

**Schenectady Metroplex Development
Authority**

(A Component Unit of Schenectady County, New York)

Financial Report

December 31, 2015 and 2014

Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Financial Report

December 31, 2015 and 2014

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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, New York), which comprise the statements of net position as of December 31, 2015 and 2014, 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 audits 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, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the Authority has restated its financial statements as of and for the year ended December 31, 2014, to retroactively implement Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 15 and the required supplementary information listed in the accompanying table of contents, 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 Information

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements as a whole. The statistical information in the accompanying management's discussion and analysis is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2016, 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 30, 2016

Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Management's Discussion and Analysis December 31, 2015 and 2014

The Schenectady Metroplex Development Authority, hereafter referred to as the Authority, is pleased to present its Financial Report for the years ended December 31, 2015 and 2014, developed in compliance with accounting principles generally accepted in the United States of America (U.S. GAAP). We encourage readers to consider the information presented on pages 4 to 15 in conjunction with the Authority's financial statements (presented on pages 16 to 18) 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 Fiscal 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 U.S. GAAP.

Audit Assurance

The unmodified (i.e., clean) opinion of our independent external auditors, SaxBST LLP, is included on pages 1 to 3 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, 2015. This information should be read in conjunction with the financial statements.

Financial Highlights

The year 2015 marked another strong 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 2015 results:

- Total operating revenues declined by only .8% from those of the prior fiscal period, reflecting a strong performance of the local economy despite declines in fuel prices. The Authority's sales tax revenues reached \$8.2 million, down only slightly from its historical high of \$8.3 million in 2014, which was 5.7% over those of 2013. Management expects revenues to continue to improve as the local economy continues its growth over the next several years.

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Management's Discussion and Analysis December 31, 2015 and 2014

Financial Highlights - Continued

- Total operating expenses declined to \$981,723 in 2015, a 5.6% decline over those of 2014, and 4.1% lower than 2013, due to staffing changes, employee health, and New York State and Local Employees' Retirement System costs.
- Other financing expenses for 2015 were 18.8% lower than those of 2014, and 5.6% higher than those of 2013 due to the Authority's issuances of over \$20 million in refunding bonds in 2015 and \$17.4 million in new bonds in 2014.
- Total assets at the end of 2015 declined 12.5% from the prior year to \$24.8 million, and yet higher by 18.1% from the 2013 year-end with bond project funds comprising the bulk of the changes. Net operating revenues for the period showed little change from the prior year, and were also 5.6% higher than those of 2013. Consequently, net position was increased by \$5 million in 2015, compared to \$4.5 million in 2014 and \$4.8 million in 2013, as a result of operations.
- Net project grants and expenditures declined by \$3.7 million to \$4.5 million, and were \$0.8 million more than those of 2013. Undistributed project commitments also declined to \$4.5 million at the end of 2015, as compared to \$6.8 million at 2014 and \$11.6 million at the end of 2013.
- The Authority issued \$20,380,000 of general refunding bonds during 2015.

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 amount 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 (deficit) represents the accumulated earnings (losses) 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.

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Management's Discussion and Analysis December 31, 2015 and 2014

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.

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Management's Discussion and Analysis December 31, 2015 and 2014

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,				
	2015	2015 vs. 2014	2014 (Restated)	2014 vs. 2013	2013
ASSETS					
Current assets	\$ 10,769,985	-23.4%	\$ 14,055,381	108.3%	\$ 6,746,857
Capital assets, net	29,706	-5.1%	31,298	-29.5%	44,424
Other assets	14,049,927	-1.9%	14,319,111	0.5%	14,252,118
Total assets	<u>24,849,618</u>	-12.5%	<u>28,405,790</u>	35.0%	<u>21,043,399</u>
DEFERRED OUTFLOWS, net	<u>1,409,805</u>	196.3%	<u>475,843</u>	-9.4%	<u>525,068</u>
LIABILITIES					
Current liabilities	5,536,609	-10.4%	6,182,453	25.2%	4,939,800
Long-term debt	52,753,110	-3.9%	54,916,103	22.8%	44,720,993
Total liabilities	<u>58,289,719</u>	-4.6%	<u>61,098,556</u>	23.0%	<u>49,660,793</u>
NET POSITION					
Investment in capital assets	29,706	-5.1%	31,298	-29.5%	44,424
Restricted	7,188,682	-17.8%	8,741,842	220.5%	2,727,582
Unrestricted	<u>(39,248,684)</u>	-4.2%	<u>(40,990,063)</u>	32.8%	<u>(30,864,332)</u>
Total net position	<u>\$ (32,030,296)</u>	-0.6%	<u>\$ (32,216,923)</u>	14.7%	<u>\$ (28,092,326)</u>

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

	Years Ended December 31,				
	2015	2015 vs. 2014	2014 (Restated)	2014 vs. 2013	2013
Sales tax revenue	\$ 8,242,669	-0.8%	\$ 8,308,746	5.7%	\$ 7,857,943
Other operating revenues	33,174	11.0%	29,896	-59.0%	72,979
Total operating revenues	<u>8,275,843</u>	-0.8%	<u>8,338,642</u>	5.1%	<u>7,930,922</u>
Depreciation and amortization	20,846	1.0%	20,633	-3.5%	21,376
Other operating expenses	960,877	-6.0%	1,022,426	2.0%	1,002,088
Total operating expenses	<u>981,723</u>	-5.9%	<u>1,043,059</u>	1.9%	<u>1,023,464</u>
Net operating revenues	7,294,120	0.0%	7,295,583	5.6%	6,907,458
Non operating expenses, net	<u>(2,248,569)</u>	-18.8%	<u>(2,768,366)</u>	30.0%	<u>(2,129,260)</u>
Increase in net position	5,045,551	11.4%	4,527,217	-5.3%	4,778,198
NET POSITION, beginning of year	<u>(32,216,923)</u>	14.7%	<u>(28,092,326)</u>	-2.6%	<u>(28,850,424)</u>
NET POSITION, end of year prior to restatement	<u>(27,171,372)</u>		<u>(23,565,109)</u>		<u>(24,072,226)</u>
Effect of adoption of GASB 68 and 71	-		(55,103)		-
Project grants, net of project grant revenues	<u>(4,858,924)</u>	-43.5%	<u>(8,596,711)</u>	113.8%	<u>(4,020,100)</u>
NET POSITION, end of year	<u>\$ (32,030,296)</u>	-0.6%	<u>\$ (32,216,923)</u>	14.7%	<u>\$ (28,092,326)</u>

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Management's Discussion and Analysis December 31, 2015 and 2014

General Trends and Significant Events

During 2015, 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 2015 were 76.6% of those of 2014 and represented 43.3% of total assets as compared to 49.5% in 2014 and 32.1% in 2013. Total operating expenses in 2015 declined by \$61,336 from the prior year, and represented less than 11.9% of total revenues, comparable to 2013 and 2012 levels. Total revenues of over \$8.2 million are comparable to those of 2014, which represented 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 2015, exclusive of unrealized gain/loss on investments, was \$8,275,843 compared to \$8,338,642 in 2014 and \$7,930,922 in 2013.

