

**Schenectady Metroplex Development  
Authority**

(A Component Unit of Schenectady County)

Financial Report

December 31, 2014 and 2013

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Financial Report

December 31, 2014 and 2013

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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 financial statements of the Schenectady Metroplex Development Authority (Authority) (a component unit of Schenectady County), which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years 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 audits. We conducted our audits 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, 2014 and 2013, and the respective changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 13 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2015, 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 26, 2015



# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Management's Discussion and Analysis December 31, 2014 and 2013

The Schenectady Metroplex Development Authority, hereafter referred to as the Authority, is pleased to present its Financial Report for the years ended December 31, 2014 and 2013, developed in compliance with U.S. Generally Accepted Accounting Principles. We encourage readers to consider the information presented on pages 3 to 13 in conjunction with the Authority's financial statements (presented on pages 14 to 16) 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 unqualified (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, 2014. This information should be read in conjunction with the financial statements.

### **Financial Highlights**

The year 2014 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 2014 results:

- Total operating revenues increased by 5.1% 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 \$8.3 million, an increase of 5.7% over its \$7.9 million in 2013. Management expects 2015 levels to continue to improve as the local economy continues its growth during the period.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Management's Discussion and Analysis December 31, 2014 and 2013

### Financial Highlights - Continued

- Total operating expenses increased to \$1,043,059 in 2014, a 1.9% increase over those of 2013, and 8.9% over 2012, due to staffing changes, employee health, and New York State and Local Retirement System costs.
- Other financing expenses for 2014 were 30% higher than those of 2013, and 28.5% higher than those of 2012 due to the Authority's issuance of over \$17.4 million in new bonds to fund major new project initiatives.
- Total assets at the end of 2014 increased 33.9% from the prior year to \$28.4 million, and represented a 30.2% increase from the 2012 year-end with bond project funds comprising the bulk of the increases. Net operating revenues for the period increased by 5.6% for the year, and were also 1.5% higher than those of 2012. Consequently, net position was increased by \$4.1 million in 2014, compared to \$4.8 million in 2013 and \$5 million in 2012.
- Net project grants and expenditures increased by \$4.6 million to \$8.6 million, and were \$0.2 million more than those of 2012. Undistributed project commitments, however, declined to \$6.8 million at the end of 2014, as compared to \$11.6 million at 2013 and \$3.1 million at the end of 2011.
- The Authority issued \$17,470,000 of general obligation bonds.

### 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

(A Component Unit of Schenectady County)

## Management's Discussion and Analysis December 31, 2014 and 2013

### 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

(A Component Unit of Schenectady County)

## Management's Discussion and Analysis December 31, 2014 and 2013

### 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,           |               |                        |               |                        |
|-------------------------------|------------------------|---------------|------------------------|---------------|------------------------|
|                               | 2014                   | 2014 vs. 2013 | 2013                   | 2013 vs. 2012 | 2012                   |
| <b>ASSETS</b>                 |                        |               |                        |               |                        |
| Current assets                | \$ 14,055,381          | 108.3%        | \$ 6,746,857           | 2.8%          | \$ 6,564,421           |
| Capital assets, net           | 31,298                 | -29.5%        | 44,424                 | -21.3%        | 56,455                 |
| Other assets                  | 14,319,111             | 0.5%          | 14,252,118             | -4.9%         | 14,985,855             |
| Total assets                  | <u>28,405,790</u>      | 35.0%         | <u>21,043,399</u>      | -2.6%         | <u>21,606,731</u>      |
| <b>DEFERRED OUTFLOWS, net</b> | <u>475,843</u>         | -9.4%         | <u>525,068</u>         | -8.6%         | <u>574,293</u>         |
| <b>LIABILITIES</b>            |                        |               |                        |               |                        |
| Current liabilities           | 6,127,350              | 24.0%         | 4,939,800              | -47.5%        | 9,410,202              |
| Long-term debt                | 54,916,103             | 22.8%         | 44,720,993             | 7.4%          | 41,621,246             |
| Total liabilities             | <u>61,043,453</u>      | 22.9%         | <u>49,660,793</u>      | -2.7%         | <u>51,031,448</u>      |
| <b>NET POSITION</b>           |                        |               |                        |               |                        |
| Investment in capital assets  | 31,298                 | -29.5%        | 44,424                 | -21.3%        | 56,455                 |
| Restricted                    | 8,741,842              | 220.5%        | 2,727,582              | -8.7%         | 2,986,409              |
| Unrestricted                  | <u>(40,934,960)</u>    | 32.6%         | <u>(30,864,332)</u>    | -3.2%         | <u>(31,893,288)</u>    |
| Total net position            | <u>\$ (32,161,820)</u> | 14.5%         | <u>\$ (28,092,326)</u> | -2.6%         | <u>\$ (28,850,424)</u> |

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

|   | Years Ended December 31,      |               |                               |               |                               |
|---|-------------------------------|---------------|-------------------------------|---------------|-------------------------------|
|   | 2014                          | 2014 vs. 2013 | 2013                          | 2013 vs. 2012 | 2012                          |
| Sales tax revenue                             | \$ 8,308,746                  | 5.7%          | \$ 7,857,943                  | -1.9%         | \$ 8,013,075                  |
| Other operating revenues                      | 29,896                        | -59.0%        | 72,979                        | -45.1%        | 133,000                       |
| Total operating revenues                      | <u>8,338,642</u>              | 5.1%          | <u>7,930,922</u>              | -2.6%         | <u>8,146,075</u>              |
| Depreciation and amortization                 | 20,633                        | -3.5%         | 21,376                        | 11.0%         | 19,264                        |
| Other operating expenses                      | 1,022,426                     | 2.0%          | 1,002,088                     | 6.7%          | 938,896                       |
| Total operating expenses                      | <u>1,043,059</u>              | 1.9%          | <u>1,023,464</u>              | 6.8%          | <u>958,160</u>                |
| Net operating revenues                        | 7,295,583                     | 5.6%          | 6,907,458                     | -3.9%         | 7,187,915                     |
| Non operating expenses, net                   | <u>(2,768,366)</u>            | 30.0%         | <u>(2,129,260)</u>            | -1.2%         | <u>(2,154,054)</u>            |
| Increase in net position                      | 4,527,217                     | -5.3%         | 4,778,198                     | -5.1%         | 5,033,861                     |
| <b>NET POSITION, beginning of year</b>        | <b>(28,092,326)</b>           | <b>-2.6%</b>  | <b>(28,850,424)</b>           | <b>13.0%</b>  | <b>(25,532,496)</b>           |
| Project grants, net of project grant revenues | <u>(8,596,711)</u>            | 113.8%        | <u>(4,020,100)</u>            | -51.9%        | <u>(8,351,789)</u>            |
| <b>NET POSITION, end of year</b>              | <b><u>\$ (32,161,820)</u></b> | <b>14.5%</b>  | <b><u>\$ (28,092,326)</u></b> | <b>-2.6%</b>  | <b><u>\$ (28,850,424)</u></b> |

