

**Schenectady Metroplex Development  
Authority**

(A Component Unit of Schenectady County, New York)

Financial Report

December 31, 2016 and 2015

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C O N T E N T S

	<b>Page</b>
<b>Independent Auditor's Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-8
<b>Financial Statements</b>	
Statements of Net Position	9
Statements of Revenues, Expenses, and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Financial Statements	12-34
<b>Required Supplementary Information</b>	
Schedule of the Local Government's Proportionate Share of the Net Pension Liability	35
Schedule of Local Government Pension Contributions	36
<b>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</b>	37-38



## 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 statement of net position as of December 31, 2016, the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schenectady Metroplex Development Authority as of December 31, 2016, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Prior Year Financial Statements*

The financial statements of the Authority, as of and for the year ended December 31, 2015, were audited by other auditors whose report dated March 30, 2016, expressed an unmodified opinion on those statements.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 8 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 audit 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 audit was 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 audit 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 23, 2017, 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.

BST & CO. CPAs, LLP

Albany, New York  
March 23, 2017



# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Management's Discussion and Analysis December 31, 2016 and 2015

The Schenectady Metroplex Development Authority, hereafter referred to as the Authority, is pleased to present its Financial Report for the years ended December 31, 2016 and 2015, 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 3 to 8 in conjunction with the Authority's financial statements (presented on pages 9 to 11) to enhance their understanding of the Authority's financial performance.

### **Responsibility and Controls**

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

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

The 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, BST & Co. CPAs, LLP, is included on pages 1 through 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, 2016. This information should be read in conjunction with the financial statements.

### **Financial Highlights**

The year 2016 marked another active 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 2016 results:

- Total operating revenues increased by 1.2% 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 approximately \$8.27 million, up slightly from those of approximately \$8.24 million in 2015, which was 0.8% below those of 2014. Management expects revenues to continue to improve as the local economy continues its growth over the next several years.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Management's Discussion and Analysis December 31, 2016 and 2015

### Financial Highlights - Continued

- Total operating expenses increased to \$1.09 million in 2016, a 10.7% increase over those of 2015, and 4.1% higher than 2014, due to staffing changes, employee health, and New York State and Local Retirement System costs.
- Financing expenses for 2016 were 8% lower than 2015, and 25% higher than 2014 due to the Authority's issuances of over \$20 million in refunding bonds in 2015 and over \$17.4 million in new bonds in 2014.
- Total assets at the end of 2016 declined 14.8% from the prior year to approximately \$21.1 million, and decreased by 25.5% from the 2014 year-end with depletion of bond project funds comprising the bulk of the decrease. Net operating revenues for the period showed little change from 2016 and 2015.
- Net project grants and expenditures increased to approximately \$5.63 million from approximately \$4.86 million in 2015. Undistributed project commitments declined to approximately \$2.95 million at the end of 2016, as compared to approximately \$4.5 million at 2015 and approximately \$6.8 million at the end of 2014.

### 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 of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and obligations to Authority creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority.

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

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

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

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

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Management's Discussion and Analysis December 31, 2016 and 2015

### 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, 2038, 70% of one half of one percent of all sales and compensating use tax revenue received by Schenectady County, which may be used to support all of its statutorily authorized purposes and powers. The Authority has a limited obligation to return a portion of its sales tax revenues in the event such revenues exceed statutorily prescribed limits, which are a function of the Authority's current liabilities, reserve fund requirements, and anticipated project funding requirements.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Management's Discussion and Analysis December 31, 2016 and 2015

### 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,				
	2016	2016 vs. 2015	2015	2015 vs. 2014	2014 (Restated)
<b>ASSETS</b>					
Current assets	\$ 9,418,768	-22.5%	\$ 12,151,086	-13.5%	\$ 14,055,381
Capital assets, net	26,570	-10.6%	29,706	-5.1%	31,298
Other assets	11,719,844	-7.5%	12,668,826	-11.5%	14,319,111
Total assets	<u>21,165,182</u>	-14.8%	<u>24,849,618</u>	-12.5%	<u>28,405,790</u>
<b>DEFERRED OUTFLOWS, net</b>	<u>1,460,435</u>	3.6%	<u>1,409,805</u>	196.3%	<u>475,843</u>
<b>LIABILITIES</b>					
Current liabilities	5,475,686	-1.1%	5,536,609	-10.4%	6,182,453
Long-term debt	49,567,760	-6.0%	52,753,110	-3.9%	54,916,103
Total liabilities	<u>55,043,446</u>	-5.6%	<u>58,289,719</u>	-4.6%	<u>61,098,556</u>
<b>DEFERRED INFLOWS, net</b>	<u>23,245</u>		-		-
<b>NET POSITION</b>					
Investment in capital assets	26,570	-10.6%	29,706	-5.1%	31,298
Restricted	4,667,785	-35.1%	7,188,682	-17.8%	8,741,842
Unrestricted	<u>(37,135,429)</u>	-5.4%	<u>(39,248,684)</u>	-4.2%	<u>(40,990,063)</u>
<b>Total net position</b>	<u><b>\$ (32,441,074)</b></u>	1.3%	<u><b>\$ (32,030,296)</b></u>	-0.6%	<u><b>\$ (32,216,923)</b></u>

