

NEW YORK JOB DEVELOPMENT AUTHORITY

Combined Financial Statements
and Independent Auditors' Report

March 31, 2017 and 2016

NEW YORK JOB DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

The Authority Members
New York Job Development Authority:

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of New York Job Development Authority (the "Authority"), a component unit of the State of New York, as of and for the years ended March 31, 2017 and 2016, and the related notes to combined financial statements, which collectively comprise the Authority's combined financial statements as listed in the table of contents.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the combined 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 Authority'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the net position of New York Job Development Authority as of March 31, 2017 and 2016, and the respective changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 9 be presented to supplement the basic combined financial statements. Such information, although not a part of the basic combined financial statements, is required by the Governmental Accounting Standards Board ("GASB"), who considers it to be an essential part of financial reporting for placing the basic combined 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 combined financial statements, and other knowledge we obtained during our audit of the basic combined 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 June 15, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2017 on the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 15, 2017

NEW YORK JOB DEVELOPMENT AUTHORITY
Management's Discussion and Analysis
March 31, 2017 and 2016

Our discussion and analysis of the New York Job Development Authority's ("JDA" or "Authority") financial performance provides an overview of the Authority's financial activities for the year ended March 31, 2017. Please read it in conjunction with the Authority's combined financial statements.

Overview

During the year ended March 31, 2017, the Authority continued its mission to spur job growth and capital investment in New York State by using authority granted to it and by leveraging State-guaranteed bonds to support low interest loans to manufacturers and other targeted industries throughout New York State. The loan program provides financing to encourage the growth of manufacturing and other private sector business in the State without requiring appropriation of taxpayers' funds.

Since 1995, the Authority has done business as Empire State Development ("ESD") and has been administratively consolidated with the New York State Urban Development Corporation ("UDC"). The Authority experienced financial difficulties in the mid-1990's. As a result, from 1997 through March 31, 2004 the Authority received an annual operating transfer from UDC, also doing business as ESD, to assist in meeting its legal obligations. No assistance was required in the years ended March 31, 2017 and 2016 and no assistance is expected to be required in the next fiscal year.

As a result of improvements in collections of the reserved loans in the loan portfolio, the absorption of personnel costs by UDC, and the consolidation of the net position of New York Liberty Development Corporation ("NYLDC"), Brooklyn Arena Local Development Corporation ("BALDC") and New York Transportation Development Corporation ("NYTDC"), the Authority has achieved a net position balance of \$111.5 million at March 31, 2017. NYLDC was created in 2002 to provide a vehicle for the State to issue Liberty Bonds in the wake of the terrorist attacks of September 11, 2001. BALDC was created in November 2008 to finance certain components of the Atlantic Yards Land Use Improvement and Civic Project. NYTDC was created in 2015 for the public purpose of relieving and reducing unemployment, promoting and providing for additional and maximum employment, bettering and maintaining job opportunities, and lessening the burdens of government of the State of New York and the New York Job Development Authority.

In October 2003, the Authority caused the creation of Empire State Local Development Corporation ("ESLDC"). ESLDC has state-wide jurisdiction and was created to carry out various economic development initiatives through the use of pass through grants received from outside sources.

NEW YORK JOB DEVELOPMENT AUTHORITY
Management's Discussion and Analysis, Continued

In June 2010, the Authority authorized the creation of Canal Side Local Development Corporation ("CSLDC") and the certificate of incorporation was filed in February 2012. CSLDC was created to help facilitate the financing of the Canal Side Land Use Improvement Project in Buffalo.

Summarized Statements

A summary of the Authority's financial information as of March 31, 2017 and 2016 is as follows:

Summary of Combined Statements of Net Position

	<u>2017</u>	<u>2016</u>
Assets		
Cash and equivalents, restricted cash and temporary investments	\$ 130,325,004	128,297,355
Loans receivable, net	18,944,197	13,494,689
Financing leases, net	2,949,288	4,965,825
Other assets	<u>46,654</u>	<u>52,355</u>
Total assets	<u>152,265,143</u>	<u>146,810,224</u>
Liabilities		
Special purpose bonds	3,085,000	6,170,000
Due to New York State Urban Development Corporation	26,330,436	26,259,020
Accounts payable and accrued expenses	145,690	244,240
Other liabilities	<u>-</u>	<u>163,523</u>
Total liabilities	<u>29,561,126</u>	<u>32,836,783</u>
Deferred inflows of resources - unearned income	<u>11,158,481</u>	<u>12,637,949</u>
Net position - restricted	<u>\$ 111,545,536</u>	<u>101,335,492</u>

NEW YORK JOB DEVELOPMENT AUTHORITY
Management's Discussion and Analysis, Continued

