

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**  
**(A New York Public Benefit Corporation)**

**FINANCIAL REPORT**

**December 31, 2011 and 2010**

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BOLLAM, SHEEDY, TORANI & CO. LLP  
Certified Public Accountants  
Albany, New York

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Schenectady Metroplex Development Authority  
Schenectady, New York

We have audited the accompanying statements of net assets of the Schenectady Metroplex Development Authority (a New York public benefit corporation), as of December 31, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Schenectady Metroplex Development Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the respective changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2012, on our consideration of the Schenectady Metroplex Development Authority's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 7 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 the 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Bollam Sheedy Torani & Co LLP*

Albany, New York  
March 23, 2012

# **SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2011 and 2010**

The Schenectady Metroplex Development Authority, hereafter referred to as the Authority, is pleased to present its Financial Report for the year ended December 31, 2011, developed in compliance with Statement of Governmental Accounting Standard No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments* (hereafter GASB 34), and related standards. We encourage readers to consider the information presented on pages 2 to 7 in conjunction with the Authority's financial statements (presented on pages 8 to 10) to enhance their understanding of the Authority's financial performance.

### **RESPONSIBILITY AND CONTROLS**

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

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

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

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

### **AUDIT ASSURANCE**

The unqualified (i.e., clean) opinion of our independent external auditors, Bollam, Sheedy, Torani & Co. LLP, is included on page 1 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, 2011. This information should be read in conjunction with the financial statements.

### **FINANCIAL HIGHLIGHTS**

The year 2011 marked another outstanding year for the Authority. The Authority continued the growth of its redevelopment investments and activities within its statutory service area, and management believes the Authority's financial position remains very strong. Following are some of the highlights of 2011 results:

- Total operating revenues increased by 8.8% over those of the prior fiscal period, reflecting the continuing recovery of the national and regional economies, especially in the consumer sector which drives the Authority's sales tax revenue stream. The Authority's sales tax revenues reached almost \$8 million, which represented an all-time high, exceeding those of 2008 by 4.32%. Management expects 2012 levels to continue to improve as the local economy continues its growth during the period.
- Total operating expenses increased to \$915,434 in 2011, a 5.2% increase over those of 2010, and a 2.3% increase over those of 2009, due to increased occupancy and employee fringe benefit costs.

# **SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2011 and 2010**

### **FINANCIAL HIGHLIGHTS - Continued**

- Other related financing for 2011 remained virtually unchanged from 2010, which were up 4% from 2009 due to the increase in annual interest expense associated with the Authority's issuance of Bonds in 2010.
- Total assets at the end of 2011 declined by 9.4% from the prior year to \$23.7 million, a 14% reduction from the 2009 year-end. The decline was due to bonded project funds which were ultimately disbursed.
- Net operating revenues improved for the second year, increasing 9.3% from those of 2010, and 13.7% over 2009 results, due to the significant increases in operating revenues and modest increases in operating expenses mentioned above. Consequently, net assets, prior to project activity, were increased by \$4.6 million in 2011, a 14.8% increase over 2010 performance, and 19.5% above that of 2009.
- Net project grants and expenditures decreased by \$1.1 million to \$4.5 million, and were \$2 million less than those of 2009. Undistributed project commitments, however, remained high at \$9.6 million at the end of 2011, as compared to \$10.5 million at 2010 year-end and \$4.3 million at the end of 2009.

### **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 assets includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to Authority creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the statement of revenues and expenses. 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 and rates established by the Public Authorities Law and the Executive Law of the State of New York.

The statement of changes in net assets represents the accumulated earnings of the Authority, since inception, less project grants and expenditures disbursed.

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

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

### **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.

# SCENECTADY METROPLEX DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2011 and 2010

### SUMMARY OF ORGANIZATION AND BUSINESS - Continued

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

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

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

The Authority is statutorily entitled to receive, for the period beginning September 1, 1998, and ending August 31, 2033, one half of one percent of all sales and compensating use tax revenue received by Schenectady County, 70% of which accrues to the Authority's general fund, which may be used to support all of its statutorily authorized purposes and powers. All remaining sales tax revenue received by the Authority is transferred to the Schenectady County Real Property Tax Abatement and Economic Development Fund. 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 Authority's current liabilities, reserve fund requirements, and anticipated project funding requirements.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2011 and 2010**

**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 Assets**

	<b>December 31,</b>				
	<b>2011</b>	<b>2011 vs. 2010</b>	<b>2010</b>	<b>2010 vs. 2009</b>	<b>2009</b>
<b>ASSETS</b>					
Current assets	\$ 6,556,305	-21.1%	\$ 8,312,287	-2.4%	\$ 8,519,935
Capital assets, net	66,169	0.7%	65,738	111.0%	31,159
Other assets	<u>17,119,892</u>	-4.0%	<u>17,841,080</u>	-6.6%	<u>19,111,934</u>
	<b><u>\$ 23,742,366</u></b>	-9.4%	<b><u>\$ 26,219,105</u></b>	-5.2%	<b><u>\$ 27,663,028</u></b>
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities	\$ 4,366,638	-10.2%	\$ 4,860,908	-46.8%	\$ 9,139,798
Long-term debt	43,793,850	-4.6%	45,904,820	10.7%	41,473,898
Net assets invested in capital assets	66,169	0.7%	65,738	111.0%	31,159
Net assets, restricted	3,377,748	-2.1%	3,449,888	15.7%	2,982,126
Net assets, unrestricted	<u>(27,862,039)</u>	-0.7%	<u>(28,062,249)</u>	8.1%	<u>(25,963,953)</u>
	<b><u>\$ 23,742,366</u></b>	-9.4%	<b><u>\$ 26,219,105</u></b>	-5.2%	<b><u>\$ 27,663,028</u></b>

**Condensed Statements of Revenues, Expenses, and Changes in Net Assets**

	<b>Years Ended December 31,</b>				
	<b>2011</b>	<b>2011 vs. 2010</b>	<b>2010</b>	<b>2010 vs. 2009</b>	<b>2009</b>
Sales tax revenue	\$ 7,798,305	7.9%	\$ 7,226,736	2.7%	\$ 7,039,985
Other operating revenues	<u>156,467</u>	83.8%	<u>85,118</u>	91.2%	<u>44,521</u>
Total operating revenues	<u>7,954,772</u>	8.8%	<u>7,311,854</u>	3.2%	<u>7,084,506</u>
Depreciation and amortization	18,887	30.0%	14,530	20.1%	12,101
Other operating expenses	<u>896,547</u>	4.8%	<u>855,690</u>	-3.0%	<u>882,603</u>
Total operating expenses	<u>915,434</u>	5.2%	<u>870,220</u>	-2.7%	<u>894,704</u>
Net operating revenues	7,039,338	9.3%	6,441,634	4.1%	6,189,802
Other financing sources (uses)	<u>(2,442,758)</u>	0.2%	<u>(2,437,209)</u>	3.9%	<u>(2,344,626)</u>
Increase in net assets	4,596,580	14.8%	4,004,425	4.1%	3,845,176
<b>NET ASSETS, beginning of year</b>	<b>(24,546,623)</b>	<b>7.0%</b>	<b>(22,950,668)</b>	<b>12.8%</b>	<b>(20,349,576)</b>
Project grants, net of project grant revenues	<u>(4,468,079)</u>	-20.2%	<u>(5,600,380)</u>	-13.1%	<u>(6,446,268)</u>
<b>NET ASSETS, end of year</b>	<b><u>\$ (24,418,122)</u></b>	<b>-0.5%</b>	<b><u>\$ (24,546,623)</u></b>	<b>7.0%</b>	<b><u>\$ (22,950,668)</u></b>

# SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011 and 2010

### **GENERAL TRENDS AND SIGNIFICANT EVENTS**

During 2011, the pace of the Authority's redevelopment efforts, throughout its statutorily-defined territory, continued with many of its prior commitments expected to begin in 2012. In addition, during 2011, the Authority approved an additional \$4.6 million in new projects, many of which are already underway. Management anticipates that the recovery in the local economy will create new opportunities in the years ahead.