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

	Years Ended December 31,				
	2016	2016 vs. 2015	2015	2015 vs. 2014	2014 (Restated)
Sales tax revenue	\$ 8,268,508	0.3%	\$ 8,242,669	-0.8%	\$ 8,308,746
Other operating revenues	104,300	214.4%	33,174	11.0%	29,896
Total operating revenues	<u>8,372,808</u>	1.2%	<u>8,275,843</u>	-0.8%	<u>8,338,642</u>
Depreciation and amortization	10,681	-48.8%	20,846	1.0%	20,633
Other operating expenses	1,075,688	11.9%	960,877	-6.0%	1,022,426
Total operating expenses	<u>1,086,369</u>	10.7%	<u>981,723</u>	-5.9%	<u>1,043,059</u>
Net operating revenues	7,286,439	-0.1%	7,294,120	0.0%	7,295,583
Non operating expenses, net	<u>(2,068,538)</u>	-8.0%	<u>(2,248,569)</u>	-18.8%	<u>(2,768,366)</u>
Increase in net position	5,217,901	3.4%	5,045,551	11.4%	4,527,217
<b>NET POSITION, beginning of year</b>	<u>(32,030,296)</u>	-0.6%	<u>(32,216,923)</u>	14.7%	<u>(28,092,326)</u>
<b>NET POSITION, end of year prior to restatement</b>	<u>(26,812,395)</u>	-1.3%	<u>(27,171,372)</u>	15.3%	<u>(23,565,109)</u>
Effect of adoption of GASB 68 and 71	-		-		(55,103)
Project grants, net of project grant revenues	<u>(5,628,679)</u>	15.8%	<u>(4,858,924)</u>	-43.5%	<u>(8,596,711)</u>
<b>NET POSITION, end of year</b>	<u><b>\$ (32,441,074)</b></u>	1.3%	<u><b>\$ (32,030,296)</b></u>	-0.6%	<u><b>\$ (32,216,923)</b></u>

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Management's Discussion and Analysis December 31, 2016 and 2015

### General Trends and Significant Events

During 2016, 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. In recognition of the continuing need to pursue such opportunities, the County and State legislatures approved amending the Authority's enabling statute to increase the Authority's debt limitation up to \$100 million and extend the sales tax sunset provision to August 1, 2038.

### Financial Condition

The overall financial position of the Authority remained strong at year-end. Current assets at year-end 2016 were 38% of total assets as compared to 43% in 2015 and 49% in 2014. Total operating expenses in 2016, represented less than 13% of total revenues, comparable to 2015 and 2014 levels. Total revenues of over approximately \$8.4 million are slightly above those of 2015, and represent a new historical high for the organization.

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

### Results of Operations

#### *Revenue*

Total revenue for 2016, exclusive of unrealized gain/loss on investments, was \$8,372,808 compared to \$8,275,843 in 2015 and \$8,338,642 in 2014.

#### *Expense*

Total operating expenses for the year 2016 were \$1,086,369 compared to \$981,723 in 2015 and \$1,043,059 in 2014.

### Long-Term Obligations

As of December 31, 2016, the Authority had \$50,865,000 in bonds outstanding related to four separate general resolution bond issues in 2010, 2012, 2014, and 2015. The bonds mature in 2033, 2027, 2033, and 2028, respectively. Principal payments related to these bonds will total \$3,040,000 during 2017.

More detailed information about the Authority's long-term obligations is presented in the notes to the financial statements on pages 22-24.

### 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.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Management's Discussion and Analysis December 31, 2016 and 2015

### Final Comments - Continued

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

There were no new members appointed to the Board in 2016.

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

### Contacting the Authority's Director of Finance

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

### Principal Officials

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

<u>Name</u>	<u>Board Office</u>	<u>Term Expiration</u>
Ray Gillen	Chair	December 31, 2018
Bradley G. Lewis	Vice Chair	December 31, 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

