

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

**FINANCIAL REPORT**

**December 31, 2009 and 2008**

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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, 2009 and 2008, 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 an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 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 Schenectady Metroplex Development Authority as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 7 is not a required part of the financial statements, but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2010, 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.

*Bollam Sheedy Torani & Co. LLP*

Albany, New York  
March 30, 2010

## **SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

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

The Schenectady Metroplex Development Authority, hereafter referred to as the "Authority," is pleased to present its Financial Report for the year ended December 31, 2009, 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.

#### **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, 2009. This information should be read in conjunction with the financial statements.

## **FINANCIAL HIGHLIGHTS**

The year 2009 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 2009 results:

- Total operating revenues decreased by 5.7% over those of the prior fiscal period, reflecting the contraction of the national and regional economies, particularly in the consumer sector that drives the sales tax revenue stream. Nonetheless, the level of 2009 revenues remained consistent with those of the three-years prior to 2008, and management expects 2010 levels to return to those of 2008 as the economy rebounds during the period.
- Total operating expenses decreased by 6.7%, due primarily to aggressive cost-cutting measures by management in contracted services.
- A 6.7% increase in other financing uses reflect an increase in interest expense associated with the Authority's issuance of Bond Anticipation Notes, and a decrease in investment earnings from 2008, resulting from depressed short-term interest rates.
- Total assets declined by 1.4% to \$27.7 million and reflects scheduled payouts within the Authority loan portfolio.
- Net operating revenues decreased by \$363,757, down 5.6% from those of 2008, given the decrease in operating revenues mentioned above. The net revenues were down 11.7%, or \$511,444, given the added declines in investment income.
- Net project grants and expenditures increased by \$645,324 to \$6.4 million. This resulted in an accumulated deficit of \$22.9 million compared to a deficit of \$20.3 million in 2008.
- In anticipation of the issuance of bonds in 2010, the Authority issued Bond Anticipation Notes in the amount of \$6,000,000. The Bond Anticipation Notes mature on June 19, 2010, without the option of prior redemption.

## **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.

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.

## 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

	December 31,		\$ Change	% Change
	2009	2008 (Restated)		
<b>ASSETS</b>				
Current assets	\$ 8,519,935	\$ 8,416,688	\$ 103,247	1.2%
Capital assets, net	31,159	24,437	6,722	27.5%
Other assets	19,111,934	19,612,775	(500,841)	-2.6%
	<u>\$ 27,663,028</u>	<u>\$ 28,053,900</u>	<u>\$ (390,872)</u>	-1.4%
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities	\$ 9,139,798	\$ 5,152,312	\$ 3,987,486	77.4%
Long-term debt	41,473,898	43,251,164	(1,777,266)	-4.1%
Net assets invested in capital assets, net of related debt	31,159	24,437	6,722	27.5%
Net assets, restricted	2,982,126	3,139,883	(157,757)	-5.0%
Net assets, unrestricted	(25,963,953)	(23,513,896)	(2,450,057)	10.4%
	<u>\$ 27,663,028</u>	<u>\$ 28,053,900</u>	<u>\$ (390,872)</u>	-1.4%

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

	Years Ended December 31,		\$ Change	% Change
	2009	2008 (Restated)		
Sales tax revenue	\$ 7,039,985	\$ 7,475,620	\$ (435,635)	-5.8%
Other operating revenues	44,521	36,600	7,921	21.6%
Total operating revenues	<u>7,084,506</u>	<u>7,512,220</u>	<u>(427,714)</u>	-5.7%
Depreciation and amortization	12,101	14,859	(2,758)	-18.6%
Other operating expenses	882,603	943,802	(61,199)	-6.5%
Total operating expenses	<u>894,704</u>	<u>958,661</u>	<u>(63,957)</u>	-6.7%
Net operating revenues	6,189,802	6,553,559	(363,757)	-5.6%
Other financing sources (uses)	(2,344,626)	(2,196,939)	(147,687)	6.7%
Net revenues	<u>3,845,176</u>	<u>4,356,620</u>	<u>(511,444)</u>	-11.7%
<b>NET ASSETS, beginning of year</b>	<b>(20,349,576)</b>	<b>(18,905,252)</b>	<b>(1,444,324)</b>	<b>7.6%</b>
Project grants, net of project grant revenues	(6,446,268)	(5,800,944)	(645,324)	11.1%
<b>NET ASSETS, end of year</b>	<b><u>\$ (22,950,668)</u></b>	<b><u>\$ (20,349,576)</u></b>	<b><u>\$ (2,601,092)</u></b>	<b>12.8%</b>

## **GENERAL TRENDS AND SIGNIFICANT EVENTS**

During 2009, the pace of the Authority's redevelopment efforts in the downtown core of Schenectady continued with many of its prior commitments reaching completion, and those more recent being well underway. In addition, the Authority has approved an additional \$8 million in new projects, many of which already underway.

## **FINANCIAL CONDITION**

The overall financial position of the Authority remained strong at year-end, despite a 5.7% decline in revenue. Total expenses in 2009 decreased \$63,957 from the prior year, and its cash position improved by \$2 million.

The Authority paid \$1,655,000 in bond principal during 2009.

Despite the latest fluctuation in its sales tax revenues 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 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 2009, exclusive of unrealized gain/loss on investments, was \$7,084,506, compared to \$7,512,220 in 2008.

### *Expenses*

Total operating expenses for the year 2009 were \$894,704 compared to \$958,661 in 2008. Cash and cash equivalents on hand for debt service payments were in excess of \$7 million.

## **LONG-TERM OBLIGATIONS**

As of December 31, 2009, the Authority had \$42,065,000 outstanding related to four separate general resolution bond issues in 2001, 2004, 2005, and 2006. The bonds mature in 2021, 2024, 2028, and 2028, respectively. Principal payments related to these bonds will total \$1,730,000 during 2010.

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. 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.

Board membership was unchanged throughout 2010, with one member continuing to serve his expired term and several re-appointments made by the Schenectady County Legislature in March, 2009.