### **FINANCIAL CONDITION**

The overall financial position of the Authority remained strong at year-end. Despite a 21% year-to-year decline, current assets at the end of 2011 represented 28% of total assets as compared to 31% in 2010 and 2009. Although total operating expenses in 2011 increased \$45,214 from the prior year, they were only above those of 2009 by \$20,730 (and \$43,227 below those of 2008). This increase was offset by total revenues of almost \$8 million which have increased \$643,000 from 2010, and \$870,000 from 2009.

Despite the recent fluctuations in its sales tax revenue stream, taxable sales have grown at an average annual rate of 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 2011, exclusive of unrealized gain/loss on investments, was \$7,954,772 compared to \$7,311,854 in 2010 and \$7,084,506 in 2009.

#### *Expense*

Total operating expenses for the year 2011 were \$915,434 compared to \$870,220 in 2010 and \$894,704 in 2009. Cash or equivalents on hand for debt service payments were in excess of \$5 million.

### **LONG-TERM OBLIGATIONS**

As of December 31, 2011, the Authority had \$44,815,000 in bonds outstanding related to five separate general resolution bond issues in 2001, 2004, 2005, 2006, and 2010. The bonds mature in 2021, 2024, 2028, 2028, and 2033, respectively. Principal payments related to these bonds will total \$2,060,000 during 2012.

More detailed information about the Authority's long-term obligations is presented in the notes to the financial statements on pages 19-21.

### **FINAL COMMENTS**

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

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



**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2011 and 2010**

**FINAL COMMENTS - Continued**

Board membership was changed during 2011, with two new members being appointed to replace those with expired or expiring terms and several re-appointments made by the Schenectady County Legislature in March 2011.

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

**CONTACTING THE AUTHORITY'S DIRECTOR OF FINANCE**

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

**PRINCIPAL OFFICIALS**

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

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

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**STATEMENTS OF NET ASSETS**

	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash, unrestricted	\$ 1,396,683	\$ 2,158,600
Cash, restricted	853,670	1,146,878
Accounts receivable, net	3,580,465	3,897,448
Current installments of loans receivable, net	529,309	935,998
Current installments of notes receivable, net	58,213	57,230
Interest receivable	2,204	2,339
Prepaid expenses	62,507	40,540
Bond issuance costs, current portion	73,254	73,254
Total current assets	6,556,305	8,312,287
<b>CAPITAL ASSETS, net</b>	66,169	65,738
<b>OTHER ASSETS</b>		
Loans receivable, less current installments, net	12,270,343	12,784,049
Note receivable, less current installments, net	430,681	492,770
Investment reserves, restricted	3,377,748	3,449,888
Bond issuance costs, net of amortization	1,041,120	1,114,373
	17,119,892	17,841,080
	<b>\$ 23,742,366</b>	<b>\$ 26,219,105</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current installments of bonds payable	\$ 2,060,000	\$ 1,930,000
Accounts payable and accrued expenses	365,024	839,511
Accrued interest	826,974	895,442
Due to the County of Schenectady, current portion	44,038	42,145
Premium on bonds, net of amortization, current portion	6,932	6,932
Escrow payable	1,063,670	1,146,878
Total current liabilities	4,366,638	4,860,908
<b>LONG-TERM DEBT</b>		
Bonds payable, less current installments	42,755,000	44,815,000
Due to the County of Schenectady, less current portion	955,661	999,699
Premium on bonds, net of amortization, less current portion	83,189	90,121
	43,793,850	45,904,820
Total liabilities	48,160,488	50,765,728
<b>NET ASSETS</b>		
Invested in capital assets	66,169	65,738
Restricted	3,377,748	3,449,888
Unrestricted	(27,862,039)	(28,062,249)
	(24,418,122)	(24,546,623)
	<b>\$ 23,742,366</b>	<b>\$ 26,219,105</b>

The accompanying Notes to Financial Statements are an integral part of these statements.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

	<b>Years Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>OPERATING REVENUES</b>		
Sales tax revenues	\$ 7,798,305	\$ 7,226,736
Other income	156,467	85,118
	<u>7,954,772</u>	<u>7,311,854</u>
<b>OPERATING EXPENSES</b>		
Payroll	425,224	411,358
Payroll taxes	35,003	35,343
Pension plan	58,381	39,750
Health insurance	38,650	37,420
Other employee benefits	5,594	5,440
Accounting	63,450	62,525
Advertising	99	14,459
Automobile	8,714	7,398
Consulting	16,267	12,825
Depreciation	18,887	14,530
Dues and subscriptions	3,374	3,065
Educational training	-	597
Hosting and travel	3,514	5,585
Insurance	17,330	19,258
Legal	73,746	85,390
Office supplies	14,950	13,659
Postage	3,002	3,444
Rent	54,655	37,129
Repairs and maintenance	18,934	23,969
Resource data	33,003	23,149
Utilities	22,657	13,927
	<u>915,434</u>	<u>870,220</u>
<b>Net operating revenues</b>	<b><u>7,039,338</u></b>	<b><u>6,441,634</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Investment earnings	49,615	39,973
Interest expense	(2,411,051)	(2,381,363)
Amortization of bond issuance costs	(73,254)	(89,251)
Debt service fees	(15,000)	(14,500)
Miscellaneous revenue	6,932	7,932
	<u>(2,442,758)</u>	<u>(2,437,209)</u>
<b>Increase in net assets</b>	<b><u>4,596,580</u></b>	<b><u>4,004,425</u></b>
<b>NET ASSETS, <i>beginning of year</i></b>	(24,546,623)	(22,950,668)
Project grants and expenditures, net of project grant revenues	<u>(4,468,079)</u>	<u>(5,600,380)</u>
<b>NET ASSETS, <i>end of year</i></b>	<b><u><u>\$ (24,418,122)</u></u></b>	<b><u><u>\$ (24,546,623)</u></u></b>

The accompanying Notes to Financial Statements are an integral part of these statements.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**STATEMENTS OF CASH FLOWS**

	<u>Years Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Cash received from sales tax revenues	\$ 8,115,288	\$ 6,285,243
Cash received from other sources	156,467	85,118
Cash paid to suppliers and other vendors	(361,256)	(331,819)
Cash paid for salaries and employee benefits	(557,258)	(523,871)
	<u>7,353,241</u>	<u>5,514,671</u>
<b>CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>		
Repayment of bond anticipation note	-	(6,000,000)
Debt service fees	(15,000)	(14,500)
Bond issuance costs	-	(178,971)
Proceeds from bond issuance		6,410,000
Repayment of bond principal	(1,930,000)	(1,730,000)
Repayment of amounts due to the County of Schenectady	(42,145)	(40,334)
Interest paid	(2,479,519)	(2,286,794)
	<u>(4,466,664)</u>	<u>(3,840,599)</u>
<b>CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of office furniture and equipment	<u>(19,318)</u>	<u>(49,109)</u>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Change in cash, restricted	210,000	-
Proceeds (purchase) of investment reserves, restricted, net	72,140	(467,762)
Issuance of loans receivable	(255,494)	(198,864)
Repayment of loans receivable	940,113	859,120
Repayment of note receivable	61,106	-
Investment earnings received	49,749	41,330
Project grants and expenditures paid, net of project grant revenues received	(4,706,790)	(3,736,004)
	<u>(3,629,176)</u>	<u>(3,502,180)</u>
<b>Net decrease in cash</b>	<b>(761,917)</b>	<b>(1,877,217)</b>
<i>CASH, beginning of year</i>	<u>2,158,600</u>	<u>4,035,817</u>
<b>CASH, end of year</b>	<u><b>\$ 1,396,683</b></u>	<u><b>\$ 2,158,600</b></u>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Net operating revenues	\$ 7,039,338	\$ 6,441,634
Adjustments to reconcile net operating revenues to net cash provided (used) by operating activities		
Depreciation	18,887	14,530
Change in accounts receivable	316,983	(941,493)
Change in prepaid expenses	(21,967)	-
	<u><b>\$ 7,353,241</b></u>	<u><b>\$ 5,514,671</b></u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Noncash project expenditures	\$ 259,829	\$ 1,231,792

The accompanying Notes to Financial Statements are an integral part of these statements.

# SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *a. Organization*

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

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

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

#### *b. Accounting Method and Financial Statement Presentation*

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

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

- *Invested in capital assets* consists of capital assets, net of accumulated depreciation.
- *Restricted net assets* have external constraints placed on use.
- *Unrestricted net assets* consist of assets and liabilities that do not meet the definition of "restricted net assets" or "invested in capital assets, net of related debt."

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 nonoperating revenues and expenses.

#### *c. Use of Estimates*

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

#### *d. Fair Value Measurement*

The Authority reports certain assets and liabilities at fair value. Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an "exit" price) in the principal or most advantageous market for the asset or liability between market participants on the measurement date.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*e. Sales Tax Revenues*

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

*f. Cash*

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

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

*g. Cash, Restricted*

At December 31, 2011 and 2010, restricted cash consisted of escrow deposits held for the Downtown Schenectady Façade Program, the Upper Union Street Façade Program, the Countywide Façade Program (Note 9), and deposits held as a payment in lieu of taxes.

*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 \$3,320,048 and \$3,116,100, 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, 2011 and 2010, respectively.

Loans and notes receivable are carried at the original loan amount less payments of principal received and an allowance. Accrued interest income is reported for loan interest earned but not received at year-end. As of December 31, 2011 and 2010, the Authority has an allowance of \$1,321,909 and \$1,260,187, respectively, for loans and notes receivable.

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

*i. Capital Assets*

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

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*i. Capital Assets - Continued*

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

The Authority evaluated prominent events or changes in circumstances affecting capital assets to determine if impairment of any capital assets has occurred. A capital asset is considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. There were no impaired capital assets at December 31, 2011 and 2010.

*j. Intangibles Assets, Net*

Intangible assets, net, include financing costs incurred related to various bonds' issuances. These amounts are being amortized over the lives of the respective bonds using the straight-line method.

*k. 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.

*l. Advertising Costs*

Marketing and advertising costs are expensed as they are incurred.

*m. Subsequent Events*

The Authority has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through March 23, 2012, 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,	
	2011	2010
3N2, LLC repayable over a 10-year period, due in monthly installments of \$1,207, including interest at 3%, matures July 2015 (a)	\$ 85,776	\$ 87,475
411 State Street Assoc., LLC, repayable over a 15-year period, (25-year amortization) due in monthly installments of \$3,333, interest free, with payments beginning July 2012, matures June 2027 (b)	1,000,000	1,000,000

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**NOTE 2 - LOANS RECEIVABLE - Continued**

	December 31,	
	2011	2010
426 State Street Assoc., LLC, repayable over a 15-year period, due in monthly installments of \$9,535, including interest at 4% beginning in the sixth year, matures 15 years following the initial disbursement; however, payments are suspended for the first 30 months of the project, with a balloon payment for the remaining balance; interest free for the first five years (c)	1,300,000	1,300,000
510 Union Street, repayable over a 15-year period, due in monthly installments of principal of \$1,000, matures May 2018, with a ballon payment for the remaining balance, interest free (d)	157,167	169,167
Backstage Pub, repayable over a 10-year period, due in monthly installments of \$483 including interest at 3%, matures January 2017 (e)	36,585	36,585
Bombers on State Street, repayable over a 15-year period, at 5% interest with interest only payments of \$1,042 for the first five years, interest and principal payments of \$2,652 for the remaining term, matures December 2023 (f)	250,000	250,000
Bow Tie Partners, LLC, repayable over a 20-year period, due in monthly installments of \$4,167, matures 20 years from the completion of the project, with a balloon payment for the remaining balance, interest free, matures April 2023 (g)	3,707,117	3,737,117
Broadway Commerce Park, repayable over a 20-year period, due in monthly installments of \$4,500, matures November 2020, interest free (h)	747,000	801,000
Broadway Commerce Park Phase 3 (Highbridge 890 LLC), repayable over a 10-year period, at 6% interest, no payments due the first year, interest only payments due in years two and three, monthly payments of \$4,175 beginning in year four until loan matures in June 2019 (i)	125,000	125,000
Child Program and Family Resource Center, repayable over a 10-year period, due in monthly installments of \$2,004, interest free, matures May 2017, an equal amount is forgiven as payments are made (j)	256,560	304,666
Clinton's Ditch, repayable over a 15-year period, due in monthly installments of \$278, matures August 2020, interest free (k)	28,611	31,944
Cornell's Restaurant, repayable over a 15-year period, due in monthly installments of principal ranging from \$323 to \$1,706, matures October 2022, interest free (l)	223,941	223,941
David Louis Floor Covering, repayable over a 15-year period, due in monthly installments of \$1,222, matures November 2019, interest free (m)	119,777	133,222



**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**NOTE 2 - LOANS RECEIVABLE - Continued**

	December 31,	
	2011	2010
Highbridge Broadway, repayable over a 20-year period, due in monthly installments of principal of \$729, matures November 2019, with a balloon payment for the remaining balance, interest free (n)	113,752	121,044
Integra Development, repayable over a 15-year period, due in monthly installments of principal of \$580, matures December 2019, interest free (o)	52,159	59,113
Logical Net, repayable over a 10-year period, due in monthly installments of \$1,448, including interest at 3%, matures October 2015 (p)	63,018	78,260
Marcella's Distribution Center, repayable over a 20-year period, due in monthly installments of \$3,163 beginning January 2015, including interest at 5%, matures December 2029 (q)	400,000	400,000
More Perreca's Café (31 N. Jay Street, LLC), repayable over a 15-year period, due in monthly installments of \$1,455 beginning September 2011, including interest at 5%, matures August 2024 (q)	162,853	160,385
Parker Inn, repayable over a 15-year period (20-year amortization), due in monthly installments of principal ranging from \$1,491 to \$4,348, matures October 2018, with a balloon payment for the remaining balance, interest free (r)	683,912	683,912
Paul Mitchell School (PM Schenectady, LLC), repayable over a 15-year period, due in monthly installments of \$1,977 beginning March 2011, interest free until payments begin and 5% thereafter, matures June 2021, with a balloon payment for the remaining balance.	239,471	250,000
Proctor's Theatre, repayable on demand, interest free (t)	150,000	300,000
Rotterdam Ventures, Inc., repayable over a 5-year period, due in monthly installments of \$767, including interest at 5%, matured March 2011	-	1,535
Schenectady Family Health Services, repayable over a 20-year period, due in monthly installments of \$3,566, matures February 2026, interest free (u)	606,285	1,137,500
Schenectady Hotel, LLC, repayable over a 19-year period, due in monthly installments of \$8,772, matures March 2027, interest free (c)	1,605,263	1,710,526
Synthesis Architects, repayable over a 15-year period, due in monthly installments of principal of \$972, matures October 2018, interest free (v)	79,722	92,361

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**NOTE 2 - LOANS RECEIVABLE - Continued**