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	December 31,	
	2016	2015
<b>CURRENT ASSETS</b>		
Cash and cash equivalents, unrestricted	\$ 2,531,291	\$ 2,658,446
Cash and cash equivalents, restricted	713,557	3,308,944
Sales tax receivable	3,524,898	3,424,250
Current installments of loans receivable, net	582,132	677,250
Grants receivable	675,000	550,000
Other receivables	10,183	60,934
Interest receivable	7,188	3,271
Investment reserves, restricted	1,318,170	1,381,101
Prepaid expenses	56,349	86,890
Total current assets	9,418,768	12,151,086
<b>CAPITAL ASSETS, net</b>	26,570	29,706
<b>OTHER ASSETS</b>		
Loans receivable, less current installments, net	8,623,786	9,146,589
Note receivable, net	250,000	250,000
CDBG receivable	210,000	310,000
Investment reserves, restricted	2,636,058	2,962,237
	11,719,844	12,668,826
Total assets	21,165,182	24,849,618
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on bond refunding	1,243,819	1,371,975
Deferred outflows related to net pension liability	216,616	37,830
Total deferred outflows of resources	1,460,435	1,409,805
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 22,625,617</b>	<b>\$ 26,259,423</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Current installments of bonds payable	\$ 3,040,000	\$ 2,945,000
Accounts payable and accrued expenses	624,567	195,513
Accrued interest	804,439	838,227
Due to the County of Schenectady, current portion	54,853	52,495
Grants payable	345,716	490,599
Unearned revenue	319,832	419,809
Premium on bonds, net of amortization, current portion	90,172	90,172
Net pension liability	196,107	41,194
Escrow payable	-	463,600
Total current liabilities	5,475,686	5,536,609
<b>LONG-TERM DEBT</b>		
Bonds payable, less current installments	47,825,000	50,865,000
Due to the County of Schenectady, less current portion	703,977	758,830
Premium on bonds, net of amortization, less current portion	1,038,783	1,129,280
	49,567,760	52,753,110
Total liabilities	55,043,446	58,289,719
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to net pension liability	23,245	-
<b>NET POSITION</b>		
Investment in capital assets, net	26,570	29,706
Restricted	4,667,785	7,188,682
Unrestricted (deficit)	(37,135,429)	(39,248,684)
Total net position	(32,441,074)	(32,030,296)
<b>TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 22,625,617</b>	<b>\$ 26,259,423</b>

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,	
	2016	2015
<b>OPERATING REVENUES</b>		
Sales tax revenues	\$ 8,268,508	\$ 8,242,669
Other income	104,300	33,174
	8,372,808	8,275,843
<b>OPERATING EXPENSES</b>		
Payroll	509,534	472,082
Payroll taxes	42,200	40,485
Pension plan	75,071	35,552
Health insurance	56,963	56,448
Other employee benefits	8,433	5,259
Accounting	66,150	66,400
Advertising	5,750	5,244
Automobile	566	1,086
Consulting	6,600	13,809
Depreciation	10,681	20,846
Dues and subscriptions	4,418	5,323
Hosting and travel	3,247	5,081
Insurance	57,130	52,825
Legal	69,990	48,645
Office supplies	18,613	8,504
Postage	1,002	849
Rent	56,517	56,517
Repairs and maintenance	21,169	21,358
Resource data	49,036	43,100
Utilities	23,299	22,310
	1,086,369	981,723
<b>Net operating revenues</b>	<b>7,286,439</b>	<b>7,294,120</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment earnings	84,437	64,152
Interest expense, net	(2,149,812)	(2,109,632)
Bond issuance costs	-	(200,145)
Debt service fees	(10,500)	(13,500)
Miscellaneous income	7,337	10,556
	(2,068,538)	(2,248,569)
<b>Change in net position</b>	<b>5,217,901</b>	<b>5,045,551</b>
<b>NET POSITION, beginning of year</b>	(32,030,296)	(32,216,923)
Project grants and expenditures, net of project grant revenues	(5,628,679)	(4,858,924)
<b>NET POSITION, end of year</b>	<b>\$ (32,441,074)</b>	<b>\$ (32,030,296)</b>

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,	
	2016	2015
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Cash received from sales tax revenues	\$ 8,218,611	\$ 8,144,412
Cash received from other sources	104,300	183,740
Cash paid to suppliers and other vendors	(361,379)	(355,932)
Issuance of loans receivable	(347,931)	(487,850)
Repayment of loans receivable	744,653	698,911
Repayment of notes receivable	-	58,774
Cash paid for salaries	(509,534)	(472,082)
Cash paid for employee benefits	(174,234)	(132,485)
	<b>7,674,486</b>	<b>7,637,488</b>
<b>CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>		
Debt service fees	(10,500)	(13,500)
Repayments of bond principal	(2,945,000)	(3,210,000)
Repayment of amounts due to the County of Schenectady	(52,495)	(50,240)
Interest paid	(2,183,600)	(2,468,398)
	<b>(5,191,595)</b>	<b>(5,742,138)</b>
<b>CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of office furniture and equipment	<b>(7,545)</b>	<b>(19,254)</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Change in cash and cash equivalents, restricted	2,595,387	2,237,901
Purchase from restricted investment reserves	389,110	67,552
Investment earnings received	80,520	79,950
Miscellaneous earnings received	7,337	10,556
Project grants and expenditures paid, net of project grant revenues received	(5,674,855)	(4,810,182)
	<b>(2,602,501)</b>	<b>(2,414,223)</b>
<b>Net increase decrease in cash and cash equivalents, unrestricted</b>	<b>(127,155)</b>	<b>(538,127)</b>
<b>CASH AND CASH EQUIVALENTS, UNRESTRICTED <i>beginning of year</i></b>	<b>2,658,446</b>	<b>3,196,573</b>
<b>CASH AND CASH EQUIVALENTS, UNRESTRICTED <i>end of year</i></b>	<b>\$ 2,531,291</b>	<b>\$ 2,658,446</b>
<b>RECONCILIATION OF NET OPERATING REVENUES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Net operating revenues	\$ 7,286,439	\$ 7,294,120
Adjustments to reconcile net operating revenues to net cash provided (used) by operating activities		
Depreciation	10,681	20,846
Change in loan receivable	396,722	269,835
Change in accounts receivable	(49,897)	52,309
Change in prepaid expenses	30,541	378
	<b>7,674,486</b>	<b>7,637,488</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
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, 2016 and 2015

### 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. On May 31, 2016, the amended laws extended the collection of additional sales and compensating use taxes to August 31, 2038. 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, liabilities, and deferred outflows and inflows of resources 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 and inflows 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.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

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

#### *c. Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows and inflows of resources, 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.