Summary of Combined Statements of Revenue,
Expenses and Changes in Net Position

	<u>2017</u>	<u>2016</u>
Operating revenue:		
Loan interest	\$ 1,135,788	1,198,326
Grant income	1,629,489	4,521,641
Bond and note fee income	9,463,625	1,478,767
Other revenue	<u>568,024</u>	<u>248,426</u>
Total operating revenue	<u>12,796,926</u>	<u>7,447,160</u>
Operating expenses:		
Interest, principally bonds	317,626	479,512
Provision for loss on loans receivable, loan guarantees and financing leases	683,216	319,490
Credit and bond related fees	41,250	76,814
General and administrative	285,542	269,038
Grant expense	<u>1,629,489</u>	<u>4,521,641</u>
Total operating expenses	<u>2,957,123</u>	<u>5,666,495</u>
Operating income	<u>9,839,803</u>	<u>1,780,665</u>
Nonoperating revenue	460,635	220,013
Nonoperating expenses	<u>(90,394)</u>	<u>(43,356)</u>
Nonoperating revenue, net	<u>370,241</u>	<u>176,657</u>
Change in net position	10,210,044	1,957,322
Net position - restricted at beginning of year	<u>101,335,492</u>	<u>99,378,170</u>
Net position - restricted at end of year	<u>\$ 111,545,536</u>	<u>101,335,492</u>

Liquidity

The Authority's cash and equivalents, restricted cash and temporary investments totaled approximately \$130.3 million and \$128.3 million at March 31, 2017 and 2016, respectively. The increase is primarily due to \$6.1 million in loan and lease principal and interest collections, \$9.5 million in bond fees, and 0.2 million in commitment fees, offset by \$3.4 million in debt service disbursements, \$8.8 million in loan payments on three new loans, and \$1.6 million in grant expense.

NEW YORK JOB DEVELOPMENT AUTHORITY
Management's Discussion and Analysis, Continued

The Authority's loans receivable balance totaled \$18.9 million and \$13.5 million at March 31, 2017 and 2016, respectively. The increase is primarily due to the issuance of \$8.8 million in new loans offset by decreases of \$2.8 million in principal loan collections and \$0.6 million in loan loss reserves.

Approximately 46% of the consolidated net position balance results from the net fees earned by NYLDC over the last several years.

Cash generated from operations exceeded the Authority's operating requirements for the year ended March 31, 2017 by approximately \$9.6 million, primarily due to the receipt of \$9.5 million in bond fees and \$0.9 million in loan and lease interest collections offset by \$0.3 million in interest on bonds, \$0.3 million in general administrative expenses and \$0.2 million in NYTDC's bond counsel expenses.

Capitalization

As of March 31, 2017, the Authority had approximately \$3.1 million in outstanding bonds. Total debt decreased by approximately \$3.1 million through scheduled principal maturities of bonds.

Bond Ratings

As of March 31, 2017, the Authority's outstanding debt had the following ratings from the following two rating agencies:

<u>Issue</u>	<u>Ratings</u>	
	<u>FITCH</u>	<u>S&P</u>
Special Purpose Fixed Rate Bonds Series '04 B	AA+	AA+

Change in Net Position

The change in net position for the fiscal year ended March 31, 2017 amounted to \$10.2 million compared with \$2.0 million in fiscal 2016. The increase is primarily due to increases in bond and note fee income of \$8.0 million and in investment income of \$0.2 million.

Revenue

Operating revenue approximated \$12.8 million in fiscal 2017 compared to \$7.4 million in fiscal 2016. The increase is primarily due to increases in bond and note fee income of \$8.0 million and \$0.3 million in other revenue offset by decreases of \$0.06 million in loan interest and \$2.8 million in grant revenue income.

NEW YORK JOB DEVELOPMENT AUTHORITY
Management's Discussion and Analysis, Continued

Loan interest decreased by approximately \$0.06 million as a result of the principal payoff of approximately \$5.3 million of loan and financing leases balances.

Grant income from ESLDC decreased by \$2.9 million as fewer projects were funded than in the previous fiscal year.

Bond and note fee income increased by approximately \$8.0 million primarily due to the fact that there was a \$2.0 million fee earned on the sale of PILOT Revenue Bonds related to Barclays Center, \$4.5 million fee earned on the sale of Bonds related to the LaGuardia Airport Terminal B Redevelopment Project and \$3.0 million fee earned on the sale of Bonds related to American Airlines, Inc. John F. Kennedy International Airport Project, compared to \$1.5 million in fiscal 2016.

Other revenue increased by approximately \$0.3 million due to an increase in recoveries against loan loss reserves.

Nonoperating revenue increased by \$0.2 million due to an increase in investment income as a result of slightly better investment rates throughout the year.

Operating Expenses

Operating expenses for the fiscal year ended March 31, 2017 were \$3.0 million compared with \$5.7 million in the fiscal year ended March 31, 2016. The decrease is primarily due to decreases of \$2.9 million in grant expense for ESLDC and \$0.2 million in interest on bonds, offset by an increase of \$0.4 million in provision for loss on loans receivable, loan guarantees and financial leases. Grant expense represents immediate disbursement of funds received from the Port Authority because ESLDC is merely a pass through. There is no effect on net income.

Interest on bonds decreased by \$0.2 million due to the scheduled maturity of certain bonds.

In fiscal year 2017, there were three new loans issued in the total amount of \$8.8 million. A \$2.2 million loan was issued to Upstate Specialty Properties, LLC for the purpose of purchasing real estate and the construction of a new facility located in Latham, New York. The total cost of the project is \$5.4 million. A \$5.3 million loan was issued to Love Beets Production, LLC to be used to take out sixty percent (60%) of a loan provided by M&T Bank. Including the property renovations and installation costs along with the machine and equipment acquisitions, the total project cost is \$17.2 million. A \$1.3 million loan was issued to The Case Group, LLC to be used toward the expansion of an existing facility located in Green Island, New York. The total cost of the project is \$2.4 million.