	December 31,	
	2011	2010
Tailwind Associates, repayable over a 10-year period, due in monthly installments of \$483, including interest at 3%, matures December 2015 (w)	21,757	26,813
Town Homes of Union Square, LLC, repayable over a 15-year period, due in monthly installments of \$1,169 beginning January 2015, including interest at 5%, matures December 2026, with a balloon payment for the remaining balance (x)	200,000	-
Utech Products, repayable over a 15-year period (20-year amortization), due in monthly installments of principal ranging from \$2,708 to \$2,833, matures May 2019, with a balloon payment for the remaining balance, interest free (y)	459,168	490,334
Van Dyck Restoration (True Griffin, LLC), repayable over a 15-year period, due in monthly installments of \$1,036 beginning March 2014, interest free until payments begin and 3% thereafter matures February 2029 (y)	150,000	150,000
Villa Italia, repayable over a 20-year period, due in monthly installments of \$1,667, matures November 2025, interest free (z)	278,334	298,334
Vincenzo Montesano d/b/a Vincenzo Moda, repayable over a 7-year period, due in monthly installments of \$707 beginning February 2012, including interest at 5%, matures January 2019	50,000	-
Zone 5 Regional Law Enforcement Training Center, repayable over a 15-year period (18-year amortization), due in monthly installments of principal of \$4,306, beginning September 2007, with a balloon payment for the remaining balance, interest free, matures August 2022 (aa)	568,333	620,000
	13,921,561	14,780,234
Less allowance	1,121,909	1,060,187
Current installments	529,309	935,998
Loans, receivable, less current installments, net	\$ 12,270,343	\$ 12,784,049

- (a) Secured by all business assets and personal guarantees of the principals of the company.
- (b) Secured by a second mortgage on the property and assignment of leases and rents related to the property.
- (c) Secured by a second mortgage on the property and a second lien position on the fixed assets of the entity.
- (d) Secured by a second mortgage on the property and guaranteed by the principals of the company and the building's tenants.
- (e) Secured by a first mortgage on the property and personal guarantees of the owners.
- (f) Secured by a mortgage on the property, all business assets, and assignment of leases.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**NOTE 2 - LOANS RECEIVABLE - Continued**

- (g) Secured by a second mortgage on the property and the assignment of rents.
- (h) Secured by a second mortgage on the property and guaranteed by the members of the company.
- (i) Secured by a first mortgage on vacant property.
- (j) Secured by a mortgage, subordinate to the primary lender and guaranteed by a related party.
- (k) Secured by a mortgage, subordinate to the primary lender, an assignment of rents, and guarantee of the operating entity.
- (l) Secured by a second mortgage on the property and a first lien position on the company's fixtures, furniture, and equipment.
- (m) Secured by a second mortgage on the property.
- (n) Secured by a second mortgage on the property, an assignment of rents and leases, and certain fixed assets.
- (o) Secured by a second mortgage on the property, subordinate to the primary lender, and personally guaranteed by certain principals of the company.
- (p) Secured by a mortgage on the property, all business assets, an assignment of leases, and personal guarantees by the principals of the company.
- (q) Secured by a second mortgage on the property, a second lien on the company's furniture, fixtures, and equipment, and guaranteed by the principal of the entity.
- (r) Secured by a third mortgage on the property, a first lien on all furniture and fixtures, and guaranteed by the corporation and an assignment of leases and rents related to the property.
- (s) Secured by a second lien on leasehold improvements, furniture, fixtures, and equipment, and guaranteed by the principals of the entity.
- (t) Secured by a first lien on certain property held by the company.
- (u) Secured by a mortgage on the property, assignment of leases, all tangible business assets, and a guarantee by the Health Resources and Services Administration, an agency within the United States Department of Health and Human Services.
- (v) Secured by a third mortgage on the property, subordinate to the primary lenders, and personally guaranteed by certain principals of the entity.
- (w) Secured by all business assets, landlord waiver of liens, and personal guarantees by the principals of the company.
- (x) Secured by a mortgage, subordinate to the primary lender.
- (y) Secured by a mortgage on the property, subordinate to the primary lender.
- (z) Secured by a mortgage on the property, a lien on certain machinery and equipment, and personal guarantees of the members of the company.
- (aa) Secured by a first mortgage on the property in the amount of \$527,500 and an assignment of New York State grant proceeds totaling \$400,000.

Interest earnings on loans receivable were \$24,104 and \$62,846 for the years ended December 31, 2011 and 2010, respectively.

**NOTE 3 - NOTES RECEIVABLE**

*a. L&S Realty, Inc.*

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

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010**

**NOTE 3 - NOTES RECEIVABLE - Continued**

*b. 426 State Street Associates, LLC*

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

*c. 447 State Street*

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

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

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
L&S Realty, Inc.	\$ 238,894	\$ 300,000
426 State Street Associates, LLC	200,000	200,000
447 State Street	<u>250,000</u>	<u>250,000</u>
	688,894	750,000
Less allowance	200,000	200,000
Current installments	<u>58,213</u>	<u>57,230</u>
Notes receivable, less current installments, net	<u><u>\$ 430,681</u></u>	<u><u>\$ 492,770</u></u>

**NOTE 4 - CAPITAL ASSETS**

Capital assets are summarized as follows:

	<u>January 1, 2011</u>	<u>Additions</u>	<u>December 31, 2011</u>
Office furniture and equipment	\$ 218,103	\$ 17,819	\$ 235,922
Leasehold improvements	<u>25,375</u>	<u>1,499</u>	<u>26,874</u>
	243,478	19,318	262,796
Accumulated depreciation	<u>(177,740)</u>	<u>(18,887)</u>	<u>(196,627)</u>
	<u><u>\$ 65,738</u></u>	<u><u>\$ 431</u></u>	<u><u>\$ 66,169</u></u>

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010**

**NOTE 4 - CAPITAL ASSETS - Continued**

	January 1, 2010	Additions	December 31, 2010
Office furniture and equipment	\$ 185,860	\$ 32,243	\$ 218,103
Leasehold improvements	8,509	16,866	25,375
	<u>194,369</u>	<u>49,109</u>	<u>243,478</u>
Accumulated depreciation	(163,210)	(14,530)	(177,740)
	<u>\$ 31,159</u>	<u>\$ 34,579</u>	<u>\$ 65,738</u>

**NOTE 5 - BOND ISSUANCE COSTS, NET**

The Authority has incurred certain costs related to the issuance of an \$8,080,000 General Resolution Bond dated January 2002, a \$14,000,000 General Resolution Bond dated September 2004, a \$16,405,000 General Resolution Bond dated September 2005, an \$11,440,000 General Resolution Bond dated November 2006, and a \$6,410,000 General Resolution Bond dated June 2010 (Note 7) and Bond Anticipation Notes. These costs, totaling \$1,618,517 at both December 31, 2011 and 2010, are reported as Bond issuance costs and are amortized over the life of the respective bonds or notes (1 to 22 years) on a straight-line basis, beginning with the issuance of each bond or note. Accumulated amortization at December 31, 2011 and 2010, totaled \$504,144 and \$430,890, respectively. Amortization expense for the year ending December 31, 2012, and for each of the four subsequent years, will be \$73,254.

**NOTE 6 - BOND ANTICIPATION NOTES**

The Authority paid interest totaling \$128,900 during the year ended December 31, 2010, on three Bond Anticipation Notes that matured in June 2010.

