

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA
 PERFORMING ARTS CENTER CORPORATION
 (An Enterprise Fund of the State of New York)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2018 and 2017

7. Pension Plan (Continued):

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

For the year ended March 31, 2017, the Egg recognized pension expense of \$87,565. At March 31, 2017, the Egg reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,245	\$ 29,203
Changes of assumptions	65,700	-
Net difference between projected and actual earnings on pension plan investments	146,161	-
 Changes in proportion and differences between the Egg's contributions and proportionate share of contributions	 7,960	 7,323
 The Egg's contributions subsequent to the measurement date	 59,681	 -
Total	\$ 280,747	\$ 36,526

\$59,681 reported as deferred outflows of resources related to pensions resulting from the Egg's contributions subsequent to the measurement date were recognized as a reduction of the net pension liability in the year ended March 31, 2018.

Actuarial Assumptions:

The total pension liability at March 31, 2018 and 2017 was determined by using an actuarial valuation as of April 1, 2016 and 2015, respectively, with update procedures used to roll forward the total pension liability to March 31, 2018 and 2017, respectively. The actuarial valuation used the following actuarial assumptions:

	2018 ERS	2017 ERS
Inflation	2.50%	2.50%
Salary Increases	3.80%	3.80%
Investment rate of return (net of investment expense, including inflation)	7.00%	7.00%
Cost of living adjustment	1.30%	1.30%

Annuitant mortality rates for fiscal 2018 are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014.

See independent auditors' report

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA
 PERFORMING ARTS CENTER CORPORATION
 (An Enterprise Fund of the State of New York)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2018 and 2017

7. Pension Plan (Continued):

Actuarial Assumptions (Continued):

Annuitant mortality rates for fiscal 2017 are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014.

The actuarial assumptions for fiscal 2018 used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The actuarial assumptions for fiscal 2017 used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocations as of March 31, 2018 and 2017 are summarized below:

Asset Class	2018		2017	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	36.00%	4.55%	38.00%	7.30%
International equity	14.00%	6.35%	13.00%	8.55%
Private equity	10.00%	7.75%	10.00%	11.00%
Real estate	10.00%	5.80%	8.00%	8.25%
Absolute return strategies	2.00%	4.00%	3.00%	6.75%
Opportunistic portfolio	3.00%	5.89%	3.00%	8.60%
Real assets	3.00%	5.54%	3.00%	8.65%
Bonds and mortgages	17.00%	1.31%	18.00%	4.00%
Cash	1.00%	-0.25%	2.00%	2.25%
Inflation-indexed bonds	4.00%	1.50%	2.00%	4.00%
	100.00%		100.00%	

See independent auditors' report

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA
 PERFORMING ARTS CENTER CORPORATION
 (An Enterprise Fund of the State of New York)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2018 and 2017

7. Pension Plan (Continued):

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% as of March 31, 2018 and 2017, respectively. 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.

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

The following presents the Egg's proportionate share of the net pension liability at March 31, 2018 calculated using the discount rate of 7.0%, as well as what the Egg's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability	\$ 483,651	\$ 152,280	\$ (130,177)

The following presents the Egg's proportionate share of the net pension liability at March 31, 2017 calculated using the discount rate of 7.0%, as well as what the Egg's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability	\$ 555,551	\$ 246,732	\$ (14,871)

See independent auditors' report

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA
 PERFORMING ARTS CENTER CORPORATION
 (An Enterprise Fund of the State of New York)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2018 and 2017

7. Pension Plan (Continued):

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2018 and 2017, were as follows:

	2018	2017
	Employees' Retirement System	Employees' Retirement System
Employers' total pension liability	\$ 177,400,586,000	\$ 172,303,544,000
Plan net position	(168,004,363,000)	(156,253,265,000)
Employers' net pension liability	\$ 9,396,223,000	\$ 16,050,279,000
 Ratio of plan net position to the employers' total pension liability	 94.70%	 90.68%

8. Other Postemployment Benefit:

The Egg reports its Other Postemployment Benefits in compliance with GASB Statement No. 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." Statement No. 45 requires governmental entities, including the Egg, to recognize in its financial statements the financial impact of postemployment benefits, principally employer funded health care and death benefits which the Egg provides for retired employees. Substantially all of the employees may become eligible for these benefits if they reach normal retirement age while working for the Egg.

