

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Management's Discussion and Analysis
and Financial Statements
December 31, 2015 and 2014
(With Independent Auditors' Report Thereon)

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)

Contents

	<u>Page</u>
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 7
Financial Statements:	
Statements of Net Position	8
Statements of Revenue, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11 - 26
Required Supplementary Information:	
Schedule of Funding Progress for Other Postemployment Benefits (OPEB)	27
Schedule of Fund's Proportionate Share of the Net Pension Liability	28
Schedule of Fund's Employer Pension Contribution	29
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	30 - 31
Independent Accountants' Report on Investment Compliance	32 - 33

* * * * *

INDEPENDENT AUDITORS' REPORT

The Board of Directors
New York State Thoroughbred Breeding
and Development Fund Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the New York State Thoroughbred Breeding and Development Fund Corporation (the Fund), a component unit of the State of New York, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Fund'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 standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund'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 Fund'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 Fund as of December 31, 2015 and 2014, and the changes in 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 Matters

As discussed in note 2 to the financial statements, the Fund adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68," during the year ended December 31, 2015. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, the Schedule of Funding Progress for Other Postemployment Benefits (OPEB) on page 27, the Schedule of Fund's Proportionate Share of the Net Pension Liability on page 28, and the Schedule of Fund's Employer Pension Contributions on page 29 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.

Reports on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2016, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2016 on the Fund's compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York. The purpose of that report is to provide an opinion as to the Fund's compliance with investment guidelines contained therein. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Fund's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC
(Formerly Toski & Co., CPAs, P.C.)

Williamsville, New York
March 16, 2016

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Management's Discussion and Analysis
December 31, 2015 and 2014

Management of the New York State Thoroughbred Breeding and Development Fund Corporation (the Fund) offers readers of the Fund's financial statements this analysis of the financial activities of the Fund for the years ended December 31, 2015 and 2014.

Following this Management's Discussion and Analysis (MD&A) are the financial statements of the Fund together with the notes thereto. Please read the MD&A in conjunction with the Fund's financial statements and the accompanying notes in order to obtain a full understanding of the Fund's financial position and results of operations.

The Fund was created by an Act of the State of New York (the State), as more fully described in note 1 of the financial statements, and commenced operations in 1973. The Fund's mission statement is: "To promote by monetary incentives the responsible breeding of quality thoroughbred racehorses in keeping with the founding legislation to preserve New York's irreplaceable farmland."

OVERVIEW OF FINANCIAL STATEMENTS

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Fund follows enterprise fund reporting; therefore, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

FINANCIAL ANALYSIS OF THE FUND

Net Position

The following table summarizes the Fund's net position for 2015, 2014 and 2013:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets:			
Cash and equivalents	\$ 6,026,449	6,186,419	4,223,440
Receivables	1,111,847	1,144,198	1,283,142
Other assets	<u>154,861</u>	<u>60,481</u>	<u>36,129</u>
Total assets	<u>7,293,157</u>	<u>7,391,098</u>	<u>5,542,711</u>
Deferred outflows of resources - pensions	<u>99,192</u>	-	-

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Management's Discussion and Analysis, Continued

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Liabilities:			
Accounts payable and accrued expenses	\$ 210,027	143,068	117,595
Awards payable	4,477,574	4,634,459	2,844,788
Awards payable reserve	1,552,820	1,538,655	1,591,884
Payable to Harry M. Zweig Memorial Fund	439,108	441,928	388,757
Postemployment benefits payable	593,187	557,988	524,687
Net pension liability - proportionate share	<u>34,673</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>7,307,389</u>	<u>7,316,098</u>	<u>5,467,711</u>
Deferred inflows of resources - pensions	<u>9,960</u>	<u>-</u>	<u>-</u>
Net position	<u>\$ 75,000</u>	<u>75,000</u>	<u>75,000</u>

In 2015 and 2014, the Fund authorized 12.5% and 16% supplemental award payments of approximately \$1.9 million and \$2.5 million, respectively, due to increased revenues. The supplemental award for 2015 has been withheld for payout pending determination of final year-end revenue numbers. Purse enrichments outstanding were \$6,700 and \$6,200 at December 31, 2015 and 2014, respectively. Cash and equivalents decreased approximately \$160,000 as a result of a corresponding decrease in awards payable.

By statute, the Fund pays the Harry M. Zweig Memorial Fund of Cornell University 2% of its operating revenues to fund equine research. The amount payable to Cornell University for 2015 is approximately \$439,000, which is comparable to the amount paid for 2014.

In accordance with the Racing Pari-mutuel Wagering and Breeding Law (the Racing Law) enacted by the New York State Legislature in 1973, moneys of the Fund in excess of \$75,000 on hand at the end of the calendar year must be paid to the State and to the regional off-track betting corporations.