#### *d. Sales Tax Revenues*

Pursuant to Subdivision (C) of Section 1210 (C) of the tax law, the County dedicates 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, 2038, and annually deposits 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 transfers 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 and Cash Equivalents*

Cash and cash equivalents include amounts in short-term investments with a maturity date within three months of the date acquired by the Authority and cash on hand.

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 insured by the Federal Deposit Insurance Corporation 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 and Cash Equivalents, Restricted*

At December 31, 2016 and 2015, restricted cash and cash equivalents 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 and cash equivalents are treated as an investment.

#### *g. Investment Reserves*

For the periods ended December 31, 2016 and 2015, the Authority's investments are composed of mutual funds, money market funds and cash. To mitigate custodial credit risk, all of the Authority's investments are held in its own name. The purpose of these investment reserves are described in Note 7.

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

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

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

#### *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 \$3,524,898 and \$3,424,250, 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, 2016 and 2015, respectively.

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, 2016 and 2015, the Authority has an allowance of \$3,275,545 and \$3,054,346, 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 repair 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 equipment, 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, 2016 and 2015.

#### *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.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

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

#### k. *New Accounting Pronouncements*

GASB Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB Statement No. 68), as well as for the assets accumulated for purposes of providing those pensions. In addition, this statement establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68.

GASB Statement No. 76, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement identifies the hierarchy of account principles generally accepted in the United States of America (U.S. GAAP) in the context of governmental financial reporting. This statement reduces the hierarchy of U.S. GAAP to two categories of authoritative U.S. GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specific with a source of authoritative U.S. GAAP.

GASB Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments by tax abatement recipients,
- Gross dollar amount of taxes abated during the period, and
- Commitments made by the government, other than to abate taxes, as part of a tax abatement agreement.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement amends the scope and applicability of GASB Statement No. 68 to exclude pension plans provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that is:

- Not a state or local government pension plan,
- Used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governments, and
- Not used predominantly by a state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

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

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

GASB Statement No 79, *Certain External Investment Pools and Pool Participants*. This statement enhances comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

Adoption of these accounting standards did not significantly impact the Authority's financial statements.

#### *l. Parking Operations*

In prior years, the Authority participated in projects to enhance parking opportunities within the City of Schenectady, New York (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 2016. 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 of Resources and Deferred Inflows of Resources*

The Authority reports deferred outflows of resources and deferred inflows 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. 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.

The Authority also reports deferred outflows of resources for deferred loss on a bond refunding, as further described in Note 6.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

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

#### n. Pensions

The Authority is a participating employer of the New York State and Local Retirement System (System). Employees in permanent positions are required to enroll in the System, and employees in part-time or seasonal positions have the option of enrolling in the System. The System is a cost sharing, multiple employer, public employee defined benefit retirement system. The impact on the Authority's financial position and results of operations due to its participation in the System is more fully described in Note 14.

#### o. Subsequent Events

The Authority has evaluated subsequent events for potential recognition or disclosure through March 23, 2017, the date the financial statements were available to be issued.

### Note 2 - Loans Receivable

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

	December 31,	
	2016	2015
Loans receivable (a) (b)	\$ 12,481,463	\$ 12,878,185
Less allowance	3,275,545	3,054,346
Less current installments	582,132	677,250
Loans receivable, less current installments, net	<u>\$ 8,623,786</u>	<u>\$ 9,146,589</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, 2016	\$ 12,878,185
Loans advanced	347,931
Principal repayments	<u>(744,653)</u>
Loans receivable, December 31, 2016	<u>\$ 12,481,463</u>

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 2 - Loans Receivable - Continued

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 are being recorded to other income as the receivable is collected. There were no payments received on these loans and receivables for the year ended December 31, 2016. Payments received on these loans totaled \$39,690 for the year ended December 31, 2015. Loans receivable converted to project grants and expenditures upon satisfaction of certain criteria as set forth within the loan agreements totaled \$100,000 for the year ended December 31, 2016. There were no loans receivable converted to project grants and expenditures for the year ended December 31, 2015.

Interest earnings on loans receivable were \$61,602 and \$51,098 for the years ended December 31, 2016 and 2015, respectively, and are included in investment earnings within these financial statements.