**NOTE 7 - BONDS PAYABLE, NET**

During January 2002, the Authority issued \$8,080,000 of General Resolution Bonds, 2001A, to fund certain public transportation, parking, and infrastructure projects within the Authority's service district approved by the Authority's Board of Directors. The approved projects include the Broadway Parking Garage, Little Italy, State Streetscape, Upper Union Street Revitalization, and the Vale Village Revitalization. The terms of the bonds include annual payments of principal ranging from \$260,000 to \$625,000 plus interest at rates ranging from 3.00% to 5.50% during the life of the bonds, payable on June 15 and December 15 of each year. The bonds will fully mature on December 15, 2021. Bonds maturing on or before December 15, 2011, are not subject to redemption prior to maturity. Bonds maturing on or after December 15, 2012, are subject to redemption prior to maturity on or after December 15, 2012, at the option of the Authority, at the redemption price of 100% plus accrued interest thereon.

During September 2004, the Authority issued \$14,000,000 of General Resolution Bonds, 2004A, to fund certain public transportation, parking, and infrastructure projects within the Authority's service district approved by the Authority's Board of Directors. The 2004 bonds were issued at a premium of \$138,647, which is amortized over the life of the bonds on a straight-line basis. Amortization of the premium began in 2005. Accumulated amortization expense at December 31, 2011 and 2010 totaled \$41,594 and \$34,661, respectively. The approved projects include the Proctor's Theatre Expansion and the Broadway Garage acquisition. The terms of bonds include annual payments of principal ranging from \$480,000 to \$1,005,000 plus interest at rates ranging from 3.00% to 4.50% during the life of the bonds, payable on March 15 and September 15 of each year. The bonds will fully mature on September 15, 2024. Bonds maturing through September 15, 2013, are not subject to redemption prior to maturity. Bonds maturing on or after September 15, 2014, are subject to redemption prior to maturity on or after September 15, 2014, at the option of the Authority, at the redemption price of 100% plus accrued interest thereon.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**NOTE 7 - BONDS PAYABLE, NET - Continued**

During September 2005, the Authority issued \$11,405,000 of General Resolution Bonds, Series 2005A and \$5,000,000 of General Resolution Bonds, Series 2005B, to fund certain infrastructure projects within the Authority's service district approved by the Authority's Board of Directors. The approved projects include the Hampton Inn, Broadway Commerce Park, the acquisition of certain State Street properties, and the payment of the lease obligations related to the MVP Parking Garage. The terms of the 2005A bonds include interest at rates ranging from 4.144% to 4.949% during the life of the bonds, payable on February 1 and August 1 of each year. The 2005B bonds bore interest at a weekly rate determined by First Albany Capital, subject to a maximum rate of 12% through November 2006, when it was converted to a fixed rate ranging from 5.15% to 6.62%. The bonds will include annual principal payments ranging from \$125,000 to \$360,000 and mature August 1, 2028.

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

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

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

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

	December 31,	
	<u>2011</u>	<u>2010</u>
General Resolution Bonds, Series 2001A	\$ 4,975,000	\$ 5,350,000
General Resolution Bonds, Series 2004A	10,280,000	10,875,000
General Resolution Bonds, Series 2005A	9,445,000	9,795,000
General Resolution Bonds, Series 2005B	4,120,000	4,265,000
General Resolution Bonds, Series 2006A	9,705,000	10,050,000
General Resolution Bonds, Series 2010A	1,025,000	1,050,000
General Resolution Bonds, Series 2010B	5,265,000	5,360,000
	<u>\$ 44,815,000</u>	<u>\$ 46,745,000</u>

A summary of bond transactions is as follows:

	December 31,	
	<u>2011</u>	<u>2010</u>
Bonds payable, beginning of year	\$ 46,745,000	\$ 42,065,000
Bonds issued	-	6,410,000
Principal payments	<u>(1,930,000)</u>	<u>(1,730,000)</u>
	<u>\$ 44,815,000</u>	<u>\$ 46,745,000</u>

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**NOTE 7 - BONDS PAYABLE, NET - Continued**

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

	<u>Principal</u>	<u>Interest</u>
For the year ending December 31, 2012	\$ 2,060,000	\$ 2,303,621
2013	2,150,000	2,214,423
2014	2,250,000	2,110,567
2015	2,355,000	2,007,721
2016	2,465,000	1,897,949
For the years ending December 31, 2017 through 2021	14,260,000	7,557,282
2022 through 2026	12,470,000	3,937,935
2027 through 2031	5,840,000	1,029,236
2032 through 2033	965,000	95,548
	<u>\$ 44,815,000</u>	<u>\$ 23,154,282</u>

Interest expense for the years ended December 31, 2011 and 2010, was \$2,364,982 and \$2,258,550, respectively. Interest paid during the years ended December 31, 2011 and 2010, totaled \$2,432,741 and \$2,109,304, respectively.

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

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
<i>Investment reserves, restricted</i>		
Bond Issuance Cost Fund	\$ -	\$ 2,822
Debt Service Reserve Fund	2,416,500	2,416,262
Debt Service Fund	961,248	1,030,804
	<u>\$ 3,377,748</u>	<u>\$ 3,449,888</u>

**NOTE 8 - DUE TO SCHENECTADY COUNTY**

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending December 31, 2012	\$ 44,038	\$ 44,886	\$ 88,924
2013	46,015	42,909	88,924
2014	48,081	40,843	88,924
2015	50,240	38,684	88,924
2016	52,495	36,429	88,924
For the years ending December 31, 2017 through 2021	300,022	144,598	444,620
2022 through 2026	373,704	70,916	444,620
2027	85,104	3,820	88,924
	<u>\$ 999,699</u>	<u>\$ 423,085</u>	<u>\$ 1,422,784</u>

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010**

**NOTE 8 - DUE TO SCHENECTADY COUNTY - Continued**

Interest expense for the years ended December 31, 2011 and 2010, was \$46,069 and \$47,911, respectively. Interest paid during the years ended December 31, 2011 and 2010, totaled \$46,779 and \$48,590, respectively.

**NOTE 9 - PROJECT GRANTS AND COMMITMENTS**

A summary of the Authority's project grants and commitments, with activity, as of and for the years ended December 31, 2011 and 2010, is as follows:

3N2, LLC

The Authority has approved expenditures of \$85,777 for this project. The expenditures were approved to create an allowance against the loan receivable balance (Note 2).

AAA Northway Relocation Project

The Authority has approved grants of \$84,000 and related expenses of \$173,000 for this project. As of December 31, 2011, the Authority has not made any distributions in connection with this project.

Alco Redevelopment

The Authority has approved expenditures of \$496,126 for this project. As of December 31, 2011, the Authority had incurred expenses of \$496,126 in connection with this project.

Alco Restore NY

The Authority has approved grants of \$250,000 and related expenditures of \$19,228 for this project. As of December 31, 2011, the Authority had distributed grants of \$250,000 and had incurred expenses of \$19,228 in connection with this project.

Argo Turboserve Corporation

The Authority has approved grants of \$150,000 and related expenditures of \$16,866 for this project. As of December 31, 2011, the Authority had distributed grants of \$150,000 and had incurred expenses of \$16,866 in connection with this project.

Bechtel-JMR NYS Grant

The Authority has approved grants of \$2,000,000 for this project. As of December 31, 2011, the Authority had distributed grants of \$2,000,000 in connection with this project. The Authority received a \$2,000,000 grant from Empire State Development Corporation related to this project.

Broadway Commerce Park Phase 3

The Authority has approved a grant of \$160,000, a loan of \$285,000, and related expenses of \$25,000 for this project. As of December 31, 2011, the Authority had distributed grants of \$160,000, made loans of \$285,000, and had incurred expenses of \$25,000 in connection with this project. The grant of \$160,000 was used by the developer to reduce its outstanding loan to \$125,000.



**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010**

**NOTE 9 - PROJECT GRANTS AND COMMITMENTS - Continued**

Capitol Plaza (Rotterdam) Renovation

The Authority has approved grants of \$85,000 and related expenses of \$25,000 for this project. As of December 31, 2011, the Authority had distributed grants of \$85,000 and had incurred expenses of \$12,907 in connection with this project.