Operating Activities

Under founding statutes, the Fund receives revenue from on-track and off-track thoroughbred handle in New York and breakage from regional off-track betting wagers. Handle accounted for approximately 29% of revenue in 2015 and 2014, while breakage totaled 2% of revenue in 2015 and 2014.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Management's Discussion and Analysis, Continued

In 2004, the Fund obtained an additional contractual source of revenue from Video Lottery Terminals (VLTs) at Finger Lakes Gaming and Racetrack (FLGR), which provided approximately 8% and 9% of total revenue for 2015 and 2014, respectively. Further significantly enhancing Fund revenues, Resorts World Casino New York City began operation of VLTs at Aqueduct Racetrack in late 2011. Statutory revenue received from this operation was approximately \$12 million in 2015 and 2014, or 57% and 55% of total 2015 and 2014 revenue, respectively.

Effective January 1, 2014, legislation provided for the Fund to receive additional revenues from Advanced Deposit Wagering (ADW) sources. Total ADW revenue accounted for 4% of total Fund revenue in 2015 and 2014.

Total 2015 operating revenues of \$22 million were comparable to 2014 revenues. Due to the 2015 and 2014 increase in revenues, the Fund was able to significantly increase breeder, stallion and owner awards payouts and purse enrichments. As a result, awards and purse enrichment expenses were \$19.6 million and \$20 million in 2015 and 2014, respectively, compared to \$17.5 million in 2013, an increase of between 12% and 14%.

Beginning February 1, 2013, the Fund came under the umbrella of the new Gaming Commission of the State of New York. This reorganization has not significantly impacted the Fund's mission or revenue sources.

In 2015, the Fund adopted GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27," and GASB Statement No. 71 "Pension Transitions for Contributions Made Subsequent to the Measurement Date - an Amendment to GASB Statement No. 68." The adoption of these Statements resulted in a restatement of January 1, 2015 net position and the recognition of deferred outflows of resources, deferred inflows of resources and the Fund's proportionate share of its net pension liability resulting from its participation in the New York State Employees' Retirement System.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Management's Discussion and Analysis, Continued

The following table summarizes the Fund's operating income for the years ended December 31, 2015, 2014 and 2013:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenue:			
Handle revenue	\$ 6,258,188	6,419,222	6,549,453
ADW revenue	858,982	929,925	-
Breakage revenue	497,307	526,311	532,398
VLT commission revenue	14,169,737	14,048,735	12,192,002
Other revenue	<u>171,200</u>	<u>172,200</u>	<u>161,699</u>
Total operating revenue	<u>21,955,414</u>	<u>22,096,393</u>	<u>19,435,552</u>
Operating expenses:			
Awards and purses	19,587,059	19,958,993	17,513,730
Promotion	1,224,137	1,024,534	844,489
Administration	655,042	671,876	695,125
Harry M. Zweig Memorial Fund	<u>439,108</u>	<u>441,928</u>	<u>388,757</u>
Total operating expenses	<u>21,905,346</u>	<u>22,097,331</u>	<u>19,442,101</u>
Operating income (loss)	50,068	(938)	(6,549)
Nonoperating revenue - interest income	<u>1,630</u>	<u>938</u>	<u>6,549</u>
Change in net position	51,698	-	-
Net position at beginning of year	75,000	75,000	75,000
Cumulative effect of change in accounting principle	<u>(51,698)</u>	<u>-</u>	<u>-</u>
Net position at end of year	<u>\$ 75,000</u>	<u>75,000</u>	<u>75,000</u>

CONTACTING THE FUND'S FINANCIAL MANAGEMENT

This financial report is designed to provide readers with a general overview of the Fund's finances and to demonstrate the Fund's accountability for the revenue that it receives. If you have questions about this report or need additional financial information, contact the Fund at 1 Broadway Center, Suite 601, Schenectady, New York 12305.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Statements of Net Position
December 31, 2015 and 2014

<u>Assets and Deferred Outflows of Resources</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and equivalents	\$ 6,026,449	6,186,419
Receivables	1,111,847	1,144,198
Prepaid expenses	15,377	29,966
Total current assets	<u>7,153,673</u>	<u>7,360,583</u>
Property and equipment, at cost:		
Office furniture and equipment	37,294	55,657
Vehicles	43,564	47,047
Software - work-in-process	123,900	20,300
	204,758	123,004
Less accumulated depreciation	<u>(65,274)</u>	<u>(92,489)</u>
Net property and equipment	<u>139,484</u>	<u>30,515</u>
Total assets	<u>7,293,157</u>	<u>7,391,098</u>
Deferred outflows of resources - pension	<u>99,192</u>	<u>-</u>
 <u>Liabilities, Deferred Inflows of Resources and Net Position</u>		
Current liabilities:		
Accounts payable and accrued expenses	210,027	143,068
Awards payable	4,477,574	4,634,459
Awards payable reserve	1,552,820	1,538,655
Payable to Harry M. Zweig Memorial Fund	439,108	441,928
Total current liabilities	<u>6,679,529</u>	<u>6,758,110</u>
Long-term liabilities:		
Postemployment benefits payable	593,187	557,988
Net pension liability - proportionate share	34,673	-
Total liabilities	<u>7,307,389</u>	<u>7,316,098</u>
Deferred inflows of resources - pension	<u>9,960</u>	<u>-</u>
Commitment (note 9)		
Net position:		
Net investment in capital assets	139,484	30,515
Restricted - expendable	<u>(64,484)</u>	<u>44,485</u>
Total net position	<u>\$ 75,000</u>	<u>75,000</u>