### Note 3 - Notes Receivable

#### a. 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 ten-year unsecured note receivable with no interest. The operator must operate the restaurant on the premises 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, and fulfills other criteria, the loan will be forgiven. In the event these terms are violated, the note will begin accruing interest at 12% until repaid in full. The note receivable was not forgiven during the year ended December 31, 2016 after the ten-year period lapsed because the other criteria has not yet been fulfilled. An allowance has been established for the entire note receivable in anticipation of the note being forgiven.

#### b. 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,	
	2016	2015
426 State Street Associates, LLC	\$ 200,000	\$ 200,000
447 State Street	250,000	250,000
	<u>450,000</u>	<u>450,000</u>
Less allowance	<u>200,000</u>	<u>200,000</u>
Notes receivable, net	<u>\$ 250,000</u>	<u>\$ 250,000</u>

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 4 - Grants Receivable

Grants receivable are summarized as follows:

	December 31,	
	2016	2015
National Grid	\$ 675,000	\$ 550,000

### Note 5 - Capital Assets

Capital assets are summarized as follows:

	January 1, 2016	Additions	Dispositions	December 31, 2016
	Office furniture and equipment	\$ 133,245	\$ 7,545	\$ -
Leasehold improvements	18,365	-	-	18,365
	151,610	7,545	-	159,155
Accumulated depreciation	(121,904)	(10,681)	-	(132,585)
	\$ 29,706	\$ (3,136)	\$ -	\$ 26,570

  

	January 1, 2015	Additions	Dispositions	December 31, 2015
	Office furniture and equipment	\$ 262,324	\$ 19,254	\$ (148,333)
Leasehold improvements	26,874	-	(8,509)	18,365
	289,198	19,254	(156,842)	151,610
Accumulated depreciation	(257,900)	(20,846)	156,842	(121,904)
	\$ 31,298	\$ (1,592)	\$ -	\$ 29,706

### 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 are being amortized using the straight-line method, which approximates the effective interest 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 are being amortized using the straight-line method, which approximates the effective interest method, over the remaining life of the defeased bonds.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 6 - Deferred Outflows, Net, on Bond Refunding - Continued

Future amortization of deferred outflows is summarized as follows:

For the year ending December 31,	
2017	\$ 128,005
2018	128,005
2019	128,005
2020	128,005
2021	128,005
2022 through 2026	525,167
2027 through 2028	78,627
	<hr/>
	\$ 1,243,819
	<hr/>

### 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 was fully paid in August 2016.

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 was fully paid in August 2016.

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

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

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

During August 2012, the Authority issued \$13,240,000 of General Resolution Refunding Bonds to provide resources to purchase U.S. Government, state, and local government series securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$13,610,000 of the 2001A and 2004A General Resolution Bonds. The General Resolution Bonds, 2001A were fully redeemed in 2012 and the General Resolution Bonds, 2004A were fully redeemed in 2013. This advance refunding was undertaken to reduce total debt service payments by \$491,973 with an estimated present value savings of \$844,244. The 2012 bonds were issued at a premium of \$967,200, which is amortized over the life of the bonds on a straight-line basis, which approximates the effective interest method. Amortization of the premium began in 2012. Accumulated amortization expense was \$274,040 and \$209,560 at December 31, 2016 and 2015, 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.

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 \$78,054 and \$52,036 at December 31, 2016 and 2015, 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 and were fully redeemed in 2016. 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.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

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

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

	December 31,	
	2016	2015
General Resolution Bonds, Series 2005B	\$ -	\$ 190,000
General Resolution Bonds, Series 2006A	-	445,000
General Resolution Bonds, Series 2010A	850,000	885,000
General Resolution Bonds, Series 2010B	4,540,000	4,695,000
General Resolution Refunding Bonds, Series 2012	10,315,000	11,045,000
General Resolution Bonds, Series 2014A	10,030,000	10,030,000
General Resolution Bonds, Series 2014B	6,085,000	6,765,000
General Resolution Refunding Bonds, Series 2015	19,045,000	19,755,000
	<u>\$ 50,865,000</u>	<u>\$ 53,810,000</u>

A summary of bond transactions is as follows:

	December 31,	
	2016	2015
Bonds payable, <i>beginning of year</i>	\$ 53,810,000	\$ 55,470,000
Bonds issued	-	20,380,000
Principal payments	(2,945,000)	(3,210,000)
Bonds defeased	-	(18,830,000)
	<u>\$ 50,865,000</u>	<u>\$ 53,810,000</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,			
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	3,410,000	1,655,335	5,065,335
2022 through 2026	19,090,000	6,158,879	25,248,879
2027 through 2031	12,175,000	2,539,167	14,714,167
2032 through 2033	3,565,000	311,973	3,876,973
	<u>\$ 50,865,000</u>	<u>\$ 18,268,547</u>	<u>\$ 69,133,547</u>

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

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

Interest expense, net of amortization of bond premium for the years ended December 31, 2016 and 2015, was \$2,114,267 and \$2,070,948, respectively. Interest paid during the years ended December 31, 2016 and 2015, totaled \$2,147,168 and \$2,429,714, respectively.

