

Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Financial Report

December 31, 2019 and 2018

Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Financial Report

December 31, 2019 and 2018

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Independent Auditor's Report

Board of Directors
Schenectady Metroplex Development Authority
Schenectady, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Schenectady Metroplex Development Authority (Authority) (a component unit of Schenectady County, New York) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the information listed under required supplementary information in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Albany, New York
March 20, 2020

BST & CO. CPAs, LLP



Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Management's Discussion and Analysis December 31, 2019 and 2018

The Schenectady Metroplex Development Authority, hereafter referred to as the Authority, is pleased to present its Financial Report for the years ended December 31, 2019 and 2018, developed in compliance with accounting principles generally accepted in the United States of America (U.S. GAAP). We encourage readers to consider the information presented on pages 3 to 8 in conjunction with the Authority's financial statements (presented on pages 9 to 11) to enhance their understanding of the Authority's financial performance.

Responsibility and Controls

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

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

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

Management believes that its policies and procedures provide guidance and reasonable assurance that the Authority's operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the net position, results of operations, and cash flows of the Authority in conformity with U.S. GAAP.

Audit Assurance

The unmodified (i.e., clean) opinion of our independent external auditors, BST & Co. CPAs, LLP, is included on pages 1 and 2 of this report.

Financial Highlights

This section presents management's discussion and analysis of the Authority's financial condition and activities for the year ended December 31, 2019. This information should be read in conjunction with the financial statements.

The year 2019 marked another active year for the Authority. The Authority continued the growth of its redevelopment investments and activities within its statutory service area, and management believes the Authority's financial position remains very strong. Following are some of the highlights:

- Total operating revenues increased by 10.8% from the prior year, primarily reflecting increases in sales tax revenue as well as an increase in administrative fees earned from its affiliation with local Industrial Development Agencies (IDA's).
- The Authority's sales tax revenues reached \$9.46 million, an increase from the \$8.71 million in 2018, which was 2.1% lower than 2017. Management is currently evaluating the impact of future sales tax revenues in response to the COVID-19 pandemic.

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Management's Discussion and Analysis December 31, 2019 and 2018

Financial Highlights - Continued

- Total operating expenses decreased to \$1.09 million in 2019, a 1.1% drop from 2018 which had been 9.5% lower than 2017. Reductions are due primarily to legal fees, staffing changes, and New York State & Local Retirement System costs.
- With a 2.1% increase, financing expenses for 2019 were slightly higher than 2018 which had been on pace with 2017. The Authority issued \$9,510,000 and \$7,990,000 of Bond Anticipation Notes (BANs) in late 2019 and 2018, respectively. The BANs issued in 2019 and 2018 were used to repay BANs issued in 2018 and 2017, respectively.
- In 2019, the Authority issued Series 2019 \$4,850,000 General Resolution Refunding Bonds to refund a portion of the General Resolution Series 2010A and 2010B General Resolution Bonds.
- Total assets were \$16.01 million at the end of 2019 and represent a decrease of 18.4% from the prior year primarily due to use of BAN funds on project grants and expenditures. Assets in 2018 decreased 17.2% from 2017, also as a result of the use of BAN funds on project grants and expenditures.
- Total liabilities decreased 2.6% to \$54.9 million due to repayments of the Authority's long-term debt. A similar decrease in liabilities of 4.4% in 2018 in comparison to the prior year was also due to the result of the repayment of the Authority's long-term debt.
- Net project grants and expenditures were \$8.5 million in 2019 representing an increase from \$7.31 million in 2018 and an increase over \$7.4 million in 2017.
- Undistributed project commitments approximated \$2.76 million at the end of 2019 as compared to \$3.71 million and \$6.25 million at the end of 2018 and 2017, respectively.

Required Financial Statements

The financial statements of the Authority report information about the Authority's use of accounting methods which are similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The statement of net position includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and obligations to Authority creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority.

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

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

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

Schenectady Metroplex Development Authority

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Management's Discussion and Analysis December 31, 2019 and 2018

Required Financial Statements - Continued

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

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

The Authority is statutorily entitled to receive, for the period beginning September 1, 1998, and ending August 31, 2038, 70% of one-half of one percent of all sales and compensating use tax revenue received by Schenectady County, which may be used to support all of its statutorily authorized purposes and powers. The Authority has a limited obligation to return a portion of its sales tax revenues in the event such revenues exceed statutorily prescribed limits, which are a function of the Authority's current liabilities, reserve fund requirements, and anticipated project funding requirements.

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Management's Discussion and Analysis
December 31, 2019 and 2018

Financial Analysis

The following comparative condensed financial statements and other selected information provide key financial data and indicators for management, monitoring, and planning.

Condensed Statements of Net Position

	December 31,				
	2019	2019 vs. 2018	2018	2018 vs. 2017	2017
ASSETS					
Current assets	\$ 7,860,331	-28.7%	\$ 11,026,082	-24.1%	\$ 14,536,391
Noncurrent assets	8,154,600	-5.1%	8,589,957	-6.3%	9,167,017
Total assets	<u>16,014,931</u>	-18.4%	<u>19,616,039</u>	-17.2%	<u>23,703,408</u>
DEFERRED OUTFLOWS	<u>1,225,877</u>	7.1%	<u>1,144,264</u>	-7.2%	<u>1,232,956</u>
LIABILITIES					
Current liabilities	5,542,639	4.0%	5,331,950	20.0%	4,443,374
Noncurrent liabilities	49,327,293	-3.3%	50,997,846	-6.4%	54,465,187
Total liabilities	<u>54,869,932</u>	-2.6%	<u>56,329,796</u>	-4.4%	<u>58,908,561</u>
DEFERRED INFLOWS	<u>30,242</u>	-75.4%	<u>123,181</u>	0.0%	<u>18,259</u>
NET POSITION					
Investment in capital assets	15,865	-11.1%	17,852	-26.0%	24,130
Restricted	4,408,969	-7.1%	4,744,949	-44.6%	8,571,565
Unrestricted deficit	<u>(42,084,200)</u>	4.0%	<u>(40,455,475)</u>	-5.0%	<u>(42,586,151)</u>
Total net position	<u>\$ (37,659,366)</u>	5.5%	<u>\$ (35,692,674)</u>	5.0%	<u>\$ (33,990,456)</u>