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Management's Discussion and Analysis December 31, 2014 and 2013

### General Trends and Significant Events

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

### Financial Condition

The overall financial position of the Authority remained strong at year-end. Current assets at year-end 2014 were over double those of 2013 and represented half of total assets as compared to 32% in 2013 and 30% in 2012. Total operating expenses in 2014 increased by only \$19,595 from the prior year, and represented less than 13% of total revenues, comparable to 2013 and 2012 levels. Total revenues of over \$8.3 million have increased respectably from 2013, and represent a new historical high for the organization.

Despite the occasional 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 2014, exclusive of unrealized gain/loss on investments, was \$8,338,642 compared to \$7,930,923 in 2013 and \$8,146,075 in 2012.

#### *Expense*

Total operating expenses for the year 2014 were \$1,043,059 compared to \$1,023,464 in 2013 and \$958,160 in 2012. Cash or equivalents on hand for debt service payments were approximately \$4 million.

### Long-Term Obligations

During January 2014, the Authority issued \$17,470,000 of general obligation bonds.

As of December 31, 2014, the Authority had \$55,470,000 in bonds outstanding related to five separate general resolution bond issues in 2005, 2006, 2010, 2012, and 2014. The bonds mature in 2028, 2028, 2033, 2027, and 2033, respectively. Principal payments related to these bonds will total \$2,585,000 during 2015.

More detailed information about the Authority's long-term obligations is presented in the notes to the financial statements on pages 24-26.

### Project Grants and Commitments

#### AAA Northway Relocation and Subsidy

The Authority has approved grants of \$108,000 and related expenses of \$174,184 for this project. As of December 31, 2014, the Authority had distributed grants of \$90,000 and had incurred expenses of \$174,184 in connection with this project.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Management's Discussion and Analysis December 31, 2014 and 2013

### **Project Grants and Commitments - Continued**

#### Airport Technology Park Infrastructure

The Authority has approved grants of \$58,445 and related expenses of \$2,000 for this project. As of December 31, 2014, the Authority had not distributed any grants and had not incurred any expenses in connection with this project.

#### Broadway Apartments

The Authority has approved loans of \$70,000 and related expenses of \$160,000 for this project. As of December 31, 2014, the Authority had distributed loans of \$270,000 and had incurred expenses of \$34,879 in connection with this project.

#### Communications Test Designs, Inc.

The Authority has approved grants of \$175,000 and related expenses of \$35,000 for this project. As of December 31, 2014, the Authority had incurred expenses of \$193,800 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, 2014, the Authority had incurred expenses of \$221,625 in connection with this project.

#### Crossroads Gallery

The Authority has approved expenditures of \$6,000 for this project. As of December 31, 2014, the Authority had incurred expenses of \$6,000 in connection with this project.

#### DoubleTree by Hilton

The Authority has approved grants of \$250,000 and related expenses of \$25,000 for this project. As of December 31, 2014, the Authority had not distributed any grants and had incurred expenses of \$11,056 in connection with this project.

#### Downtown Fix-up Program

The Authority has approved expenditures of \$295,200 for this project. As of December 31, 2014, the Authority had incurred expenses of \$289,386 in connection with this project.

#### Downtown Fix-up Program Phase 2

The Authority has approved expenditures of \$1,214,900 for this project. As of December 31, 2014, the Authority had incurred expenses of \$253,924 in connection with this project.

#### Downtown Schenectady Improvement Corporation

The Authority has approved grants of \$321,300 for this project. As of December 31, 2014, the Authority had distributed grants of \$297,043 in connection with project.

#### Eastern Avenue Revitalization

The Authority has approved expenditures of \$280,000 for this project. As of December 31, 2014, the Authority had incurred expenses of \$257,529 in connection with this project.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Management's Discussion and Analysis December 31, 2014 and 2013

### **Project Grants and Commitments - Continued**

#### 813 Eastern Avenue Façade

The Authority has approved grants of \$21,344 for this project. As of December 31, 2014, the Authority had distributed grants of \$21,344 in connection with this project.

#### 827 Eastern Avenue Façade

The Authority has approved grants of \$60,000 and related expenses of \$18,260 for this project. As of December 31, 2014, the Authority had distributed grants of \$60,000 and had incurred expenses of \$18,260 in connection with this project.

#### 868 Eastern Avenue

The Authority has approved expenditures of \$4,619 for this project. As of December 31, 2014, the Authority had incurred expenses of \$4,619 in connection with this project.

#### Foster Building Redevelopment

The Authority has approved grants of \$200,000 and related expenses of \$40,000 for this project. As of December 31, 2014, the Authority had not distributed any grants and had incurred expenses of \$2,092 in connection with this project.

#### Franklin Plaza

The Authority has approved grants of \$75,000 and related expenses of \$15,000 for this project. As of December 31, 2014, the Authority had distributed grants of \$75,000 and incurred expenses of \$10,000 in connection with this project.

#### Lofts II at Union Square

The Authority has approved grants of \$90,000 and related expenses of \$40,000 for this project. As of December 31, 2014, the Authority had not distributed any grants and had incurred expenses of \$15,050 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, 2014, the Authority had incurred expenses of \$1,287,917 in connection with this project.