NEW YORK JOB DEVELOPMENT AUTHORITY
Management's Discussion and Analysis, Continued

There were approximately \$35.1 million in loans approved but not closed.

The Authority's financial position remains strong. No assistance has been received from UDC since the fiscal year ended March 31, 2004.

In the coming fiscal year, no events are anticipated that would have a significant negative effect on the financial position of the Authority. It is expected that the continued marketing of the JDA program throughout the State will provide additional financing opportunities to businesses.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the New York Job Development Authority's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Chief Financial Officer, New York Job Development Authority d/b/a Empire State Development, 633 Third Avenue, New York, New York 10017.

COMBINED FINANCIAL STATEMENTS

NEW YORK JOB DEVELOPMENT AUTHORITY
 Combined Statements of Revenue, Expenses and Changes in Net Position
 Years ended March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenue:		
Loan interest	\$ 1,135,788	1,198,326
Grant income	1,629,489	4,521,641
Bond and note fee income	9,463,625	1,478,767
Other revenue	<u>568,024</u>	<u>248,426</u>
Total operating revenue	<u>12,796,926</u>	<u>7,447,160</u>
Operating expenses:		
Interest, principally bonds	317,626	479,512
Provisions for loss on loans receivable, loan guarantees and financing leases	683,216	319,490
Credit and bond related fees	41,250	76,814
General and administrative	285,542	269,038
Grant expense	<u>1,629,489</u>	<u>4,521,641</u>
Total operating expenses	<u>2,957,123</u>	<u>5,666,495</u>
Operating income	<u>9,839,803</u>	<u>1,780,665</u>
Nonoperating revenue (expenses):		
Investment income, including change in fair value	460,635	220,013
Interest - New York State Urban Development Corporation	<u>(90,394)</u>	<u>(43,356)</u>
Nonoperating revenue, net	<u>370,241</u>	<u>176,657</u>
Change in net position	10,210,044	1,957,322
Net position - restricted at beginning of year	<u>101,335,492</u>	<u>99,378,170</u>
Net position - restricted at end of year	<u>\$ 111,545,536</u>	<u>101,335,492</u>

See accompanying notes to combined financial statements.

NEW YORK JOB DEVELOPMENT AUTHORITY
 Combined Statements of Cash Flows
 Years ended March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from interest on loans and financing leases	\$ 860,063	897,827
Cash received from bond and related fees	9,463,625	1,478,767
Cash received for bond counsel expenses	70,000	601,066
Other operating cash receipts	161,548	43,980
Interest paid on bonds payable	(331,329)	(492,983)
Cash paid for related bond expenses	(41,250)	(76,814)
Cash paid for general and administrative expenses	(265,797)	(276,279)
Cash paid for bond counsel expenses	(317,562)	(353,504)
Cash paid for NYLDC operating expenses	-	(200)
Cash paid for BALDC operating expenses	(602)	-
Cash paid for NYTDC operating expenses	(20,068)	(778)
Net cash provided by operating activities	<u>9,578,628</u>	<u>1,821,082</u>
Cash flows from noncapital financing activities - special purpose bond retirements	<u>(3,085,000)</u>	<u>(3,085,000)</u>
Cash flows from investing activities:		
Proceeds from sale of temporary investments in marketable securities	331,503,310	347,823,731
Purchase of temporary investments in marketable securities	(330,270,883)	(345,456,524)
Interest on investments	436,277	170,277
Loan disbursements	(8,755,000)	(3,480,000)
Principal collected on loans receivable	2,843,259	1,274,923
Principal collected on financing leases	2,464,594	1,343,263
Reduction of Port Authority appropriation for grant disbursements	(1,629,489)	(4,521,641)
Port Authority appropriation received for grant	114,987	2,551,979
Net cash used in investing activities	<u>(3,292,945)</u>	<u>(293,992)</u>
Net increase (decrease) in cash and equivalents	3,200,683	(1,557,910)
Cash and equivalents at beginning of year	<u>6,719,642</u>	<u>8,277,552</u>
Cash and equivalents at end of year	<u>\$ 9,920,325</u>	<u>6,719,642</u>

(Continued)

See accompanying notes to combined financial statements.

NEW YORK JOB DEVELOPMENT AUTHORITY
 Combined Statements of Cash Flows, Continued

	<u>2017</u>	<u>2016</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 9,839,803	1,780,665
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision loss on loans receivable, loan guarantees and financing leases	276,740	118,547
Operating expenses paid by UDC	(18,978)	(17,187)
Amortization - deferred loan income	(11,673)	(73,252)
Amortization - deferred lease premiums	(250,891)	(212,755)
Changes in:		
Accrued interest receivable	(13,161)	(14,493)
Prepaid insurance	18,862	(9,227)
Accounts payable and accrued expenses	(98,551)	85,261
Other liabilities	<u>(163,523)</u>	<u>163,523</u>
Net cash provided by operating activities	<u>\$ 9,578,628</u>	<u>1,821,082</u>

See accompanying notes to combined financial statements.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements
March 31, 2017 and 2016

Note 1 - Corporate Background and Activities

(a) General

New York Job Development Authority (the “Authority” or “JDA”), doing business as Empire State Development (“ESD”), is a public benefit corporation organized and existing under the laws of the State of New York (the “State”). The Authority’s mission is to spur job growth and capital investment in New York State by using authority granted to it and by leveraging State-guaranteed bonds to support low interest loans to manufacturers and other targeted industries throughout New York State. As a public benefit corporation, the Authority is tax exempt. The Authority is a component unit of the State and, as such, its combined financial statements are included in the State’s general purpose financial statements.