See notes to accompanying financial statements.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Statements of Revenue, Expenses and Changes in Net Position
Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenue:		
Handle revenue	\$ 6,258,188	6,419,222
Advance Deposit Wagering revenue	858,982	929,925
Breakage revenue	497,307	526,311
VLT commission revenue	14,169,737	14,048,735
Registration and web advertising fees revenue	<u>171,200</u>	<u>172,200</u>
Total operating revenue	<u>21,955,414</u>	<u>22,096,393</u>
Operating expenses:		
Breeder awards	12,406,050	12,823,774
Stallion awards	3,020,302	3,031,327
Owner awards	2,034,024	1,968,200
FLRA breakage	126,683	135,692
Purse enrichment	2,000,000	2,000,000
Promotion	1,224,137	1,024,534
Administration	655,042	671,876
Harry M. Zweig Memorial Fund	<u>439,108</u>	<u>441,928</u>
Total operating expenses	<u>21,905,346</u>	<u>22,097,331</u>
Operating income (loss)	50,068	(938)
Nonoperating revenue - interest income	<u>1,630</u>	<u>938</u>
Change in net position	<u>51,698</u>	<u>-</u>
Net position at beginning of year, as previously stated	75,000	75,000
Cumulative effect of change in accounting principle (note 10)	<u>(51,698)</u>	<u>-</u>
Net position at beginning of year, as restated	<u>23,302</u>	<u>75,000</u>
Net position at end of year	<u>\$ 75,000</u>	<u>75,000</u>

See accompanying notes to financial statements.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Statements of Cash Flows
Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Receipts from operations	\$ 21,987,765	22,237,937
Payments for awards and purses	(19,729,779)	(18,222,551)
Payments to Harry M. Zweig Memorial Fund	(441,928)	(388,757)
Payments to employees	(504,470)	(403,992)
Payments to contractors and suppliers	<u>(1,352,569)</u>	<u>(1,240,296)</u>
Net cash provided by (used in) operating activities	(40,981)	1,982,341
Cash flows from capital and related financing activities - acquisition of property and equipment	(120,619)	(20,300)
Cash flows from investing activities - interest earned	<u>1,630</u>	<u>938</u>
Net change in cash and equivalents	(159,970)	1,962,979
Cash and equivalents at beginning of year	<u>6,186,419</u>	<u>4,223,440</u>
Cash and equivalents at end of year	<u>\$ 6,026,449</u>	<u>6,186,419</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	50,068	(938)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	11,650	12,223
Amortization of deferred inflows - pension (non-cash)	(2,490)	-
Net change in deferred outflows and inflows related to pensions (non-cash)	(92,060)	-
Changes in:		
Receivables	32,351	138,944
Prepaid expenses	14,589	(16,275)
Accounts payable and accrued expenses	66,959	25,473
Awards payable	(156,885)	1,789,671
Awards payable reserve	14,165	(53,229)
Harry M. Zweig Memorial Fund payable	(2,820)	53,171
Postemployment benefits payable	35,199	33,301
Pension liability	<u>(11,707)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ (40,981)</u>	<u>1,982,341</u>

See accompanying notes to financial statements.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements

December 31, 2015 and 2014

(1) Organization

The New York State Thoroughbred Breeding and Development Fund Corporation (the Fund) is a public benefit corporation organized pursuant to Sections 251 through 257 of the Racing, Pari-mutuel Wagering and Breeding Law (the Law) enacted by the New York State Legislature in 1973. The Fund is a component unit of the State of New York (the State) and is included in the State's Comprehensive Annual Financial Report of the Comptroller as a public benefit corporation.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Fund have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

For the year ended December 31, 2015, the Fund adopted:

- GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27" and GASB Statement No. 71 - "Pension Transitions for Contributions Made Subsequent to the Measurement Date - an Amendment to GASB Statement No. 68." The primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions. The implementation of the Statements requires the Fund to report as an asset and/or liability its portion of the collective pension asset and/or liability in the New York State Employees' Retirement System. The implementation of the Statements also requires the Fund to report a deferred outflow and/or inflow for the effect of the net change in the Fund's proportion of the collective net pension asset and/or liability and difference during the measurement period between the Fund's contributions and its proportionate share of total contributions to the pension system not included in pension expense. Also included as deferred outflows are the Fund's contributions to the pension system subsequent to the measurement date. See notes 7 and 10 for the financial statement impact of implementation on the financial statements.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(b) Assets, Liabilities and Net Position

- Revenues receivable consist of handle, breakage, a percentage of Advanced Deposit Wagering (ADW), and a percentage of Video Lottery Terminal (VLT) revenue amounts which are reported at their outstanding unpaid principal balances. The Fund records revenues receivable at estimated fair value, net of a reserve based upon the estimated collectibility.
- Retirement Plan - The Fund provides retirement benefits for its regular, full-time employees through contributions to the New York State Employees' Retirement System. The System provides various plans and options, some of which require employee contributions.
- The Fund expenses advertising and promotion costs as incurred. Advertising costs for the years ended December 31, 2015 and 2014 amounted to \$424,423 and \$277,205, respectively. Promotion costs for the years ended December 31, 2015 and 2014 were \$799,714 and \$747,329, respectively.

(c) Deferred Outflows and Inflows of Resources

In the Statement of Net Position, in addition to assets, the Fund will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Fund has two items that qualify for reporting in this category. The first item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the Fund's proportion of the collective net pension asset or liability and difference during the measurement period between the Fund's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is the Fund contributions to the New York State and Local Employees' Retirement System (the System) subsequent to the March 31 measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources represent the net effect of the change in the Fund's proportion of the collective net pension liability related to its participation in the System and differences between the Fund's contributions and its proportionate share of total contributions to the System not included in pension expense.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(d) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosures at the date of these financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(e) Subsequent Events

The Fund has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(3) Cash and Equivalents and Investments

The Fund's investment policies are governed by New York State statute. Fund monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Fund is authorized to use demand accounts, certificates of deposit and short-term U.S. Treasury bills or notes.

Collateral is required for demand deposits and certificates of deposit in an amount equal to or greater than the amount of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are outlined in chapter 623 of the laws of the State of New York.

Custodial Credit Risk - This is the risk that in the event of a bank failure, the Fund's deposits may not be returned to it. As noted above, by State statute, all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2015 and 2014, all uninsured bank deposits were fully collateralized with securities held by the pledging financial institution's trust department or agent as part of the collateral used to secure all the institution's deposits from the State of New York.

(4) Receipt and Distribution of Revenue and Basis of Net Position

New York State Racing, Pari-Mutuel Wagering and Breeding law (the Law), Section 254, provides for Fund revenues from New York on-track and off-track thoroughbred handle and breakage from regional off-track betting wagers as well as from Video Lottery Terminal (VLT) gaming devices at Finger Lakes Casino and Racetrack, and Resort World Casino New York City.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements, Continued

(4) Receipt and Distribution of Revenue and Basis of Net Position, Continued

- Handle: Handle of one-half of one percent (.5%) of the regular, multiple, exotic and super exotic wagers are paid to the Fund. The Fund receives an additional two-tenths of 1% (.2%) of live racing handle only at New York Racing Association (NYRA) tracks. However, under Section 905(4) of the Law, when out-of-state track retention rates vary from New York State retention rates, entities are entitled to pro-rate the difference. This reduces the overall handle received by the Fund to less than .5%. "Special Event" races, which include the Kentucky Derby, the Preakness and the Breeder's Cup, generate handle of one-half of one percent (.5%), as specified in Section 904 of the Law, with NYRA paying an additional .2%.
- Breakage: Twenty percent of New York State off-track betting breakage from bets on harness races and fifty percent on all other races is paid to the Fund and to the Agriculture and New York State Horse Breeding Development Fund; the Fund receives one half of such payments.
- VLT: Since 2004, the Fund has received revenue from VLT devices at Finger Lakes Gaming and Racetrack under a contractual agreement that expired March 31, 2015. Upon expiration of the contract, this revenue source will continue by statute but be reduced to 1.25% of Net Win. In 2011, the Fund began to receive VLT device revenue from Resorts World Casino - New York City at the Aqueduct Racetrack at the rate of 1% of Net Win. This increased to 1.25% in October of 2012, and to 1.5% in October 2013.
- ADW: Effective January 1, 2014, New York State Racing, Pari-Mutuel Wagering and Breeding law, Section 115-b, provides for Fund revenues generated from out of state ADW handle from New York State residents.