#### Lower State Streetscape

The Authority has approved expenditures of \$1,700,000 for this project. As of December 31, 2014, the Authority had incurred expenses of \$1,700,000 in connection with this project.

#### 906 Woodland Street

The Authority has approved grants of \$2,390 for this project. As of December 31, 2014, the Authority had distributed grants of \$2,390 in connection with this project.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Management's Discussion and Analysis December 31, 2014 and 2013

### **Project Grants and Commitments - Continued**

#### NY Biz Lab Façade

The Authority has approved grants of \$300,000 and related expenses of \$20,000 for this project. As of December 31, 2014, the Authority had not distributed any grants and had incurred expenses of \$2,250 in connection with 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, 2014, the Authority had not distributed any grants and had not incurred any expenses in connection with this project.

#### 140 Erie Boulevard Façade

The Authority has approved grants of \$50,000 and related expenses of \$5,000 for this project. As of December 31, 2014, the Authority had not distributed any grants and had incurred expenses of \$5,250 in connection with this project.

#### 167 Erie Street Purchase

The Authority has approved expenditures of \$29,448 for this project. As of December 31, 2014, the Authority had distributed expenditures of \$29,448 in connection with this project.

#### 602 Union Street Façade

The Authority has approved grants of \$15,000 for this project. As of December 31, 2014, the Authority had distributed grants of \$15,000 in connection with this project.

#### 1598 Union Street Façade

The Authority has approved grants of \$11,000 for this project. As of December 31, 2014, the Authority had distributed grants of \$11,000 in connection with this project.

#### 1611-1613 Union Street

The Authority has approved grants of \$75,000 and related expenses of \$15,000 for this project. As of December 31, 2014, the Authority had distributed grants of \$60,000 and had not incurred any expenses 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 will be recorded as project revenues, and the operating expenses will be recorded as project expenditures. As of December 31, 2014, the Authority had expenditures of \$1,542,372 in connection with this project.

#### Parking Remediation

The Authority has approved expenditures of \$885,000 for this project. As of December 31, 2014, the Authority had incurred expenses of \$840,880 in connection with this project.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Management's Discussion and Analysis December 31, 2014 and 2013

### **Project Grants and Commitments - Continued**

#### Patriot Square Development

The Authority has approved expenditures of \$3,940 for this project. As of December 31, 2014, the Authority had incurred expenses of \$3,940 in connection with this project.

#### Proctors Theatre Marquee

The Authority has approved grants of \$97,000 for this project. As of December 31, 2014, the Authority had distributed grants of \$97,000.

#### Proctors Theatre EPF

The Authority has approved loans of \$350,000 for this project. As of December 31, 2014, the Authority had distributed loans of \$350,000 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, 2014, the Authority had incurred expenses of \$1,707,682 in connection with this project.

#### Quirky, Inc.

The Authority has approved grants of \$450,000 and related expenses of \$10,000 for this project. As of December 31, 2014, the Authority had not distributed any grants and had not incurred any expenses in connection with this project.

#### Schenectady Armory

The Authority has approved expenditures of \$4,818 for this project. As of December 31, 2014, the Authority had incurred expenses of \$4,818 in connection with this project.

#### Schenectady County Public Library

The Authority has approved expenditures of \$438,600 for this project. As of December 31, 2014, the Authority had distributed expenditures of \$401,256 in connection with this project.

#### 13 State Street Purchase (YMCA)

The Authority has approved grants of \$2,000,000 and related expenses of \$50,000 for this project. As of December 31, 2014, the Authority had distributed grants of \$1,767,996 and had incurred expenses of \$40,989 in connection with this project.

#### 200-202 State Street Mixed-Use

The Authority has approved grants of \$185,000 and related expenses of \$42,528 for this project. As of December 31, 2014, the Authority had distributed grants of \$185,000 and had incurred expenses of \$42,528 in connection with this project.

#### 224 State Street Façade

The Authority has approved grants of \$4,536 for this project. As of December 31, 2014, the Authority had distributed grants of \$4,536 in connection with this project.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Management's Discussion and Analysis December 31, 2014 and 2013

### **Project Grants and Commitments - Continued**

#### 238-248 State Street Acquisition

The Authority has approved expenditures of \$22,473 for this project. As of December 31, 2014, the Authority had incurred expenses of \$22,473 in connection with this project.

#### 254 State Street Acquisition

The Authority has approved expenditures of \$108,649 for this project. As of December 31, 2014, the Authority had incurred expenses of \$108,649 in connection with this project.

#### 268 State Street Fa Yade

The Authority has approved grants of \$13,000 for this project. As of December 31, 2014, the Authority had distributed grants of \$13,000 in connection with this project.

#### 515 State Street Rehabilitation

The Authority has approved grants of \$50,000 and related expenses of \$20,742 for this project. As of December 31, 2014, the Authority had distributed grants of \$50,000 and had incurred expenses of \$20,742 in connection with this project.

#### Stratton Air National Guard Support Grant

The Authority has approved grants of \$25,000 for this project. As of December 1, 2014, the Authority had not distributed any grants in connection with this project.

#### 2696 Hamburg Street (GU)

The Authority has approved grants of \$95,000 and related expenses of \$15,000 for this project. As of December 31, 2014, the Authority had not distributed any grants and had incurred expenses of \$24,813 in connection with this project.

#### Upper Union Street Repairs

The Authority has approved grants of \$65,793 and related expenses of \$21,432 for this project. As of December 31, 2014, the Authority had distributed grants of \$65,793 and had incurred expenses of \$21,432 connection with this project.

#### Washington Avenue Median

The Authority has approved expenditures of \$320,000 for this project. As of December 31, 2014, the Authority had incurred expenses of \$307,253 in connection with this project.

Predevelopment cost and professional services represent costs incurred by the Authority during the review and planning phase of the project approval process. In addition, at times, certain fees are incurred by the Authority in connection with approved projects. These costs are not included in the approved grant or loan amounts. Predevelopment costs and professional services were \$363,889 for the year ended December 31, 2014, and \$458,600 for the year ended December 31, 2013.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Management's Discussion and Analysis December 31, 2014 and 2013

### 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.

There were no changes in Board membership in 2014. Those members whose terms have expired continue to serve until their terms are renewed or they are replaced by the County Legislature.