(b) Activities

The principal activity of the Authority is providing business and industry loans, described in the New York Job Development Authority Act as “Special Purpose Loans.” All such loans are made to entities with operations in the State and are provided for real estate acquisition, construction, rehabilitation or improvement or machinery and equipment. The Authority requires security for the loans with the underlying assets and other available collateral.

The Authority finances these activities through recycled loan proceeds and the issuance of State guaranteed bonds and notes (the “Bonds”) limited by the Constitution of the State and applicable legislation to an aggregate principal amount of \$900,000,000 outstanding at any time. To date, enabling legislation allows an aggregate principal amount of \$750,000,000 to be outstanding at any time.

The guarantee of the Bonds by the State is authorized by the New York Job Development Authority Act, as amended by Section 1813 of Title 7 Article 8 of the Public Authorities Law and Section 8 Article X of the Constitution of New York State. Under these provisions, if the Authority fails to pay when due, the principal or interest on the Bonds, or, if sued by any holder of the Bonds, the State Comptroller must set apart from the first revenues thereafter received from any source, applicable to the General Fund of the State, a sum sufficient to pay such principal and interest, and shall so apply the monies thus set apart. Effectively, the State is subrogated to the rights of the bondholders. The net position of the fund is considered restricted.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 1 - Corporate Background and Activities, Continued

(b) Activities, Continued

The Authority has the power to create local development corporations under Section 1804 of the New York Job Development Authority Act and Section 1411 of the New York Not-for-Profit Corporation Law. The Authority has created five Local Development Corporations: New York Liberty Development Corporation (“NYLDC”), Empire State Local Development Corporation (“ESLDC”), Brooklyn Arena Local Development Corporation (“BALDC”), Canal Side Local Development Corporation (“CSLDC”), and New York Transportation Development Corporation (“NYTDC”).

The Authority substantially controls the operations of the Local Development Corporations. Under Governmental Accounting Standard Board (GASB) Statement No. 39 - “The Financial Reporting Entity,” NYLDC, ESLDC, BALDC, CSLDC and NYTDC are considered blended component units of the Authority, and their assets, liabilities, and results of operations are combined with the operations of the Authority for financial reporting purposes.

Note 2 - Summary of Significant Accounting Policies

(a) Basis of Accounting

The Authority is an enterprise fund that follows the economic resource measurement focus and the accrual basis of accounting.

The Authority complies with all applicable pronouncements of GASB as well as with authoritative pronouncements applicable to non-governmental entities (e.g. Financial Accounting Standards Board Statements) that do not conflict with GASB pronouncements.

The Authority’s combined financial statements are presented consistent with enterprises whose principal activities are considered a financing enterprise.

(b) Use of Estimates

The preparation of combined financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

(c) Cash and Equivalents

Cash and equivalents include cash deposits with banks and highly liquid temporary investments with original or remaining maturities of 90 days or less.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 2 - Summary of Significant Accounting Policies, Continued

(d) Investment Securities

Investment securities consist of temporary investments of available cash and debt service reserve funds in marketable securities. Investment securities are reported at fair value in the combined statements of net position, and investment income, including changes in fair value, is reported as nonoperating revenue in the combined statements of revenue, expenses and changes in net position.

The fair value of investment securities, which include United States Government and Federal agency obligations, and obligations of state and local governments is generally based on quoted market prices. Interest earning investment instruments, including time deposits and repurchase agreements with maturities of one year or less, are reported at amortized cost. Investment income also includes realized gains and losses from disposition of investments on a specific identification basis. Collateral for these investments is held in the Authority's name by financial institutions as custodians. Investment securities that are not required by bond indentures to be held by independent trustees are maintained and held by the New York State Department of Taxation and Finance.

(e) Loans and Financing Leases Receivable

Loans and financing leases are generally reported at their principal amounts outstanding, net of allowances for possible credit losses. The Authority lends funds for the acquisition of land and buildings which are generally repayable over 15 to 20 years. Loans to fund machinery and equipment are generally repayable over 7 to 10 years. Generally, all loans represent second mortgages or other subordinated positions. Interest revenue on loans and financing leases is credited to interest income based on loan principal amounts outstanding at appropriate interest rates. Interest is not accrued on loans which are delinquent three or more months and which management considers uncollectible. In addition, the Authority provides financing leases for property previously acquired in foreclosure. Financing leases generally require repayment over periods ranging from 1 to 20 years.