Expenses

Total operating expenses for the year 2015 were \$981,723 compared to \$1,043,059 in 2014 and \$1,023,464 in 2013.

Long-Term Obligations

During May 2015, the Authority issued \$20,380,000 of general obligation refunding bonds to refinance certain previous obligations.

As of December 31, 2015, the Authority had \$53,810,000 in bonds outstanding related to six separate general resolution bond issues in 2005, 2006, 2010, 2012, 2014, and 2015. The bonds mature in 2016, 2016, 2033, 2027, 2033, and 2028 respectively. Principal payments related to these bonds will total \$2,945,000 during 2016. Cash or equivalents on hand for future debt service payments at December 31, 2015, were approximately \$4.3 million.

More detailed information about the Authority's long-term obligations is presented in the notes to the financial statements on pages 27 to 29.

Project Grants and Commitments

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, 2015, the Authority had distributed grants of \$1,724,000 and had incurred expenses of \$54,903 in connection with this project.

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Management's Discussion and Analysis December 31, 2015 and 2014

Project Grants and Commitments - Continued

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, 2015, the Authority had distributed grants of \$50,000 and had incurred expenses of \$5,000 in connection with this project.

1611-1613 Union Street

The Authority has approved grants of \$75,000 and related expenses of \$10,000 for this project. As of December 31, 2015, the Authority had distributed grants of \$75,000 and had incurred expenses of \$10,000 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, 2015, the Authority had incurred expenses of \$1,859,341 in connection with this project.

23 State Street

The Authority has approved grants of \$5,972 for this project. As of December 31, 2015, the Authority had distributed grants of \$5,972 in connection with this project.

242 Broadway

The Authority has approved grants of \$225,000 and related expenses of \$80,000 for this project. As of December 31, 2015, the Authority had distributed grants of \$225,000 and had incurred expenses of \$47,803 in connection with this project.

2696 Hamburg Street (GU)

The Authority has approved grants of \$95,000 and related expenses of \$26,862 for this project. As of December 31, 2015, the Authority had distributed \$95,000 of grants and had incurred expenses of \$26,862 in connection with this project.

400 State Street Cinema

The Authority has approved loans of \$3,960,000, grants of \$750,000, and related expenses of \$355,743. As of December 31, 2015, the Authority had distributed \$3,960,000 of loans, grants of \$750,000, and incurred expenses of \$355,743 in connection with this project.

515 State Street Rehabilitation

The Authority has approved grants of \$50,000 and related expenses of \$28,600 for this project. As of December 31, 2015, the Authority had distributed grants of \$50,000 and had incurred expenses of \$28,600 in connection with this project.

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Management's Discussion and Analysis December 31, 2015 and 2014

Project Grants and Commitments - Continued

820 Eastern Avenue

The Authority has approved grants of \$20,000 for this project. As of December 31, 2015, the Authority had distributed grants of \$12,250 in connection with this project.

823 Eastern Avenue

The Authority has approved grants of \$75,000 and related expenses of \$15,000 for this project. As of December 31, 2015, the Authority had not distributed any grants and had incurred expenses of \$5,090 in connection with this project.

839 Eastern Avenue

The Authority has approved expenditures of \$30,000 for this project. As of December 31, 2015, the Authority had incurred expenses of \$7,090 in connection with this project.

AAA Northway Relocation & Subsidy

The Authority has approved grants of \$108,000 and related expenses of \$174,184 for this project. As of December 31, 2015, the Authority had distributed grants of \$96,000 and had incurred expenses of \$174,184 in connection with this project.

Absolute Tile Façade

The Authority has approved grants of \$13,500 for this project. As of December 31, 2015, the Authority had distributed grants of \$13,500 in connection with this project.

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, 2015, the Authority had not distributed any grants and had not incurred any expenses in connection with this project.

Albany Distillery

The Authority has approved grants of \$60,000 and related expenses of \$20,000 for this project. As of December 31, 2015, the Authority had not distributed any grants and had incurred expenses of \$6,585 in connection with this project.

Amtrak Rail Station

The Authority has approved grants of \$68,000 for this project. As of December 31, 2015, the Authority had distributed grants of \$16,383 in connection with this project.

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Project Grants and Commitments - Continued

Bel Cibo Bistro

The Authority has approved grants of \$7,500 for this project. As of December 31, 2015, the Authority had distributed grants of \$7,500 in connection with this project.

Broadway Apartments

The Authority has approved loans of \$270,000 and related expenses of \$160,000 for this project. As of December 31, 2015, the Authority had distributed loans of \$270,000 and had incurred expenses of \$43,402 in connection with this project.

Capoccia Wine Lounge

The Authority has approved grants of \$60,000 and related expenses of \$20,000 for this project. As of December 31, 2015, the Authority had distributed grants of \$30,000 and had not incurred any expenses in connection with this project.

City Hall Barber Shop

The Authority has approved grants of \$5,000 for this project. As of December 31, 2015, the Authority had distributed \$5,000 of grants in connection with this project.

Communications Test Designs, Inc.

The Authority has approved expenditures of \$193,800 for this project. As of December 31, 2015, 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, 2015, the Authority had incurred expenses of \$260,006 in connection with this project.

Courtyard By Marriott

The Authority has approved expenditures of \$75,000 for this project. As of December 31, 2015, the Authority had incurred expenses of \$40,135 in connection with this project.

David Louis Flooring

The Authority has approved forgiving \$20,000 of principal as part of the original loan agreement with David Louis Flooring.

DoubleTree by Hilton

The Authority has approved grants of \$250,000 and related expenses of \$50,889 for this project. As of December 31, 2015, the Authority had distributed grants of \$250,000 and had incurred expenses of \$50,889 in connection with this project.

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Management's Discussion and Analysis December 31, 2015 and 2014

Project Grants and Commitments - Continued

Downtown Fix-up Program

The Authority has approved expenditures of \$2,680,200 for this project. As of December 31, 2015, the Authority had incurred expenses of \$2,428,707 in connection with this project.

Downtown High Definition Cameras

The Authority has approved grants of \$105,000 for this project. As of December 31, 2015, the Authority had distributed grants of \$104,686 in connection with this project.

Downtown Parking Infrastructure

The Authority has approved grants of \$189,000 for this project. As of December 31, 2015, the Authority had not distributed any grants in connection with this project.

Downtown Schenectady Improvement Corporation

The Authority has approved grants of \$106,650 for this project. As of December 31, 2015, the Authority had distributed grants of \$144,413 in connection with this project.