Jayme 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, 2018      |
| Bradley G. Lewis         | Vice Chair          | December 31, 2014      |
| Robert L. Wall           | Secretary           | December 31, 2014      |
| Sharon A. Jordon         | Treasurer           | December 31, 2018      |
| Edward L. Capovani       |                     | December 31, 2014      |
| William R. Chapman       |                     | December 31, 2014      |
| Neil M. Golub            |                     | December 31, 2014      |
| Janet Hutchison          |                     | December 31, 2013      |
| John Mallozzi            |                     | December 31, 2018      |
| Robert J. Mantello       |                     | December 31, 2018      |
| Karen Zalewski-Wildzunas |                     | December 31, 2018      |

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Statements of Net Position

|   | December 31,    |                 |
|---|-----------------|-----------------|
|   | 2014            | 2013            |
| <b>ASSETS</b>   |                 |                 |
| <b>CURRENT ASSETS</b>                                       |                 |                 |
| Cash, unrestricted  | \$ 3,196,573    | \$ 1,346,006    |
| Cash, restricted  | 5,546,845       | 800,000         |
| Sales tax receivable  | 3,522,507       | 3,340,714       |
| Current installments of loans receivable, net               | 1,017,094       | 1,062,851       |
| Grants receivable   | 578,021         | 14,021          |
| Other receivables   | 14,986          | 39,007          |
| Current installments of CDBG receivables, net               | 14,244          | -               |
| Current installments of notes receivable, net               | 58,774          | 61,879          |
| Interest receivable   | 19,069          | 4,997           |
| Prepaid expenses  | 87,268          | 77,382          |
| Total current assets  | 14,055,381      | 6,746,857       |
| <b>CAPITAL ASSETS, net</b>                                  | 31,298          | 44,424          |
| <b>OTHER ASSETS</b>   |                 |                 |
| Loans receivable, less current installments, net            | 9,738,668       | 11,215,762      |
| Note receivable, less current installments, net             | 250,000         | 308,774         |
| CDBG receivable, less current installments, net             | 335,446         | -               |
| Investment reserves, restricted                             | 3,994,997       | 2,727,582       |
|   | 14,319,111      | 14,252,118      |
| Total assets  | 28,405,790      | 21,043,399      |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                       |                 |                 |
| Loss on debt refunding                                      | 475,843         | 525,068         |
| <b>LIABILITIES</b>  |                 |                 |
| <b>CURRENT LIABILITIES</b>                                  |                 |                 |
| Current installments of bonds payable                       | 2,585,000       | 1,825,000       |
| Accounts payable and accrued expenses                       | 891,345         | 1,349,366       |
| Accrued interest  | 1,067,811       | 849,481         |
| Due to the County of Schenectady, current portion           | 50,240          | 48,081          |
| Grants payable  | 225,469         | -               |
| Unearned revenue  | 417,313         | -               |
| Premium on bonds, net of amortization, current portion      | 90,172          | 67,872          |
| Escrow payable  | 800,000         | 800,000         |
| Total current liabilities                                   | 6,127,350       | 4,939,800       |
| <b>LONG-TERM DEBT</b>                                       |                 |                 |
| Bonds payable, less current installments                    | 52,885,000      | 38,000,000      |
| Bond anticipation note payable                              | -               | 5,000,000       |
| Due to the County of Schenectady, less current portion      | 811,325         | 861,565         |
| Premium on bonds, net of amortization, less current portion | 1,219,778       | 859,428         |
|   | 54,916,103      | 44,720,993      |
| Total liabilities   | 61,043,453      | 49,660,793      |
| <b>NET POSITION</b>   |                 |                 |
| Investment in capital assets, net                           | 31,298          | 44,424          |
| Restricted  | 8,741,842       | 2,727,582       |
| Unrestricted  | (40,934,960)    | (30,864,332)    |
| Total net position  | \$ (32,161,820) | \$ (28,092,326) |

See accompanying Notes to Financial Statements.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

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

|  | Years Ended December 31, |                        |
|--|--------------------------|------------------------|
|  | 2014                     | 2013                   |
| <b>OPERATING REVENUES</b>                                      |                          |                        |
| Sales tax revenues   | \$ 8,308,746             | \$ 7,857,943           |
| Other income   | 29,896                   | 72,979                 |
|  | 8,338,642                | 7,930,922              |
| <b>OPERATING EXPENSES</b>                                      |                          |                        |
| Payroll  | 456,348                  | 456,081                |
| Payroll taxes  | 38,627                   | 37,091                 |
| Pension plan   | 94,067                   | 83,883                 |
| Health insurance   | 67,409                   | 53,654                 |
| Other employee benefits  | 5,309                    | 5,032                  |
| Accounting   | 65,425                   | 63,825                 |
| Advertising  | 12,857                   | 3,995                  |
| Automobile   | 5,277                    | 5,605                  |
| Consulting   | 5,470                    | 18,633                 |
| Depreciation   | 20,633                   | 21,376                 |
| Dues and subscriptions   | 5,441                    | 7,420                  |
| Hosting and travel   | 4,740                    | 3,782                  |
| Insurance  | 48,288                   | 42,062                 |
| Legal  | 51,016                   | 61,307                 |
| Office supplies  | 12,371                   | 18,232                 |
| Postage  | 1,428                    | 3,118                  |
| Rent   | 56,517                   | 55,068                 |
| Repairs and maintenance  | 20,555                   | 22,532                 |
| Resource data  | 44,624                   | 37,671                 |
| Utilities  | 26,657                   | 23,097                 |
|  | 1,043,059                | 1,023,464              |
| <b>Net operating revenues</b>                                  | <b>7,295,583</b>         | <b>6,907,458</b>       |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                       |                          |                        |
| Investment earnings  | 70,650                   | 34,610                 |
| Interest expense   | (2,621,461)              | (2,142,636)            |
| Bond issuance costs  | (216,703)                | (30,716)               |
| Debt service fees  | (11,800)                 | (13,050)               |
| Miscellaneous income   | 10,948                   | 22,532                 |
|  | (2,768,366)              | (2,129,260)            |
| <b>Increase in net position</b>                                | <b>4,527,217</b>         | <b>4,778,198</b>       |
| <b>NET POSITION, <i>beginning of year</i></b>                  | (28,092,326)             | (28,850,424)           |
| Project grants and expenditures, net of project grant revenues | (8,596,711)              | (4,020,100)            |
| <b>NET POSITION, <i>end of year</i></b>                        | <b>\$ (32,161,820)</b>   | <b>\$ (28,092,326)</b> |