(f) Allowance for Possible Credit Losses and Estimated Loan Losses

The allowance for possible credit losses provides for risks of losses inherent in the credit extension process. The Authority maintains this allowance on a specific and general basis at levels considered adequate to meet present and future losses on loans and financing leases. This evaluation encompasses business and economic conditions, the character, quality and performance of the portfolios, availability of collateral and the risks inherent in these loans. Accordingly, these estimates could change in the near term.

(g) Foreclosed Properties

The Authority may hold title to properties acquired in satisfaction of loans, including in-substance foreclosures. Such amounts, if any, are carried at the lower of cost or estimated fair market value.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 2 - Summary of Significant Accounting Policies, Continued

(h) Grant Revenue and Expense

ESLDC administers certain grant funds from various sources. These grants are awarded for specifically designated projects and are distributed directly to the projects. ESLDC records revenue upon disbursement of the grants to grantees. Grant advances not disbursed to grantees are recorded as unearned income.

NYLDC recognizes grant expense upon the disbursement of grants to grantees.

(i) Subsequent Events

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

Note 3 - Local Development Corporations

(a) New York Liberty Development Corporation

In August 2002, at the request of the Governor, the Authority caused the creation of New York State Liberty Development Corporation (“NYLDC”). NYLDC was created as a conduit for the issuance of qualified New York Liberty Bonds (“Liberty Bonds”) and such other non-federally tax-exempt obligations as may be appropriate. Bond proceeds are used to finance private projects primarily in the New York Liberty Zone located in lower Manhattan. NYLDC receives fees in connection with each bond or note issuance. In certain instances, the bond issuance fees earned are shared with other entities. The summarized statements of net position of NYLDC as of March 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Cash and equivalents	\$ 122,073	2,131,176
Temporary investments in marketable securities	51,100,608	48,904,959
Accounts payable and accrued expenses	<u>-</u>	<u>(19,562)</u>
Net position	\$ <u>51,222,681</u>	<u>51,016,573</u>

The summarized statements of revenue, expenses and changes in net position of NYLDC for the years ended March 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Bonds and note fee income	\$ -	567,467
Other revenue	-	3,504
Investment income	206,108	109,886
Operating expenses	<u>-</u>	<u>(3,704)</u>
Changes in net position	\$ <u>206,108</u>	<u>677,153</u>

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 3 - Local Development Corporations, Continued

(a) New York Liberty Development Corporation, Continued

NYLDC did not issue Liberty Bonds or notes during the year ended March 31, 2017.

In October 2015, NYLDC issued Additional Series 2005 Liberty Revenue Bonds (Second Tranche) (Goldman Sachs Headquarters Issue) in the aggregate face amount of \$19,380,000 (at an issue price of \$22,693,399). The proceeds of the Additional Series 2005 Bonds were used to make a loan to Goldman Sachs Headquarters LLC (the "Borrower"). The Borrower used the proceeds of the loan to refund the portion of the Original Series 2005 Bonds maturing on October 1, 2015. The loan to the Borrower is guaranteed by the Goldman Sachs Group, Inc.

Since inception, NYLDC has issued an aggregate of \$6,161,000,000 of Liberty Bonds (at face amount of \$5,958,000,000), \$338,000,000 of Recovery Zone Bonds, and \$730,000,000 of taxable notes excluding remarketing and refunding bonds on behalf of project owners. As of March 31, 2017, the total outstanding conduit debt amounted to \$6,124,000,000. Liberty Bonds, Recovery Zone Bonds, and taxable notes are not the obligation of NYLDC, the Authority, or the State. Repayment of the bonds and notes is the obligation of respective project owners.

(b) Empire State Local Development Corporation

In October 2003, the Authority caused the creation of Empire State Local Development Corporation ("ESLDC"). ESLDC has state-wide jurisdiction and was created to carry out various economic development initiatives through the use of pass through grants received from outside sources. The summarized statements of net position of ESLDC as of March 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Cash and equivalents	\$ 2,135,778	339,308
Temporary investments in marketable securities	9,022,703	12,298,641
Deferred inflows of resources - unearned revenue	<u>(11,158,481)</u>	<u>(12,637,949)</u>
Net position	\$ _____	_____

The deferred inflows of resources - unearned revenue represents grant funds received from the Port Authority of New York and New Jersey ("the Port Authority") under its Transportation, Economic Development and Infrastructure Renewal ("TEDIR") projects program that have not yet been disbursed to the designated grantees. The projects included in this grant program are approved by the Port Authority in accordance with TEDIR program requirements and payments are processed through JDA. In general, these projects have a long life span.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 3 - Local Development Corporations, Continued

(b) Empire State Local Development Corporation, Continued

The summarized statements of revenue, expenses and changes in net position of ESLDC for the years ended March 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Grant revenue	\$ 1,629,489	4,521,641
Grant expenses	<u>(1,629,489)</u>	<u>(4,521,641)</u>
Change in net position	\$ <u> -</u>	<u> -</u>

(c) Brooklyn Arena Local Development Corporation

In November 2008, the Authority caused the creation of Brooklyn Arena Local Development Corporation (“BALDC”). BALDC has state-wide jurisdiction and was created as a conduit for the issuance of both taxable and tax-exempt bonds to finance the construction and related cost of the Barclays Center Project.