Clinton's Ditch Expansion

The Authority has approved grants of \$30,000 and related expenses of \$5,000 for this project. As of December 31, 2011, the Authority had incurred expenses of \$906 in connection with this project.

Clinton Square

The Authority has approved grants of \$2,181,468 and related expenses of \$16,800 for this project. As of December 31, 2011, the Authority had distributed grants of \$2,181,468 and had incurred expenses of \$16,800 in connection with this project. The Authority also received a \$1,431,468 grant from Empire State Development Corporation, RESTORE NY related to this project.

Cornell's Restaurant

The Authority has approved expenditures of \$223,941 for this project. The expenditures were approved to create an allowance against the loan receivable balance (Note 2).

Countywide Façade Program

The Authority has approved grants of \$600,000 and related expenses of \$5,000 for this project. As of December 31, 2011, the Authority has distributed grants of \$483,551 and incurred expenses of \$1,465 in connection with this project.

Detmas Retention

The Authority has approved a grant of \$6,000 for this project. As of December 31, 2011, the Authority had distributed the grant of \$6,000 in connection with this project.

Downtown Ambassador Program

The Authority has approved grants of \$35,760 for this project. As of December 31, 2011, the Authority had distributed grants of \$35,760 in connection with this project.

Downtown Denny's Façade

The Authority has approved a grant of \$25,000 and \$865 for related expenses in connection with this project. As of December 31, 2011, the Authority had distributed \$25,000 of the grant and had incurred \$865 in expenditures in connection with this project.

Downtown Façade Program V

The Authority has approved grants of \$785,126 and \$14,307 for related expenses in connection with this project. As of December 31, 2011, the Authority had distributed \$785,126 of grants and had incurred \$14,307 in expenditures in connection with this project.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010**

**NOTE 9 - PROJECT GRANTS AND COMMITMENTS - Continued**

Downtown Special Assessment Districts VIII-XII

The Authority has approved grants of \$983,375 and \$16,000 for related expenses in connection with these projects. As of December 31, 2011, the Authority had distributed \$802,874 of grants and had incurred \$10,440 in expenditures in connection with these projects.

Draper School Redevelopment Project

The Authority has approved a grant of \$50,000 and related expenses of \$5,000 for this project. As of December 31, 2011, the Authority had incurred \$76 in expenses in connection with this project.

Duanesburg Waste Water Study

The Authority has approved a grant of \$20,000 for this project. As of December 31, 2011, the Authority had distributed \$17,930 of grants in connection with this project.

Ener-G-Rotors

The Authority has approved grants of \$15,000 in connection with this project. As of December 31, 2011, the Authority had distributed \$15,000 of the grants in connection with this project.

Foster Building Project

The Authority has approved expenditures of \$1,860,000 for this project. As of December 31, 2011, the Authority has incurred expenses of \$1,826,038 in connection with this project.

Franklin Street Redesign Study

The Authority has approved grants of \$35,500 and \$2,500 for related expenses for this project. As of December 31, 2011, the Authority had not distributed any grants and had not incurred any expenses in connection with this project.

Gateway Plaze Redesign Study

The Authority has approved grants of \$20,000 and \$2,000 for related expenses for this project. As of December 31, 2011, the Authority had not distributed any grants and had not incurred any expenses in connection with this project.

GEMx Advanced Battery

The Authority has approved grants of \$5,000,000 and related expenses of \$50,000 for this project. As of December 31, 2011, the Authority had incurred expenses of \$5,360 in connection with this project.

Jay Street Lighting Project - Phase 1

The Authority has approved grants of \$363,000 and related expenses of \$17,408 for this project. As of December 31, 2011, the Authority had distributed grants of \$363,000 and had incurred expenses of \$17,408 in connection with this project.

Jay Street Lighting Project - Phase 2

The Authority has approved expenses of \$90,000 for this project. As of December 31, 2011, the Authority had incurred expenses of \$62 in connection with this project.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010**

**NOTE 9 - PROJECT GRANTS AND COMMITMENTS - Continued**

162-166 Jay Street Renovation

The Authority has approved grants of \$20,000 and \$2,000 for related expenses for this project. As of December 31, 2011, the Authority had not distributed any grants and had not incurred any expenses in connection with this project.

K-Mart Plaza Redevelopment

The Authority has approved grants of \$180,000 and \$50,000 for related expenses for this project. As of December 31, 2011, the Authority had incurred expenses of \$50,816 in connection with this project.

LaSartoria Clothing Store

The Authority has approved a grant of \$15,000, a loan of \$50,000, and related expenses of \$5,000 for this project. As of December 31, 2011, the Authority had distributed grants of \$15,000, made loans of \$50,000, and had incurred expenses of \$4,519 in connection with this project.

Lofts at Union Square

The Authority has approved grants of \$150,000, a loan of \$200,000, and related expenses of \$55,237 for this project. As of December 31, 2011, the Authority had distributed grants of \$74,600, made loans of \$200,000, and had incurred expenses of \$37,320 in connection with this project.

Marks Property Demolition

The Authority has approved grants of \$89,382 for this project. As of December 31, 2011, the Authority had distributed grants of \$89,382 in connection with this project.

McDonalds Demolition Project

The Authority has approved grants of \$25,000 for this project. As of December 31, 2011, the Authority had distributed grants of \$25,000 in connection with this project.

M/E Engineering, P.C. Relocation Project

The Authority has approved a grant of \$100,000 and related expenses of \$10,000 for this project. As of December 31, 2011, the Authority had distributed grants of \$33,333 and had incurred expenses of \$675 in connection with this project.

More Perreca's Cafe

The Authority has approved a grant of \$50,000, a loan of \$165,167, and related expenses of \$27,000 for this project. As of December 31, 2011, the Authority had distributed the grant of \$50,000, made the loan of \$165,167, and incurred expenses of \$27,000 in connection with this project.

NY Folklore Society Relocation

The Authority has approved grants of \$5,000 for this project. As of December 31, 2011, the Authority had distributed grants of \$5,000 in connection with this project.

Parker Inn

The Authority has approved expenditures of \$683,912 for this project. The expenditures were approved to create an allowance against the loan receivable (Note 2).

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010**

**NOTE 9 - PROJECT GRANTS AND COMMITMENTS - Continued**

Parking Infrastructure Program

The Authority has approved expenditures of \$498,000 for this project. As of December 31, 2011, the Authority had incurred expenses of \$80,248 in connection with this project.

Parking Improvements Program

The Authority has approved expenditures of \$803,168 for this project. As of December 31, 2011, the Authority had incurred expenses of \$803,168 in connection with this project.

Parking Program

The Authority has approved expenditures for the operation of a parking garage and seven surface parking lots in the City of Schenectady. The revenues from the parking system are recorded as project revenues, and the operating expenses are recorded as project expenditures. During 2011 and 2010, the Authority had expenditures of \$1,569,836 and \$1,335,240, respectively, in connection with this project.

Parking Remediation

The Authority has approved expenditures of \$594,400 for this project. As of December 31, 2011, the Authority had incurred expenditures of \$431,459 in connection with this project.

Paul Mitchell School

The Authority has approved a grant of \$311,400, a loan of \$250,000, and expenditures of \$50,000 in connection with this project. As of December 31, 2011, the Authority had distributed grants of \$311,400, made loans of \$250,000, and had incurred expenditures of \$24,839 in connection with this project.

Riverstone Manor

The Authority has approved expenditures of \$139,885 for this project. As of December 31, 2011, the Authority had incurred \$139,885 in expenses in connection with this project.