See accompanying Notes to Financial Statements.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Statements of Cash Flows

|   | Years Ended December 31, |                     |
|---|--------------------------|---------------------|
|   | 2014                     | 2013                |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>   |                          |                     |
| Cash received from sales tax revenues   | \$ 8,140,974             | \$ 7,639,705        |
| Cash received from other sources  | 39,896                   | 293,449             |
| Cash paid to suppliers and other vendors  | (375,861)                | (378,364)           |
| Issuance of loans receivable  | (350,000)                | (909,481)           |
| Repayment of loans receivable   | 1,852,367                | 543,975             |
| Repayment of notes receivable   | 61,879                   | 64,940              |
| Cash paid for salaries  | (456,348)                | (456,081)           |
| Cash paid for employee benefits   | (200,103)                | (174,628)           |
|   | <b>8,712,804</b>         | <b>6,623,515</b>    |
| <b>CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>                                |                          |                     |
| Proceeds from bond anticipation note  | -                        | 5,000,000           |
| Repayment of bond anticipation note   | (5,000,000)              | -                   |
| Debt service fees   | (11,800)                 | (13,050)            |
| Bond issuance costs   | (216,703)                | (30,716)            |
| Proceeds from bond issuance   | 17,470,000               | -                   |
| Repayments of bond principal  | (1,825,000)              | (2,270,000)         |
| Repayment of amounts due to the County of Schenectady   | (48,081)                 | (46,015)            |
| Interest paid   | (1,971,256)              | (2,094,820)         |
|   | <b>8,397,160</b>         | <b>545,399</b>      |
| <b>CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>                       |                          |                     |
| Purchase of office furniture and equipment  | <b>(7,507)</b>           | <b>(9,345)</b>      |
| <b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>   |                          |                     |
| Change in cash, restricted  | (4,746,845)              | 210,000             |
| Purchase from restricted investment reserves  | (1,267,415)              | -                   |
| Proceeds from restricted investment reserves  | -                        | 258,827             |
| Investment earnings received  | 56,578                   | 38,064              |
| Miscellaneous earnings received   | 10,948                   | 22,532              |
| Project grants and expenditures paid, net of project grant revenues received                        | (9,305,156)              | (7,763,352)         |
|   | <b>(15,251,890)</b>      | <b>(7,233,929)</b>  |
| <b>Net increase (decrease) in cash</b>  | <b>1,850,567</b>         | <b>(74,360)</b>     |
| <b>CASH, beginning of year</b>  | <b>1,346,006</b>         | <b>1,420,366</b>    |
| <b>CASH, end of year</b>  | <b>\$ 3,196,573</b>      | <b>\$ 1,346,006</b> |
| <b>RECONCILIATION OF NET OPERATING REVENUES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |                          |                     |
| Net operating revenues  | \$ 7,295,583             | \$ 6,907,458        |
| Adjustments to reconcile net operating revenues to net cash provided (used) by operating activities |                          |                     |
| Depreciation  | 20,633                   | 21,376              |
| Change in loan receivable   | 1,564,246                | (300,566)           |
| Change in accounts receivable   | (157,772)                | 2,232               |
| Change in prepaid expenses  | (9,886)                  | (6,985)             |
|   | <b>\$ 8,712,804</b>      | <b>\$ 6,623,515</b> |
| <b>SUPPLEMENTARY CASH FLOW INFORMATION</b>  |                          |                     |
| Noncash project expenditures  | \$ -                     | \$ 98,992           |

See accompanying Notes to Financial Statements.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

Notes to Financial Statements  
December 31, 2014 and 2013

## 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 (deficit)* consists of assets, liabilities, and deferred outflows that do not meet the definition of 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 in conformity with U.S. GAAP 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

(A Component Unit of Schenectady County)

## Notes to Financial Statements December 31, 2014 and 2013

### 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, 2014, restricted cash consisted of escrow deposits held as payment in lieu of taxes and funds held from the issuance of the 2014 general resolution bonds. At December 31, 2013, restricted cash consisted of escrow 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 periods ended December 31, 2014 and 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. 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 \$3,522,507 and \$3,340,714, 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, 2014 and 2013, respectively.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Notes to Financial Statements December 31, 2014 and 2013

### **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, 2014 and 2013, the Authority has an allowance of \$2,583,484 and \$1,618,157, 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, furniture and fixtures, and leasehold improvements is five 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, 2014 and 2013.

#### *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. New Accounting Pronouncements*

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes 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.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Notes to Financial Statements December 31, 2014 and 2013

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

#### *k. New Accounting Pronouncements - 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.

There was no significant impact to the Authority's financial statements as a result of adopting of GASB No. 69 and No. 70 as of January 1, 2014.

#### *l. Reclassification*

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

#### *m. Parking Operations*

In prior years, the Authority participated in projects to enhance parking opportunities within the City of Schenectady (City). The projects consisted of various City-owned lots and garages, some of which required significant renovations. The City became unable to provide sufficient resources for the capital improvements and maintenance costs associated with the projects and transferred title of several parking lots and a garage to the Authority in 2004. The City maintained the right to repurchase the projects through 2014. The Authority has and continues to operate the projects at a net loss as part of its revitalization mission. Accordingly, the parking rates charged by the Authority are not designed to recoup operating costs or fund future capital projects. The Authority's ability to dispose of the projects is restricted due to discounted multi-year parking arrangements with the State of New York and other organizations. Due to the financial constraints and the Authority's intent to manage the projects as an economic incentive activity rather than an operational enterprise activity, project costs are expensed as incurred.