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

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

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

## **PRINCIPAL OFFICIALS**

The 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	Secretary	December 31, 2010
Sharon A. Jordon	Treasurer	December 31, 2010
Edward L. Capovani		December 31, 2010
William R. Chapman		December 31, 2010
Neil M. Golub		December 31, 2013
Janet Hutchison		December 31, 2013
Robert J. Mantello		December 31, 2013
Gary McCarthy		December 31, 2007*
Patrick J. Saccocio		December 31, 2010

\* Director continues to serve in his capacity pursuant to Section 2653(1) of the Authority's enabling statute pending confirmation by the County Legislature of reappointment or replacement.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**STATEMENTS OF NET ASSETS**

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
		<b>(Restated)</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents, unrestricted	\$ 4,035,817	\$ 1,831,132
Cash, restricted	372,059	510,906
Accounts receivable	2,955,955	4,647,632
Current installments of loans receivable, net	1,024,418	1,310,184
Interest receivable	3,696	5,443
Prepaid expenses, current portion	46,267	45,918
Bond issuance costs, current portion	81,723	65,473
Total current assets	8,519,935	8,416,688
<b>CAPITAL ASSETS, net</b>	<b>31,159</b>	<b>24,437</b>
<b>OTHER ASSETS</b>		
Loans receivable, less current installments, net	14,563,623	14,909,335
Note receivable, net	550,000	550,000
Investment reserves, restricted	2,982,126	3,071,783
Bond issuance costs, net of amortization	1,016,185	1,081,657
	19,111,934	19,612,775
	<b>\$ 27,663,028</b>	<b>\$ 28,053,900</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current installments of bonds payable	\$ 1,730,000	\$ 1,655,000
Bond anticipation notes payable	6,000,000	2,000,000
Accounts payable and accrued expenses	188,600	217,193
Accrued interest	800,873	791,780
Due to the County of Schenectady, current portion	40,334	38,601
Premium on bonds, net of amortization, current portion	7,932	6,932
Escrow payable	372,059	442,806
Total current liabilities	9,139,798	5,152,312
<b>LONG-TERM DEBT</b>		
Bonds payable, less current installments	40,335,000	42,065,000
Due to the County of Schenectady, less current portion	1,041,844	1,082,178
Premium on bonds, net of amortization, less current portion	97,054	103,986
	41,473,898	43,251,164
Total liabilities	50,613,696	48,403,476
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	31,159	24,437
Restricted	2,982,126	3,139,883
Unrestricted	(25,963,953)	(23,513,896)
	(22,950,668)	(20,349,576)
	<b>\$ 27,663,028</b>	<b>\$ 28,053,900</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>2009</b>	<b>2008</b> <b>(Restated)</b>
<b>OPERATING REVENUES</b>		
Sales tax revenues	\$ 7,039,985	\$ 7,475,620
Other income	44,521	36,600
	7,084,506	7,512,220
<b>OPERATING EXPENSES</b>		
Payroll	431,581	418,392
Payroll taxes	36,294	33,845
Pension plan	27,159	30,307
Health insurance	36,601	46,449
Other employee benefits	5,084	4,538
Accounting	55,725	51,850
Advertising	40,178	49,522
Automobile	7,292	7,220
Consulting	300	13,800
Depreciation and amortization	12,101	14,859
Dues and subscriptions	5,067	4,405
Educational training	728	5,425
Hosting and travel	6,602	3,830
Insurance	20,180	23,330
Legal	105,072	130,629
Office supplies	9,103	19,677
Postage	3,963	4,144
Rent	36,332	36,332
Repairs and maintenance	19,632	19,821
Resource data	22,381	24,972
Telephone	13,329	15,314
	894,704	958,661
<b>Net operating revenues</b>	<b>6,189,802</b>	<b>6,553,559</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Investment earnings	78,056	228,456
Interest expense	(2,329,646)	(2,352,254)
Amortization of bond issuance costs	(81,723)	(65,472)
Debt service fees	(21,300)	(16,000)
Miscellaneous revenue	9,987	8,331
	(2,344,626)	(2,196,939)
<b>Increase in net assets</b>	<b>3,845,176</b>	<b>4,356,620</b>
<b>NET ASSETS, beginning of year</b>	(20,349,576)	(18,905,252)
Project grants and expenditures, net of project grant revenues	(6,446,268)	(5,800,944)
<b>NET ASSETS, end of year</b>	<b>\$ (22,950,668)</b>	<b>\$ (20,349,576)</b>

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

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31,</b>	
	<b>2009</b>	<b>2008</b>
		<b>(Restated)</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Cash received from sales tax revenues	\$ 7,300,194	\$ 7,528,059
Cash received from other sources	44,521	36,600
Cash paid to suppliers and other vendors	(350,968)	(414,809)
Cash paid for salaries and employee benefits	(531,635)	(528,993)
	<b>6,462,112</b>	<b>6,620,857</b>
<b>CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from bond anticipation note issuance	4,000,000	2,000,000
Debt service fees	(21,300)	(16,000)
Bond issuance costs	(32,501)	-
Repayment of bond principal	(1,655,000)	(1,580,000)
Repayment of amounts due to the County of Schenectady	(38,601)	(36,942)
Interest paid	(2,320,553)	(2,306,662)
	<b>(67,955)</b>	<b>(1,939,604)</b>
<b>CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of office furniture and equipment	<b>(18,823)</b>	<b>(4,298)</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Change in cash, restricted	68,100	(68,100)
Proceeds (purchase) of investment reserves, restricted, net	89,657	(47,407)
Issuance of loans receivable	(1,055,420)	(332,532)
Repayment of loans receivable	1,586,898	1,937,316
Issuance of note receivable	-	(250,000)
Investment earnings received	79,803	252,016
Miscellaneous revenue	4,055	1,399
Project grants and expenditures paid, net of project grant revenues received	(4,943,742)	(6,409,978)
	<b>(4,170,649)</b>	<b>(4,917,286)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,204,685</b>	<b>(240,331)</b>
<b>CASH AND CASH EQUIVALENTS, <i>beginning of year</i></b>	<b>1,831,132</b>	<b>2,071,463</b>
<b>CASH AND CASH EQUIVALENTS, <i>end of year</i></b>	<b>\$ 4,035,817</b>	<b>\$ 1,831,132</b>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Net operating revenues	\$ 6,189,802	\$ 6,553,559
Adjustments to reconcile net operating revenues to net cash provided (used) by operating activities		
Depreciation and amortization	12,101	14,859
Change in accounts receivable	260,209	52,439
	<b>\$ 6,462,112</b>	<b>\$ 6,620,857</b>

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

# SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

### NOTE 1 - SUMMARY OF 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*

The Authority's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in New York State and the United States of America. Under this method, income is recognized as earned and expenses are recognized as incurred whether or not cash is received or paid out at that time. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required 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. The Authority used significant estimates in determining accounts receivable related to sales tax revenues for the months of December 2009 and 2008. Actual results could differ from those estimates.