Moneys received by the Fund are disposed and distributed, and the Fund's net position is maintained, in accordance with the Law, Section 254. The Fund is authorized to dispose and distribute the moneys received by it for the following purposes and no other:

- Awards: An amount as determined by the Fund but not in excess of: (a) 43% as awards to breeders of New York-breds finishing first, second, third and fourth in races, (b) 33% as awards to owners of New York-breds finishing first, second, third and fourth in open races, (c) 15% as awards to stallion owners, whose New York stallions have sired New York-breds finishing first, second, third and fourth in races. However, the Fund, with two-thirds vote of its Board of Directors, may increase these awards up to but not in excess of (a) 65% as awards to breeders, (b) 40% as awards to owners and (c) 20% as awards to stallion owners. On August 16, 2008 the Board approved a motion to limit the distribution of monies to first, second and third place finishing New York-breds effective September 1, 2008.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Notes to Financial Statements, Continued

(4) Receipt and Distribution of Revenue and Basis of Net Position, Continued

- Purse: An amount as determined by the Fund but not in excess of 44% to provide purse moneys for races exclusively for New York-breds, of which 40% is to be paid to a franchised corporation (NYRA) and 60% to Finger Lakes Casino and Racetrack. In addition, 75% of in-state breakage revenue is to be provided to Finger Lakes Casino and Racetrack for purse enrichment.
- Promotion: Up to 6% to advance and promote breeding and raising of thoroughbreds in New York. This cap will be decreased to 5% as of October 28, 2016.
- Administration: Up to 5% for the administration and management of the Fund. This cap will be decreased to 4% as of October 28, 2016.
- Equine research: An amount equal to 2% thereof for the promotion of equine research.
- At the end of any calendar year, any Fund net position on hand in excess of \$75,000 shall be remitted to and vested in the State or the contributing Off-Track Betting Corporations.

Distribution of awards and purses is as follows:

	<u>2015</u>	<u>2014</u>
Breeder awards	\$ 12,406,050	12,823,774
Stallion awards	3,020,302	3,031,327
Owner awards	2,034,024	1,968,200
FLRA breakage	126,683	135,692
Purse enrichment	<u>2,000,000</u>	<u>2,000,000</u>
	<u>\$ 19,587,059</u>	<u>19,958,993</u>

The awards payable reserve represents the retention of 10% of awards due as established in accordance with Fund policy. The reserve at December 31, 2015 was paid out in January 2016.

(5) Investment Policy

The Fund's investment policy requires that all funds available for investment be deposited in interest-bearing accounts or fully secured certificates of deposit with New York State banks for the shortest possible terms and at the highest available interest rates, or in United States Treasury short-term bills or notes at the highest available rate. As of December 31, 2015 and 2014, the Fund maintained available funds in interest bearing checking accounts, since the rate of return was comparable to short-term Treasury bills.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Notes to Financial Statements, Continued

(6) Harry M. Zweig Memorial Fund

By law, 2% of operating revenue accruing to the Fund is to be used for the promotion of equine research through a fund of a land grant university within New York State. The Harry M. Zweig Memorial Fund of Cornell University was established for this purpose.

(7) Pension Plan

(a) Plan Descriptions and Benefits Provided

The Fund participates in the New York State and Local Employees' Retirement System (the System). This is 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 (NYSCRF), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the NYSCRF and is the administrative head of the System. Benefits are established under the provision 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 Fund also participates in the Public Employees; Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. 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/inex.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 and before April 1, 2012 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. For employees joining on or after April 1, 2012, employee contribution rates under System tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>ERS</u>
2015	\$ 92,060
2014	37,768
2013	48,034

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Notes to Financial Statements, Continued

(7) Pension Plan, Continued

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the Fund reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Fund's proportionate share of the net pension liability was based on a projection of the Fund's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the Fund.

Actuarial valuation date	3/31/2015	3/31/2014
Net pension liability	\$ 34,673	46,380
Fund's proportion of the Plan's net pension liability	0.0010264%	0.0010264%

At December 31, 2015 the Fund's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,110	-
Net difference between projected and actual earnings on pension plan investments	6,022	-
Changes in proportion and differences between the Fund's contributions and proportionate share of contributions	-	9,960
Fund's contributions subsequent to the measurement date	<u>92,060</u>	<u>-</u>
Total	\$ <u>99,192</u>	<u>9,960</u>

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Notes to Financial Statements, Continued

(7) Pension Plan, Continued

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Fund contributions subsequent to the March 31 measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	<u>ERS</u>
2016	\$ (707)
2017	(707)
2018	(707)
2019	(707)
2020	-

(c) Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

Measurement date	March 31, 2015
Actuarial valuation date	April 1, 2014
Interest rate	7.5%
Salary scale	4.9% Average
Decrement tables	April 1, 2005 - March 31, 2010 ERS's Experience
Inflation rate	2.7%

Annuitant mortality rates are based on April 1, 2005 - March 31, 2011 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2011 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Notes to Financial Statements, Continued