As required by the bond documents, the Authority is required to establish and maintain certain reserves for the benefit of the bondholders. Reserves reported within the Debt Service Fund are maintained for debt service payments during the upcoming year, while reserves reported within the Debt Service Reserve Fund are maintained for periods extending beyond one year. These reserves are held in trust by M&T Investment Group and are reported at fair value as follows:

	December 31,	
	2016	2015
Investment reserves, restricted		
Debt Service Reserve Fund	\$ 2,636,058	\$ 2,962,237
Debt Service Fund	1,318,170	1,381,101
	<u>\$ 3,954,228</u>	<u>\$ 4,343,338</u>

Reserves are composed of the following:

	December 31,	
	2016	2015
Investment reserves, restricted		
Mutual funds	\$ 3,954,096	\$ -
Money market funds	30	4,343,083
Cash	102	255
	<u>\$ 3,954,228</u>	<u>\$ 4,343,338</u>

### Note 8 - Fair Value Measurements

The Authority categorizes its fair value measurements into the fair value hierarchy established by GASB Statement No. 72. The three levels of inputs used to measure fair value are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Authority has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted process that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 8 - Fair Value Measurements - Continued

Level 3 Inputs to the valuation methodology are unobservable inputs and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Authority's investments at December 31, 2016 and 2015 are comprised of mutual funds, categorized in Level 1, and valued at the net asset value of shares held by the Authority at year end; and money market funds, categorized in Level 1, and valued at the carrying amounts that approximate fair value due to the short maturity of these instruments.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Authority believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

### Note 9 - Due to the County of Schenectady

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 and estimated interest payments on the amounts due to the County is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending December 31,			
2017	\$ 54,853	\$ 34,072	\$ 88,925
2018	57,315	31,609	88,924
2019	59,889	29,035	88,924
2020	62,578	26,346	88,924
2021	65,388	23,536	88,924
2022 through 2026	373,704	70,916	444,620
2027 through 2028	85,103	3,820	88,923
	<u>\$ 758,830</u>	<u>\$ 219,334</u>	<u>\$ 978,164</u>

Interest expense for the years ended December 31, 2016 and 2015, was \$35,545 and \$38,684, respectively. Interest paid during the years ended December 31, 2016 and 2015, totaled \$36,432 and \$39,530, respectively.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 10 - Grants Payable

Grants payable are summarized as follows:

	December 31,	
	2016	2015
Curry Road Development Partners, LLC	\$ 140,114	\$ -
Maxon ALCO Holdings, LLC	125,000	-
Legere Center, LLC	60,000	-
Café Dialogue, LLC	14,000	-
Downtown Schenectady Improvement Corp.	6,602	-
Highbridge/Prime Development, Inc.	-	480,599
Capoccia Wine Company, LLC	-	10,000
	\$ 345,716	\$ 490,599

### Note 11 - Escrow Payable

Escrow payable is summarized as follows:

	December 31,	
	2016	2015
BN Partners Associates, LLC	\$ -	\$ 463,600

### Note 12 - Project Grants and Commitments

Project grants distributed and expenditures incurred, net of project grant revenues, during the years ended December 31, 2016 and 2015, and unspent project commitments at December 31, 2016, were as follows:

	Project Grants and Expenditures 2016	Unspent Project Commitments at December 31, 2016	Project Grants and Expenditures 2015
AAA Northway Relocation	\$ -	\$ 12,000	\$ 6,000
Absolute Tile Façade	-	-	13,500
Airport Technology Park Infrastructure	58,445	-	-
Albany Distillery Project	10,000	-	6,585
Amtrak Station Project	2,877	48,740	16,383
Automated Dynamics	60,315	1,685	-
Beekman 1802	33,923	40,077	-
Bel Cibo Bistro	-	-	7,500
Broadway Apartments	12,785	103,813	8,523
242 Broadway	30,079	-	272,803
Capoccia Wine Lounge	38,000	12,000	30,000

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 12 - Project Grants and Commitments - Continued