Draper Lofts

The Authority has approved expenditures of \$125,000 for this project. As of December 31, 2015, the Authority had not incurred any expenses in connection with this project.

Eastern Avenue Revitalization

The Authority has approved expenditures of \$280,000 for this project. As of December 31, 2015, the Authority had incurred expenses of \$280,000 in connection with this project.

Foster Building Redevelopment

The Authority has approved grants of \$200,000, loans of \$487,851 and related expenses of \$40,000 for this project. As of December 31, 2015, the Authority had made \$487,000 in loans, had not distributed any grants, and had incurred expenses of \$45,611 in connection with this project.

Franklin Plaza

The Authority has approved grants of \$75,000 and related expenses of \$10,000 for this project. As of December 31, 2015, the Authority had distributed grants of \$75,000 and had incurred expenses of \$10,000 in connection with this project.

Glenville Rail

The Authority has approved grants of \$25,000 for this project. As of December 31, 2015, the Authority had distributed grants of \$25,000 in connection with this project.

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Management's Discussion and Analysis December 31, 2015 and 2014

Project Grants and Commitments - Continued

Glenville Town Center Lighting

The Authority has approved grants of \$90,000 for this project. As of December 31, 2015, the Authority had distributed grants of \$1,125 in connection with this project.

Glenwyck Manor Housing

The Authority has approved expenditures of \$10,000 for this project. As of December 31, 2015, the Authority had not incurred any expenses in connection with this project.

Katz Kafe

The Authority has approved grants of \$1,875 for this project. As of December 31, 2015, the Authority had distributed grants of \$1,875 in connection with this project.

Lakshmi Relocation

The Authority has approved grants of \$50,000 and related expenses of \$2,524 for this project. As of December 31, 2015, the Authority had distributed grants of \$50,000 and had incurred expenses of \$2,524 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, 2015, the Authority had not distributed any grants and had incurred expenses of \$35,050 in connection with this project.

Lower State Street Revitalization

The Authority has approved expenditures of \$1,668,400 for this project. As of December 31, 2015, the Authority had incurred expenses of \$1,640,012 in connection with this project.

Mazzone Hospitality

The Authority has approved expenditures of \$20,000 for this project. As of December 31, 2015, the Authority had incurred expenses of \$8,850 in connection with this project.

Mohawk Harbor Site Preparation

The Authority has approved expenditures of \$99,180 for this project. As of December 31, 2015, the Authority had incurred expenses of \$99,180 in connection with this project.

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, 2015, the Authority had distributed grants of \$237,843 and had incurred expenses of \$2,295 in connection with this project.

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Project Grants and Commitments - Continued

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 parking program revenues, and the operating expenses will be recorded as parking program expenditures. During the year 2015, the Authority had expenditures of \$1,660,183 in connection with this project.

Parking Remediation

The Authority has approved expenditures of \$925,880 for this project. As of December 31, 2015, the Authority had incurred expenses of \$925,880 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, 2015, the Authority had distributed grants of \$382,660 and had not incurred any expenses in connection with this project.

REVA, Inc.

The Authority has approved grants of \$35,000 and related expenses of \$5,000 for this project. As of December 31, 2015, the Authority had not distributed any and had not incurred any expenses in connection with this project.

Robinson Block Redevelopment

The Authority has approved grants of \$1,500,000, loans of \$328,000 and related expenses of \$80,000 for this project. As of December 31, 2015, the Authority had distributed grants of \$540,599 and had incurred expenses of \$48,918 in connection with this project.

Rotterdam Corporate Park Warehouse

The Authority has approved expenditures of \$20,000 for this project. As of December 31, 2015, the Authority had incurred expenses of \$2,768 in connection with this project.

Schenectady County Visitors Agency

The Authority has approved grants of \$23,500 for this project. As of December 31, 2015, the Authority had distributed grants of \$17,000 and had not incurred any expenses 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 31, 2015, the Authority had not distributed any grants in connection with this project.

Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Management's Discussion and Analysis December 31, 2015 and 2014

Project Grants and Commitments - Continued

Tara's Kitchen

The Authority has approved grants of \$10,000 for this project. As of December 31, 2015, the Authority had distributed grants of \$10,000 in connection with this project.

Washington Avenue Median

The Authority has approved expenditures of \$320,000 for this project. As of December 31, 2015, the Authority had incurred expenses of \$307,253 in connection with this project.

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.

Three new members were appointed to the Board by the County Legislature to replace those whose terms had expired.

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

Contacting the Authority's Director of Finance

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

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, 2018
Karen Zalewski-Wildzunas	Treasurer	December 31, 2018
Sharon A. Jordan	Secretary	December 31, 2018
Nancy Casso		December 31, 2018
Robert J. Dieterich		December 31, 2018
Todd Edwards		December 31, 2018
Neil M. Golub		December 31, 2018
John Mallozzi		December 31, 2018
Robert J. Mantello		December 31, 2018
Paul Webster		December 31, 2018

Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Statements of Net Position

	December 31,	
	2015	2014 (Restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, unrestricted	\$ 2,658,446	\$ 3,196,573
Cash and cash equivalents, restricted	3,308,944	5,546,845
Sales tax receivable	3,424,250	3,522,507
Current installments of loans receivable, net	677,250	1,017,094
Grants receivable	550,000	578,021
Other receivables	60,934	14,986
Current installments of CDBG receivables, net	-	14,244
Current installments of notes receivable, net	-	58,774
Interest receivable	3,271	19,069
Prepaid expenses	86,890	87,268
Total current assets	10,769,985	14,055,381
CAPITAL ASSETS, net	29,706	31,298
OTHER ASSETS		
Loans receivable, less current installments, net	9,146,589	9,738,668
Note receivable, less current installments, net	250,000	250,000
CDBG receivable, less current installments, net	310,000	335,446
Investment reserves, restricted	4,343,338	3,994,997
	14,049,927	14,319,111
Total assets	24,849,618	28,405,790
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding, net	1,371,975	475,843
Deferred outflows related to net pension liability	37,830	-
Total deferred outflows of resources	1,409,805	475,843
LIABILITIES		
CURRENT LIABILITIES		
Current installments of bonds payable	2,945,000	2,585,000
Accounts payable and accrued expenses	195,513	891,345
Accrued interest	838,227	1,067,811
Due to the County of Schenectady, current portion	52,495	50,240
Grants payable	490,599	225,469
Unearned revenue	419,809	417,313
Premium on bonds, net of amortization, current portion	90,172	90,172
Net pension liability	41,194	55,103
Escrow payable	463,600	800,000
Total current liabilities	5,536,609	6,182,453
LONG-TERM DEBT		
Bonds payable, less current installments	50,865,000	52,885,000
Due to the County of Schenectady, less current portion	758,830	811,325
Premium on bonds, net of amortization, less current portion	1,129,280	1,219,778
	52,753,110	54,916,103
Total liabilities	58,289,719	61,098,556
NET POSITION		
Investment in capital assets, net	29,706	31,298
Restricted	7,188,682	8,741,842
Unrestricted (deficit)	(39,248,684)	(40,990,063)
Total net position	\$ (32,030,296)	\$ (32,216,923)

See accompanying Notes to Financial Statements.

Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,	
	2015	2014 (Restated)
OPERATING REVENUES		
Sales tax revenues	\$ 8,242,669	\$ 8,308,746
Other income	33,174	29,896
	8,275,843	8,338,642
OPERATING EXPENSES		
Payroll	472,082	456,348
Payroll taxes	40,485	38,627
Pension plan	35,552	94,067
Health insurance	56,448	67,409
Other employee benefits	5,259	5,309
Accounting	66,400	65,425
Advertising	5,244	12,857
Automobile	1,086	5,277
Consulting	13,809	5,470
Depreciation	20,846	20,633
Dues and subscriptions	5,323	5,441
Hosting and travel	5,081	4,740
Insurance	52,825	48,288
Legal	48,645	51,016
Office supplies	8,504	12,371
Postage	849	1,428
Rent	56,517	56,517
Repairs and maintenance	21,358	20,555
Resource data	43,100	44,624
Utilities	22,310	26,657
	981,723	1,043,059
Net operating revenues	7,294,120	7,295,583
NON-OPERATING REVENUES (EXPENSES)		
Investment earnings	64,152	70,650
Interest expense, net	(2,109,632)	(2,621,461)
Bond issuance costs	(200,145)	(216,703)
Debt service fees	(13,500)	(11,800)
Miscellaneous income	10,556	10,948
	(2,248,569)	(2,768,366)
Change in net position	5,045,551	4,527,217
NET POSITION, <i>beginning of year</i>	(32,216,923)	(28,092,326)
NET POSITION, <i>end of year prior to restatement</i>	(27,171,372)	(23,565,109)
Effect of adoption of GASB 68 and 71	-	(55,103)
Project grants and expenditures, net of project grant revenues	(4,858,924)	(8,596,711)
NET POSITION, <i>end of year</i>	\$ (32,030,296)	\$ (32,216,923)

See accompanying Notes to Financial Statements.

Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Statements of Cash Flows

	Years Ended December 31,	
	2015	2014
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash received from sales tax revenues	\$ 8,144,412	\$ 8,140,974
Cash received from other sources	183,740	39,896
Cash paid to suppliers and other vendors	(355,932)	(375,861)
Issuance of loans receivable	(487,850)	(350,000)
Repayment of loans receivable	698,911	1,852,367
Repayment of notes receivable	58,774	61,879
Cash paid for salaries	(472,082)	(456,348)
Cash paid for employee benefits	(132,485)	(200,103)
	7,637,488	8,712,804
CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES		
Repayment of bond anticipation note	-	(5,000,000)
Debt service fees	(13,500)	(11,800)
Bond issuance costs	-	(216,703)
Proceeds from bond issuance	-	17,470,000
Repayments of bond principal	(3,210,000)	(1,825,000)
Repayment of amounts due to the County of Schenectady	(50,240)	(48,081)
Interest paid	(2,429,714)	(1,971,256)
	(5,703,454)	8,397,160
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of office furniture and equipment	(19,254)	(7,507)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Change in cash, restricted	2,237,901	(4,746,845)
Purchase from restricted investment reserves	67,552	(1,267,415)
Investment earnings received	79,950	56,578
Miscellaneous earnings received	10,556	10,948
Project grants and expenditures paid, net of project grant revenues received	(4,848,866)	(9,305,156)
	(2,452,907)	(15,251,890)
Net increase (decrease) in cash	(538,127)	1,850,567
CASH, beginning of year	3,196,573	1,346,006
CASH, end of year	\$ 2,658,446	\$ 3,196,573
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net operating revenues	\$ 7,294,120	\$ 7,295,583
Adjustments to reconcile net operating revenues to net cash provided (used) by operating activities		
Depreciation	20,846	20,633
Change in loan receivable	269,835	1,564,246
Change in accounts receivable	52,309	(157,772)
Change in prepaid expenses	378	(9,886)
	7,637,488	8,712,804
SUPPLEMENTARY CASH FLOW INFORMATION		
2015 Bond refunding proceeds placed in escrow	\$ 20,274,137	\$ -
2015 Bond refunding proceeds used to pay bond issuance costs	201,121	-
Redeemed/defeased bonds	19,250,000	-

See accompanying Notes to Financial Statements.

Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Notes to Financial Statements December 31, 2015 and 2014

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 as a component unit of Schenectady County, New York, 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 net position."

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

c. Estimates

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

Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Notes to Financial Statements December 31, 2015 and 2014

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, 2015 and 2014, restricted cash consisted of escrow deposits held on account of others for the payment of future obligations and funds held from the issuance of the 2014 general resolution bonds.

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

g. Investment Reserves

For the periods ended December 31, 2015 and 2014, the Authority's investments are composed of U.S. Treasury money markets and cash. 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.

For the purposes of reporting cash flows, investment reserves are treated as an investing activity.

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 \$3,424,250 and \$3,522,507, 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, 2015 and 2014, respectively.

Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Notes to Financial Statements December 31, 2015 and 2014

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, 2015 and 2014, the Authority has an allowance of \$2,754,346 and \$2,583,483, 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. Leasehold improvements are amortized over the shorter of the life of the asset or the life of the lease with amortization being included in depreciation expense. The estimated useful life for office furniture 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, 2015 and 2014.

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. 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.

Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Notes to Financial Statements December 31, 2015 and 2014

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

k. New Accounting Pronouncements - Continued

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. This statement addresses an issue regarding the application of the transition provisions of Statement No. 68, *Accounting and Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of the statement are to be adopted simultaneously with Statement No. 68.

The Authority adopted these accounting standards effective January 1, 2015. As a result, the Authority now reports its proportionate share of the net pension liability, along with related deferred outflows of resources, and pension expense, as determined by the State and Local Employees' Retirement System. The adoption of GASB No. 68 and No. 71 was applied retroactively. Accordingly, the Authority restated its net position as of December 31, 2014, by recording its net position liability of \$55,103 and restating net position by \$55,103.

l. 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 2015. 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.

m. Deferred Outflows

The Authority reports deferred outflows of resources on its statement of net position in connection with the changes in the net pension liability that will be amortized into pension expense over time and a deferred loss on a bond refunding, which will be amortized over the remaining life of the defeased bonds. See Notes 6 and 12 for further discussions.

Pension related deferred outflows of resources and deferred inflows of resources may occur due to differences between expected and actual experience, changes in actuarial assumptions, the net difference between projected and actual investment earnings on pension plan investments, changes in proportion and difference between employer contributions and proportionate share of contributions and employer contributions made subsequent to the measurement date.

Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Notes to Financial Statements December 31, 2015 and 2014

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

n. Pensions

Pensions are recognized using the accrual basis of accounting. The Authority recognizes a net pension liability for the pension plan which represents the Authority's proportionate share of the excess total pension liability over the pension plan assets, as actuarially calculated, of a cost-sharing multiple-employer plan, measured as of the fiscal year-end of the plan (March 31st). Changes in the net pension liability during the period are recorded as pension expense or deferred outflows and/or inflows of resources, depending upon the nature of the change, in the period incurred. Those changes in the net pension liability that are deferred outflows and/or inflows of resources are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component (reduction) of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

The change in the Authority's proportionate share of the collective net pension liability and collective deferred outflows of resources related to the pension plan since the prior measurement date is recognized in the current reporting period over a closed period that is equal to the average of the expected remaining service lives of all employees provided with a pension through the pension plan. The amount not recognized in pension expense is reported as a deferred outflow and/or inflow of resources related to the pension plan. For the contribution to the pension plan, the difference during the measurement period between the total amount of the Authority's contribution and the amount of the Authority's proportionate share of the total of such contributions from all employers and all nonemployee contributing entities is recognized in the Authority's pension expense, beginning in the current reporting period, over a closed period that is equal to the average of the expected remaining service lives of all employees provided with a pension through the plan. The amount not recognized in the pension expense is reported as a deferred outflow of resources or deferred inflow of resources related to the pension plan.

Contributions to the pension plan are recognized as reductions in the net pension liability. Contributions to the plan made subsequent to the measurement date but before the Authority's year-end are reported as deferred outflows of resources.

Changes in total pension liability arising from changes of benefit terms are required to be included in pension expense in the period the change is first reported in the net pension liability. The changes in the total pension liability resulting from: 1) differences between expected and actual experience with regard to economic and demographic factors and 2) changes in assumptions regarding the expected future behavior of economic and demographic factors or of other inputs are recognized as a deferred outflow of resources or a deferred inflow of resources related to the pension plan and included in the pension expense over a period equal to the average of the expected remaining service lives of all employees who are provided with benefits through the plan.

The Authority's proportionate net pension liability, pension expense, deferred outflows of resources (if any), and deferred inflow of resources (if any) is allocated using covered payroll of the Authority.

o. Subsequent Events

The Authority has evaluated subsequent events for potential recognition or disclosure through March 30, 2016, the date the financial statements were available to be issued.

Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Notes to Financial Statements December 31, 2015 and 2014

Note 2 - Loans Receivable

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

	December 31,	
	2015	2014
Loans receivable (a) (b)	\$ 12,878,185	\$ 13,139,246
Less allowance	3,054,346	2,383,484
Less current installments	677,250	1,017,094
Loans receivable, less current installments, net	<u>\$ 9,146,589</u>	<u>\$ 9,738,668</u>

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

(b) The loans include terms which vary with each loan. Maturity periods vary up to a maximum of 20 years. The latest maturity date is December 2033. Interest rates vary from 0% to 5%. Required monthly payments range from \$580 to \$10,070.

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

Loans receivable, January 1, 2015	\$ 13,139,246
Loans advanced	487,850
Principal repayments	(698,911)
Loans written off	<u>(50,000)</u>
Loans receivable, December 31, 2015	<u>\$ 12,878,185</u>

During 2013, the Authority was assigned the loans receivable and Community Development Block Grant receivable balances of the Schenectady Local Development Corporation, which approximated \$365,000. The amounts received, including cash, were recorded to unearned revenue and is being recorded to other income as the receivable is collected. The Authority has fully reserved for these loan balances and is investigating collection options. Payments received on these loans totaled \$39,690 and \$5,534 for the years ended December 31, 2015 and 2014, respectively.

Interest earnings on loans receivable were \$62,438 and \$56,683 for the years ended December 31, 2015 and 2014, 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 matured in December 2015.

Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Notes to Financial Statements December 31, 2015 and 2014

Note 3 - Notes Receivable - Continued

b. 426 State Street Associates, LLC

During July 2006, the Authority sold real property to 426 State Street Associates, LLC for \$200,000. As consideration, the Authority received a 10-year unsecured 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 unsecured note receivable with no interest. The entire principal balance of the note is due December 2028, or upon sale of the property.

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

	December 31,	
	2015	2014
L&S Realty, Inc.	\$ -	\$ 58,774
426 State Street Associates, LLC	200,000	200,000
447 State Street	250,000	250,000
	450,000	508,774
Less allowance	200,000	200,000
Less current installments	-	58,774
	\$ 250,000	\$ 250,000

Note 4 - Grants Receivable

Grants receivable are summarized as follows:

	December 31,	
	2015	2014
National Grid	\$ 550,000	\$ 250,000
City of Schenectady	-	133,956
Schenectady County	-	194,065
	\$ 550,000	\$ 578,021

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Notes to Financial Statements
December 31, 2015 and 2014

Note 5 - Capital Assets

Capital assets are summarized as follows:

	January 1, 2015	Additions	Dispositions	December 31, 2015
Office furniture and equipment	\$ 262,324	\$ 19,254	\$ (148,333)	\$ 133,245
Leasehold improvements	26,874	-	(8,509)	18,365
	<u>289,198</u>	<u>19,254</u>	<u>(156,842)</u>	<u>151,610</u>
Accumulated depreciation	(257,900)	(20,846)	156,842	(121,904)
	<u>\$ 31,298</u>	<u>\$ (1,592)</u>	<u>\$ -</u>	<u>\$ 29,706</u>
	January 1, 2014	Additions	Dispositions	December 31, 2014
Office furniture and equipment	\$ 254,817	\$ 7,507	\$ -	\$ 262,324
Leasehold improvements	26,874	-	-	26,874
	<u>281,691</u>	<u>7,507</u>	<u>-</u>	<u>289,198</u>
Accumulated depreciation	(237,267)	(20,633)	-	(257,900)
	<u>\$ 44,424</u>	<u>\$ (13,126)</u>	<u>\$ -</u>	<u>\$ 31,298</u>

Note 6 - Deferred Outflows, Net, on Bond Refunding

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.

During 2015, the Authority issued \$20,380,000 of General Resolution Refunding Bonds, Series 2015, to defease the General Resolution Bonds 2005A and 2005B and the General Resolution Bonds, 2006. 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, which approximates the effective interest method, over the remaining life of the defeased bonds.

Future amortization of deferred outflows is summarized as follows:

For the year ending December 31,	
2016	\$ 128,005
2017	128,005
2018	128,005
2019	128,005
2020	128,005
2021 through 2025	574,390
2026 through 2028	<u>157,560</u>
	<u>\$ 1,371,975</u>

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Notes to Financial Statements December 31, 2015 and 2014

Note 7 - Bonds Payable, Net

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 included 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 bore interest at fixed rates ranging from 5.15% to 6.62%. All but \$190,000 of these General Resolution Bonds, 2005B were defeased in 2015 with the General Resolution Refunding Serial Bonds issued in May 2015. The remaining bond payable at December 31, 2015 of \$190,000 is payable in August 2016 at 5.36%.