(7) Pension Plan, Continued

(c) Actuarial Assumptions, Continued

The long term 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 weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement date	March 31, 2015
Asset type:	
Domestic equity	7.30%
International equity	8.55%
Real estate	8.25%
Private equity	11.00%
Absolute return strategies	6.75%
Opportunities portfolio	8.60%
Real assets	8.65%
Bonds and mortgages	4.00%
Cash	2.25%
Inflation - indexed bonds	4.00%

(d) Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the 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.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Notes to Financial Statements, Continued

(7) Pension Plan, Continued

(e) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

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

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension asset (liability)	\$ <u>231,110</u>	<u>34,673</u>	<u>(131,169)</u>

(f) Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of the all participating the System employers as of the March 31, 2015 valuation date, were as follows:

	(Dollars in Millions)
Valuation date	3/31/2015
Employers' total pension liability	\$ (164,592)
Plan net position	<u>161,213</u>
Employers' net pension asset/(liability)	\$ <u>(3,379)</u>
Ratio of plan net position to the Employers' total pension asset/(liability)	97.95%

(g) Contributions to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Retirement contributions as of December 31, 2015 and 2014 represent the projected employer contribution for the period of April 1, 2015 through March 31, 2016 and April 1, 2014 through March 31, 2015, respectively based on paid System wages multiplied by the employer's contribution rate, by tier. These amounts have been recorded as deferred outflows of resources in the accompanying financial statements.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Notes to Financial Statements, Continued

(8) Postemployment Benefits Other Than Pensions

In addition to providing retirement benefits, the Fund provides continuation of medical coverage for employees that retire no earlier than age 62 or have at least twenty years of credited State service or are vested in the retirement system plan with ten years of credited service. The Fund will also provide coverage in the event of early retirement if the employee qualifies for a State disability pension. The Fund contributes 75% of costs for an individual policy and 35% of the difference between the cost of family and individual coverage. Surviving spouses of retired employees with at least ten years service are also eligible for continued health insurance coverage subject to a 25% co-pay.

The Fund has implemented the accounting and disclosure requirements of GASB Statement No. 45, - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" effective for its fiscal year beginning January 1, 2007. The Fund previously did not record any liability for retiree health benefits as required by GASB Statement No. 45.

The schedule of funding progress on page 27 presents multiyear trend information that is useful in determining whether the actuarial value of plan assets is increasing or decreasing over time relative to the accrued actuarial liability. The projections of benefits are based upon the types of benefits provided under the substantive plan at the valuation date. The actuarial calculations reflect a long-term perspective: actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The number of participants as of January 1, 2015 and 2014 was as follows:

	<u>2015</u>	<u>2014</u>
Active employees	5	5
Retired employees	4	4
Spouses covered	<u>1</u>	<u>1</u>
Total	<u>10</u>	<u>10</u>

Funding Policy - The Fund currently pays for postemployment health care benefits on a pay-as-you-go basis. These financial statements assume that pay-as-you-go funding will continue.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Notes to Financial Statements, Continued

(8) Postemployment Benefits Other Than Pensions, Continued

	<u>2015</u>	<u>2014</u>
<u>Annual OPEB Cost at December 31, 2015 and 2014</u>		
Normal cost	\$ 52,436	52,436
Interest	<u>109</u>	<u>109</u>
Total normal cost	52,545	52,545
Amortization of unfunded actuarial accrued liability	<u>45,700</u>	<u>45,700</u>
Annual required contribution	98,245	98,245
Adjustment to annual required contribution	<u>(28,417)</u>	<u>(28,417)</u>
Total annual OPEB cost	\$ <u>69,828</u>	<u>69,828</u>
<u>Reconciliation of net OPEB obligation at December 31, 2015 and 2014</u>		
Net OPEB obligation at beginning of year	\$ 557,988	524,687
Annual OPEB cost	69,828	69,828
Contributions	<u>(34,629)</u>	<u>(36,527)</u>
Net OPEB obligation at end of year	\$ <u>593,187</u>	<u>557,988</u>

Actuarial methods and assumptions - The valuation of the postretirement healthcare benefit obligation involves estimates and assumptions about the probability of events occurring far into the future. Examples are assumptions about future employment, mortality, and the health care cost trend. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of valuation and on the pattern of cost sharing between the Fund and plan participants. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

Projections assume a closed group population (i.e. no new hires), pay-as-you-go contributions and a 4% annual rate of investment return for both 2015 and 2014. Also, projections assume that 100% of future contingent eligible participants will receive the healthcare benefits at their full eligibility age, or current age if later.