	Project Grants and Expenditures 2016	Unspent Project Commitments at December 31, 2016	Project Grants and Expenditures 2015
City Hall Barber Shop	-	-	5,000
Copper Keg ReUse	26,748	-	-
County Business Parks/Smart Growth Initiative	397,170	260,824	38,381
Courtyard By Marriott	-	-	40,135
Darn Good Yarn	16,000	-	-
David Louis Flooring	-	-	20,000
DoubleTree by Hilton	-	-	289,833
Downtown Above Ground Infrastructure	965,117	247,588	1,484,141
Downtown Ambassador Program	76,553	-	-
Downtown Designs	5,000	-	-
Downtown High Definition Cameras Project	-	-	104,686
Downtown Special Assessment District	176,887	-	168,670
Draper Lofts Project	135,360	64,640	-
Eastern Avenue Revitalization	-	-	22,471
820 Eastern Avenue	7,750	-	12,250
823 Eastern Avenue Façade	39,500	45,410	5,090
839 Eastern Avenue	6,319	16,591	7,090
848 Eastern Avenue	-	15,252	-
Electric City Innovation Center	63,653	-	-
140 Erie Boulevard Façade	-	-	49,750
Foster Building	203,233	-	43,519
Furlocity Relocation	45,540	1,960	-
Garage Lighting & Improvements	292,321	81,679	-
Gateway Park	7,048	279,952	-
General Electric Building	2,434	2,566	-
Glenville Rail Project	248	-	25,000
Glenville Town Center Lighting	-	-	1,125
Glenwyck Manor Housing Project	20,756	88,627	-
2696 Hamburg Street	-	-	97,049
Harbor Center Office Building	27,258	12,742	-
Hillside View	7,165	-	-
Hillside View Housing	75,000	192,835	-
ICPD Relocation	95,923	4,077	-
JMR Development Company Project	1,305	178,695	-
Katz Kafe	-	-	1,875
Lakshimi Relocation	-	-	52,524
Lofts at Union Square	92,000	-	20,000
Lower State Street Revitalization	74,639	87,749	352,095
Lower Union Streetscape	482,974	-	-
Courtyard by Marriott	34,865	-	-
Mazzone Hospitality	11,150	-	8,850
Mohawk Avenue Barer Shop	3,380	-	-
Mohawk Harbor Site Preparation	375,000	-	99,180
Mohawk Harbor Townhouse Project	-	20,000	-
Mop & Bucket	60,014	-	-

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 12 - Project Grants and Commitments - Continued

	Project Grants and Expenditures 2016	Unspent Project Commitments at December 31, 2016	Project Grants and Expenditures 2015
New York Biz Lab Façade	62,877	-	237,888
New York State Arboretum at Mohawk Harbor	51,638	68,362	-
219 Nott Terrace	86,195	-	-
2013 Parking Infrastructure Improvements	37,414	103,245	151,659
Parking Program	1,481,806	-	1,660,183
Parking Remediation	2,211	132,789	85,000
Quirky, Inc.	46,180	-	382,660
REVA, Inc. - Richmor Aviation	37,273	-	-
4-6 River Street	-	27,000	-
Robinson Block Redevelopment	600,610	63,473	589,517
Rotterdam Corporate Park Warehouse	360	16,872	2,768
Schenectady Armory Improvement	63,487	36,513	-
Schenectady County Visitors Agency	60,000	6,500	17,000
Sprinkleista Bakery	11,650	-	-
3 State Street	-	125,000	-
13 State Street Purchase (YMCA)	67,736	150,000	10,907
23 State Street	-	-	5,972
400 State Street Cinema	250,000	-	750,000
515 State Street Mixed-Use	-	-	7,858
Stratton Air National Guard Base Support Grant (2013)	-	25,000	-
STS Steel	20,655	4,345	-
Town of Duanesburgh Sewer	-	161,000	-
508 Union Street	608	69,392	-
108 Union Street Façade	495	76,505	10,000
410-412 Union Street	30,450	39,550	-
1611-1613 Union Street	-	-	25,000
Professional services and predevelopment costs (a)	746,886	-	392,839
	<u>7,733,265</u>	<u>\$ 2,925,048</u> (b)	<u>7,639,259</u>
Project grant revenues	<u>(2,104,586)</u>		<u>(2,780,335)</u>
	<u>\$ 5,628,679</u>		<u>\$ 4,858,924</u>

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

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

From inception through December 31, 2016, the Authority has approved project grants, expenditures, and loans totaling \$177,734,080, of which \$174,809,032 has been distributed.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 13 - Net Position

The Authority has reported a deficit in its net position as of December 31, 2016 and 2015. 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 14 - New York State and Local Employees' Retirement System

#### a. Plan Description

The Authority participates in the 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](http://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.

#### b. Funding Policy

The System is noncontributory except for employees who joined the 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 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, 2016, was approximately 18.2% 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 prior two preceding years were equal to 100 percent of the contributions required, and are as follows:

2016	\$	72,842
2015		85,033
2014		96,359

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 14 - New York State and Local Employees' Retirement System - Continued

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

At December 31, 2016 and 2015, the Authority reported a liability of \$196,107 and \$41,194, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016 and 2015, respectively, 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, 2016 and 2015, the Authority's proportion was 0.0012218% and 0.0012194%, respectively.

For the years ended December 31, 2016 and 2015, the Authority recognized pension expense of \$83,641 and \$51,739, respectively. At December 31, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2016		December 31, 2015
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 991	\$ 23,245	\$ 1,319
Changes in assumptions	52,296	-	-
Net differences between projected and actual investment earnings on pension plan investments	116,342	-	7,155
Changes in proportion and differences between employer contributions and proportionate share of contributions	46,987	-	29,356
Total	\$ 216,616	\$ 23,245	\$ 37,830

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ending December 31,

2017	\$ 50,708
2018	50,708
2019	50,708
2020	41,247
	\$ 193,371

*d. Actuarial Assumptions*

The total pension liability at March 31, 2016 and 2015 was determined by using an actuarial valuation as of April 1, 2015 and 2014, respectively, with updated procedures used to roll forward the total pension liability to March 31, 2016 and 2015. The actuarial valuation used the following actuarial assumptions:

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 14 - New York State and Local Employees' Retirement System - Continued

*d. Actuarial Assumptions - Continued*

Actuarial Cost Method	Entry age normal
Inflation Rate	2.50% (2016) and 2.7% (2015)
Salary Scale	3.8%, (2016) and 4.9% (2015), indexed by service
Investment rate of return, including inflation	7.0% (2016) and 7.5% (2015) compounded annually, net of expenses
Decrement	
2016	Based on FY 2011-2015 experience
2015	Based on FY 2005-2010 experience
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.