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

	Years Ended December 31,				
	2019	2019 vs. 2018	2018	2018 vs. 2017	2017
Sales tax revenue	\$ 9,462,961	8.7%	\$ 8,706,536	-2.1%	\$ 8,891,405
Other operating revenues	217,835	575.5%	32,250	-83.0%	189,595
Total operating revenues	<u>9,680,796</u>	10.8%	<u>8,738,786</u>	-3.8%	<u>9,081,000</u>
Depreciation	10,257	9.7%	9,352	-8.1%	10,179
Other operating expenses	1,081,963	-1.2%	1,094,771	-9.5%	1,210,057
Total operating expenses	<u>1,092,220</u>	-1.1%	<u>1,104,123</u>	-9.5%	<u>1,220,236</u>
Net operating revenues	8,588,576	12.5%	7,634,663	-2.9%	7,860,764
Non operating expenses, net	<u>(2,052,221)</u>	1.4%	<u>(2,023,597)</u>	1.3%	<u>(1,996,965)</u>
Increase in net position	6,536,355	16.5%	5,611,066	-4.3%	5,863,799
NET POSITION, beginning of year	(35,692,674)	5.0%	(33,990,456)	4.8%	(32,441,074)
Project grants, net of project and grant revenues	<u>(8,503,047)</u>	16.3%	<u>(7,313,284)</u>	-1.3%	<u>(7,413,181)</u>
NET POSITION, end of year	<u>\$ (37,659,366)</u>	5.5%	<u>\$ (35,692,674)</u>	5.0%	<u>\$ (33,990,456)</u>

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Management's Discussion and Analysis December 31, 2019 and 2018

General Trends and Significant Events

During 2019, the pace of the Authority's redevelopment efforts throughout its statutorily-defined service district continued with many of its prior commitments being well underway. Management anticipates that the continuing recovery in the revitalized local economy will create new opportunities in the years ahead. In recognition of the continuing need to pursue such opportunities, in 2016, the County and State legislatures approved amending the Authority's enabling statute to increase its authority to issue bonds to \$100 million and extension of the sales tax through August 1, 2038.

Financial Condition

The overall financial position of the Authority remained strong at year-end. Current assets at year-end of 2019 were 49.1% of total assets as compared to 56.2% in 2018 and 61.3% in 2017. Total operating expenses in 2019 represented approximately 11.3% of total revenues, which were below total operating expenses of both 2018 and 2017.

Despite the periodic fluctuations in its sales tax revenue stream, taxable sales have grown at an average annual rate of 2% to 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.

Long-Term Obligations

As of December 31, 2019, the Authority had \$41,845,000 in bonds outstanding related to seven separate general resolution bond issues in 2010, 2012, 2014, 2015 and 2019. The bonds mature in 2020, 2027, 2027, 2028, and 2033 respectively. Principal payments related to these bonds will total \$3,410,000 during 2020.

Final Comments

Under terms of the Trust Indenture, the Authority has agreed to maintain operating levels sufficient to produce net revenue for each 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 year.

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.com.

Schenectady Metroplex Development Authority

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Management's Discussion and Analysis December 31, 2019 and 2018

Principal Officials

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

<u>Name</u>	<u>Board Office</u>	<u>Term Expiration</u>
Ray Gillen	Chair	December 31, 2023
Bradley G. Lewis	Vice Chair	December 31, 2023
Karen Zalewski-Wildzunas	Treasurer	December 31, 2022
Sharon A. Jordan	Secretary	December 31, 2022
Nancy Casso		December 31, 2023
Robert J. Dieterich		December 31, 2022
Todd Edwards		December 31, 2022
Neil M. Golub		December 31, 2023
Michael Angelozzi		December 31, 2022
Steven Rifenburg		December 31, 2023
Paul Webster		December 31, 2022

Schenectady Metroplex Development Authority
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Statements of Net Position

	December 31,	
	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents, unrestricted	\$ 1,460,019	\$ 4,832,078
Cash and cash equivalents, restricted	336,384	691,709
Sales tax receivable	4,108,425	3,403,506
Current installments of loans receivable, net	480,685	554,594
Grants receivable	-	70,000
Other receivables	1,149	7,080
Interest receivable	5,997	7,051
Investment reserves, restricted	1,398,938	1,356,376
Prepaid expenses	68,734	103,688
Total current assets	7,860,331	11,026,082
NONCURRENT ASSETS		
Loans receivable, less current installments, net	5,176,950	5,625,241
Note receivable	250,000	250,000
Investment reserves, restricted	2,711,785	2,696,864
Capital assets, net	15,865	17,852
Total noncurrent assets	8,154,600	8,589,957
Total assets	16,014,931	19,616,039
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	1,127,836	987,837
Deferred outflows related to net pension liability	98,041	156,427
Total deferred outflows of resources	1,225,877	1,144,264
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 17,240,808	\$ 20,760,303
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Current installments of bonds payable	\$ 3,410,000	\$ 3,190,000
Accounts payable and accrued expenses	1,087,546	1,119,973
Accrued interest	705,849	743,768
Due to the County of Schenectady, current portion	62,578	59,889
Premium on bond anticipation notes	148,030	94,359
Premium on bonds, net of amortization, current portion	90,498	123,961
Escrow payable	38,138	-
Total current liabilities	5,542,639	5,331,950
NONCURRENT LIABILITIES		
Bonds payable, less current installments	38,435,000	41,525,000
Net pension liability	91,134	38,612
Bond anticipation notes payable	9,510,000	7,990,000
Due to the County of Schenectady, less current portion	524,195	586,773
Premium on bonds, net of amortization, less current portion	766,964	857,461
Total noncurrent liabilities	49,327,293	50,997,846
Total liabilities	54,869,932	56,329,796
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to net pension liability	30,242	123,181
NET POSITION		
Investment in capital assets	15,865	17,852
Restricted	4,408,969	4,744,949
Unrestricted deficit	(42,084,200)	(40,455,475)
Total net position	(37,659,366)	(35,692,674)
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 17,240,808	\$ 20,760,303

See accompanying Notes to Financial Statements.

Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,	
	2019	2018
OPERATING REVENUES		
Sales tax revenues	\$ 9,462,961	\$ 8,706,536
Other income	217,835	32,250
	9,680,796	8,738,786
OPERATING EXPENSES		
Payroll	484,807	505,581
Payroll taxes	44,452	43,462
Pension plan	81,948	66,942
Health insurance	63,822	58,386
Accounting	74,275	71,900
Advertising	15,667	17,631
Consulting	12,250	9,600
Depreciation	10,257	9,352
Dues and subscriptions	11,062	22,917
Insurance	69,124	66,114
Legal	47,759	58,738
Rent	57,281	56,517
Repairs and maintenance	20,069	20,333
Resource data	60,437	57,784
Utilities	18,079	19,175
Other operating expenses	20,931	19,691
	1,092,220	1,104,123
Net operating revenues	8,588,576	7,634,663
NON-OPERATING REVENUES (EXPENSES)		
Investment earnings	187,539	164,796
Interest expense, net	(2,074,104)	(2,121,494)
Bond issuance costs	(166,506)	(72,821)
Debt service fees	(9,746)	(9,700)
Miscellaneous income	10,596	15,622
	(2,052,221)	(2,023,597)
Change in net position	6,536,355	5,611,066
NET POSITION, <i>beginning of year</i>	(35,692,674)	(33,990,456)
Project grants and expenditures, net of project and grant revenues	(8,503,047)	(7,313,284)
NET POSITION, <i>end of year</i>	\$ (37,659,366)	\$ (35,692,674)

See accompanying Notes to Financial Statements.

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

Statements of Cash Flows

	Years Ended December 31,	
	2019	2018
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash received from sales tax revenues	\$ 8,763,973	\$ 9,182,399
Cash received from other sources	217,835	32,250
Cash paid to suppliers and other vendors	(371,980)	(435,152)
Issuance of loans receivable	-	(11,234)
Repayment of loans receivable	532,846	546,262
Cash paid for salaries	(484,807)	(505,581)
Cash paid for employee benefits	(190,222)	(168,790)
	8,467,645	8,640,154
CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES		
Debt service fees	(9,746)	(9,700)
Bond issuance costs	(166,506)	(72,821)
Repayments of bond principal	(3,190,000)	(3,110,000)
Proceeds from issuance of bond anticipation notes	1,520,000	-
Payment on bond anticipation notes	-	(55,000)
Repayment of amounts due to the County of Schenectady	(59,889)	(57,315)
Interest paid	(2,112,023)	(2,154,323)
	(4,018,164)	(5,459,159)
CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of office furniture and equipment	(8,270)	(3,074)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Proceeds from restricted investment reserves	(57,483)	(69,996)
Investment earnings received	188,593	165,580
Miscellaneous earnings received	10,596	15,622
Project grants and expenditures paid, net of project and grant revenues received	(8,310,301)	(6,518,679)
	(8,168,595)	(6,407,473)
Net decrease in cash and cash equivalents	(3,727,384)	(3,229,552)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	5,523,787	8,753,339
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 1,796,403	\$ 5,523,787
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net operating revenues	\$ 8,588,576	\$ 7,634,663
Adjustments to reconcile net operating revenues to net cash provided (used) by operating activities		
Depreciation	10,257	9,352
Change in loans receivable	532,846	535,028
Change in sales tax receivable	(704,919)	475,863
Change in other receivables	5,931	-
Change in prepaid expenses	34,954	(14,752)
	\$ 8,467,645	\$ 8,640,154
SUPPLEMENTARY CASH FLOW INFORMATION		
Noncash investing activities:		
Series 2019 General Resolution Refunding Bond proceeds placed in escrow	\$ 4,797,990	\$ -
Series 2010A and 2010B General Resolution Bonds defeased	4,530,000	-
Series 2018A and 2018B Bond Anticipation Notes redeemed	7,990,000	-
Series 2017A and 2017B Bond Anticipation Notes redeemed	-	8,045,000

See accompanying Notes to Financial Statements.

Schenectady Metroplex Development Authority

(A Component Unit of Schenectady County, New York)

Notes to Financial Statements December 31, 2019 and 2018

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization

On June 30, 1998, the Public Authorities Law and the Executive Law of the State of New York were amended to allow for the establishment of the Schenectady Metroplex Development Authority (Authority) as a public benefit corporation, and to amend the tax law in relation to authorizing additional sales and compensating use taxes in Schenectady County (County). The amended laws (Laws of New York, 1998; Chapter 124, Article 8, Title 28-B) allowed for collection of additional sales and compensating use taxes to begin on September 1, 1998, and to end on August 31, 2033. On May 31, 2016, the amended laws extended the collection of additional sales and compensating use taxes to August 31, 2038. The Schenectady Metroplex Development Authority Act (Act) was created by the New York State Legislature with powers to provide the State of New York and the County with the capability to effectively and efficiently develop, renovate, and optimize the economic and social activities of the Route 5 and Route 7 corridors of the County. The Authority began operations as a component unit of Schenectady County, New York, on January 1, 1999.

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

b. Basis of Accounting and Financial Statement Presentation

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

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred outflows and inflows of resources associated with the operations are included on the statements of net position.

Net position is segregated into restricted and unrestricted components, as follows:

- *Investment in capital assets* consists of capital assets, net of accumulated depreciation.
- *Restricted net position* has external constraints placed on use.
- *Unrestricted net position (deficit)* consists of assets, liabilities, and deferred outflows and inflows that do not meet the definition of "net investment in capital assets" or "restricted net position."

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

Schenectady Metroplex Development Authority

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Notes to Financial Statements December 31, 2019 and 2018

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

c. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows and inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Sales Tax Revenues

Pursuant to Subdivision (C) of Section 1210 (C) of the tax law, the County dedicates one-half of one percent of County sales and compensating use tax on all sales and compensating uses taxable pursuant to Article 29 of the tax law, beginning on September 1, 1998, and ending on August 31, 2038, and annually deposits such net collections received there from in the Schenectady Metroplex Development Authority Support Fund, held by the County. Beginning January 1, 1999, and then quarterly thereafter, the County transfers 70% of net collections received from the one-half of one percent to the Authority. The remaining 30% is transferred by the County to the Schenectady County real property tax abatement and economic development fund.

e. Fair Value Measurements

The Authority reports certain assets at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants on the measurement date (Note 8).

f. Cash and Cash Equivalents

Cash and cash equivalents include amounts in short-term investments with a maturity date of three months or less from the date of purchase, whether unrestricted or restricted.

