Gourmet Food and Spices

The Authority has approved grants of \$15,000 for this project. As of December 31, 2013, the Authority had distributed grants of \$15,000 in connection with this project.

### Benchmark Printing Expansion

The Authority has approved grants of \$150,000 and related expenses of \$1,590 for this project. As of December 31, 2013, the Authority had distributed grants of \$150,000 and had incurred expenses of \$1,590 in connection with this project.

### Broadway Apartments

The Authority has approved loans of \$270,000, related expenses of \$40,000, and a rent subsidy of up to \$120,000 for this project. As of December 31, 2013, the Authority had distributed loans of \$270,000 and incurred expenses of \$32,879 in connection with this project.

### 318 Broadway Façade

The Authority has approved grants of \$39,000 and related expenses of \$3,000 for this project. As of December 31, 2013, the Authority had distributed grants of \$39,000 and had incurred expenses of \$3,000 in connection with this project.

### 845 Broadway Housing

The Authority has approved grants of \$50,000 and related expenses of \$7,345 for this project. As of December 31, 2013, the Authority had distributed grants of \$50,000 and had incurred expenses of \$7,345 in connection with this project.

### Clinton's Ditch Phase 1 & 2

The Authority has approved grants of \$30,000 and related expenses of \$37,501 for this project. As of December 31, 2013, the Authority had distributed grants of \$30,000 and had incurred expenses of \$37,501 in connection with this project.

### Communications Test Designs, Inc.

The Authority has approved expenditures of \$35,000 for this project. As of December 31, 2013, the Authority has not incurred any expenses in connection with this project.

### County Business Parks/Smart Growth Initiative

The Authority has approved expenditures of \$1,518,000 for this project. As of December 31, 2013, the Authority had not incurred any expenses in connection with this project.

### DHA Holdings, Inc.

The Authority has approved grants of \$100,000 and related expenses of \$3,402 for this project. As of December 31, 2013, the Authority has distributed grants of \$100,000 and incurred expenses of \$3,402 in connection with this project.

# Schenectady Metroplex Development Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 9 - Project Grants And Commitments - Continued

### Downtown Fix-up Program

The Authority has approved \$295,200 for expenses in connection with this project. As of December 31, 2013, the Authority had incurred \$289,386 in expenditures in connection with these projects.

### Downtown Fix-up Program Phase 2

The Authority has approved expenditures of \$1,400,000 for this project. As of December 31, 2013, the Authority had not incurred any expenses in connection with this project.

### Downtown Schenectady Improvement Corporation 2012-2013

The Authority has approved grants of \$339,150 for this project. As of December 31, 2013, the Authority had distributed grants of \$320,446 in connection with this project.

### Draper School Redevelopment Project

The Authority has approved a grant of \$64,000 and related expenses of \$10,000 for this project. As of December 31, 2013, the Authority had incurred \$8,207 in expenses in connection with this project.

### 813 Eastern Avenue Façade

The Authority has approved grants of \$22,000 for this project. As of December 31, 2013, the Authority had distributed grants of \$9,158 in connection with this project.

### Electro Fiber Technologies LLC

The Authority has approved grants of \$100,000 and related expenses of \$2,704 in connection with this project. As of December 31, 2013, the Authority had distributed \$100,000 of the grants and had incurred \$2,704 in expenditures in connection with this project.

### 167 Erie Boulevard

The Authority has approved expenditures of \$38,000 for this project. As of December 31, 2013, the Authority had not distributed any expenditures in connection with this project.

### Foster Building Project

The Authority has approved expenditures of \$1,878,798 for this project. As of December 31, 2013, the Authority has incurred expenses of \$1,878,798 in connection with this project.

### Gateway Plaza Redesign Study

The Authority has approved grants of \$20,000 for this project. As of December 31, 2013, the Authority had distributed \$20,000 of the grants in connection with this project.

### Gather's Granola/Sanz Branz

The Authority has approved expenditures of \$7,500 for this project. As of December 31, 2013, the Authority has incurred expenses of \$7,500 in connection with this project.