#### *n. Subsequent Events*

The Authority has evaluated subsequent events for potential recognition or disclosure through March 26, 2015, 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,        |                      |
|--|---------------------|----------------------|
|  | 2014                | 2013                 |
| Loans receivable (a) (b)                         | \$ 13,139,246       | \$ 13,696,770        |
| Less allowance                                   | 2,383,484           | 1,418,157            |
| Less current installments                        | 1,017,094           | 1,062,851            |
| Loans receivable, less current installments, net | <u>\$ 9,738,668</u> | <u>\$ 11,215,762</u> |

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Notes to Financial Statements December 31, 2014 and 2013

### Note 2 - Loans Receivable - Continued

- (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 2033. Interest rates vary from 0% to 5%. Required monthly payments range from \$483 to \$8,772.

The following is a summary of changes in loans receivable during the year:

|   |                          |
|---|--------------------------|
| Loans receivable, January 1, 2014       | \$ 13,696,770            |
| Loans advanced                          | 350,000                  |
| Principal repayments                    | <u>(907,524)</u>         |
| <br>Loans receivable, December 31, 2014 | <br><u>\$ 13,139,246</u> |

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. Payments received on these loans totaled \$5,534 and \$-0- for the years ended December 31, 2014 and 2013, respectively.

Interest earnings on loans receivable were \$56,683 and \$28,069 for the years ended December 31, 2014 and 2013, 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.

*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.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Notes to Financial Statements December 31, 2014 and 2013

### Note 3 - Notes Receivable - Continued

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

|  | December 31, |            |
|--|--------------|------------|
|  | 2014         | 2013       |
| L&S Realty, Inc.                                 | \$ 58,774    | \$ 120,653 |
| 426 State Street Associates, LLC                 | 200,000      | 200,000    |
| 447 State Street                                 | 250,000      | 250,000    |
|  | 508,774      | 570,653    |
| Less allowance                                   | 200,000      | 200,000    |
| Less current installments                        | 58,774       | 61,879     |
| Notes receivable, less current installments, net | \$ 250,000   | \$ 308,774 |

### Note 4 - Grants Receivable

Grants receivable are summarized as follows:

|                     | December 31, |           |
|---------------------|--------------|-----------|
|                     | 2014         | 2013      |
| City of Schenectady | \$ 133,956   | \$ 3,986  |
| National Grid       | 250,000      | -         |
| Schenectady County  | 194,065      | 10,035    |
|                     | \$ 578,021   | \$ 14,021 |

### Note 5 - Capital Assets

Capital assets are summarized as follows:

|                                | January 1,<br>2014 | Additions   | December 31,<br>2014 |
|--------------------------------|--------------------|-------------|----------------------|
| Office furniture and equipment | \$ 254,817         | \$ 7,507    | \$ 262,324           |
| Leasehold improvements         | 26,874             | -           | 26,874               |
|                                | 281,691            | 7,507       | 289,198              |
| Accumulated depreciation       | (237,267)          | (20,633)    | (257,900)            |
|                                | \$ 44,424          | \$ (13,126) | \$ 31,298            |

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Notes to Financial Statements December 31, 2014 and 2013

### Note 5 - Capital Assets - Continued

|                                | January 1,<br>2013 | Additions   | December 31,<br>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            |

### Note 6 - 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. 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, as summarized below:

For the year ending December 31,

|                   |            |
|-------------------|------------|
| 2015              | \$ 49,225  |
| 2016              | 49,225     |
| 2017              | 49,225     |
| 2018              | 49,225     |
| 2019              | 49,225     |
| 2020 through 2024 | 229,718    |
|                   | \$ 475,843 |

### 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.

# Schenectady Metroplex Development Authority

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## Notes to Financial Statements December 31, 2014 and 2013

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

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.

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.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Notes to Financial Statements December 31, 2014 and 2013

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

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.

During January 2014, the Authority issued \$10,030,000 of General Resolution Bonds, Series 2014A, and \$7,440,000 of General Resolution Bonds, Series 2014B, to fund certain commercial real estate developments within the Authority's service district approved by the Authority's Board of Directors and refund Bond Anticipation Notes outstanding. The terms of the 2014A bonds include interest at rates ranging from 3.50% to 5.00% during the life of the bonds, payable on February 1 and August 1 of each year. The terms of the 2014B bonds include interest at rates ranging from 0.979% to 4.588% during the life of the bonds, payable on February 1 and August 1 of each year. The bonds include annual principal payments ranging from \$100,000 to \$1,335,000 and mature on August 1, 2033.

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,         |                      |
|---|----------------------|----------------------|
|   | 2014                 | 2013                 |
| General Resolution Bonds, Series 2005A          | \$ 8,295,000         | \$ 8,695,000         |
| General Resolution Bonds, Series 2005B          | 3,635,000            | 3,805,000            |
| General Resolution Bonds, Series 2006A          | 8,560,000            | 8,960,000            |
| General Resolution Bonds, Series 2010A          | 920,000              | 955,000              |
| General Resolution Bonds, Series 2010B          | 4,845,000            | 4,990,000            |
| General Resolution Refunding Bonds, Series 2012 | 11,745,000           | 12,420,000           |
| General Resolution Bonds, Series 2014A          | 10,030,000           | -                    |
| General Resolution Bonds, Series 2014B          | 7,440,000            | -                    |
| Bonds payable, end of year                      | <u>\$ 55,470,000</u> | <u>\$ 39,825,000</u> |

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Notes to Financial Statements December 31, 2014 and 2013

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

A summary of bond transactions is as follows:

|   | December 31,      |                   |
|---|-------------------|-------------------|
|   | 2014              | 2013              |
| Bonds payable, <i>beginning of year</i> | \$ 39,825,000     | \$ 42,095,000     |
| Bonds issued                            | 17,470,000        | -                 |
| Principal payments                      | (1,825,000)       | (2,270,000)       |
| <br>Bonds payable, <i>end of year</i>   | <br>\$ 55,470,000 | <br>\$ 39,825,000 |