Restricted cash and cash equivalents consist of escrow deposits held on account of others for the payment of future obligations and funds held from the issuance of bonds.

Unrestricted and restricted cash are either adequately insured by the Federal Deposit Insurance Corporation or collateralized by securities held by the pledging bank's trust department in the Authority's name or U.S. Government and/or federal agency securities held by the Trustee.

g. Investment Reserves

New York State statutes authorize the Authority to invest in certificates of deposit, obligations of New York State and its localities, the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

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Notes to Financial Statements December 31, 2019 and 2018

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

g. Investment Reserves - Continued

For the years ended December 31, 2019 and 2018, the Authority's investments are composed of mutual funds that are compliant with Securities and Exchange Commission Rule 2a-7. The Authority's mutual fund investments have a AAA credit rating from Standard and Poor's and Moody's.

To mitigate custodial credit risk, all of the Authority's investments are held in its own name. The purpose of these investment reserves is described in Note 7.

h. Receivables

Sales tax 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 \$4,108,425 and \$3,403,506, 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, 2019 and 2018, respectively.

Loans and notes receivable are carried at the original loan amount less payments of principal received and an allowance for estimated uncollectible balances. Accrued interest income is reported for loan interest earned but not received at year end. As of December 31, 2019 and 2018, the Authority has an allowance of \$2,088,058 and \$2,098,704, respectively, for loans and notes receivable.

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

In addition, at times the Authority may receive grants from outside parties. There were no grant receivables at December 31, 2019. Grants receivable totaling \$70,000 from the City of Schenectady, New York (City) were outstanding at December 31, 2018. Management considers grants receivable to be fully collectible.

i. Capital Assets

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

Depreciation is provided for in amounts to relate the cost of depreciable assets to operations over their estimated useful lives on a straight-line basis. Leasehold improvements are amortized over the shorter of the life of the asset or the life of the lease with amortization being included in depreciation expense. The estimated useful life for office furniture and equipment, and leasehold improvements ranges from three to five years.

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Notes to Financial Statements December 31, 2019 and 2018

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

i. Capital Assets - Continued

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, 2019 and 2018.

j. Tax Status

The Authority is exempt from federal income taxes under Section 115 of the Internal Revenue Code and is also exempt from New York State income taxes.

k. Parking Operations

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

l. Deferred Outflows of Resources and Deferred Inflows of Resources

The Authority reports deferred outflows of resources and deferred inflows of resources on its statement of net position in connection with the changes in the net pension liability that will be amortized into pension expense over time, as further described in Note 12. The Authority also reports deferred outflows of resources for deferred loss on a bond refunding, as further described in Note 5.

m. Pensions

The Authority is a participating employer of the New York State and Local Retirement System (System). Employees in permanent positions are required to enroll in the System, and employees in part-time or seasonal positions have the option of enrolling in the System. The System is a cost sharing, multiple employer, public employee defined benefit retirement system. The impact on the Authority's financial position and results of operations due to its participation in the System is more fully described in Note 12.

n. Subsequent Events

The Authority has evaluated subsequent events for potential recognition or disclosure through March 20, 2020, the date the financial statements were available to be issued.

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Notes to Financial Statements December 31, 2019 and 2018

Note 2 - Loans Receivable

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

	December 31,	
	2019	2018
Loans receivable (a) (b)	\$ 7,745,693	\$ 8,278,539
Less allowance	2,088,058	2,098,704
Less current installments	480,685	554,594
Loans receivable, less current installments, net	\$ 5,176,950	\$ 5,625,241

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

(b) The loans include terms which vary with each loan. Maturity periods vary up to a maximum of 20 years. The latest maturity date is December 2033. Interest rates vary from 0% to 5%. Required monthly payments range from \$889 to \$8,772.

A summary of changes in gross loans receivable during the year ended December 31, 2019 is as follows:

Loans receivable, January 1, 2019	\$ 8,278,539
Less: principal repayments	(532,846)
Loans receivable, December 31, 2019	\$ 7,745,693

A summary of changes in gross loans receivable during the year ended December 31, 2018 is as follows:

Loans receivable, January 1, 2018	\$ 9,947,437
Loans advanced	11,234
Less: loans written off	(1,133,870)
Less: principal repayments	(546,262)
Loans receivable, December 31, 2018	\$ 8,278,539

Interest earnings on loans receivable were \$85,828 and \$92,383 for the years ended December 31, 2019 and 2018, respectively, and are included in investment earnings within these financial statements.

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Notes to Financial Statements December 31, 2019 and 2018

Note 3 - Note Receivable

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

Note 4 - Capital Assets

Capital assets are summarized as follows:

	January 1, 2019	Additions	Dispositions	December 31, 2019
Office furniture and equipment	\$ 136,252	\$ 8,270	\$ (25,838)	\$ 118,684
Leasehold improvements	18,365	-	(1,167)	17,198
	<u>154,617</u>	<u>8,270</u>	<u>(27,005)</u>	<u>135,882</u>
Accumulated depreciation	(136,765)	(10,257)	27,005	(120,017)
	<u>\$ 17,852</u>	<u>\$ (1,987)</u>	<u>\$ -</u>	<u>\$ 15,865</u>

	January 1, 2018	Additions	Dispositions and transfers	December 31, 2018
Office furniture and equipment	\$ 148,529	\$ 3,074	\$ (15,351)	\$ 136,252
Leasehold improvements	3,014	-	15,351	18,365
	<u>151,543</u>	<u>3,074</u>	<u>-</u>	<u>154,617</u>
Accumulated depreciation	(127,413)	(9,352)	-	(136,765)
	<u>\$ 24,130</u>	<u>\$ (6,278)</u>	<u>\$ -</u>	<u>\$ 17,852</u>

Note 5 - Deferred Outflows: Deferred Loss on Bond Refunding

The Authority issued General Resolution Refunding Bonds Series 2012, Series 2015 and Series 2019 during the years ended December 31, 2012, 2015 and 2019, respectively. The Authority's deposits into the respective Series Refunding Escrow accounts exceeded the net carrying value of each of the refunded bonds. This excess resulted in deferred outflows. The deferred outflows are being amortized using the straight-line method, which approximates the effective interest method, over the remaining life of the defeased bonds.