# Schenectady Metroplex Development Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 9 - Project Grants And Commitments - Continued

### GEMx Advanced Battery

The Authority has approved grants of \$5,000,000 and related expenses of \$30,922 for this project. As of December 31, 2013, the Authority had distributed grants of \$5,000,000 and had incurred expenses of \$30,922 in connection with this project.

### Jay Street Lighting Project - Phase 2

The Authority has approved expenses of \$85,463 for this project. As of December 31, 2013, the Authority had incurred expenses of \$85,463 in connection with this project.

### 162-166 Jay Street Renovation

The Authority has approved grants of \$20,000 and \$1,285 for related expenses for this project. As of December 31, 2013, the Authority had distributed grants of \$20,000 and had incurred expenses of \$1,285 in connection with this project.

### JTT Empire

The Authority has approved expenditures of \$7,988 for this project. As of December 31, 2013, the Authority has incurred expenses of \$7,988 in connection with this project.

### K-Mart Plaza Redevelopment

The Authority has approved grants of \$180,000 and \$52,863 for related expenses for this project. As of December 31, 2013, the Authority had distributed grants of \$180,000 and had incurred expenses of \$52,863 in connection with this project.

### LaSartoria Clothing Store

The Authority has approved a grant of \$15,000, a loan of \$50,000, and related expenses of \$5,000 for this project. As of December 31, 2013, the Authority had distributed a grant of \$15,000, made loans of \$50,000, and had incurred expenses of \$4,519 in connection with this project. In 2012, an additional \$50,000 of expenditures were approved to create an allowance against the loan receivable (Note 2).

### Lofts at Union Square

The Authority has approved grants of \$150,000, a loan of \$200,000, and related expenses of \$56,673 for this project. As of December 31, 2013, the Authority had distributed grants of \$150,000, made loans of \$200,000, and had incurred expenses of \$56,673 in connection with this project.

### Lower State Street Revitalization

The Authority has approved expenditures of \$3,000,000 for this project. As of December 31, 2013, the Authority had incurred expenses of \$35,394 in connection with this project.

### Lower State Street Streetscape

The Authority has approved expenditures of \$1,700,000 for this project. As of December 31, 2013, the Authority had incurred expenses of \$152,506 in connection with this project.

# Schenectady Metroplex Development Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 9 - Project Grants And Commitments - Continued

### Madison Handbags

The Authority has approved grants of \$50,000 and related expenses of \$1,742 for this project. As of December 31, 2013, the Authority had distributed grants of \$50,000 and incurred expenses of \$1,742 in connection with this project.

### M/E Engineering, P.C. Relocation Project

The Authority has approved grants of \$100,000 and related expenses of \$674 for this project. As of December 31, 2013, the Authority had distributed grants of \$100,000 and had incurred expenses of \$674 in connection with this project.

### Mexican Radio Schenectady

The Authority has approved grants of \$256,000 and related expenses of \$50,364 for this project. As of December 31, 2013, the Authority had distributed grants of \$256,000 and had incurred expenses of \$50,364 in connection with this project.

### 25 Mohawk Avenue Village of Scotia

The Authority has approved expenditures of \$320,037 for this project. As of December 31, 2013, the Authority had incurred expenses of \$320,037 in connection with this project.

### National Grid EDP Grant

The Authority has approved grants of \$149,016 for this project. As of December 31, 2013, the Authority had distributed grants of \$149,016 in connection with this project.

### 2013 Parking Infrastructure Improvements

The Authority has approved expenditures of \$2,000,000 for this project. As of December 31, 2013, the Authority had incurred expenses of \$783,697 in connection with this project.

### Parking Infrastructure Program

The Authority has approved expenditures of \$520,002 for this project. As of December 31, 2013, the Authority had incurred expenses of \$520,002 in connection with this project.

### Parking Program

The Authority has approved expenditures for the operation of a parking garage and seven surface parking lots in the City of Schenectady. The revenues from the parking system are recorded as project revenues, and the operating expenses are recorded as project expenditures. During 2013 and 2012, the Authority had expenditures of \$1,459,597 and \$1,475,007, respectively, in connection with this project.