#### *c. 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.

#### *d. Sales Tax Revenues*

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

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - Continued**

*e. Cash and Cash Equivalents*

Cash and cash equivalents consist of cash deposits and other investments with maturity dates of three months or less from original issue date. The collateral securing these cash deposits consist of holdings of direct obligations of the U.S. Treasury and U.S. Agencies. Interest earnings on cash and cash equivalent deposits totaled \$12,074 and \$56,429 for the years ended December 31, 2009 and 2008, respectively.

*f. Cash, Restricted*

At December 31, 2009, 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 a deposit held for BN Partners Associates, LLC as a payment in lieu of taxes.

At December 31, 2008, restricted cash consisted of escrow deposits held for the Downtown Schenectady Façade Program, the Upper Union Street Façade Program (Note 9), and a deposit held for Bombers on State Street as collateral in support of a construction loan commitment from Key Bank.

*g. Receivables*

Accounts receivable consist of amounts due from the County from the sales and compensating use tax collections plus interest thereon. Receivables of \$2,955,955 and \$3,216,164, 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, 2009 and 2008, respectively.

At December 31, 2008, accounts receivable also included a \$1,431,468 grant due from the Empire State Development Corporation representing a New York Restore Grant for the Clinton Square project (Note 11).

Loans and notes receivable are carried at the original loan amount less payments of principal received. Accrued interest income is reported for loan interest earned but not received at year-end. As of December 31, 2009 and 2008, the Authority has reserves of \$376,386 and \$428,500, respectively, for loans and notes receivable.

Other than the reserves 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.

*h. 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. When capital assets are retired or disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and any resultant gain or loss is credited to operations.

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

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2009 and 2008**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - Continued**

*i. Income Taxes*

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.

*j. Advertising Costs*

Marketing and advertising costs are expensed as they are incurred.

*k. Accounting Standards Not Yet Implemented*

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, establishes accounting and financial reporting requirements for intangible assets in an effort to reduce inconsistencies in accounting and financial reporting of intangible assets. This statement is effective for the Authority for the year beginning January 1, 2010.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This statement is effective for the Authority for the year beginning January 1, 2010.

The effect, if any, of fully implementing these standards on the Authority's financial statements has not been determined as of December 31, 2009.

*l. Subsequent Events*

In preparing the financial statements and notes thereto, the Authority considered subsequent events through March 30, 2010, the date the financial statements were issued.

**NOTE 2 - LOANS RECEIVABLE**

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

	December 31,	
	2009	2008
3N2, LLC repayable over a 10-year period, due in monthly installments of \$1,207, including interest at 3%, matures July 2015 (w)	\$ 88,458	\$ 92,374
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	-
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 (z)	1,300,000	1,300,000
510 Union Street, repayable over a 15-year period, due in monthly installments of principal of \$1,944, matures May 2018, interest free (f)	206,111	226,528

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

**NOTE 2 - LOANS RECEIVABLE - Continued**

	December 31,	
	2009	2008
Backstage Pub, repayable over a 10-year period, due in monthly installments of \$483 including interest at 3%, matures January 2017 (y)	41,544	41,544
Big House Schenectady, repayable over a 15-year period (25-year amortization) due in monthly installments of \$3,667, matures 15 years from completion of the project, with a balloon payment for the remaining balance, interest free. Loan transferred to 411 State Street Assoc., LLC in November 2009.	-	1,100,000
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 (cc)	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 (aa)	3,786,908	3,858,817
Broadway Commerce Park, repayable over a 20-year period, due in monthly installments of \$4,500, matures November 2020, interest free (q)	855,000	909,000
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 (h)	293,899	-
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 (a)	352,771	428,938
Clinton's Ditch, repayable over a 15-year period, due in monthly installments of \$278, matures August 2020, interest free (r)	35,278	38,611
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 (e)	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 (s)	147,889	162,556
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 (k)	130,523	139,273
Integra Development, repayable over a 15-year period, due in monthly installments of principal of \$580, matures December 2019, interest free (l)	66,067	73,021

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

**NOTE 2 - LOANS RECEIVABLE - Continued**

	December 31,	
	2009	2008
Logical Net, repayable over a 10-year period, due in monthly installments of \$1,448, including interest at 3%, matures December 2011 (t)	93,052	107,407
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 (n)	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 (n)	150,000	-
Old Dorp, LLC, repayable over a 10-year period, interest free. Within 10 days of each closing on the sale of all or a portion of the property an amount equal to the purchase price for the property, less reasonable expenses, which are capped at \$50,000, and will continue until the loan is paid in full. In the event the properties are leased, the net lease revenue will be utilized to reduce the loan. Final maturity will be 10 years from the earlier of the date which the Empire State Development Corporation grant is available for disbursement or six months from the full disbursement of the loan. (z)	-	200,000
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 (c)	686,412	695,595
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. Proceeds have not been fully distributed as of December 2009 (p)	61,521	-
Proctor's Theatre, repayable on demand, interest free (dd)	300,000	300,000
Quality Roofing Supply, repayable over a 15-year period, due in monthly installments of principal of \$1,733, interest free paid March 2009 (i)	-	227,067
River Stone Manor, repayable over an 8-year period (20-year amortization) due in monthly installments of \$3,545, including interest at 6%, matures September 2011, with a balloon payment for the remaining balance (d)	400,706	418,190
Rotterdam Ventures, Inc., repayable over a 5-year period, due in monthly installments of \$767, including interest at 5%, matures March 2011	10,417	18,866
Schenectady Access Cable Council, Inc., due on demand based on receipt of various New York State grants	32,500	32,500
Schenectady Access Cable Council, Inc., repayable over a 3-year period, due in monthly installments of \$391, matures July 2010, interest free	14,093	14,093