Future amortization of these deferred outflows is summarized as follows:

For the year ending December 31,	
2020	\$ 147,147
2021	147,147
2022	147,147
2023	147,147
2024	130,740
2025 through 2029	332,050
2030 through 2033	<u>76,458</u>
	<u>\$ 1,127,836</u>

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Note 6 - Bond Anticipation Notes Payable

During December 2019, the Authority issued a \$7,790,000 Bond Anticipation Note, Series 2019A, and a \$1,720,000 Bond Anticipation Note, Series 2019B. The Series 2019A and Series 2019B Bond Anticipation Notes were issued at a premium of \$148,030 and will mature on December 23, 2020 at an interest rate of 3.00%. The Series 2019A and Series 2019B Bond Anticipation Notes were used in part to repay the \$6,280,000 Bond Anticipation Note, Series 2018A, and the \$1,710,000 Bond Anticipation Note, Series 2018B, including premium of \$127,821, issued in December 2018. It is anticipated that the Series 2019A and Series 2019B Bond Anticipation Notes will be refinanced with the issuance of long-term bonds.

During December 2018, the Authority issued a \$6,280,000 Bond Anticipation Note, Series 2018A, and a \$1,710,000 Bond Anticipation Note, Series 2018B. The Series 2018A and Series 2018B Bond Anticipation Notes were issued at a premium of \$127,821 and will mature on December 27, 2019 at an interest rate of 4.00%. The Series 2018A and Series 2018B Bond Anticipation Notes were used in part to repay the \$6,340,000 Bond Anticipation Note, Series 2017A, and the \$1,705,000 Bond Anticipation Note, Series 2017B, including a premium of \$94,359, issued in December 2017.

Interest expense on bond anticipation notes payable for the years ended December 31, 2019 and 2018 was \$191,780 and \$147,574, respectively.

Note 7 - Bonds Payable, Net

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 included 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 2010B bonds bore interest at rates ranging from 1.715% to 5.304%. All but \$230,000 of the Series 2010A and Series 2010B General Resolution Bonds were defeased in 2019 with the issuance of the General Resolution Refunding Bonds Series 2019. The remaining bond payable at December 31, 2019 of \$230,000 is due in August 2020 at 5.304%.

During August 2012, the Authority issued \$13,240,000 of General Resolution Refunding Bonds to provide resources to purchase U.S. Government, state, and local government series securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$13,610,000 of the 2001A and 2004A General Resolution Bonds. The General Resolution Bonds, 2001A were fully redeemed in 2012 and the General Resolution Bonds, 2004A were fully redeemed in 2013. This advance refunding was undertaken to reduce total debt service payments by \$491,973 with an estimated present value savings of \$844,244. The 2012 bonds were issued at a premium of \$967,200, which is amortized over the life of the bonds on a straight-line basis, which approximates the effective interest method. Amortization of the premium began in 2012. Accumulated amortization expense was \$467,480 and \$403,000 at December 31, 2019 and 2018, respectively. The terms of the 2012 bonds include interest at rates ranging from 3.00% to 5.00% during the life of the bonds, payable March 15 and September 15 of each year. The bonds include annual principal payments ranging from \$290,000 to \$1,125,000 and mature September 15, 2027.

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Notes to Financial Statements December 31, 2019 and 2018

Note 7 - Bonds Payable, Net - Continued

During January 2014, the Authority issued \$10,030,000 of General Resolution Bonds, Series 2014A, and \$7,440,000 of General Resolution Bonds, Series 2014B, to fund certain commercial real estate developments within the Authority's service district approved by the Authority's Board of Directors and refund Bond Anticipation Notes outstanding. The terms of the 2014A bonds include interest at rates ranging from 3.50% to 5.00% during the life of the bonds, payable on February 1 and August 1 of each year. The 2014 bonds were issued at a premium of \$513,848, which is amortized over the life of the bonds on a straight-line basis, which approximates the effective interest method. Amortization of the premium began in 2014. Accumulated amortization expense was \$156,106 and \$130,088 at December 31, 2019 and 2018, respectively. The terms of the 2014B bonds include interest at rates ranging from 0.979% to 4.588% during the life of the bonds, payable on February 1 and August 1 of each year. The bonds include annual principal payments ranging from \$100,000 to \$1,335,000 and mature on August 1, 2033.

During May 2015, the Authority issued \$20,380,000 of General Resolution Refunding Bonds to provide resources to purchase U.S. Government, state, and local government series securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$19,250,000 of the 2005A, 2005B, and 2006 General Resolution Bonds. This advance refunding was undertaken to reduce total debt service payments by \$2,477,146, with an estimated present value of savings of \$1,935,889. The terms of the 2015 bonds include interest at rates ranging from 0.450% to 3.934% during the life of the bonds, payable February 1 and August 1 of each year. The bonds include annual principal payments ranging from \$710,000 to \$1,880,000 and mature August 1, 2028.

During December 2019, the Authority issued \$4,850,000 of General Resolution Refunding Bonds (Federally Taxable) to provide resources to purchase U.S. Government, state, and local government securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$4,530,000 of the 2010A and 2010B General Resolution Bonds. This advance refunding was undertaken to reduce total debt service payments by \$1,137,363, with an estimated present value of savings of \$900,378. The terms of the 2019 bond includes interest at rates ranging from 1.970% to 3.20% during the life of the bonds, payable February 1 and August 1 of each year. The bonds include annual principal payments ranging from \$125,000 to \$435,000 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,	
	2019	2018
General Resolution Bonds, Series 2010A	\$ 40,000	\$ 775,000
General Resolution Bonds, Series 2010B	190,000	4,205,000
General Resolution Refunding Bonds, Series 2012	7,945,000	8,765,000
General Resolution Bonds, Series 2014A	10,030,000	10,030,000
General Resolution Bonds, Series 2014B	3,965,000	4,690,000
General Resolution Refunding Bonds, Series 2015	14,825,000	16,250,000
General Resolution Refunding Bonds, Series 2019	4,850,000	-
	<u>\$ 41,845,000</u>	<u>\$ 44,715,000</u>