The amortization cost for the initial unfunded actuarial liability is a level dollar amount for a period of 30 years, 22 years of which remain at December 31, 2015. Some of the more significant assumptions used in the calculation are as follows:

	<u>2015</u>	<u>2014</u>
Funding interest rate	4.0%	4.0%
Trend rate	5.7%	5.7%
Ultimate trend rate	4.2%	4.2%
Year ultimate trend rate rendered	2015/2015	2015/2015
The remaining amortization period	22 years	23 years

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Notes to Financial Statements, Continued

(9) Concentration of Risk - Long-Term Receivable and Payable

In 2011, Suffolk OTB sought protection from its creditors with the filing of a petition for bankruptcy in the Eastern District of New York under Chapter Nine of the U.S. Bankruptcy Code. In October 2014, the Suffolk OTB received court approval for a plan of repayment. The repayment plan is contingent on several factors and the date repayment will begin remains uncertain.

Under the terms of the original filing, Suffolk OTB was able to delay payment on debts owed as of the filing date while continuing to make payments on all debts incurred from that date forward. Amounts due and owing to the Fund from the OTB at the time of the filing included Handle and Breakage totaling \$56,243 and \$74,031 for 2012 and 2011, respectively. Although protected by Schedule F - Creditors Holding Unsecured Non-priority Claims in the 2012 filing, the Fund fully allowed for the non-collectability of these amounts in its 2012 financial statements.

Suffolk OTB accounted for \$489,350 and \$509,500 or 2.2% and 2.3% of the total operating revenue reported by the Fund for the years ended December 31, 2015 and 2014, respectively.

(10) Cumulative Effect of Change in Accounting Principle

During the fiscal year ended December 31, 2015, the Fund implemented GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27" and GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date." The implementation of these Statements resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the Fund's participation in the New York State Employees' retirement system. The Fund's net position at January 1, 2015 has been restated as follows:

Net position at beginning of year, as previously stated	\$ <u>75,000</u>
GASB Statement No. 68 implementation:	
Beginning System liability - Employees' Retirement System as of January 1, 2015	(46,380)
Beginning net deferred (inflow) outflow of resources resulting from:	
Differences between expected and actual experience	(5,318)
Contributions subsequent to the measurement date:	<u> -</u>
Cumulative effect of implementation	(51,698)
Net position at beginning of year, as restated	\$ <u>23,302</u>

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Notes to Financial Statements, Continued

(11) Contingency

As of February 1, 2013, the Fund came under the umbrella of the new Gaming Commission of the State of New York. It is anticipated that this reorganization will not significantly impact the Fund's mission or revenue sources. In response, the Fund relocated its operations to the New York State Gaming Commission building in Schenectady, New York, during December 2012.

In August 2015, the Board approved a Shared Services Agreement with the New York State Gaming Commission, which is currently awaiting approval by the State Comptroller. The agreement, which became effective as of January 1, 2014 includes fees for office space, utilities, and use of Gaming Commission employees. Estimated occupancy expenditures are \$47,443 at December 31, 2015.

(12) Legal Proceedings and Claims

In the ordinary course of business, the Fund may be subject to certain legal proceedings and claims. For any actions that are not otherwise covered by liability insurance, management believes that the resulting outcome of any such actions will not have a material adverse effect on the financial condition or results of operations of the Fund. In addition, when a loss contingency becomes probable, management establishes reserves on the books and records of the relevant entity.

(13) Accounting Standards Issued But Not Yet Implemented

- GASB Statement No. 72 - "Fair Value Measurement and Application" provides guidance regarding accounting and financial reporting relate to fair value measures of certain investments. The requirements of this Statement are effective for periods beginning after June 15, 2015, which is the fiscal year beginning January 1, 2016 for the Fund. The effects of this Statement on the financial statements of the Fund are not presently undeterminable.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Notes to Financial Statements, Continued

(13) Accounting Standards Issued But Not Yet Implemented. Continued

- GASB Statement No. 73 - “Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.” This Statement, issued in June 2015, establishes requirements for defined benefit pension plans and defined contribution pension plans that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as requirements for the assets accumulated for purposes of providing those pensions. The requirements of this Statement for pensions that are not within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2016. Requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions as well as the requirements for pension plans within the scope of Statements 67 and 68 are effective for fiscal years beginning after June 15, 2015, which is the fiscal year beginning January 1, 2016 for the Fund. This Statement is not expected to have a material effect on the financial statements of the Fund.
- GASB Statement No. 74 - “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.” This Statement, issued in June 2015, replaces existing standards of accounting and financial reporting for postemployment benefit plans other than pension plans and also replaces existing requirements for defined contribution OPEB plans. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016, which is the fiscal year beginning January 1, 2017 for the Fund. This Statement is not expected to have a material effect on the financial statements of the Fund.
- GASB Statement No. 75 - “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” This Statement, issued in June 2015, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for fiscal years beginning after June 15, 2017, which is the fiscal year beginning January 1, 2018 for the Fund. The effects of this Statement on the financial statements of the Fund are not presently determinable.
- GASB Statement No. 76 - “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.” This Statement, issued in June 2015, supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements for this Statement are effective for financial statements for periods beginning after June 15, 2015, which is the fiscal year beginning January 1, 2016 for the Fund. This Statement is not expected to have a material effect on the financial statements of the Fund.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Notes to Financial Statements, Continued