Save Mor Cleaners

The Authority has approved a grant of \$2,500 for this project. As of December 31, 2011, the Authority had distributed \$2,500 of the grant in connection with this project.

Schenectady County Community Business Center IV - VII

The Authority has approved grants of \$278,000 and related expenses of \$5,000 for these projects. As of December 31, 2011, the Authority had distributed grants of \$278,000 and incurred expenses of \$5,000 in connection with these projects.

Schenectady Heritage Area Visitor Center

The Authority has approved a grant of \$40,000, a conditional grant of \$180,000 subject to reimbursement upon the award, and reimbursement of a grant by NYS and related expenses of \$5,000 for this project. As of December 31, 2011, the Authority had distributed grants of \$192,349 and incurred expenses of 2,121 in connection with this project.

**SCENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010**

**NOTE 9 - PROJECT GRANTS AND COMMITMENTS - Continued**

Schenectady Light Opera

The Authority has approved grants of \$300,000 and related expenses of \$12,131 for this project. As of December 31, 2011, the Authority had distributed grants of \$300,000 and had incurred expenses of \$12,131 in connection with this project.

Schenectady Museum/Science Center

The Authority has approved grants of \$25,000 for this project. As of December 31, 2011, the Authority had distributed \$25,000 of the grants in connection with this project.

Star Advisors

The Authority has approved grants of \$23,996 for this project. As of December 31, 2011, the Authority had distributed \$23,996 of the grants in connection with this project.

Stockade View Apartments Facade

The Authority has approved a grant of \$350,000 and related expenses of \$25,000 for this project. As of December 31, 2011, the Authority had distributed grants of \$350,000 and had incurred expenses of \$6,800 in connection with this project.

Stratton Air National Guard Case Support Grant

The Authority has approved grants of \$35,000 for this project. As of December 31, 2011, the Authority had distributed \$25,000 of grants in connection with this project.

Sweet Temptations

The Authority has approved grants of \$15,000 for this project. As of December 31, 2011, the Authority had distributed grants of \$15,000 in connection with this project.

13 State Street Purchase (YMCA)

The Authority has approved a grant of \$2,000,000 and related expenses of \$75,000 for this project. As of December 31, 2011, the Authority did not distribute any grants and had incurred expenses of \$3,007 in connection with this project.

Tara Kitchen

The Authority has approved grants of \$20,000 for this project. As of December 31, 2011, the Authority had distributed grants of \$20,000 in connection with this project.

Transfinder Corporation Relocation

The Authority has approved a grant of \$360,000 and related expenses of \$50,000 for this project. As of December 31, 2011, the Authority had distributed \$150,000 of grants and had incurred expenses of \$26,907 in connection with this project.

Upper Union Street Façade Programs

The Authority has approved grants of \$1,008,000 and related expenses of \$10,000 in connection with this project. As of December 31, 2011, the Authority had distributed grants of \$944,139 and had incurred \$11,279 in related expenses in connection with this project.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**NOTE 9 - PROJECT GRANTS AND COMMITMENTS - Continued**

Upper Union Streetscape

The Authority has approved grants of \$1,215,000 and related expenses of \$50,000 in connection with this project. As of December 31, 2011, the Authority had distributed \$941,946 of the grants and incurred \$86,960 in related expenses in connection with this project.

414 Union Street Facade

The Authority has approved grants of \$30,000 for this project. As of December 31, 2011, the Authority had not distributed any grants in connection with this project.

Van Guysling Avenue

The Authority has approved grants of \$380,000 and related expenses of \$10,000 for this project. As of December 31, 2011, the Authority had distributed grants of \$374,101 and had incurred expenses of \$10,000 in connection with this project.

Project grants distributed and expenditures incurred, net of project grant revenues, during the years ended December 31, 2011 and 2010, and undistributed project commitments at December 31, 2011, were as follows:

	Project Grants 2011	Unspent Project Commitments at December 31, 2011	Project Grants 2010
3N2, LLC	\$ 85,777	\$ -	\$ -
AAA Northway Relocation	-	257,000	-
Alco Redevelopment	5,000	-	101,334
Alco Restore NY	-	-	269,228
Argo Turboserve Corporation	-	-	166,866
Bechtel-JMR NYS Grant	-	-	2,000,000
Broadway Commerce Park Phase 3	-	-	150,713
Capitol Plaza (Rotterdam) Renovation	3,262	12,093	94,645
Clinton's Ditch Expansion	906	34,094	-
Clinton Square	-	-	6,800
Cornell's Restaurant	-	-	223,941
Countywide Façade Program	49,569	119,984	133,289
Detmas Retention	6,000	-	-
Downtown Ambassador Program	-	-	13,805
Downtown Denny's Façade	25,865	-	-
Downtown Façade Program V	20,839	-	516,644
Downtown Special Assessment Districts	332,738	186,061	142,012
Draper School Redevelopment Project	76	54,924	-
Duanesburg Waste Water Study	17,930	2,070	-
Ener-G-Rotors	-	-	15,000
Franklin Street Redesign Study	-	38,000	-
Foster Building	1,282,423	34,862	410,422
Gateway Plaze Redesign Study	-	22,000	-
GEMx Advanced Battery	3,436	5,044,640	1,924

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010**

**NOTE 9 - PROJECT GRANTS AND COMMITMENTS - Continued**

	Project Grants 2011	Unspent Project Commitments at December 31, 2011	Project Grants 2010
	<u>          </u>	<u>          </u>	<u>          </u>
Jay Street Lighting Project - Phase 1	-	-	4,006
Jay Street Lighting Project - Phase 2	-	89,938	62
162-166 Jay Street Renovation Project	-	22,000	-
K-Mart Plaza Redevelopment	50,816	179,184	-
LaSartoria Clothing Store	19,519	481	-
Lofts at Union Square	96,683	93,317	15,237
Mark's Property Demolition	-	-	32,792
McDonalds Demolition	-	-	25,000
M/E Engineering, P.C. Relocation	33,844	75,992	164
More Perreca's Café	-	-	2,000
NY Folklore Society Relocation	5,000	-	-
Parker Inn	-	-	683,912
Parking Infrastructure Program	80,248	417,752	-
Parking Improvements	34,838	-	768,330
Parking Program	1,569,836	-	1,335,240
Parking Remediation	22,582	162,941	3,950
Paul Mitchell School	116,775	25,161	198,937
Riverstone Manor	-	-	139,885
Save Mor Cleaners	2,500	-	-
Schenectady County Community Business Center IV - VII	-	-	4,125
Schenectady Heritage Area Visitor Center	194,470	30,530	-
Schenectady Light Opera	-	-	6,994
Schenectady Museum/Science Center	-	-	25,000
Star Advisors	-	-	23,996
Stockade View Apartments Façade Project	-	17,599	356,800
Stratton Air National Guard Base Support Grant	25,000	10,000	-
Sweet Temptations	15,000	-	-
13 State Street Purchase (YMCA)	3,007	2,071,993	-
Tara Kitchen	20,000	-	-
Transfinder Corporation Relocation	176,907	233,093	-
Upper Union Street Façade Programs	89,350	62,582	18,656
Upper Union Streetscape	488,932	236,094	231,423
414 Union Street Façade	-	35,000	-
Van Guysling Avenue	55,752	5,899	56,026
Professional services and predevelopment costs (a)	403,616	-	420,333
	<u>5,338,496</u>	<u>\$ 9,575,284</u>	<u>8,599,491</u>
Project grant revenues	<u>(870,417)</u>		<u>(2,999,111)</u>
	<u>\$ 4,468,079</u>		<u>\$ 5,600,380</u>

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010**

**NOTE 9 - PROJECT GRANTS AND COMMITMENTS - Continued**

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

From inception through December 31, 2011, the Authority has approved project grants, expenditures, and loans totaling \$143,204,777, of which \$133,629,493 has been distributed.