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2009 and 2008**

**NOTE 2 - LOANS RECEIVABLE - Continued**

	December 31,	
	2009	2008
Schenectady Family Health Services, repayable over a 20-year period, due in monthly installments of \$6,250, matures February 2026, interest free (u)	1,212,500	1,287,500
Schenectady Hotel, LLC, repayable over a 19-year period, due in monthly installments of \$8,772, matures March 2027, interest free (bb)	1,824,562	1,929,825
Send Word Now, repayable over a 5-year period, due in monthly installments of interest only at rates ranging from 1% to 5% and quarterly principal payments of \$50,000 beginning January 2008, paid December 2009 (j)	-	600,000
Synthesis Architects, repayable over a 15-year period, due in monthly installments of principal of \$972, matures October 2018, interest free (g)	103,055	114,722
Tailwind Associates, repayable over a 10-year period, due in monthly installments of \$483, including interest at 3%, matures December 2015 (v)	31,720	36,484
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 (m)	527,167	561,167
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 (m)	150,000	-
Villa Italia, repayable over a 20-year period, due in monthly installments of \$1,667, matures November 2025, interest free (x)	316,667	336,667
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 (o)	671,666	723,333
	15,764,427	16,448,019
Less: Reserve	176,386	228,500
Current installments	1,024,418	1,310,184
Loans, receivable, less current installments, net	\$ 14,563,623	\$ 14,909,335

- (a) Secured by a mortgage, subordinate to the primary lender and guaranteed by related party.
- (b) Secured by a second mortgage on the property and assignment of leases and rents related to the property.
- (c) 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.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

**NOTE 2 - LOANS RECEIVABLE - Continued**

- (d) Secured by a mortgage and assignment of rents relating to the property, subordinate to the primary lender and guaranteed by the principals of the related entities.
- (e) Secured by a second mortgage on the property and a first lien position on the company's fixtures, furniture, and equipment.
- (f) Secured by a second mortgage on the property and guaranteed by the principals of the company and the building's tenants.
- (g) Secured by a third mortgage on the property, subordinate to the primary lenders, and personally guaranteed by certain principals of the entity.
- (h) Secured by a first mortgage on vacant property.
- (i) Secured by inventory and an assignment of rents and leases and guaranteed by the principals of the company.
- (j) Secured by equipment and an assignment of key life insurance policies and is personally guaranteed by a principal of the company.
- (k) Secured by a second mortgage on the property, an assignment of rents and leases, and certain fixed assets.
- (l) Secured by a second mortgage on the property, subordinate to the primary lender, and personally guaranteed by certain principals of the company.
- (m) Secured by a mortgage on the property, subordinate to the primary lender.
- (n) 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.
- (o) 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.
- (p) Secured by a second lien on leasehold improvements, furniture, fixtures and equipment, and guaranteed by the principals of the entity.
- (q) Secured by a second mortgage on the property and guaranteed by the members of the company.
- (r) Secured by a mortgage, subordinate to the primary lender, an assignment of rents, and guarantee of the operating entity.
- (s) Secured by a second mortgage on the property.
- (t) Secured by a mortgage on the property, all business assets, assignment of leases, and personal guarantees by the principals of 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 all business assets, landlord waiver of liens, and personal guarantees by the principals of the company.
- (w) Secured by all business assets and personal guarantees by the principals of the company.
- (x) Secured by a mortgage on the property, a lien on certain machinery and equipment, and personal guarantees by the members of the company.
- (y) Secured by a first mortgage on the property and personal guarantees of the owners.
- (z) Secured by a first mortgage on the property.
- (aa) Secured by a second mortgage on the property and the assignment of rents.
- (bb) Secured by a second mortgage on the property and a second lien position on the fixed assets of the entity.
- (cc) Secured by a mortgage on the property, all business assets, and assignment of leases.

Interest earnings on loans receivable were \$62,846 and \$86,753 for the years ended December 31, 2009 and 2008, respectively.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2009 and 2008**

**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 are due, and the note is noninterest bearing for ten years, at which time monthly payments will commence in the amount of \$5,390, including interest at 3%. The note receivable matures December 2015. The note is secured by various connected parcels of land located in Schenectady, New York.

*b. 426 State Street Associates, LLC*

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

**NOTE 4 - CAPITAL ASSETS**

Capital assets are summarized as follows:

	January 1, 2009	Additions	December 31, 2009
Office furniture and equipment	\$ 167,037	\$ 18,823	\$ 185,860
Leasehold improvements	8,509	-	8,509
	<u>175,546</u>	<u>18,823</u>	<u>194,369</u>
Accumulated depreciation	(151,109)	(12,101)	(163,210)
	<u>\$ 24,437</u>	<u>\$ 6,722</u>	<u>\$ 31,159</u>
	January 1, 2008	Additions	December 31, 2008
Office furniture and equipment	\$ 162,739	\$ 4,298	\$ 167,037
Leasehold improvements	8,509	-	8,509
	<u>171,248</u>	<u>4,298</u>	<u>175,546</u>
Accumulated depreciation	(136,250)	(14,859)	(151,109)
	<u>\$ 34,998</u>	<u>\$ (10,561)</u>	<u>\$ 24,437</u>

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2009 and 2008**

**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, and a \$11,440,000 General Resolution Bond dated November 2006 (Note 7) and Bond Anticipation Notes (Note 6). These costs, totaling \$1,439,545 and \$1,407,044 at December 31, 2009 and 2008, respectively, are reported as Bond issuance costs and are amortized over the life of the 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, 2009 and 2008, totaled \$341,637 and \$259,914, respectively. Amortization expense for the year ending December 31, 2010, will be \$81,723 and for each of the four years subsequent to December 31, 2010, will be \$65,473.