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

|                                  | Principal     | Interest      | Total         |
|----------------------------------|---------------|---------------|---------------|
| For the year ending December 31, |               |               |               |
| 2015                             | \$ 2,585,000  | \$ 2,649,052  | \$ 5,234,052  |
| 2016                             | 2,675,000     | 2,555,003     | 5,230,003     |
| 2017                             | 2,785,000     | 2,451,900     | 5,236,900     |
| 2018                             | 2,895,000     | 2,337,389     | 5,232,389     |
| 2019                             | 3,015,000     | 2,213,675     | 5,228,675     |
| 2020 through 2024                | 17,360,000    | 8,803,389     | 26,163,389    |
| 2025 through 2029                | 17,420,000    | 4,236,825     | 21,656,825    |
| 2030 through 2033                | 6,735,000     | 1,000,996     | 7,735,996     |
|                                  | \$ 55,470,000 | \$ 26,248,229 | \$ 81,718,229 |

Interest expense for the years ended December 31, 2014 and 2013, was \$2,577,501 and \$2,042,102, respectively. Interest paid during the years ended December 31, 2014 and 2013, totaled \$2,359,171 and \$2,019,732, 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, |              |
|---------------------------------|--------------|--------------|
|                                 | 2014         | 2013         |
| Investment reserves, restricted |              |              |
| Bond Proceeds Fund              | \$ 21,729    | \$ -         |
| Debt Service Reserve Fund       | 2,622,333    | 1,745,645    |
| Debt Service Fund               | 1,350,935    | 981,937      |
|                                 | \$ 3,994,997 | \$ 2,727,582 |

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Notes to Financial Statements December 31, 2014 and 2013

### 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%.

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

|                                  | Principal  | Interest   | Total        |
|----------------------------------|------------|------------|--------------|
| For the year ending December 31, |            |            |              |
| 2015                             | \$ 50,240  | \$ 38,684  | \$ 88,924    |
| 2016                             | 52,495     | 36,429     | 88,924       |
| 2017                             | 54,853     | 34,072     | 88,925       |
| 2018                             | 57,315     | 31,609     | 88,924       |
| 2019                             | 59,889     | 29,035     | 88,924       |
| 2020 through 2024                | 342,277    | 102,343    | 444,620      |
| 2025 through 2029                | 244,496    | 22,276     | 266,772      |
|                                  | \$ 861,565 | \$ 294,448 | \$ 1,156,013 |

Interest expense for the years ended December 31, 2014 and 2013, was \$43,960 and \$42,134, respectively. Interest paid during the years ended December 31, 2014 and 2013, totaled \$58,081 and \$42,909, respectively.

### Note 9 - Grants Payable

Grants payable are summarized as follows:

|  | December 31, |      |
|--|--------------|------|
|  | 2014         | 2013 |
| Communications Test Design, Inc.       | \$ 175,000   | \$ - |
| Downtown Schenectady Improvement Corp. | 50,469       | -    |
|  | \$ 225,469   | \$ - |

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Notes to Financial Statements December 31, 2014 and 2013

### Note 10 - Project Grants and Commitments

Project grants distributed and expenditures incurred, net of project grant revenues, during the years ended December 31, 2014 and 2013, and unspent project commitments at December 31, 2014, were as follows:

|   | Project<br>Grants and<br>Expenditures<br>2014 | Unspent<br>Project<br>Commitments<br>at December 31,<br>2014 | Project<br>Grants and<br>Expenditures<br>2013 |
|---|---|--|---|
| AAA Northway Relocation                           | \$ 6,000                                      | \$ -   | \$ 6,891                                      |
| AAA Northway Rental                               | -   | 18,000   | -   |
| Adirondack Trailways Façade                       | -   | -  | 85,850  |
| Airport Technology Park Infrastructure            | -   | 60,445   | -   |
| Auterra, Inc. Relocation                          | -   | -  | 75,000  |
| Broadway Apartments                               | 2,000   | 125,121  | 32,879  |
| 318 Broadway Façade                               | -   | -  | 42,000  |
| 845 Broadway Housing                              | -   | -  | 57,345  |
| Communications Test Designs, Inc.                 | 193,800                                       | 16,200   | -   |
| County Business Parks/Smart Growth Initiative     | 221,625                                       | 1,296,375  | -   |
| Crossroads Gallery                                | 6,000   | -  | -   |
| DoubleTree by Hilton                              | 11,056  | 263,944  | -   |
| Downtown Above Ground Infrastructure              | 253,924                                       | -  | -   |
| Downtown Above Ground Infrastructure-Library      | 200,493                                       | 18,857   | -   |
| Downtown Fix-up Program                           | -   | 5,814  | 22,214  |
| Downtown Fix-up Program Phase 2                   | -   | 960,976  | -   |
| Downtown Schenectady Improvement Corporation 2013 | -   | 24,257   | 188,627                                       |
| Downtown Special Assessment District              | 155,097                                       | -  | -   |
| Draper School Redevelopment Project               | -   | -  | 3,945   |
| Eastern Avenue Revitalization                     | 220,174                                       | 22,471   | -   |
| 722 Eastern Avenue Revitalization                 | 14,131  | -  | -   |
| 803 Eastern Avenue Revitalization                 | 23,224  | -  | -   |
| 813 Eastern Avenue Façade                         | 12,186  | -  | 9,158   |
| 827 Eastern Avenue                                | 78,260  | -  | -   |
| 868 Eastern Avenue Façade                         | 4,619   | -  | -   |
| 140 Erie Boulevard Façade                         | 5,250   | 49,750   | -   |
| 167 Erie Boulevard                                | 29,448  | -  | -   |
| Foster Building                                   | 2,092   | 237,908  | 37,405  |
| Franklin Plaza                                    | 85,000  | 5,000  | -   |
| GEMx Advanced Battery                             | -   | -  | 22,051  |
| 2696 Hamburg Street                               | 24,813  | 85,187   | -   |
| Jay Street Lighting Project - Phase 2             | -   | -  | 12,805  |
| 111 Liberty Street                                | -   | 265,000  | -   |
| Lofts at Union Square                             | 15,050  | 114,950  | -   |
| Lower State Street Revitalization                 | 1,252,523                                     | 1,712,083  | 35,394  |
| Lower State Street Streetscape                    | 1,547,494                                     | -  | 152,506                                       |