*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%	

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 14 - New York State and Local Employees' Retirement System - Continued

*f. Discount Rate*

The discount rate used to calculate the total net pension liability was 7.0%. 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 7.0%, 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 or 1-percentage point higher than the current rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Authority's proportionate share of the net pension liability (asset)	\$ 442,208	\$ 196,107	\$ (11,837)

*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, 2016 and 2015 were as follows (amounts in thousands):

	March 31,	
	2016	2015
Employers' total pension liability	\$ 172,303,544	\$ 164,591,054
Plan net position	(156,253,265)	(161,213,259)
Employers' net pension liability	\$ 16,050,279	\$ 3,377,795
Ratio of plan net position to the employers' total pension liability	90.7%	97.9%

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

### Note 15 - Commitments, Contingencies, Risks, and Uncertainties

#### 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 \$100,000,000. At December 31, 2016, the Authority had issued a total of \$73,805,000 in bonds. There were \$50,865,000 and \$53,810,000 of outstanding obligations, related to its General Resolution Bonds described in Note 7, at December 31, 2016 and 2015, respectively.

#### b. 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, 2016 and 2015.

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

For the year ending December 31,

2017	\$	56,518
2018		56,518
2019		57,281
2020		57,281
		<hr/>
	\$	227,598

#### c. 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.

#### d. Return of Revenues

In the event that the sales tax revenues the Authority received 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 must return to the County 75% of such surplus amount.

During the years ended December 31, 2016 and 2015, the Authority recognized sales tax revenues of \$8,268,508 and \$8,242,669, respectively. As of December 31, 2016 and 2015, the Authority had outstanding project and loan commitments totaling \$2,925,048 and \$4,477,017, respectively, which the Authority has authorized to be distributed in the next fiscal year. The Authority also had current liabilities of \$5,475,686 and \$5,536,609 at December 31, 2016 and 2015, respectively, payable during 2017 and 2016.

As of December 31, 2016, the Authority was not obligated to return revenues to the County, other than those described in Note 9.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

### **Note 15 - Commitments, Contingencies, Risks, and Uncertainties - Continued**

#### *e. 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. 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. However remote, if any damages were ultimately awarded to plaintiffs that are attributed to the Authority, those damages would be covered by the Authority's insurance policies.

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.

#### *h. Custodial Credit Risk*

Investment reserves are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held either by (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name. All of the Authority's investments are held under its name with the trustee.

### **Note 16 - Accounting Pronouncements Issued But Not Yet Implemented**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits) included in the general purposes external financial reports of state and local government other postemployment benefit plans for making decisions and assessing accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. This statement replaces the requirements of GASB Statement No. 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, this Statement identifies requirements for additional note disclosures and required supplementary information. These requirements are effective for fiscal years beginning after June 15, 2017.

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

## Notes to Financial Statements December 31, 2016 and 2015

### **Note 16 - Accounting Pronouncements Issued But Not Yet Implemented - Continued**

GASB Statement No. 80, *Blending Requirements for Certain Component Units*. This statement provides clarity on how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The requirements of this statement are effective for fiscal years beginning after June 15, 2016.

GASB Statement No 82, *Pension Issues*. This statement addresses practice issues raised during implementation of GASB Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting for Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The requirements of this statement are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement establishes criteria for determining the timing and pattern of recognition for a liability and corresponding deferred outflow of resources for asset retirement obligations. This statement required that recognition occur when the liability is both incurred and reasonably estimable. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities*. This statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

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

# Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

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

	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.0012218%	0.0121940%
Authority's proportionate share of the net pension liability	\$ 196,107	\$ 41,194
Authority's covered-employee payroll	\$ 476,888	\$ 464,911
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	41.12%	8.86%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.95%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

**Schenectady Metroplex Development Authority**  
(A Component Unit of Schenectady County, New York)

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 72,842	\$ 84,368	\$ 96,359	\$ 87,189	\$ 73,965	\$ 59,985	\$ 45,878	\$ 28,177	\$ 32,100	\$ 29,221
Contributions in relation to the contractually required contribution	72,842	84,368	96,359	87,189	73,965	59,985	45,878	28,177	32,100	29,221
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Authority's covered-employee payroll	476,888	464,911	464,775	392,040	386,265	387,165	405,800	401,415	377,983	358,152
Contributions as a percentage of covered-employee payroll	15.27%	18.15%	20.73%	22.24%	19.15%	15.49%	11.31%	7.02%	8.49%	8.16%



**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, 2016, 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 23, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Albany, New York  
March 23, 2017

BST & CO. CPAs, LLP