**NOTE 6 - BOND ANTICIPATION NOTES**

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

	December 31,	
	2009	2008
Bond Anticipation Note 2008A, issued June 2008 at 4.325% interest, matured June 2009	\$ -	\$ 2,000,000
Bond Anticipation Note 2009 (renewal), issued June 2009 at 4.325% interest, matures June 2010	2,000,000	-
Bond Anticipation Note 2009B (tax exempt), issued November 2009 at 1.50% interest, matures June 2010	1,000,000	-
Bond Anticipation Note 2009C (federally taxable), issued November 2009 at 2.00% interest, matures June 2010	3,000,000	-
	<u>\$ 6,000,000</u>	<u>\$ 2,000,000</u>

Interest expense on the bond anticipation notes was \$94,285 and \$46,213 for the years ended December 31, 2009 and 2008, respectively. Interest paid during the years ended December 31, 2009 and 2008, was \$86,500 and \$-0-, respectively.

**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.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2009 and 2008**

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

During September 2004, the Authority issued \$14,000,000 of General Resolution Bonds, 2004A, to fund certain public transportation, parking, and infrastructure projects within the Authority's service district approved by the Authority's Board of Directors. The 2004 bonds were issued at a premium of \$138,647, which is amortized over the life of the bonds on a straight-line basis. Amortization of the premium began in 2005. 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.

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.

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 bond transactions is as follows:

	December 31,	
	2009	2008
Bonds payable, beginning of year	\$ 43,720,000	\$ 45,300,000
Principal payments	(1,655,000)	(1,580,000)
Bonds payable, end of year	\$ 42,065,000	\$ 43,720,000

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

**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, 2010	\$ 1,730,000	\$ 2,109,304
2011	1,810,000	2,030,394
2012	1,890,000	1,947,474
2013	1,975,000	1,862,493
2014	2,070,000	1,763,625
For the years ending December 31, 2015 through 2019	11,955,000	7,229,013
2020 through 2024	13,170,000	4,038,812
2025 through 2028	7,465,000	1,052,184
	<u>\$ 42,065,000</u>	<u>\$ 22,033,299</u>

Interest expense for the years ended December 31, 2009 and 2008, was \$2,183,729 and \$2,254,474, respectively. Interest paid during the years ended December 31, 2009 and 2008, totaled \$2,183,729 and \$2,254,679, 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>2009</u>	<u>2008</u>
<i>Investment reserves, restricted</i>		
Debt Service Reserve Fund	\$ 2,149,735	\$ 2,149,330
Debt Service Fund	832,391	922,453
	<u>\$ 2,982,126</u>	<u>\$ 3,071,783</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%.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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

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, 2010	\$ 40,334	\$ 48,590	\$ 88,924
2011	42,145	46,779	88,924
2012	44,038	44,886	88,924
2013	46,015	42,909	88,924
2014	48,081	40,843	88,924
For the years ending December 31, 2015 through 2019	274,792	169,828	444,620
2020 through 2024	342,277	102,343	444,620
2025 through 2027	244,496	22,276	266,772
	<u>\$ 1,082,178</u>	<u>\$ 518,454</u>	<u>\$ 1,600,632</u>

Interest expense for the years ended December 31, 2009 and 2008, was \$51,632 and \$51,567, respectively. Interest paid during the years ended December 31, 2009 and 2008, totaled \$50,323 and \$51,982, 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, 2009 and 2008, is as follows:

Advanced Energy Relocation

The Authority has approved grants of \$50,000 and related expenses of \$410 for this project. As of December 31, 2009, the Authority had distributed grants of \$50,000 and had incurred expenses of \$410 in connection with this project.

Alco Redevelopment

The Authority has approved expenditures of \$420,000 for this project. As of December 31, 2009, the Authority had incurred expenses of \$389,792 in connection with this project.

Anthology Design Studio

The Authority has approved grants of \$25,000 for this project. As of December 31, 2009, the Authority had distributed grants of \$25,000 in connection with this project.

Big House Schenectady

The Authority has approved additional expenses of \$100,000 for this project. As of December 31, 2009, the Authority had incurred expenses of \$100,000 in connection with this project.

Bombers on State Street

The Authority has approved grants of \$204,315, loans of \$500,000, and related expenses of \$100,000 for this project. As of December 31, 2009, the Authority had distributed grants of \$204,315, made loans of \$500,000, and incurred expenses of \$100,000 in connection with this project.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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

Broadway Commerce Park Phase 3

The Authority has approved a loan of \$293,899 and related expenses of \$34,287 for this project. As of December 31, 2009, the Authority had made loans of \$293,899 and had incurred expenses of \$34,287 in connection with this project.

Canal Square Corridor Streetscape

The Authority has approved a grant to the City of Schenectady for the Canal Square Corridor Streetscape project in the amount of \$285,550 to evaluate the existing conditions, planning, and design for the phased redevelopment of Broadway and Clinton Street from State Street to Hamilton Hill. As of December 31, 2009, the Authority had granted \$285,550 in connection with this project.

Center City Redevelopment

The Authority has approved grants of \$450,000 and related expenses of \$10,000 for this project. As of December 31, 2009, the Authority had distributed grants of \$450,000 and had incurred expenses of \$10,000 in connection with this project.

Clinton Square

The Authority has approved expenditures of \$2,191,468 for this project. As of December 31, 2009, the Authority had incurred expenses of \$2,191,468 in connection with this project. The Authority also received a \$1,431,468 grant from Empire State Development Corporation, RESTORE NY (see Note 11) related to this project.

Countywide Façade Program

The Authority has approved grants of \$600,000 and related expenses of \$5,000 for this project. As of December 31, 2009, the Authority has distributed grants of \$300,693 and incurred expenses of \$1,465 in connection with this project.

Dorp Salvage Demolition

The Authority has approved a grant of \$100,000, a loan of \$800,000, and related expenses of \$73,016 for this project. As of December 31, 2009, the Authority had distributed the grant of \$100,000, made the loan of \$800,000, and had incurred expenses of \$73,016 in connection with this project.