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 included 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. All but \$445,000 of these General Resolution Bonds, 2006 were defeased in 2015 with the General Resolution Refunding Serial Bonds issued in May 2015. The remaining bond payable at December 31, 2015 of \$445,000 is payable in August 2016 at 5.33%.

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

During August 2012, the Authority issued \$13,240,000 of General Resolution Refunding Bonds to provide resources to purchase U.S. Government, state, and local government series securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$13,610,000 of the 2001A and 2004A General Resolution Bonds. The General Resolution Bonds, 2001A were fully redeemed in 2012 and the General Resolution Bonds, 2004A were fully redeemed in 2013. This advance refunding was undertaken to reduce total debt service payments by \$491,973 with an estimated present value savings of \$844,244. The 2012 bonds were issued at a premium of \$967,200, which is amortized over the life of the bonds on a straight-line basis, which approximates the effective interest method. Amortization of the premium began in 2012. Accumulated amortization expense was \$209,560 and \$145,080 at December 31, 2015 and 2014, respectively. 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.

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Notes to Financial Statements December 31, 2015 and 2014

Note 7 - Bonds Payable, Net - Continued

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 2014 bonds were issued at a premium of \$513,848, which is amortized over the life of the bonds on a straight-line basis, which approximates the effective interest method. Amortization of the premium began in 2014. Accumulated amortization expense was \$52,036 and \$28,018 at December 31, 2015 and 2014, respectively. 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.

During May 2015, the Authority issued \$20,380,000 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 \$19,250,000 of the 2005A, 2005B, and 2006 General Resolution Bonds. The General Resolution Bonds, 2005A were fully redeemed in 2015. All but \$635,000 of the General Resolution Bonds, 2005B and 2006A were payable at December 31, 2015. This advance refunding was undertaken to reduce total debt service payments by \$2,477,146, with an estimated present value of savings of \$1,935,889. The terms of the 2015 bonds include interest at rates ranging from 0.45% to 3.934% during the life of the bonds, payable February 1 and August 1 of each year. The bonds include annual principal payments ranging from \$710,000 to \$1,880,000 and mature August 1, 2028.

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,	
	2015	2014
General Resolution Bonds, Series 2005A	\$ -	\$ 8,295,000
General Resolution Bonds, Series 2005B	190,000	3,635,000
General Resolution Bonds, Series 2006A	445,000	8,560,000
General Resolution Bonds, Series 2010A	885,000	920,000
General Resolution Bonds, Series 2010B	4,695,000	4,845,000
General Resolution Refunding Bonds, Series 2012	11,045,000	11,745,000
General Resolution Bonds, Series 2014A	10,030,000	10,030,000
General Resolution Bonds, Series 2014B	6,765,000	7,440,000
General Resolution Refunding Bonds, Series 2015	19,755,000	-
Bonds payable, end of year	\$ 53,810,000	\$ 55,470,000

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Notes to Financial Statements December 31, 2015 and 2014

Note 7 - Bonds Payable, Net - Continued

A summary of bond transactions is as follows:

	December 31,	
	2015	2014
Bonds payable, <i>beginning of year</i>	\$ 55,470,000	\$ 39,825,000
Bonds issued	20,380,000	17,470,000
Principal payments	(3,210,000)	(1,825,000)
Bonds defeased	(18,830,000)	-
	<u>\$ 53,810,000</u>	<u>\$ 55,470,000</u>

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

	Principal	Interest, Net of Amortization of Bond Premium	Total
For the year ending December 31,			
2016	\$ 2,945,000	\$ 2,109,515	\$ 5,054,515
2017	3,040,000	2,021,262	5,061,262
2018	3,110,000	1,947,620	5,057,620
2019	3,190,000	1,861,753	5,051,753
2020	3,285,000	1,772,558	5,057,558
2021 through 2025	18,390,000	6,881,289	25,271,289
2026 through 2030	14,650,000	3,171,778	17,821,778
2031 through 2033	5,200,000	612,286	5,812,286
	<u>\$ 53,810,000</u>	<u>\$ 20,378,061</u>	<u>\$ 74,188,061</u>

Interest expense, net of amortization of bond premium for the years ended December 31, 2015 and 2014, was \$2,070,948 and \$2,577,501, respectively. Interest paid during the years ended December 31, 2015 and 2014, totaled \$2,429,714 and \$2,359,171, 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,	
	2015	2014
Investment reserves, restricted		
Bond Proceeds Fund	\$ 999	\$ 21,729
Debt Service Reserve Fund	2,961,238	2,622,333
Debt Service Fund	1,381,101	1,350,935
	<u>\$ 4,343,338</u>	<u>\$ 3,994,997</u>

Schenectady Metroplex Development Authority

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Notes to Financial Statements December 31, 2015 and 2014

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,			
2016	\$ 52,495	\$ 36,429	\$ 88,924
2017	54,852	34,072	88,924
2018	57,315	31,609	88,924
2019	59,889	29,035	88,924
2020	62,578	26,346	88,924
2021 through 2025	357,646	86,975	444,621
2026 through 2028	166,550	11,298	177,848
	\$ 811,325	\$ 255,764	\$ 1,067,089

Interest expense for the years ended December 31, 2015 and 2014, was \$38,684 and \$43,960, respectively. Interest paid during the years ended December 31, 2015 and 2014, totaled \$39,530 and \$58,081, respectively.

Note 9 - Grants Payable

Grants payable are summarized as follows:

	December 31,	
	2015	2014
Highbridge/Prime Development, Inc.	\$ 480,599	\$ -
Capoccia Wine Company, LLC	10,000	-
Communications Test Design, Inc.	-	175,000
Downtown Schenectady Improvement Corp.	-	50,469
	\$ 490,599	\$ 225,469

Note 10 - Escrow Payable

Escrow payable is summarized as follows:

	December 31,	
	2015	2014
BN Partners Associates, LLC	\$ 463,600	\$ 800,000

Schenectady Metroplex Development Authority

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Notes to Financial Statements December 31, 2015 and 2014

Note 11 - Project Grants and Commitments

Project grants distributed and expenditures incurred, net of project grant revenues, during the years ended December 31, 2015 and 2014, and unspent project commitments at December 31, 2015, were as follows:

	Project Grants and Expenditures 2015	Unspent Project Commitments at December 31, 2015	Project Grants and Expenditures 2014
AAA Northway Relocation	\$ 6,000	\$ 12,000	\$ 6,000
Absolute Tile Façade	13,500	-	-
Airport Technology Park Infrastructure	-	60,445	-
Albany Distillery Project	6,585	73,415	-
Amtrak Station Project	16,383	51,617	-
Bel Cibo Bistro	7,500	-	-
Broadway Apartments	8,523	116,598	2,000
242 Broadway	272,803	32,197	-
Capoccia Wine Lounge	30,000	50,000	-
City Hall Barber Shop	5,000	-	-
Communications Test Designs, Inc.	-	-	193,800
County Business Parks/Smart Growth Initiative	38,381	1,257,994	221,625
Courtyard By Marriott	40,135	34,865	-
Crossroads Gallery	-	-	6,000
David Louis Flooring	20,000	-	-
DoubleTree by Hilton	289,833	-	11,056
Downtown Above Ground Infrastructure	1,484,141	251,493	253,924
Downtown Above Ground Infrastructure-Library	-	-	200,493
Downtown High Definition Cameras Project	104,686	314	-
Downtown Parking Infrastructure	-	189,000	-
Downtown Special Assessment District	168,670	16,237	155,097
Draper Lofts Project	-	125,000	-
Eastern Avenue Revitalization	22,471	-	220,174
722 Eastern Avenue Revitalization	-	-	14,131
803 Eastern Avenue Revitalization	-	-	23,224
813 Eastern Avenue Façade	-	-	12,186
820 Eastern Avenue	12,250	7,750	-
823 Eastern Avenue Façade	5,090	84,910	-
827 Eastern Avenue	-	-	78,260
839 Eastern Avenue	7,090	22,910	-
868 Eastern Avenue Façade	-	-	4,619
140 Erie Boulevard Façade	49,750	-	5,250
167 Erie Boulevard	-	-	29,448
Foster Building	43,519	194,389	2,092
Franklin Plaza	-	-	85,000

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Notes to Financial Statements December 31, 2015 and 2014

Note 11 - Project Grants and Commitments - Continued

	Project Grants and Expenditures 2015	Unspent Project Commitments at December 31, 2015	Project Grants and Expenditures 2014
Glenville Rail Project	25,000	-	-
Glenville Town Center Lighting	1,125	88,875	-
Glenwyck Manor Housing Project	-	10,000	-
2696 Hamburg Street	97,049	-	24,813
Katz Kafe	1,875	-	-
Lakshimi Relocation	52,524	-	-
Lofts at Union Square	20,000	94,950	15,050
Lower State Street Revitalization	352,095	28,388	1,252,523
Lower State Street Streetscape	-	-	1,547,494
Mazzone Hospitality	8,850	11,150	-
Mohawk Harbor Site Preparation	99,180	-	-
New York Biz Lab Façade	237,888	79,862	2,250
2013 Parking Infrastructure Improvements	151,659	140,659	923,985
Parking Program	1,660,183	-	1,542,372
Parking Remediation	85,000	-	112,820
Paul Mitchell School	-	-	50,000
Proctors Marquee	-	-	97,000
Quirky, Inc.	382,660	77,340	-
REVA, Inc. - Richmor Aviation	-	40,000	-
Robinson Block Redevelopment	589,517	992,083	-
Rotterdam Corporate Park Warehouse	2,768	17,232	-
Schenectady County Public Library	-	-	200,763
Schenectady County Visitors Agency	17,000	6,500	-
23 State Street	5,972	-	-
224 State Street	-	-	4,536
268 State Street	-	-	13,000
238-248 State Street Acquisition	-	-	10,425
254 State Street Acquisition	-	-	16,403
200-202 State Street Mixed-Use	-	-	151,763
400 State Street Cinema	750,000	-	500,000
411 State Street, LLC	-	-	200,000
426 State Street	-	-	250,000
515 State Street Mixed-Use	7,858	-	68,742
Stratton Air National Guard Base Support Grant (2013)	-	25,000	-
13 State Street Purchase (YMCA)	10,907	271,097	1,764,989
Upper Union Street Façade Programs	-	-	87,225
108 Union Street Façade	10,000	-	-
1598 Union Street Façade	-	-	11,000
602 Union Street	-	-	15,000
1611-1613 Union Street	25,000	-	60,000
Washington Avenue Median	-	12,747	1,748
906 Woodland Street	-	-	2,390
Professional services and predevelopment costs (a)	392,839	-	363,889
	<u>7,639,259</u>	<u>\$ 4,477,017</u> (b)	<u>10,814,559</u>
Project grant revenues	<u>(2,780,335)</u>		<u>(2,217,848)</u>
	<u>\$ 4,858,924</u>		<u>\$ 8,596,711</u>

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Notes to Financial Statements December 31, 2015 and 2014

Note 11 - Project Grants and Commitments - Continued

- (a) Professional services and predevelopment costs represent costs incurred by the Authority during the review and planning phase of the project approval process. In addition, at times, certain professional fees are incurred by the Authority in connection with approved projects. These costs are not included in the approved grant amount.
- (b) Unspent project commitments are subject to meeting project requirements prior to the Authority's release of the funds.

From inception through December 31, 2015, the Authority has approved project grants, expenditures, and loans totaling \$171,224,784, of which \$166,747,767 has been distributed.

Note 12 - Net Position

The Authority has reported a deficit in its net position as of December 31, 2015 and 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 13 - New York State Employees' Retirement System

a. Plan Description

The Authority participates in the New York State and Local Employees' Retirement System (System), a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct state-wide election and serves a four-year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship, and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

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Notes to Financial Statements December 31, 2015 and 2014

Note 13 - New York State Employees' Retirement System - Continued

b. Funding Policy

The System is noncontributory except for 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 employees who joined on or after January 1, 2010 (New York State and Local Employees' Retirement System) or January 9, 2010 (New York State Police and Fire Retirement System) who generally contribute 3% of their salary for their entire length of service. The average contribution rate for the New York State and Local Employees' Retirement System for the fiscal year ended March 31, 2015, was approximately 20.1% of payroll. Under the authority of the RSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Authority contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2015	\$	85,033
2014		96,359
2013		86,404

c. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

At December 31, 2015, the Authority reported a liability of \$41,194 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2015, the Authority's proportion was 0.0012194%.

For the year ended December 31, 2015, the Authority recognized a decrease in pension expense of \$51,739. At December 31, 2015, the Authority reported deferred outflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources
Differences between expected and actual experience	\$	1,319
Net differences between projected and actual investment earnings on pension plan investments		7,155
Changes in proportion and differences between employer contributions and proportionate share of contributions		29,356
Authority contributions subsequent to the measurement date		85,033
		85,033
Total	\$	122,863

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Notes to Financial Statements December 31, 2015 and 2014

Note 13 - New York State Employees' Retirement System - Continued

c. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions - Continued

Deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date of \$85,033 will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

For the year ending December 31,

2016	\$	9,457
2017		9,457
2018		9,458
2019		9,458
		<hr/>
	\$	37,830

d. Actuarial Assumptions

The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with updated procedures used to roll forward the total pension liability to March 31, 2015. The actuarial valuation used the following actuarial assumptions.