**NOTE 10 - NET ASSETS**

The Authority has reported a deficit in its net assets as of December 31, 2011. 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 amounts to ensure full repayment of existing obligations, and the Authority has established conservative guidelines under its General Bond Resolution that preclude further borrowings unless repayment capacity can be demonstrated.

**NOTE 11 - NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM**

*a. Plan Description*

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

*b. Funding Policy*

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

2011	\$ 53,694
2010	39,915
2009	28,177

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

*a. Bonds and Notes*

The Authority has the ability to issue bonds, notes, or other obligations to pay for the cost of any project. As more fully described in the Act, the principal amount of such outstanding obligations shall not exceed \$75,000,000. At December 31, 2011, the Authority had issued a total of \$56,335,000 in bonds. There were \$44,815,000 and \$46,745,000 of outstanding obligations, related to its General Resolution Bonds described in Note 7, at December 31, 2011 and 2010, respectively.



**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010**

**NOTE 12 - COMMITMENTS AND CONTINGENCIES - Continued**

*b. Collateralization, Bank Deposits*

The Authority's cash deposits must be fully collateralized at all times. As of December 31, 2011, the Authority's bank deposits were fully collateralized or insured by the FDIC.

*c. Leases*

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

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

Total lease expense was \$59,390 and \$41,329 at December 31, 2011 and 2010, respectively.

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

For the year ending December 31, 2012	\$ 56,435
2013	59,490
2014	60,268
2015	<u>56,518</u>
	<u>\$ 232,711</u>

*d. Employment Agreement*

The Authority has entered into a contract with its Executive Director which states that the Executive Director shall receive severance pay equal to 50% of his annual salary upon termination. Based on the Executive Director's current salary, the liability upon termination would be approximately \$71,000.

*e. Return of Revenues*

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

During the year ended December 31, 2011, the Authority recognized sales tax revenues of \$7,798,305. As of December 31, 2011, the Authority has outstanding project and loan commitments totaling \$9,575,346, which the Authority has authorized to be distributed in the next fiscal year. The Authority also has current liabilities of \$4,366,638 at December 31, 2011, payable during 2012.

As of December 31, 2011, the Authority was not obligated to return revenues to the County, other than those described in Note 8.

*f. Litigation Claims*

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

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010**

**NOTE 12 - COMMITMENTS AND CONTINGENCIES - Continued**

*f. Litigation Claims - Continued*

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

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

*g. Environmental Risks*

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

**NOTE 13 - ACCOUNTING STANDARD ISSUED BUT NOT YET IMPLEMENTED**

In December 2010, GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

This statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989, FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989, FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this statement.

GASB Statement No. 62 is effective for financial statements for periods beginning after December 15, 2011; however, early adoption is encouraged.

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Schenectady Metroplex Development Authority  
Schenectady, New York

We have audited the financial statements of the Schenectady Metroplex Development Authority (Authority) as of and for the year ended December 31, 2011, and have issued our report thereon dated March 23, 2012. 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.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 11-01 through 11-05.

We noted certain matters that we reported to management of the Authority in a separate letter dated March 23, 2012.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Board, and is not intended to be and should not be used by anyone other than those specified parties.

*Bollam Sheedy Torani & Co LLP*

Albany, New York  
March 23, 2012

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended December 31, 2011**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes      X   No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None Reported

Noncompliance material to financial statements? \_\_\_\_\_ Yes      X   No

**Section II - Financial Statement Findings**

None.

**Section III - Compliance Findings**

**11-01. Posting and Maintaining Reports and Policies on Public Authority Website**

*Criteria:* The New York State Authority Budget Office (ABO) issued Policy Guidance on April 12, 2010, in response to The Public Authorities Reform Act (PARA) of 2009. This guidance states that effective immediately, public authorities are required to make specific information available to the public through the internet.

*Condition:* Required Authority reports and policies are currently not available to the public through the internet.

*Effect:* The Authority is not in compliance with PARA requirements.

*Cause:* The Authority did not oversee proper maintenance of the website.

*Recommendation:* Using available ABO guidance, the Authority should update its website and schedule periodic maintenance and review to ensure required information is available to the public in a timely manner.

*View of Responsible Officials:* The Authority is in the process of updating its website to be in compliance with ABO requirements.

**11-02. Acknowledgement of Fiduciary Duty**

*Criteria:* Section 2824 of Public Authorities Law states that all Board members of public authorities are required to execute and sign an acknowledgement of fiduciary duty at the time the Member takes his or her oath of office.

*Condition:* The Authority does not have signed acknowledgements from all of its Board members.

*Effect:* The Authority was not in compliance with Section 2824 of Public Authorities Law.

*Cause:* All of the Board members did not sign the necessary acknowledgement in a timely manner.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended December 31, 2011**

**Section III - Compliance Findings - Continued**

**11-02. Acknowledgement of Fiduciary Duty - Continued**

*Recommendation:* The Authority should provide Board members with the necessary acknowledgement and ensure that all documents have been properly executed.

*View of Responsible Officials:* The Authority is in the process of obtaining all acknowledgements from Board members.

**11-03. Audit Report Filed in the Public Authority Reporting Information System (PARIS)**

*Criteria:* In accordance with Section 2800 of Public Authorities Law, local authorities must file an annual report with the Authority Budget Office within 90 days after the end of the fiscal year. The annual report must be approved by the Board and certified in writing by the Chief Executive Officer and the Chief Financial Officer.

*Condition:* The Authority's December 31, 2010, annual report was not filed with the ABO within 90 days after the end of the fiscal year and the PARIS submission with not approved by the Board or certified in writing by the Chief Executive Officer.

*Effect:* The Authority was not in compliance with Section 2800 of Public Authorities Law.

*Cause:* The Authority did not upload and certify the report in PARIS in accordance with Section 2800 of Public Authorities Law.

*Recommendation:* The Authority should assign an individual to file the report prior to the ABO deadline.

*View of Responsible Officials:* The Finance Director, under the supervision of the Executive Director, shall be responsible for filing the report with PARIS. The Executive Director, under the supervision of the Chairman, shall endeavor to obtain the formal Board of Directors' approval of the report in advance of the reporting deadline.

**11-04. Board Training**

*Criteria:* In accordance with Section 2824 of Public Authorities Law, individuals appointed to the Board are to participate in state approved training regarding their legal fiduciary, financial and ethical responsibilities within one year of appointment to the Board.

*Condition:* A portion of the Authority's Board members may not be aware of their responsibilities as a member of the Board.

*Effect:* The Authority was not in compliance with Section 2824 of Public Authorities Law.

*Cause:* Not all of the Authority's Board member have attended the required training.

*Recommendation:* The Authority should ensure that all Board members attend the required training.

*View of Responsible Officials:* The Executive Director will ensure that Board members receive the requisite training during the next fiscal period.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**SCHEDULE OF FINDINGS AND RESPONSES**

**Year Ended December 31, 2011**

**Section III - Compliance Findings - Continued**

**11-05. Capital Projects Plan**

*Criteria:* The Authority's enabling legislation states that on or before the first day of March the Authority is to produce and present at a public hearing for public comment a five year capital projects plan, outlining the vision of its intended capital projects for the next five years.

*Condition:* The public has not been informed of the Authority's intended capital projects nor have they had the opportunity to comment on intended capital projects.

*Effect:* The Authority was not in compliance with its enabling legislation.

*Cause:* The Authority has not prepared a five year capital projects plan.

*Recommendation:* The Authority should prepare and present a five-year capital projects plan.

*View of Responsible Officials:* A draft plan document has been completed and is expected to be adopted during the second quarter of 2012.