Downtown Ambassador Program

The Authority has approved grants of \$35,760 for this project. As of December 31, 2009, the Authority had distributed grants of \$21,955 in connection with this project.

Downtown Schenectady Façade Program IV

The Authority has approved a grant of \$495,000 to the Downtown Schenectady Improvement Corporation to fund a façade program for downtown Schenectady property owners. The Authority has also approved expenditures in connection with this grant of \$5,000. As of December 31, 2009, the Authority had distributed \$495,000 of the grant and had incurred \$1,517 in expenditures in connection with this project.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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

Downtown Façade Program V

The Authority has approved grants of \$780,000 and \$10,000 for related expenses in connection with this project. As of December 31, 2009, the Authority had distributed \$260,550 of grants and had incurred \$1,688 in expenditures in connection with this project.

Downtown Parking

The Authority has approved expenditures of \$6,907,272 to acquire and renovate the Broadway Parking Garage and seven surface parking lots. Previously, these parking facilities were owned by the IDA and leased to the City of Schenectady. As of December 31, 2009, the Authority had incurred expenditures of \$6,907,272 in connection with this project.

Downtown Special Assessment Districts

The Authority has approved grants of \$404,875 and \$10,000 for related expenses in connection with these projects. As of December 31, 2009, the Authority had distributed \$338,124 of grants and had incurred \$440 in expenditures in connection with these projects.

Fortitech Expansion

The Authority has approved grants of \$172,000 and \$10,000 for related expenses in connection with this project. As of December 31, 2009, the Authority had distributed \$172,000 of the grants and had incurred expenses of \$10,000 in connection with this project.

Foster Building Project

The Authority has approved expenditures of \$1,300,000 for this project. As of December 31, 2009, the Authority has incurred expenses of \$133,193 in connection with this project.

400 State Street Cinema

The Authority has approved a grant of \$1,200,000, a loan of \$3,960,000, and related expenses of \$105,743 for this project. As of December 31, 2008, the Authority had distributed the grant of \$1,200,000, made the loan of \$3,960,000, and had incurred expenses of \$105,743 in connection with this project.

409 State Street

The Authority has approved a grant of \$50,000 for this project. As of December 31, 2008, the Authority had distributed the grant of \$50,000 in connection with this project.

411 State Street

The Authority has approved expenditures of \$327,188 for this project. As of December 31, 2009, the Authority has incurred expenses of \$327,188 in connection with this project.

423 Liberty Street

The Authority has approved expenditures of \$539,743 for this project. As of December 31, 2009, the Authority has incurred expenses of \$539,743 in connection with this project.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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

440 State Street

The Authority has approved a grant of \$73,000 and related expenses of \$2,000 for this project. As of December 31, 2009, the Authority had distributed \$29,820 of the grant and had incurred expenses of \$925 in connection with this project.

447 State Street

The Authority has approved expenditures of \$267,685 for this project. As of December 31, 2009, the Authority had incurred expenses of \$267,685 in connection with this project.

451 Nott Street

The Authority has approved expenditures of \$369,670 for this project. As of December 31, 2008, the Authority had incurred expenses of \$369,670 in connection with this project.

453 State Street

The Authority has approved a grant of \$250,000 and related expenses of \$20,000 for this project. As of December 31, 2009, the Authority had distributed the grant of \$250,000 and had incurred expenses of \$20,000 in connection with this project.

GE Theater Façade

The Authority has approved a grant of \$119,834 and related expenses of \$2,000 for this project. As of December 31, 2009, the Authority had distributed \$119,834 of the grant and had incurred expenses of \$2,000 in connection with this project.

Griffin Greenhouse

The Authority has approved a grant of \$300,000 and related expenses of \$25,000 for this project. As of December 31, 2009, the Authority had distributed \$300,000 of the grant and had incurred expenses of \$21,778 in connection with this project.

Hampton Inn

The Authority has approved grants of \$1,120,000, a loan for \$2,000,000, and \$209,944 for related expenses in connection with this project. As of December 31, 2008, the Authority had distributed the grants of \$1,120,000, made loans of \$2,000,000, and had incurred expenditures of \$209,944 in connection with this project.

Jay Street Arts Studio

The Authority has approved grants of \$26,867 for this project. As of December 31, 2009, the Authority had made grants of \$26,867 in connection with this project.

Jay Street Lighting Project

The Authority has approved grants of \$363,000 and related expenses of \$19,000 for this project. As of December 31, 2009, the Authority had distributed grants of \$361,941 and had incurred expenses of \$14,461 in connection with this project.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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

LaSartoria II

The Authority has approved expenditures of \$866,342 for this project. As of December 31, 2009, the Authority had incurred expenses of \$866,342 in connection with this project.

Logical Net Relocation

The Authority has approved grants of \$302,975, a loan of \$149,011, and related expenses of \$13,137 for this project. As of December 31, 2008, the Authority had distributed the grants of \$302,975, made the loan of \$149,011, and incurred expenses of \$13,137 in connection with this project.

Marcella Distribution Center

The Authority has approved grants of \$250,000, loans of \$400,000, and related expenses of \$25,000 for this project. As of December 31, 2009, the Authority had distributed grants of \$250,000, made the loan of \$400,000, and had incurred expenses of \$25,000 in connection with this project.

Marks Property Demolition

The Authority has approved grants of \$90,000 and related expenses of \$25,000 for this project. As of December 31, 2009, the Authority had distributed grants of \$45,000 and had incurred expenses of \$11,590 in connection with this project.

Mildred Elley

The Authority has approved grants of \$934,388 for this project. As of December 31, 2008, the Authority had incurred expenses of \$934,388 in connection with this project.

More Perreca's Cafe

The Authority has approved a grant of \$50,000, a loan of \$150,000 and related expenses of \$25,000 for this project. As of December 31, 2009, the Authority had distributed the grant of \$50,000, made the loan of \$150,000 and incurred expenses of \$25,000 in connection with this project.

Nico's Pizzeria

The Authority has approved a grant of \$60,000 and related expenses of \$600 for this project. As of December 31, 2008, the Authority had distributed the grant of \$60,000 and incurred expenses of \$600 in connection with this project.