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Notes to Financial Statements December 31, 2019 and 2018

Note 7 - Bonds Payable, Net - Continued

A summary of bond transactions is as follows:

	December 31,	
	2019	2018
Bonds payable, <i>beginning of year</i>	\$ 44,715,000	\$ 47,825,000
Bonds issued	4,850,000	-
Bonds defeased	(4,530,000)	-
Principal payments	(3,190,000)	(3,110,000)
Bonds payable, <i>end of year</i>	\$ 41,845,000	\$ 44,715,000

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

	Principal	Interest	Total
For the year ending December 31,			
2020	\$ 3,410,000	\$ 1,566,663	\$ 4,976,663
2021	3,480,000	1,500,400	4,980,400
2022	3,590,000	1,377,500	4,967,500
2023	3,730,000	1,243,615	4,973,615
2024	3,875,000	1,098,700	4,973,700
2025 through 2029	17,180,000	3,362,578	20,542,578
2030 through 2033	6,580,000	831,093	7,411,093
	\$ 41,845,000	\$ 10,980,549	\$ 52,825,549

Interest expense, net of amortization of bond premium and deferred loss on refunding for the years ended December 31, 2019 and 2018 was \$1,854,243 and \$1,943,033, respectively. Interest paid during the years ended December 31, 2019 and 2018 totaled \$1,889,480 and \$1,972,639, respectively.

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

	December 31,	
	2019	2018
Investment reserves, restricted		
Debt Service Reserve Fund	\$ 2,711,785	\$ 2,696,864
Debt Service Fund	1,398,938	1,356,376
	\$ 4,110,723	\$ 4,053,240

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Notes to Financial Statements December 31, 2019 and 2018

Note 8 - Fair Value Measurements

The framework for measuring fair value includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of inputs that may be used to measure fair value are as follows:

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

Following is a description of the valuation methodology used for assets measured at fair value at December 31, 2019 and 2018:

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Authority are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Authority are deemed to be actively traded.

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

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Notes to Financial Statements December 31, 2019 and 2018

Note 8 - Fair Value Measurements - Continued

The following tables set forth by level within the fair value hierarchy, the major categories of the Authority's investments measured at fair value:

	December 31, 2019			Total
	Level 1	Level 2	Level 3	
Mutual Funds	\$ 4,110,723	\$ -	\$ -	\$ 4,110,723
	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 4,053,240	\$ -	\$ -	\$ 4,053,240

Note 9 - Due to the County of Schenectady

During October 2006, the Authority was informed by Schenectady County that excessive sales and use tax collections were erroneously remitted to the Authority for periods prior to December 31, 2005. The Authority has agreed with the County's findings and has entered into a repayment agreement with the County to repay \$1,193,076 of excess sales tax revenues over a twenty-one-year period with interest at 4.49%. The agreement expires in 2027.

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

	Principal	Interest	Total
For the year ending December 31,			
2020	\$ 62,578	\$ 26,346	\$ 88,924
2021	65,388	23,536	88,924
2022	68,324	20,600	88,924
2023	71,391	17,533	88,924
2024	74,597	14,327	88,924
2025 through 2027	244,495	22,277	266,772
	\$ 586,773	\$ 124,619	\$ 711,392

Interest expense for the years ended December 31, 2019 and 2018 was \$28,081 and \$30,887, respectively. Interest paid during the years ended December 31, 2019 and 2018 totaled \$30,763 and \$34,107, respectively.

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Notes to Financial Statements
December 31, 2019 and 2018

Note 10 - Project Grants and Commitments

Project grants distributed and expenditures incurred, net of project and grant revenues, during the years ended December 31, 2019 and 2018, and unspent project commitments at December 31, 2019 were as follows:

	Project Grants and Expenditures 2019	Unspent Project Commitments at December 31, 2019	Project Grants and Expenditures 2018
AAA Northway Rental Subsidy	\$ -	\$ -	\$ 6,000
Adirondack Beverages	375	4,625	-
Airport Business Park	8,150	6,850	-
Albany Street Demolition	250	87,750	-
ALCO Heritage Trail	316,775	39,678	445,765
Amtrak Station Project	10,258	-	206,010
2 Argyle Place	-	3,000	65,077
Aquatics Feasibility	47,750	-	-
Back Barn Brewing	46,298	8,702	-
Beekman 1802	175,575	-	3,000
BelGioioso Cheese	8,564	347,044	4,392
Bluebird Home Décor Façade	-	-	75,000
Bobby's Auto Service	15,000	-	-
Bobby's Auto Service Site Cleanup	161,957	138,043	-
Bread & Roses	946	-	23,621
388 Broadway Office Building	24,000	-	-
Bruno Associates Glenville	-	-	77,748
Building 9 - Phase 2	1,553	8,448	-
C2 Architecture Design Group	166,650	6,332	1,816
Catapult Games	18,575	7,425	-
105 Clinton Street	22,000	-	-
Citizens Bank	529	344,471	-
Colonial Commons	9	-	919
944 Crane Street Façade	375	108,625	-
CTDI Expansion	-	-	153
Delta Engineer Relocation	60,400	-	-
Distributed Solar Development Project	-	92,500	-
Downtown Ambassador Program	158,164	3,836	96,000
Downtown Fix-up Project #3	271,560	-	-
Downtown Special Assessment District	-	-	6,906
Downtown Schenectady Improvement Corporation - XVIII	-	-	250,000
Downtown Schenectady Improvement Corporation - XVIII	250,000	-	-
Draper Lofts Project	-	-	37,484
DSIC and Downtown Parking Equipment	21,447	11,111	107,442

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Notes to Financial Statements December 31, 2019 and 2018