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County)

## Notes to Financial Statements December 31, 2014 and 2013

### Note 10 - Project Grants and Commitments - Continued

|   | Project<br>Grants and<br>Expenditures<br>2014 | Unspent<br>Project<br>Commitments<br>at December 31,<br>2014 | Project<br>Grants and<br>Expenditures<br>2013 |
|---|---|--|---|
| M/E Engineering, P.C. Relocation                      | -   | -  | 33,333  |
| Mexican Radio Schenectady                             | -   | -  | 302,641                                       |
| 25 Mohawk Avenue                                      | -   | -  | 320,037                                       |
| National Grid EDP Grant                               | -   | -  | 134,200                                       |
| New York Biz Lab Façade                               | 2,250   | 317,750  | -   |
| 2013 Parking Infrastructure Improvements              | 923,985                                       | 292,318  | 783,697                                       |
| Parking Infrastructure Program                        | -   | -  | 35,153  |
| Parking Program                                       | 1,542,372                                     | -  | 1,459,597                                     |
| Parking Remediation                                   | 112,820                                       | 44,120   | 291,499                                       |
| Paul Mitchell School                                  | 50,000  | -  | -   |
| Proctors Key Hall                                     | -   | -  | 6,550   |
| Proctors Marquee                                      | 97,000  | -  | -   |
| Quirky, Inc.  | -   | 460,000  | -   |
| Rolling Greens  | -   | -  | 13,000  |
| Schenectady Armory                                    | -   | -  | 4,218   |
| Schenectady County Public Library                     | 200,763                                       | 18,487   | -   |
| 224 State Street                                      | 4,536   | -  | -   |
| 268 State Street                                      | 13,000  | -  | -   |
| 238-248 State Street Acquisition                      | 10,425  | -  | 12,048  |
| 254 State Street Acquisition                          | 16,403  | -  | 92,246  |
| 200-202 State Street Mixed-Use                        | 151,763                                       | -  | 75,765  |
| 400 State Street Cinema                               | 500,000                                       | -  | -   |
| 411 State Street, LLC                                 | 200,000                                       | -  | -   |
| 426 State Street                                      | 250,000                                       | -  | -   |
| 515 State Street Mixed-Use                            | 68,742  | -  | 2,000   |
| Stratton Air National Guard Base Support Grant (2013) | -   | 25,000   | -   |
| 13 State Street Purchase (YMCA)                       | 1,764,989                                     | 282,004  | -   |
| Transfinder Corporation Relocation                    | -   | -  | 77,514  |
| Upper Union Street Façade Programs                    | 87,225  | -  | -   |
| Upper Union Streetscape                               | -   | -  | 14,206  |
| 108 Union Street Façade                               | -   | 45,000   | -   |
| 1598 Union Street Façade                              | 11,000  | -  | -   |
| 602 Union Street                                      | 15,000  | -  | -   |
| 1611-1613 Union Street                                | 60,000  | 30,000   | -   |
| Washington Avenue Median                              | 1,748   | 12,747   | 305,505                                       |
| 906 Woodland Street                                   | 2,390   | -  | -   |
| Professional services and predevelopment costs (a)    | 363,889                                       | -  | 458,600                                       |
|   | <u>10,814,559</u>                             | <u>\$ 6,809,764</u> (b)                                      | <u>5,205,879</u>                              |
| Project grant revenues                                | <u>(2,217,848)</u>                            |  | <u>(1,185,779)</u>                            |
|   | <u>\$ 8,596,711</u>                           |  | <u>\$ 4,020,100</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.

# Schenectady Metroplex Development Authority

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## Notes to Financial Statements December 31, 2014 and 2013

### Note 10 - Project Grants and Commitments - Continued

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

From inception through December 31, 2014, the Authority has approved project grants, expenditures, and loans totaling \$165,930,421 and \$159,120,657, of which has been distributed.

### Note 11 - Net Position

The Authority has reported a deficit in its net position as of December 31, 2014. 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 12 - 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:

|      |    |        |
|------|----|--------|
| 2015 | \$ | 96,359 |
| 2014 |    | 86,404 |
| 2013 |    | 73,965 |
| 2012 |    | 53,694 |

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

# Schenectady Metroplex Development Authority

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## Notes to Financial Statements December 31, 2014 and 2013

### Note 13 - 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, 2014, the Authority had issued a total of \$73,805,000 in bonds. There were \$55,470,000 and \$39,825,000 of outstanding obligations, related to its General Resolution Bonds described in Note 8, at December 31, 2014 and 2013, respectively.

#### b. Collateralization, Bank Deposits

The Authority's cash deposits must be fully collateralized at all times. As of December 31, 2014, 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.

Total lease expense was \$56,517 and \$55,068 at December 31, 2014 and 2013, respectively.

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

|                                  |                  |
|----------------------------------|------------------|
| For the year ending December 31, |                  |
| 2015                             | <u>\$ 56,518</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, 2014, the Authority recognized sales tax revenues of \$8,308,746. As of December 31, 2014, the Authority has outstanding project and loan commitments totaling \$6,809,764, which the Authority has authorized to be distributed in the next fiscal year. The Authority also has current liabilities of \$6,127,350 at December 31, 2014, payable during 2015.

As of December 31, 2014, the Authority was not obligated to return revenues to the County, other than those described in Note 8.

# Schenectady Metroplex Development Authority

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Notes to Financial Statements  
December 31, 2014 and 2013

## Note 13 - Commitments and Contingencies - Continued

### *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, management and counsel are unable to predict any final outcome.

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 14 - Accounting Pronouncements Issued But Not Yet Implemented

Governmental Accounting Standards Board (GASB) 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.

# Schenectady Metroplex Development Authority

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Notes to Financial Statements  
December 31, 2014 and 2013

## **Note 14 - Accounting Standard Issued But Not Yet Implemented - Continued**

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.



**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, 2014, 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 26, 2015.

**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, including *Investment Guidelines for Public Authorities*, 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 26, 2015