Northeastern Fine Jewelry

The Authority has approved a grant of \$80,000 for this project. As of December 31, 2008, the Authority had distributed the grant of \$80,000 and had not incurred any expenses in connection with this project.

Op-Tech Environmental Relocation

The Authority has approved a grant of \$20,000 and related expenses of \$215 for this project. As of December 31, 2008, the Authority had distributed the grant of \$20,000 and incurred expenses of \$215 in connection with this project.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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

Parking Improvements 2008

The Authority has approved expenditures of \$907,745 for this project. As of December 31, 2009, the Authority had incurred expenses of \$907,745 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 2009, the Authority had expenditures of \$1,201,253 in connection with this project.

Parking Remediation

The Authority has approved expenditures of \$470,000 for this project. As of December 31, 2009, the Authority had incurred expenditures of \$404,927 in connection with this project.

Paul Mitchell School

The Authority has approved a grants of \$311,400, a loan of \$250,000, and expenditures of \$50,000 in connection with this project. As of December 31, 2009, the Authority had made loans of \$61,521 and had incurred expenditures of \$20,527 in connection with this project.

Proctor's Block Streetscape

The Authority has approved grants of \$2,465,000 and related expenses of \$50,000 for this project. As of December 31, 2009, the Authority had distributed the grants of \$2,465,000 and had incurred expenses of \$50,000 in connection with this project.

Rotterdam Corporate Park/Building 14

The Authority has approved expenditures of \$144,766 for this project. As of December 31, 2009, the Authority had incurred \$144,766 in expenses in connection with this project.

Schenectady Chamber Conferencing/Convention

The Authority has approved a grant of \$85,000 for this project. As of December 31, 2009, the Authority had distributed \$85,000 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, 2009, the Authority had distributed grants of \$278,000 and incurred expenses of \$875 in connection with these projects.

Schenectady Green Market

The Authority has approved grants of \$25,000 for this project. As of December 31, 2009, the Authority had distributed \$25,000 of the grants in connection with this project.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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

Schenectady Light Opera

The Authority has approved grants of \$300,000 and related expenses of \$25,000 for this project. As of December 31, 2008, the Authority had distributed grants of \$300,000 and had incurred expenses of \$5,137 in connection with this project.

Sealed Air Retention

The Authority has approved grants of \$100,000 and related expenses of \$620 for this project. As of December 31, 2009, the Authority had distributed grants of \$100,000 and had incurred expenses of \$620 in connection with this project.

797 Broadway Facade

The Authority has approved a grant of \$70,000 and related expenses of \$10,000 for this project. As of December 31, 2009, the Authority had distributed the grant of \$70,000 and had incurred expenses of \$10,000 in connection with this project.

State Streetscape Phase II

The Authority has approved grants to the City of Schenectady in the amount of \$2,783,677 for redesigning, reconstruction, and improvements of State Street between Erie Boulevard and Lafayette Street. As of December 31, 2009, the Authority had distributed \$2,783,677 in connection with this grant.

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, 2009, the Authority had not distributed any of the grant and had incurred expenses of \$601 in connection with this project.

Union Graduate College Façade Project

The Authority has approved a grant of \$60,000 and related expenses of \$130 for this project. As of December 31, 2009, the Authority had distributed the grant of \$60,000 and had incurred expenses of \$130 in connection with this project.

Upper Union Street Façade Program

The Authority has approved grants of \$891,000 and related expenses of \$5,000 in connection with this project. As of December 31, 2009, the Authority had distributed grants of \$844,412 and had incurred \$3,000 in related expenses in connection with this project.

Upper Union Streetscape

The Authority has approved grants of \$1,175,000 and related expenses of \$50,000 for improvements to the Vale neighborhood in the City of Schenectady. As of December 31, 2009, the Authority had distributed \$297,000 of the grants and incurred \$11,551 in related expenses in connection with this project.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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

Van Dyck Restoration

The Authority has approved loans of \$150,000 and related expenses of \$15,000 for this project. As of December 31, 2009, the Authority had made loans of \$150,000 and had incurred expenses of \$15,000 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, 2009, the Authority had distributed grants of \$262,323 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, and undistributed project commitments at December 31, 2009, were as follows:

	Project Grants 2009	Unspent Project Commitments at December 31, 2009	Project Grants 2008 (Restated)
Advanced Energy Relocation	\$ 50,410	\$ -	\$ -
Alco Redevelopment	47,104	30,208	21,947
Anthology Design Studio	25,000	-	-
Big House Schenectady	100,000	-	-
Bombers on State Street	232,915	-	71,400
Broadway Commerce Park Phase 3	34,287	-	-
Canal Square Corridor Streetscape	13,057	-	34,871
Center City Redevelopment	460,000	-	-
Clinton Square	264,378	-	1,924,539
Countywide Façade Program	295,152	302,842	7,006
Dorp Salvage Demolition	50,000	-	-
Downtown Ambassador Program	21,955	13,805	-
Downtown Façade Program IV	115,943	3,483	379,452
Downtown Façade Program V	262,238	527,762	-
Downtown Parking	452,119	-	188,395
Downtown Special Assessment Districts	209,408	76,311	261,156
Fortitech Expansion	97,000	-	85,000
Foster Building	133,193	1,166,807	-
400 State Street Cinema	-	-	10,176
409 State Street	-	-	50,000
411 State Street	-	-	2,700

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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