### Parking Remediation

The Authority has approved expenditures of \$800,000 for this project. As of December 31, 2013, the Authority had incurred expenditures of \$728,060 in connection with this project.

# Schenectady Metroplex Development Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 9 - Project Grants And Commitments - Continued

### Patriot Square Development

The Authority has approved expenditures of \$10,000 for this project. As of December 31, 2013, the Authority had incurred expenditures of \$3,940 in connection with this project.

### Pizza King

The Authority has approved grants of \$3,000 for this project. As of December 31, 2013, the Authority had distributed \$3,000 of the grants in connection with this project.

### Proctors Key Hall

The Authority has approved a loan of \$325,000 and related expenses of \$6,550 for this project. As of December 31, 2013, the Authority had distributed a loan of \$325,000 and had incurred expenses of \$6,550 in connection with this project.

### Proctors Marquee

The Authority has approved grants of \$97,000 and related expenses of \$2,000 for this project. As of December 31, 2013, the Authority had not distributed any grants and had not incurred any expenses in connection with this project.

### Rolling Greens

The Authority has approved grants of \$13,000 for this project. As of December 31, 2013, the Authority had distributed grants of \$13,000 in connection with this project.

### Schenectady Armory Project

The Authority has approved expenditures of \$10,000 for this project. As of December 31, 2013, the Authority had incurred expenditures of \$4,818 in connection with this project.

### Schenectady County CDBG Fund

The Authority has approved grants of \$11,992 for this project. As of December 31, 2013, the Authority had distributed grants of \$11,992 in connection with this project.

### Schenectady Heritage Area Visitor Center

The Authority has approved grants of \$220,000 and related expenses of \$1,338 for this project. As of December 31, 2013, the Authority had distributed grants of \$219,217 and incurred expenses of \$2,121 in connection with this project.

### 238-248 State Street Acquisition

The Authority has approved expenditures of \$20,001 for this project. As of December 31, 2013, the Authority had incurred expenses of \$12,048 in connection with this project.

### 254 State Street Acquisition

The Authority has approved expenditures of \$105,000 for this project. As of December 31, 2013, the Authority had incurred expenses of \$92,246 in connection with this project.

# Schenectady Metroplex Development Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 9 - Project Grants And Commitments - Continued

### 200-202 State Street Mixed-Use

The Authority has approved grants of \$185,000 and related expenses of \$40,000 for this project. As of December 31, 2013, the Authority had distributed grants of \$57,290 and had incurred expenses of \$18,475 in connection with this project.

### 515 State Street Mixed-Use

The Authority has approved expenditures of \$70,000 for this project. As of December 31, 2013, the Authority had incurred expenses of \$2,000 in connection with this project.

### Stratton Air National Guard Case Support Grant (2013)

The Authority has approved grants of \$25,000 for this project. As of December 31, 2013, the Authority had not distributed any grants in connection with this project.

### 13 State Street Purchase (YMCA)

The Authority has approved a grant of \$2,000,000 and related expenses of \$75,000 for this project. As of December 31, 2013, the Authority did not distribute any grant and had incurred expenses of \$3,007 in connection with this project.

### Transfinder Corporation Relocation

The Authority has approved grants of \$360,000 and related expenses of \$85,221 for this project. As of December 31, 2013, the Authority had distributed grants of \$360,000 and had incurred expenses of \$85,221 in connection with this project.

### Upper Union Street Façade Programs

The Authority has approved grants of \$944,139 and related expenses of \$11,790 in connection with this project. As of December 31, 2013, the Authority had distributed grants of \$944,139 and had incurred \$11,790 in related expenses in connection with this project.

### Upper Union Streetscape

The Authority has approved grants of \$1,235,195 for this project. As of December 31, 2013, the Authority had distributed grants of \$1,235,195 for this project.

### 108 Union Street Façade

The Authority has approved grants of \$40,000 and related expenses of \$5,000 for this project. As of December 31, 2013, the Authority had not distributed any grants and had not incurred any expenses in connection with this project.