The summarized statements of net position of BALDC at March 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Cash and equivalents	\$ 2,179,312	197,428
Accounts payable and accrued expenses	<u> -</u>	<u> -</u>
Net position	\$ <u>2,179,312</u>	<u>197,428</u>

The summarized statements of revenue, expenses and changes in net position of BALDC for the years ended March 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Interest income	\$ 1,491	237
Bond and note fee income	1,980,995	-
Operating expenses	<u>(602)</u>	<u> -</u>
Change in net position	\$ <u>1,981,884</u>	<u>237</u>

In September 2016, BALDC issued PILOT Revenue Refunding Bonds, Series 2016 (Barclays Center Project) in the aggregate face amount of \$494 million (at an issue price of \$567 million) for the purpose of refunding a portion of the Series 2009 PILOT Revenue Bonds (Barclays Center project) and to pay the costs of issuance of the Series 2016 PILOT Bonds.

BALDC did not issue bonds during the year ended March 31, 2016.

As of March 31, 2017, the total outstanding conduit debt is \$750 million. BALDC bonds are not the obligation of BALDC, the Authority or the State. Repayment of the bonds will be made from payment-in-lieu-of taxes and rental payments made by the Barclays Center Project developer.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 3 - Local Development Corporations, Continued

(d) Canal Side Local Development Corporation

In June 2010, the Authority authorized the creation of Canal Side Local Development Corporation (“CSLDC”) and the certificate of incorporation was filed in February 2012. CSLDC was created to help facilitate the financing of the Canal Side Land Use Improvement Project in Buffalo. There was no activity during the years ended March 31, 2017 and 2016.

(e) New York Transportation Development Corporation

In August 2015, the Authority authorized the creation of New York Transportation Development Corporation (“NYTDC”) and the certificate of incorporation was filed in October 2015. NYTDC was formed for the public purpose of relieving and reducing unemployment, promoting and providing for additional and maximum employment, bettering and maintaining job opportunities, and lessening the burdens of government of the State of New York and the New York Job Development Authority. It will undertake its public purpose by issuing tax exempt bonds for transportation and any other purposes or objective described above (the “Bonds”) and in the case of certain tax exempt bonds, shall obtain the approval of the Governor of the State of New York to the extent required by applicable federal tax law; by issuing such other non-federally tax-exempt obligations as may be appropriate (the “Obligations”); and by exercising all or any part of such public functions and doing any work related to or in connection with the issuance of the Bonds or Obligations, and engaging in all other lawful business purposes.

The summarized statements of net position of NYTDC at March 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Cash and equivalents	\$ 1,377,803	1,139,040
Temporary investments in marketable securities	7,017,829	-
Accounts payable and accrued expenses	(205)	(64,477)
Other liabilities	<u>-</u>	<u>(163,523)</u>
Net position	\$ <u>8,395,427</u>	<u>911,040</u>

The summarized statements of revenue, expenses and changes in net position of NYTDC for the years ended March 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Bond and note fee income	\$ 7,482,630	911,300
Interest income	22,030	518
Operating expenses	<u>(20,273)</u>	<u>(778)</u>
Change in net position	\$ <u>7,484,387</u>	<u>911,040</u>

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 3 - Local Development Corporations, Continued

(e) New York Transportation Development Corporation, Continued

On June 1, 2016, NYTDC issued Special Facilities Bonds, Series 2016A and 2016B (LaGuardia Airport Terminal B Redevelopment Project) (the "Series 2016 Bonds") in the aggregate face amount of \$2,410,380,000 (at an issue price of \$2,644,634,342) to be used (i) to finance a portion of the costs relating to the design and construction of the Construction Project, which includes a new Terminal B and certain related facilities to be constructed by LaGuardia Gateway Partners, LLC (the "Borrower") at LaGuardia Airport in Queens, New York, (ii) to partially fund a capitalized interest account during construction, (iii) to fund the working capital reserve account, and (iv) pay certain costs of issuance related to the Series 2016 Bonds. The proceeds of the Series 2016 Bonds were loaned to the Borrower pursuant to a Building Loan Agreement and a Project Loan Agreement.

On June 16, 2016, NYTDC issued Special Facility Revenue Refunding Bonds, Series 2016 (American Airlines, Inc. John F. Kennedy International Airport Project) in the aggregate face amount of \$844,210,000 (at an issue price of \$906,626,356) for the purpose of providing a portion of the funds to defease and redeem in full the outstanding (i) New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2002B (American Airlines, Inc. John F. Kennedy International Airport Project) (the "Prior Series 2002B Bonds"), and (ii) New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2005 (American Airlines, Inc. John F. Kennedy International Airport Project) (the "Prior Series 2005 Bonds," and together with the Prior Series 2002B Bonds, the "Prior Bonds").

In December 2015, NYTDC issued Special Facility Revenue Refunding Bonds, Series 2015 (Terminal One Group Association, L.P. Project) in the aggregate face amount of \$167,260,000 (at an issue price of \$187,189,816) for the purpose of (i) defeasing and redeeming all outstanding New York City Industrial Development Agency Special Facility Revenue Bonds, Series 2005 (Terminal One Group Association, L.P. Project) previously issued to refinance the demolition of an existing facility and the construction of a new passenger terminal facility at John F. Kennedy International Airport known as Terminal One and to finance certain capital improvements and the acquisition of certain equipment for the facility and (ii) paying certain costs of issuance related to the issuance of the Series 2015 Bonds, for the benefit of Terminal One Group Association, L.P. ("TOGA"), a New York limited partnership.