Note 10 - Project Grants and Commitments - Continued

	Project Grants and Expenditures 2019	Project Commitments at December 31, 2019	Project Grants and Expenditures 2018
764 1/2 Eastern Avenue	-	-	21,900
823 Eastern Avenue Façade	1,191	-	-
839 Eastern Avenue	75,000	-	338
Environment One Expansion	2,753	785	1,463
Erie Boulevard Building Demolitions	195,350	14,650	-
Foster Block Streetscape Improvements	499,768	-	7,803
Foster Renovation Phase 2	230	14,975	9,413
Franklin Project	1,050	33,680	270
Franklin Street Renovation	-	-	7,885
Gaming Insomniacs	66,775	-	-
Gateway Park	4,300	25,331	6,645
Gatherer's Granola Relocation	-	-	90,000
Gazette Press Building	104,425	41,191	269,384
2994 Guilderland Avenue	-	-	12,418
2996 Guilderland Avenue	-	-	4,687
Hammam Spa	-	-	12,320
Harbor Center Office Building	-	-	2,590
Hillside View	9,898	164,647	-
HP-You, LLC	350	32,650	-
Jahnel Group, Inc. Relocation	850	103,880	270
118 Jay Street	-	-	24,500
129 Jay Street Façade	45,725	-	-
Jay Street Lighting	155,961	50,710	150,328
Katie O'Byrne	-	-	15,000
Land Bank House Demolition	431,631	-	23,369
L&M Motel Demolition	-	-	12,430
L&M Motel Sewage Disposal	175,760	-	-
229 Liberty Street Parking Lot	-	17,630	32,370
Live In Schenectady	6,690	108,963	2,143
Lower State Street Parking Project	-	176,228	-
Lower State Street Sidewalk	-	-	69,050
Media Well Done Rent Allocation	10,476	13,524	-
Metroplex Garage Renovation	-	-	159,533
Mill Artisan District	2,006,020	-	1,292,017
MiSci Parking Lot	-	-	127,224
Mohawk Harbor Townhouse Project	6,469	8,511	2,444
Mohawk Harbor Retail Study	30,000	-	-
New York State Arboretum at Mohawk Harbor	-	-	17,000
Nott Apartments	221,000	72,972	122,600
487 Nott Street Redevelopment	-	-	98,130
Pedestrian Safety Project at Glenville Business and Tech P	107,004	-	-
2017 Parking Infrastructure Improvements	106,315	-	678,177
Parking Lot on Eastern Avenue	177,510	27,190	-
Parking Program	1,776,659	-	1,692,817
Patrick's Barber Shop Façade	-	-	17,000

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Notes to Financial Statements December 31, 2019 and 2018

Note 10 - Project Grants and Commitments - Continued

	Project Grants and Expenditures 2019	Unspent Project Commitments at December 31, 2019	Project Grants and Expenditures 2018
Rail Track Improvement	340,614	122,277	-
Renaissance Square	50	9,236	5,714
Residences at Vista Square	12,513	3,558	144,182
Restore New York 2017 Program	178,653	52,083	780,000
Risa Management Corp Relocation	500	52,500	-
Robinson Block Redevelopment	254,406	113,516	102,061
Sassy's Satellite	21,400	-	-
Schenectady Civic Players Renovation	-	-	30,000
Schenectady Trading Company, LLC	9,841	14,809	-
Scotia Building Demolition	28,669	19,331	-
Scotia Naval Depot	-	-	1,238,632
Scotia Naval Depot Easment EDPL	-	-	22,600
Silver Shop	-	-	5,000
13 State Street, LLC Lease	50	6,642	3,308
State Street Bridge Lighting	5,000	-	241,544
302 State Street Renovation	-	-	19
426 State Street	8,875	-	-
1016 State Street	60,425	-	-
Ter Bush and Powell Building	450	-	76,917
Town of Duanesburgh Sewer	-	-	156,000
Trustco Renovation	5,988	139,012	-
Unilux Retention	5,170	-	-
601-605 Union Street	-	-	12,985
605 Union St. Disposition	2,593	-	-
Weigh Station Restoration	175	99,825	-
Whistling Kettle	232,111	-	4,091
Professional services and predevelopment costs (a)	365,370	-	578,223
	<u>9,539,173</u>	<u>\$ 2,758,746</u> (b)	<u>9,792,127</u>
Project and grant revenue	<u>(1,036,126)</u>		<u>(2,478,843)</u>
	<u>\$ 8,503,047</u>		<u>\$ 7,313,284</u>

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

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

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Notes to Financial Statements December 31, 2019 and 2018

Note 11 - Net Position

The Authority has reported a deficit in its net position as of December 31, 2019 and 2018. This deficit is the result of cumulative project grants and expenditures in excess of net revenues. Funding for these expenditures was mostly provided by proceeds of the Authority's bond obligations which will be repaid over the statutory life of the Authority from future sales tax revenues. Current holders of the Authority's bonds have been provided with a direct pledge of these future sales tax revenues to ensure full repayment of existing obligations, and the Authority has established conservative guidelines under its General Bond Resolution that preclude further borrowings unless repayment capacity can be demonstrated.

Note 12 - New York State and Local Employees' Retirement System

a. Plan Description

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

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

b. Contributions

Employees in Tier I through IV are noncontributory except for employees with less than 10 years of service who contribute 3% of their salary, Tier V employees who contribute 3% of their salary, and Tier VI employees who contribute between 3% and 6% of their salary. The Comptroller annually certifies the rates, expressed as proportions of payroll of members, which are used in computing the contributions required to be made by employers. The Authority's contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2019	\$	61,341
2018		71,891
2017		77,422

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Notes to Financial Statements December 31, 2019 and 2018

Note 12 - New York State and Local Employees' Retirement System - Continued

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

At December 31, 2019 and 2018, the Authority reported a liability of \$91,134 and \$38,612, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2019 and 2018, the Authority's proportion was 0.0012862% and 0.0011964%, respectively.