### 308 Union Street Façade

The Authority has approved grants of \$60,000 and related expenses of \$28,625 for this project. As of December 31, 2013, the Authority had distributed grants of \$60,000 and had incurred expenses of \$28,625 in connection with this project.

# Schenectady Metroplex Development Authority

## Notes to Financial Statements December 31, 2013 and 2012

### Note 9 - Project Grants And Commitments - Continued

#### 414 Union Street Façade

The Authority has approved grants of \$30,000 for this project. As of December 31, 2013, the Authority had distributed grants of \$30,000 in connection with this project.

#### Washington Avenue Median

The Authority has approved expenditures of \$320,000 for this project. As of December 31, 2013, the Authority had incurred expenses of \$305,505 in connection with this project.

Project grants distributed and expenditures incurred, net of project grant revenues, during the years ended December 31, 2013 and 2012, and unspent project commitments at December 31, 2013, were as follows:

	Project Grants and Expenditures 2013	Unspent Project Commitments at December 31, 2013	Project Grants and Expenditures 2012
AAA Northway Relocation	\$ 6,891	\$ -	\$ 251,293
Adirondack Trailways Façade	85,850	-	1,289
Airport Technology Park Infrastructure	-	60,445	-
Auterra, Inc. Relocation	75,000	-	-
Bel Cibo Gourmet Foods and Spices	-	-	15,000
Benchmark Printing Expansion	-	-	151,590
Broadway Apartments	32,879	127,121	-
318 Broadway Façade	42,000	-	-
845 Broadway Housing	57,345	-	-
Clinton's Ditch Phase 1 & 2	-	-	66,595
Communications Test Designs, Inc.	-	35,000	-
County Business Parks/Smart Growth Initiative	-	1,518,000	-
DHA Holdings, Inc.	-	-	103,402
Downtown Fix-up Program	22,214	5,814	267,172
Downtown Fix-up Program Phase 2	-	1,400,000	-
Downtown Schenectady Improvement Corporation 2013	188,627	18,704	131,819
Draper School Redevelopment Project	3,945	65,793	4,186
813 Eastern Avenue Façade	9,158	12,842	-
Electro Fiber Technologies LLC	-	-	102,704
167 Erie Boulevard	-	38,000	-
Foster Building	37,405	-	15,355
Gateway Plaza Redesign Study	-	-	20,000
Gather's Granola/Sanz Branz	-	-	7,500
GEMx Advanced Battery	22,051	-	5,003,511
Jay Street Lighting Project - Phase 2	12,805	-	72,658
162-166 Jay Street Renovation Project	-	-	21,285
JTT Empire	-	-	7,988
K-Mart Plaza Redevelopment	-	-	182,047
LaSartoria Clothing Store	-	-	50,000
Lofts at Union Square	-	-	109,990
Lower State Street Revitalization	35,394	2,964,606	-
Lower State Street Streetscape	152,506	1,547,494	-

# Schenectady Metroplex Development Authority

## Notes to Financial Statements December 31, 2013 and 2012

### Note 9 - Project Grants and Commitments - Continued

	Project Grants and Expenditures 2013	Unspent Project Commitments at December 31, 2013	Project Grants and Expenditures 2012
Madison Handbags	-	-	51,742
M/E Engineering, P.C. Relocation	33,333	-	33,333
Mexican Radio Schenectady	302,641	-	3,723
25 Mohawk Avenue	320,037	-	-
National Grid EDP Grant	134,200	-	14,816
2013 Parking Infrastructure Improvements	783,697	1,216,303	-
Parking Infrastructure Program	35,153	-	404,601
Parking Program	1,459,597	-	1,475,007
Parking Remediation	291,499	71,940	5,102
Patriot Square Development	-	6,060	3,940
Pizza King	-	-	3,000
Proctors Key Hall	6,550	-	-
Proctors Marquee	-	99,000	-
Rolling Greens	13,000	-	-
Schenectady Armory	4,218	5,182	600
Schenectady County CDBG	-	-	25,742
Schenectady Heritage Area Visitor Center	-	-	26,868
238-248 State Street Acquisition	12,048	7,953	-
254 State Street Acquisition	92,246	12,754	-
200-202 State Street Mixed-Use	75,765	149,235	-
515 State Street Mixed-Use	2,000	68,000	-
Stratton Air National Guard Base Support Grant (2010)	-	25,000	-
Stratton Air National Guard Base Support Grant (2013)	-	2,071,993	-
13 State Street Purchase (YMCA)	-	-	-
Transfinder Corporation Relocation	77,514	-	190,800
Upper Union Street Façade Programs	-	-	511
Upper Union Streetscape	14,206	-	192,083
108 Union Street Façade	-	45,000	-
308 Union Street Façade	-	-	88,625
414 Union Street Façade	-	-	30,000
Washington Avenue Median	305,505	14,495	-
Professional services and predevelopment costs (a)	458,600	-	453,661
	<u>5,205,879</u>	<u>\$ 11,586,734</u>	<u>9,589,538</u>
Project grant revenues	<u>(1,185,779)</u>	(b)	<u>(1,237,749)</u>
	<u>\$ 4,020,100</u>		<u>\$ 8,351,789</u>