	Project Grants 2009	Unspent Project Commitments at December 31, 2009	Project Grants 2008 (Restated)
423 Liberty Street	94,874	-	444,869
440 State Street	12,803	44,255	16,792
447 State Street	141,825	-	125,860
451 Nott Street	-	-	369,970
453 State Street	4,006	-	6,280
GE Theatre Façade	4,095	-	-
Griffin Greenhouse	3,222	-	321,778
Hampton Inn	-	-	10,060
Jay Street Art Studio	26,867	-	-
Jay Street Lighting Project	376,402	5,598	-
LaSartoria II	15,464	-	333,262
Logical Net Relocation	-	-	71,975
Marcella's Distribution Center	275,000	-	-
Mark's Property Demolition	56,590	58,410	-
Mildred Elley	-	-	149,017
More Perreca's Café	75,000	-	-
Nico's Pizzeria	-	-	60,600
Northeastern Fine Jewelry	-	-	80,000
Op-Tech Environmental	-	-	20,215
Parking Improvements 2008	-	-	483,043
Parking Program	1,201,253	-	1,322,010
Parking Remediation	7,715	65,073	62,129
Paul Mitchell School	20,527	529,352	-
Proctor's Block Streetscape	28,356	-	-
Rotterdam Corporate Park/Building 14	144,766	-	-
Schenectady Chamber Conferencing/Convention Grants	85,000	-	45,000
Schenectady County Community Business Center IV - VII	25,000	4,125	113,375
Schenectady Green Market	20,000	-	5,000
Schenectady Light Opera	305,137	19,863	-
Sealed Air Retention	100,620	-	-
797 Broadway Façade Program	80,000	-	-
State Streetscape Phase II	-	-	14,403
Stockage View Apartments Façade Project	601	374,399	-

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

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

	Project Grants 2009	Unspent Project Commitments at December 31, 2009	Project Grants 2008 (Restated)
Union Graduate College Façade Project	60,130	-	-
Upper Union Street Façade Program	93,227	48,588	128,770
Upper Union Streetscape	308,551	916,449	-
Van Dyck Restoration Project	15,000	-	100,231
Van Guysling Avenue	272,323	117,677	-
Professional services and predevelopment costs (a)	<u>648,065</u>	<u>-</u>	<u>770,250</u>
	7,366,578	<u>\$ 4,305,007</u>	8,091,531
Project grant revenues (Note 11)	<u>(920,310)</u>		<u>(2,290,587)</u>
	<u>\$ 6,446,268</u>		<u>\$ 5,800,944</u>

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

From inception through December 31, 2009, the Authority has approved project grants, expenditures, and loans totaling \$123,581,214, of which \$119,276,207 has been distributed.

**NOTE 10 - NET ASSETS**

The Authority has reported a deficit in its net assets as of December 31, 2009. 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.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

**NOTE 11 - PRIOR PERIOD ADJUSTMENT**

The Authority has restated its December 31, 2008, financial statements to correct an understatement of accounts receivable and of Project grants and expenditures, net of project grant revenues and of net assets. The following accounts have been restated at December 31, 2008:

	As Previously <u>Reported</u>	Restatement Increase <u>(Decrease)</u>	As <u>Restated</u>
<u>Statement of Net Assets December 31, 2008:</u>			
Accounts receivable	\$ <u>3,216,164</u>	\$ <u>1,431,468</u>	\$ <u>4,647,632</u>
Net Assets, Unrestricted	\$ <u>(24,945,364)</u>	\$ <u>1,431,468</u>	\$ <u>(23,513,896)</u>
<u>Statement of Revenues, Expenses, and Changes in Net Assets December 31, 2008:</u>			
Project grants and expenditures, net of project grant revenues	\$ <u>(7,232,412)</u>	\$ <u>1,431,468</u>	\$ <u>(5,800,944)</u>
Net Assets, end of year	\$ <u>(21,781,044)</u>	\$ <u>1,431,468</u>	\$ <u>(20,349,576)</u>

**NOTE 12 - NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM**

*a. Plan Description*

The Authority participates in the New York State Employees' Retirement System (NYSERS). This is a cost sharing, multiple employer retirement system. The NYSERS provides retirement benefits as well as death and disability benefits. Obligations of the employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York serves as sole trustee and administrative head of the NYSERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transactions of the NYSERS, and for the custody and control of its funds. The NYSERS issues a publicly available financial report that includes financial statements and required 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 employees who joined the NYSERS after July 27, 1976, who contribute 3% of their salary for the first ten years of membership. 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:

2009	\$ 28,177
2008	32,100
2007	29,044

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

*a. Bonds and Notes*

The Authority has the ability to issue bonds, notes, or other obligations to pay for the cost of any project. As more fully described in the Act, the principal amount of such outstanding obligations shall not exceed \$75,000,000. At December 31, 2009, the Authority had issued a total of \$49,925,000 in bonds and \$6,000,000 in bond anticipation notes. There were \$42,065,000 and \$43,720,000 of outstanding obligations, related to its General Resolution Bonds described in Note 7, at December 31, 2009 and 2008, respectively.

*b. Collateralization, Bank Deposits*

The Authority's cash deposits must be fully collateralized at all times. As of December 31, 2009, the Authority's bank deposits were fully collateralized or insured by the FDIC.

*c. Leases*

The Authority leases its office space. The Authority currently is under a month-to-month agreement, at \$3,028 per month.

The Authority also leases an automobile for use by its Executive Director. Terms of the lease include monthly payments of \$350 and expires December 2011.

Total lease expense was \$40,532 and \$41,071 at December 31, 2009 and 2008, respectively.

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

For the year ending December 31,	2010	\$ 4,200
	2011	<u>3,850</u>
		<u>\$ 8,050</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 \$66,500.

*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 fiscal period ended December 31, 2009, the Authority recognized sales tax revenues of \$7,039,985. As of December 31, 2009, the Authority has outstanding project and loan commitments totaling \$4,305,007, which the Authority has authorized to be distributed in the next fiscal year. The Authority also has current liabilities of \$9,136,280 at December 31, 2009, payable during 2009.

As of December 31, 2009, the Authority was not obligated to return revenues to the County, other than those described in Note 8.

**SCHENECTADY METROPLEX DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

**NOTE 13 - COMMITMENTS AND CONTINGENCIES - Continued**

*f. Litigation Claims*

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

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

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

*g. Environmental Risks*

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE 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, 2009, and have issued our report thereon dated March 30, 2010. 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

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 controls 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

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, including compliance with *Investment Guidelines for Public Authorities*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated March 30, 2010.

This report is intended solely for the information and use of the Board of Directors, management, New York State Office of the State Comptroller and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than these specified parties.

*Bollam Sheedy Torani & Co. LLP*

Albany, New York  
March 30, 2010