Actuarial Cost Method	Entry age normal
Inflation Rate	2.7 percent
Salary Scale ERS	4.9 percent, indexed by service
Investment rate of return, including inflation	7.5 percent compounded annually, net of expenses
Decrement	Developed from the plan's 2010 experience study for the period April 1, 2005 through March 31, 2010
Mortality improvement	Society of Actuaries Scale MP-2014

The long-term expected rate of return on the System's pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major class as well as historical investment data and plan performance.

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Notes to Financial Statements December 31, 2015 and 2014

Note 13 - New York State Employees' Retirement System - Continued

e. Investment Asset Allocation

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of the applicable valuation dates are summarized as follows:

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Private equity	10.00%	11.00%
Real estate	8.00%	8.25%
Absolute return strategies	3.00%	6.75%
Opportunistic portfolio	3.00%	8.60%
Real assets	3.00%	8.65%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation-Indexed bonds	2.00%	4.00%
	100.00%	

f. Discount Rate

The discount rate projection of cash flows assumed that contributions from members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Authority's proportionate share of the net pension liability or asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability (asset)	\$ 274,576	\$ 41,194	\$ (155,838)

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Notes to Financial Statements December 31, 2015 and 2014

Note 13 - New York State Employees' Retirement System - Continued

h. Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the New York State and Local Employees' Retirement System as of March 31, 2015 were as follows (amounts in thousands):

Employers' total pension liability	\$ 164,591,054
Plan net position	<u>(161,213,259)</u>
Employers' net pension liability	<u>\$ 3,377,795</u>
Ratio of plan net position to the employers' total pension liability	<u>97.9%</u>

Note 14 - 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, 2015, the Authority had issued a total of \$73,805,000 in bonds. There were \$53,810,000 and \$55,470,000 of outstanding obligations, related to its General Resolution Bonds described in Note 7, at December 31, 2015 and 2014, respectively.

b. Collateralization, Bank Deposits

The Authority's cash deposits must be fully collateralized at all times. As of December 31, 2015, the Authority's bank deposits were fully collateralized or insured by the FDIC.

c. Leases

During December 2015, the Authority entered into a five-year lease agreement for its office space. Monthly payments range from \$4,710 per month to \$4,773 per month over the lease term.

Total lease expense was \$56,517 for both of the years ended December 31, 2015 and 2014.

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

For the year ending December 31,

2016	\$ 56,518
2017	56,518
2018	56,518
2019	57,281
2020	<u>57,281</u>
	<u>\$ 284,116</u>

Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Notes to Financial Statements December 31, 2015 and 2014

Note 14 - Commitments and Contingencies - Continued

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 years ended December 31, 2015 and 2014, the Authority recognized sales tax revenues of \$8,242,669 and \$8,308,746, respectively. As of December 31, 2015 and 2014, the Authority has outstanding project and loan commitments totaling \$4,477,017 and \$6,809,764, respectively, which the Authority has authorized to be distributed in the next fiscal year. The Authority also had current liabilities of \$5,536,609 and \$6,127,350 at December 31, 2015 and 2014, respectively, payable during 2015 and 2016.

As of December 31, 2015, the Authority was not obligated to return revenues to the County, other than those described in Note 8.

f. Litigation Claims

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

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Notes to Financial Statements December 31, 2015 and 2014

Note 15 - Accounting Pronouncements Issued But Not Yet Implemented

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information should be disclosed in the notes to the financial statements. The provisions of GASB 72 are effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. GASB 75 establishes financial reporting standards for other postemployment benefits ("OPEB") plans for state and local governments. This standard replaces the requirements of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information. These requirements are effective for fiscal years beginning after June 15, 2017.

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

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Required Supplementary Information - Schedule of Local Government's Proportionate Share of the Net Pension Liability

	<u>2015</u>
Authority's proportion of the net pension liability	0.0012194%
Authority's proportionate share of the net pension liability	\$ 41,194
Authority's covered-employee payroll	\$ 464,911
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	8.86%
Plan fiduciary net position as a percentage of the total pension liability	97.95%

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Required Supplementary Information
Schedule of Local Government Contributions
Years Ended December 31

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 84,368	\$ 96,359	\$ 87,189	\$ 73,965	\$ 59,985	\$ 45,878	\$ 28,177	\$ 32,100	\$ 29,221	\$ 23,414
Contributions in relation to the contractually required contribution	84,368	96,359	87,189	73,965	59,985	45,878	28,177	32,100	29,221	23,414
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Authority's covered-employee payroll	464,911	464,775	392,040	386,265	387,165	405,800	401,415	377,983	358,152	344,545
Contributions as a percentage of covered-employee payroll	18.15%	20.73%	22.24%	19.15%	15.49%	11.31%	7.02%	8.49%	8.16%	6.80%

**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, 2015, 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 30, 2016.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001, that we considered to be a significant deficiency.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questions costs as item 2015-001.

Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 30, 2016

Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Schedule of Findings and Responses Year Ended December 31, 2015

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(s) identified that are not considered to be material weakness(es)? X Yes None Reported

Noncompliance material to financial statements? Yes X No

Section II - Financial Statement Findings

2015 -001. Project Expenditure Cash Disbursements

Condition: The Authority is responsible for designing, implementing, and maintaining internal controls over the project expenditure cash disbursement transaction cycle.

Criteria: During 2015, a duplicate payment was processed to a vendor totaling approximately \$207,000. The entire amount was subsequently corrected and fully recovered by the Authority.

Cause: The Authority received a request for payment on a certain project during 2015. In accordance with the Authority's controls over project expenditure cash disbursements, required approvals from the project engineer and project manager were not contained within the payment request, and the request was, therefore, denied. The payment request was then forwarded by management of the Authority to the project engineer and project manager for approval. However, the project manager and project engineer had previously received and approved the same request for payment. As a result, the project engineer and project manager approved the duplicate request for payment, and the payment was processed by management of the Authority twice.

Effect: Without adequate controls over project expenditure cash disbursements, the Authority may process additional duplicate payments. Additionally, the Authority may be unable to timely correct and recover duplicate payments.

Recommendation: The Authority should established controls to ensure duplicate payments are unable to be processed by management.

View of Responsible Officials and Planned Corrective Actions: Management has thoroughly reviewed the unusual circumstances surrounding the event in question. Under normal payment procedures, the accounting system would alert officials of the possibility of a duplicate payment upon entry of an invoice number related to the request for payment. With construction requisitions, however, such numbers do not exist. Management will expand the required documentation to include a payment history for the vendor/contractor for any construction-related requisitions, generated from the accounting system, that will demonstrate no prior payments of a like amount before payment is generated.

Section III - Compliance Findings

None.