As of March 31, 2017, the total outstanding conduit debt is \$3,401,000,000. NYTDC bonds are not the obligation of NYTDC, the Authority or the State. Repayment of the bonds is the obligation of the respective project borrower.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 4 - Cash and Equivalents

Demand deposits are secured by surety bonds and collateral held by a bank or trust company as custodians. Securities are either delivered or registered by book entry in UDC's name with bond trustees or custodian banks.

At March 31, 2017 and 2016, cash held in demand and custodial deposits, as well as cash equivalents were collateralized by the depository, generally with obligations of the United States, its agencies, or New York State obligations with a remaining maturity when purchased of 90 days or less, as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Carrying amount</u>	<u>Bank balance</u>	<u>Carrying amount</u>	<u>Bank balance</u>
Insured (FDIC)	\$ 337,917	337,917	337,900	337,900
Uninsured - collateral held by custodian in UDC's name	<u>9,670,325</u>	<u>5,658,325</u>	<u>6,469,642</u>	<u>6,469,957</u>
Total cash and cash equivalents	<u>\$ 10,008,242</u>	<u>5,996,242</u>	<u>6,807,542</u>	<u>6,807,857</u>

Note 5 - Investments

Authorization for investments is governed by written internal investment guidelines, statutes, State guidelines and bond resolutions. Permitted investments include:

- Obligations of the United States Treasury, agencies and instrumentalities;
- Direct obligations of the State of New York, its political subdivisions, and public authorities;
- Bonds and other obligations of governmental authorities, political subdivisions, Federal Agencies, Government Sponsored Enterprises ("GSE's") or public authorities of the State or of the United States of America, which are securities in which the Corporation lawfully may invest pursuant to applicable statutes, regulations and bond resolutions including but not limited to Federal National Mortgage Association ("FNMA"), Federal Farm Credit Bank ("FFCB"), Federal Home Loan Bank ("FHLB"), Federal Home Loan Mortgage Corporation ("FHLMC - Freddie Mac"), and Student Loan Marketing Association ("SLMA - Sallie Mae");
- Repurchase agreements with financial institutions doing business in the State of New York which are listed as primary government securities dealers by New York's Federal Reserve Bank and which are collateralized by U.S. Government securities;
- Commercial paper issued by domestic banks, corporations and financial companies rated "A-1" or better by Standard & Poor's Corporation or "P-1" or better by Moody's Investors Services, Inc.;
- Certificates of deposit of banks or trust companies authorized to do business in the State;
- Units, shares or interest in a mutual fund or money market fund of regulated investment companies that meet specified criteria; and
- Real property.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 5 - Investments, Continued

Temporary and debt service reserve fund investments, reported at fair value, at March 31, 2017 and 2016 consist of the following:

	2017		2016	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
	U.S. Government and Federal Agency obligations	\$ <u>120,213,791</u>	<u>120,316,762</u>	<u>121,385,143</u>

Fair Value Measurements

Generally accepted accounting principles established a framework that provides 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 or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

- Level 1 - Valuations are based on quoted prices in active markets for identical assets or liabilities that the Authority has the ability to access.
- Level 2 - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable directly, or indirectly.
- Level 3 - Valuations are based on inputs that are unobservable and significant to overall fair value measurement.

The Authority holds financial instruments with quoted prices in active markets for identical assets (level 1) of \$120,316,762 and \$121,489,813 at March 31, 2017 and 2016, respectively.

Note 6 - Financing Leases Receivable

Minimum lease payments to be received under financing lease agreements for each of the next five years and thereafter as of March 31, 2017 were as follows:

2018	\$ 920,461
2019	912,767
2020	1,076,991
2021	375,703
2022	375,703
Thereafter	<u>207,576</u>
	3,869,201
Less:	
Portion attributable to interest	(528,216)
Allowance for possible credit losses	<u>(391,697)</u>
Total	\$ <u>2,949,288</u>

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 7 - Allowances for Possible Credit Losses and Estimated Loan Losses

The estimated allowances for possible credit and loan losses are based primarily on a continuing evaluation of the portfolios, and of current economic conditions and such other factors which management believes require consideration in estimating future risks. Additions to the allowances are made by charges to expense. Reductions of the allowances are reported as other revenue. A summary of loan loss allowance activity for year ended March 31, 2017, with comparative totals for the year ended March 31, 2016, is as follows:

	Allowances for losses on			
	<u>Loans</u>	<u>Financing leases</u>	<u>Totals 2017</u>	<u>Totals 2016</u>
Beginning balances	\$ 1,139,326	588,864	1,728,190	1,609,643
Net provisions (reductions)	<u>473,907</u>	<u>(197,167)</u>	<u>276,740</u>	<u>118,547</u>
Ending balances	<u>\$ 1,613,233</u>	<u>391,697</u>	<u>2,004,930</u>	<u>1,728,190</u>

Note 8 - Special Purpose Bonds Payable

The principal amount of special purpose bonds outstanding as of March 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>	<u>Coupon rate percentage</u>	<u>Maturity date</u>
Fixed rate special purpose bonds:				
2004 Series B	<u>\$ 3,085,000</u>	<u>6,170,000</u>	5.41	2018

The maturities of special purpose bonds outstanding for the year following March 31, 2017 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	<u>\$ 3,085,000</u>	<u>166,899</u>	<u>3,251,899</u>

The Authority has the option, in some cases, to retire bonds prior to maturity as stipulated in the respective debt agreements.