For the years ended December 31, 2019 and 2018, the Authority recognized pension expense of \$89,860 and \$71,501, respectively. At December 31, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2019		December 31, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,946	\$ 6,118	\$ 13,772	\$ 11,380
Changes in assumptions	22,907	-	25,603	-
Net differences between projected and actual investment earnings on pension plan investments	-	23,390	56,081	110,699
Changes in proportion and differences between employer contributions and proportionate share of contributions	57,188	734	60,971	1,102
Total	<u>\$ 98,041</u>	<u>\$ 30,242</u>	<u>\$ 156,427</u>	<u>\$ 123,181</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2019 related to pensions will be recognized in pension expense as follows:

For the year ending December 31,	
2020	\$ 41,699
2021	(1,393)
2022	9,929
2023	17,564
	<u>\$ 67,799</u>

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Notes to Financial Statements December 31, 2019 and 2018

Note 12 - New York State and Local Employees' Retirement System - Continued

d. Actuarial Assumptions

The total pension liability at March 31, 2019 and 2018 was determined by using an actuarial valuation as of April 1, 2018 and 2017, respectively, with updated procedures used to roll forward the total pension liability to March 31, 2019 and 2018. The actuarial valuation used the following actuarial assumptions, which were consistent from year to year:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.50%
Salary Scale	4.20%, indexed by service (2019) 3.80%, indexed by service (2018)
Investment Rate of Return, Including Inflation	7.00% compounded annually, net of expenses
Cost of Living Adjustment	1.30%
Decrement	Based on FY 2011 - 2015 experience

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

e. Investment Asset Allocation

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

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate</u>
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Private equity	10.00%	7.50%
Real estate	10.00%	5.55%
Absolute return strategies	2.00%	3.75%
Opportunistic portfolio	3.00%	5.68%
Real assets	3.00%	5.29%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	-0.25%
Inflation-Indexed bonds	4.00%	1.25%
	<u>100.00%</u>	

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Notes to Financial Statements December 31, 2019 and 2018

Note 12 - New York State and Local Employees' Retirement System - Continued

f. Discount Rate

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

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

The following presents the Authority's proportionate share of the net pension liability as of December 31, 2019 calculated using the discount rate of 7.0%, as well as what the Authority's proportionate share of the net pension liability or asset would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Authority's proportionate share of the net pension liability (asset)	\$ 398,454	\$ 91,134	\$ (167,036)

h. Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the New York State and Local Employees' Retirement System as of March 31, 2019 and 2018 were as follows (amounts in thousands):

	March 31,	
	2019	2018
Employers' total pension liability	\$ 189,803,429	\$ 183,400,590
Plan net position	(182,718,124)	(180,173,145)
Employers' net pension liability	\$ 7,085,305	\$ 3,227,445
Ratio of plan net position to the employers' total pension liability	96.27%	98.24%

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Notes to Financial Statements December 31, 2019 and 2018

Note 13 - Commitments, Contingencies, Risks, and Uncertainties

a. Bonds and Notes

The Authority has the ability to issue bonds, notes, or other obligations to pay for the cost of any project. As more fully described in the Act, the principal amount of such outstanding obligations may not exceed \$100,000,000. At December 31, 2019, the Authority had issued a total of \$78,655,000 in bonds. There were \$41,845,000 and \$44,715,000 of outstanding obligations, related to its General Resolution Bonds described in Note 7 at December 31, 2019 and 2018, respectively.

b. Leases

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

Total rent expense was \$57,281 and \$56,517 for the years ended December 31, 2019 and 2018, respectively.

Future minimum payments under this lease total \$57,281 for the year ending December 31, 2020.

c. Employment Agreement

The Authority has entered into a contract with its Executive Director which states that the Executive Director shall receive severance pay equal to 50% of his annual salary upon termination.

d. Return of Revenues

In the event that the sales tax revenues the Authority receives from Schenectady County exceed its current liabilities by more than 10% at the end of its 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 year, then the Authority must return to the County 75% of such surplus amount.

During the years ended December 31, 2019 and 2018, the Authority recognized sales tax revenues of \$9,462,961 and \$8,706,536, respectively. As of December 31, 2019 and 2018, the Authority had outstanding project and loan commitments totaling \$2,758,746 and \$3,712,646, respectively, which the Authority has authorized to be distributed in the next year. The Authority also had current liabilities of \$5,542,639 and \$5,331,949 at December 31, 2019 and 2018, respectively, payable during 2020 and 2019, respectively.

As of December 31, 2019, the Authority was not obligated to return revenues to the County, other than those described in Note 9.

e. Litigation Claims

The Authority is involved in an action for alleged breach of contract relating to the development of a property. In management's and counsel's opinion, if the action moves forward, the Authority has numerous strong defenses. Management and counsel are unable to predict any final outcome.

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Notes to Financial Statements December 31, 2019 and 2018

Note 13 - Commitments, Contingencies, Risks, and Uncertainties - Continued

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

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

f. 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.

g. Custodial Credit Risk

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

h. Fair Value of Investments

The Authority invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Note 14 - Accounting Pronouncements Issued But Not Yet Implemented

GASB Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and the recognition of inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

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Notes to Financial Statements December 31, 2019 and 2018

Note 14 - Accounting Pronouncements Issued But Not Yet Implemented - Continued

GASB Statement No. 89, *Accounting for Interest Costs Incurred Before the End of the Construction Period* (GASB No. 89). GASB No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by GASB No. 89. GASB No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. The requirements of GASB No. 89 are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

GASB Statement No. 92, *Omnibus 2020*. This statement addresses a variety of topics including intra-entity transfers, fiduciary activities, public entity risk pools/reinsurance recoveries, fair value measurements, and derivative instrument terminology. Guidance related to leases, reinsurance recoveries and derivative instrument terminology was effective upon the issuance of the standard in January 2020. The remaining components of this standard are effective for periods beginning after June 15, 2020.

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.0012862%	0.0011964%	0.0011767%	0.0012218%	0.0121940%
Authority's proportionate share of the net pension liability	\$ 91,134	\$ 38,612	\$ 110,567	\$ 196,107	\$ 41,194
Authority's covered-employee payroll	\$ 451,887	\$ 526,087	\$ 513,214	\$ 476,888	\$ 464,911
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	20.17%	7.34%	21.54%	41.12%	8.86%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.70%	97.95%

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

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 61,341	\$ 71,891	\$ 77,422	\$ 72,842	\$ 84,368	\$ 96,359	\$ 87,189	\$ 73,965	\$ 59,985	\$ 45,878
Contributions in relation to the contractually required contribution	61,341	71,891	77,422	72,842	84,368	96,359	87,189	73,965	59,985	45,878
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Authority's covered-employee payroll	451,887	526,087	513,214	476,888	464,911	464,775	392,040	386,265	387,165	405,800
Contributions as a percentage of covered-employee payroll	13.57%	13.67%	15.09%	15.27%	18.15%	20.73%	22.24%	19.15%	15.49%	11.31%