(13) Accounting Standards Issued But Not Yet Implemented, Continued

- GASB Statement No. 77 - "Tax Abatement Disclosures." This Statement, issued in August 2015, requires governments that enter into tax abatement agreements to disclose taxes abated, the gross amount of such taxes abated during the period and any other commitments made by the government other than to abate taxes, as a part of the abatement agreement. The requirements for this Statement are effective for financial statements for periods beginning after December 15, 2015, which is the fiscal year beginning January 1, 2016 for the Fund. This Statement is not expected to have a material effect on the financial statements of the Fund.
- GASB Statement No. 78 - "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans." This Statement, issued in December 2015 amends GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The provisions of this Statement are effective for financial statements for years beginning after December 15, 2015, which is the fiscal year beginning January 1, 2016 for the Fund. This Statement is not expected to have a material effect on the financial statements of the Fund.
- GASB Statement No. 79 - "Certain External Investment Pools and Pool Participants." This Statement, issued in December 2015, addresses the accounting and financial reporting for certain external investment pools and pool participants. It establishes the criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The provisions of this Statement are effective for financial statements for years beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. For the Fund, this statement becomes effective for the fiscal year beginning January 1, 2016. This statement is not expected to have a material effect on the financial statements of the Fund.
- GASB Statement No. 80 - "Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14." This Statement, issued in January 2016, amends the blending requirements for the financial statement presentation of component units of all state and local governments. It requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The provisions of this Statement are effective for financial statements for years beginning after June 15, 2016, which is the fiscal year beginning January 1, 2017 for the Fund. This Statement is not expected to have a material effect on the financial statements of the Fund.

NEW YORK STATE THOROUGHBRED BREEDING
 AND DEVELOPMENT FUND CORPORATION
 (A Component Unit of the State of New York)
 Required Supplementary Information
 Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

<u>Valuation date</u>	<u>Actuarial</u>		<u>Unfunded liability</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>Unfunded liability as a percentage of covered payroll</u>
	<u>Value of assets</u>	<u>Accrued liability</u>				
1/1/2013	\$ -	819,118	819,118	0%	N/A	N/A

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Required Supplementary Information
Schedule of Fund's Proportionate Share of the Net Pension Liability
For the year ended December 31, 2015

NYSERS Pension Plan		
	<u>2015</u>	<u>2014</u>
Fund's proportion of the net pension liability	0.0010264%	0.0010264%
Fund's proportionate share of the net pension liability	\$ 34,673	\$ 46,380
Fund's covered payroll	\$ 413,358	\$ 312,882
Fund's proportionate share of the net pension liability as a percentage of its covered - employee payroll	8.39%	14.82%
Plan fiduciary net position as a percentage of the total pension liability	97.95%	97.20%

The amounts presented for each fiscal year were determined as of the March 31, 2015 and 2014 measurement dates of the plan.

NEW YORK STATE THOROUGHBRED BREEDING
AND DEVELOPMENT FUND CORPORATION
(A Component Unit of the State of New York)
Required Supplementary Information
Schedule of Fund's Employer Pension Contributions
For the year ended December 31, 2015

	NYSERS Pension Plan				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 92,060	37,768	48,034	-	-
Contributions in relation to the contractually required contribution	<u>92,060</u>	<u>37,768</u>	<u>48,034</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund's covered employee payroll	\$ 413,358	312,882	364,265		
Contributions as a percentage of covered employee payroll	22.27%	12.07%	13.19%	N/A	N/A

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

The Board of Directors
New York State Thoroughbred Breeding
and Development Fund Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the New York State Thoroughbred Breeding and Development Fund Corporation (the Fund), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated March 16, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 16, 2016

INDEPENDENT ACCOUNTANTS' REPORT
ON INVESTMENT COMPLIANCE

The Board of Directors
New York State Thoroughbred Breeding
and Development Fund Corporation:

Report on Investment Program Compliance

We have audited the New York State Thoroughbred Breeding and Development Fund Corporation's (the Fund) compliance with the types of compliance requirements described in the Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program during the year ended December 31, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for the Fund's investment program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the investment program occurred. An audit includes examining, on a test basis, evidence about the Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the investment program. However, our audit does not provide a legal determination of the Fund's compliance.

Opinion on Investment Program

In our opinion, the Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its investment program for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the Fund is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Fund's internal control over compliance with the types of requirement that could have a direct and material effect on the investment program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the investment program and to test and report on internal control over compliance in accordance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York. Accordingly, this report is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 16, 2016