No commercial paper was outstanding at March 31, 2017 and 2016.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 9 - Due to New York State Urban Development Corporation

New York State Urban Development Corporation (“UDC”) provides all of the management and operational oversight for the Authority. At March 31, 2017 and 2016, amounts due to UDC are primarily attributable to costs, including all payroll and related costs, allocated to or paid by UDC on behalf of the Authority for various general and administrative expenses. These costs, plus interest, approximated \$321,687 and \$312,312 during the years ended March 31, 2017 and 2016, respectively. The balance due at March 31, 2017 and 2016, excluding grant funds held by the Authority, amounted to \$26,330,436 and \$26,259,020, respectively. The interest rate used is the annualized average weighted yield earned by UDC on its investment portfolio. The interest portion of the accumulated liability covers the last twenty-two fiscal years and amounts to approximately \$7,508,000 at March 31, 2017.

Note 10 - Commitments

Special Purpose Fund loans approved by the Authority, but not yet closed, approximated \$35.1 million at March 31, 2017.

Note 11 - Contingencies

The Authority has been named as a defendant in legal actions arising from the operation of various economic development initiatives. In addition, defendants in mortgage loan foreclosure proceedings initiated by the Authority have asserted defenses and counter claims for damages. The Authority believes that the ultimate outcome of such litigation will not have a material adverse effect on its financial condition.

Note 12 - Accounting Standards Issued But Not Yet Implemented

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 April 1, 2017 for the Authority. This Statement is not expected to have a material effect on the combined financial statements of the Authority.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 12 - Accounting Standards Issued But Not Yet Implemented, Continued

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 April 1, 2018 for the Authority. This Statement is not expected to have a material effect on the combined financial statements of the Authority.

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 April 1, 2017 for the Authority. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the combined financial statements of the Authority.

GASB Statement No. 81 - "Irrevocable Split-Interest Agreements." This Statement, issued in March 2016, establishes accounting and reporting standards for irrevocable split-interest agreements with characteristics that are equivalent to irrevocable split-interest agreements in which a donor irrevocably transfers resources to an intermediary who administers these resources for the unconditional benefit of a government and at least one other beneficiary. The provisions of this Statement are effective for financial statements for years beginning after December 15, 2016. For the Authority, this statement becomes effective for the fiscal year beginning April 1, 2017. This Statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 82 - "Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73." This Statement, issued in March 2016, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, which is the fiscal year beginning April 1, 2017 for the Authority, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 12 - Accounting Standards Issued But Not Yet Implemented, Continued

other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, which is the fiscal year beginning April 1, 2018 for the Authority. This Statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 83 - "Certain Asset Retirement Obligations." This Statement, issued in November 2016, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Governments that have legal obligations to perform certain future asset retirement activities related to tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning April 1, 2019 for the Authority. This Statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 84 - "Fiduciary Activities." This Statement, issued in January 2017, established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning April 1, 2019 for the Authority. This Statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 85 - "Omnibus 2017." This Statement, issued in March 2017, addresses issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017, which is the fiscal year beginning April 1, 2018 for the Authority. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the combined financial statements of the Authority.

GASB Statement No. 86 - "Certain Debt Extinguishment Issues." This Statement, issued in May 2017, addresses issues related to in substance defeasances occurring through repayment of debt from existing resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017, which is the fiscal year beginning April 1, 2018 for the Authority. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the combined financial statements of the Authority.

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 Authority Members
New York Job Development Authority:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the combined financial statements of New York Job Development Authority (the "Authority"), a component unit of the State of New York, which comprise the combined statement of net position as of March 31, 2017, and the related combined statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to combined financial statements, and have issued our report thereon dated June 15, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's combined 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 15, 2017

INDEPENDENT AUDITORS' REPORT ON INVESTMENT COMPLIANCE

The Authority Members
New York Job Development Authority:

Report on Investment Compliance

We have audited the New York Job Development Authority's (the "Authority"), a component unit of the State of New York, compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York for the year ended March 31, 2017.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on investment compliance based on our audit of the compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting the Authority'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 investment compliance. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Investment Compliance

In our opinion, the New York Job Development Authority complied, in all material respects, with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York for the year ended March 31, 2017.

Other

In accordance with Government Auditing Standards, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws and regulations that have a material effect on the Authority's compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our audit to express an opinion on whether the Authority complied with the aforementioned requirements and not for the purpose of expressing an opinion on the internal control over compliance with those requirements or other matters; accordingly, we express no such opinion. The results of our tests disclosed no matters that are required to be reported under Government Auditing Standards.

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

EFPR Group, CPAs, PLLC

Williamsville, New York
June 15, 2017