(a) Professional services and predevelopment costs represent costs incurred by the Authority during the review and planning phase of the project approval process. In addition, at times, certain professional fees are incurred by the Authority in connection with approved projects. These costs are not included in the approved grant amount.

(b) Unspent project commitments are subject to meeting project requirements prior to the Authority's release of the funds.

From inception through December 31, 2013, the Authority has approved project grants, expenditures, and loans totaling \$160,542,832, of which \$148,956,098 has been distributed.

# Schenectady Metroplex Development Authority

## Notes to Financial Statements December 31, 2013 and 2012

### Note 10 - Net Position

The Authority has reported a deficit in its net position as of December 31, 2013. This deficit is the result of cumulative project grants and expenditures in excess of net revenues. Funding for these expenditures was mostly provided by proceeds of the Authority's bond obligations which will be repaid over the statutory life of the Authority from future sales tax revenues. Current holders of the Authority's bonds have been provided with a direct pledge of these future sales tax revenues to ensure full repayment of existing obligations, and the Authority has established conservative guidelines under its General Bond Resolution that preclude further borrowings unless repayment capacity can be demonstrated.

### Note 11 - New York State Employees' Retirement System

#### a. Plan Description

The Authority participates in the New York State Employees' Retirement System (NYSERS). This is a cost sharing, multiple employer retirement system. The NYSERS provides retirement benefits as well as death and disability benefits. Obligations of the employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York serves as sole trustee and administrative head of the NYSERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transactions of the NYSERS, and for the custody and control of its funds. The NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

#### b. Funding Policy

The NYSERS is noncontributory except for (1) employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and (2) employees who join after January 1, 2010, will contribute 3% of their salary for their entire career. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employers' contributions. Contributions to the NYSERS for the years ended December 31, were as follows:

2013	\$ 86,404
2012	73,965
2011	53,694

The Authority's contributions made to the System were equal to 100% of the contributions required for each year.

### Note 12 - Commitments and Contingencies

#### a. Bonds and Notes

The Authority has the ability to issue bonds, notes, or other obligations to pay for the cost of any project. As more fully described in the Act, the principal amount of such outstanding obligations shall not exceed \$75,000,000. At December 31, 2013, the Authority had issued a total of \$56,335,000 in bonds. There were \$39,825,000 and \$42,095,000 of outstanding obligations, related to its General Resolution Bonds described in Note 7, at December 31, 2013 and 2012, respectively.

# Schenectady Metroplex Development Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 12 - Commitments and Contingencies - Continued

### *b. Collateralization, Bank Deposits*

The Authority's cash deposits must be fully collateralized at all times. As of December 31, 2013, the Authority's bank deposits were fully collateralized or insured by the FDIC.

### *c. Leases*

During December 2010, the Authority entered into a five-year lease agreement for its office space. Monthly payments range from \$4,327 per month to \$4,710 per month over the lease term.

The Authority also leases an automobile for use by its Executive Director. Terms of the lease include monthly payments of \$375 and expires November 2014.

Total lease expense was \$55,068 and \$56,591 at December 31, 2013 and 2012, respectively.

A summary of future minimum annual payments under these leases is as follows:

For the year ending December 31,	
2014	\$ 60,268
2015	<u>56,518</u>
	<u>\$116,786</u>

### *d. Employment Agreement*

The Authority has entered into a contract with its Executive Director which states that the Executive Director shall receive severance pay equal to 50% of his annual salary upon termination.

### *e. Return of Revenues*

In the event that the sales tax revenues the Authority receives from Schenectady County exceed its current liabilities by more than 10% at the end of its fiscal year, after a lawful deposit in its reserve fund of not less than 5% of its revenues, and after a lawful deposit into its construction and development account in the amount necessary to provide payment for the anticipated projects of the next fiscal year, then the Authority shall return to the County 75% of such surplus amount.

During the year ended December 31, 2013, the Authority recognized sales tax revenues of \$7,857,994. As of December 31, 2013, the Authority has outstanding project and loan commitments totaling \$11,586,734, which the Authority has authorized to be distributed in the next fiscal year. The Authority also has current liabilities of \$4,939,800 at December 31, 2013, payable during 2014.

As of December 31, 2013, the Authority was not obligated to return revenues to the County, other than those described in Note 8.

### *f. Litigation Claims*

The Authority is involved in an action for alleged breach of contract relating to the development of a property. In management's and counsel's opinion, if the action moves forward, the Authority has numerous strong defenses. While there is a likelihood the action will be dismissed, it is impossible to predict any final outcome.

# Schenectady Metroplex Development Authority

## Notes to Financial Statements December 31, 2013 and 2012

### **Note 12 - Commitments and Contingencies - Continued**

#### *f. Litigation Claims - Continued*

The Authority is involved in several claims from outside parties. Either no formal action has commenced as a result of these claims or they are in the discovery stage, and the claims are being reviewed by management and counsel for merit. As a result, management and counsel cannot render an opinion on the merits of the claims or their potential effects, if any, on the financial position of the Authority as of the date of this report.

No adjustments have been made to the financial statements related to these claims.

#### *g. Environmental Risks*

Certain facilities are subject to federal, state, and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the Authority expect such compliance to have, any material effect upon the capital expenditures or financial condition of the Authority. Management believes that its current practices and procedures for control and disposition of regulated wastes comply with applicable federal, state, and local requirements.

### **Note 13 - Accounting Standard Issued But Not Yet Implemented**

During June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement established accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement provides specific accounting and financial reporting guidance for combinations in this environment and improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The requirements of this statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

# Schenectady Metroplex Development Authority

Notes to Financial Statements  
December 31, 2013 and 2012

## Note 13 - Accounting Standard Issued But Not Yet Implemented - Continued

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement provides financial reporting and disclosure guidance to those governments that extend and receive nonexchange financial guarantees, thereby enhancing comparability of financial statements among governments.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement amends paragraph 137 of statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of statement No. 68.

Management has not yet estimated the potential impact of the statements on the Authority's financial statements.

## Note 14 - Subsequent Events

During January 2014, the Authority issued \$10,030,000 General Resolution Bonds, 2014A (tax-exempt) and \$7,440,000 General Resolution Bonds, 2014B (federally taxable). The proceeds of the Series 2014 Bonds are expected to be used as follows:

### Sources

Par amount of the Series 2014A Bonds	\$ 10,030,000
Par amount of the Series 2014B Bonds	7,440,000
Net Original Issue Premium	<u>513,848</u>
	<u>\$ 17,983,848</u>

### Uses

Payment of Outstanding Notes	\$ 5,000,000
Capital Projects	12,050,327
Deposit to Debt Service Reserve Fund	700,285
Total Underwriter's Discount	62,673
Costs of Issuance including Bond Insurance	<u>171,563</u>
	<u>\$ 17,984,848</u>



**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards**

Board of Directors  
Schenectady Metroplex Development Authority  
Schenectady, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position of the Schenectady Metroplex Development Authority (Authority), as of December 31, 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SaxBST LLP

Albany, New York  
March 25, 2014