During the year ended March 31, 2017, the Egg amended the criteria for these postemployment benefits and any full-time employee hired after January 19, 2017 will not be eligible to receive these benefits. This amendment was approved by the Board of Directors.

Plan Description - Medical and Prescription Drug benefits are provided through the New York State Health Insurance Program (NYSHIP).

Funding Policy - Health insurance premiums for retired employees are equal to the premiums charged for active employees. The Egg pays a portion of the premium for medical coverage for the employee and spouse for the lifetimes for the employee and spouse based on the plan chosen by the employee.

See independent auditors' report

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA
 PERFORMING ARTS CENTER CORPORATION
 (An Enterprise Fund of the State of New York)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2018 and 2017

8. Other Postemployment Benefit (Continued):

Annual OPEB - The Egg's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of thirty years. The following table shows the components of the Egg's annual OPEB cost for 2018 and 2017, the amount actually contributed to the plan, and changes in the Egg's net OPEB obligation:

	2018	2017
Annual required contribution	\$ 149,750	\$ 146,814
Interest on net OPEB obligation	14,216	11,770
Adjustment to annual required contribution	(23,691)	(19,615)
Annual OPEB cost	140,275	138,969
Age Adjusted Contribution made	(18,064)	(16,681)
Increase in Net OPEB obligation	122,211	122,288
Net OPEB obligation - beginning of year	710,737	588,449
Net OPEB obligation - end of year	\$ 832,948	\$ 710,737

The Egg's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
March 31, 2018	\$ 140,275	\$ 18,064	12.9%	\$ 832,948
March 31, 2017	138,969	16,681	12.0%	710,737
March 31, 2016	129,266	15,486	12.0%	588,449

Funded State of Funding Progress: As of March 31, 2017, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,318,709 all of which was unfunded.

See independent auditors' report

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA
 PERFORMING ARTS CENTER CORPORATION
 (An Enterprise Fund of the State of New York)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2018 and 2017

8. Other Postemployment Benefit (Continued):

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The following schedule of funding progress presents information about the actuarial, value of plan assets relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b- a)/c)
March 31, 2018	\$ -	\$ 1,318,709	\$ 1,318,709	0%	\$ 402,983	327.24%
March 31, 2017	\$ -	\$ 1,318,709	\$ 1,318,709	0%	\$ 367,720	358.62%

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumption used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the March 31, 2018 and 2017 actuarial valuations, the entry age actuarial cost method and the level percentage of payroll amortization method were used. The actuarial assumptions included a 2% baseline discount rate. The 2% baseline discount rate assumes the benefits are not prefunded, so the discount rate is based on the expected earnings of the Egg's general fund. The UAL and ARC were calculated using the alternative measurement method in accordance with GASB methodology. The UAL's amortization technique produces annual payments that are designed to increase over time as payroll grows. The Company has selected a 30 year open amortization period, which is permitted by GASB Statement 45.

See independent auditors' report

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA
 PERFORMING ARTS CENTER CORPORATION
 (An Enterprise Fund of the State of New York)
 SCHEDULE OF THE EGG'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY

NYSLRS PENSION PLAN
 Years Ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
The Egg's proportion of the net pension liability (asset)	\$ 152,280	\$ 246,372
The Egg's proportionate share of the net pension liability (asset)	0.0016206%	0.0015350%
The Egg's covered-employee payroll	\$ 427,293	\$ 389,230
The Egg's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.64%	63.30%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.68%

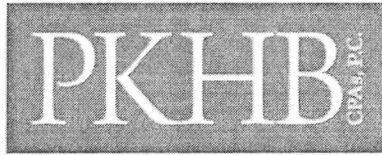
See independent auditors' report and notes to financial statements

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA
 PERFORMING ARTS CENTER CORPORATION
 (An Enterprise Fund of the State of New York)
 SCHEDULE OF THE EGG'S CONTRIBUTIONS

NYSLRS PENSION PLAN
 Years Ended March 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 72,266	\$ 55,125	\$ 63,821	\$ 61,073	\$ 68,517
Contributions in relation to the contractually required contribution	72,266	55,125	63,821	61,073	68,517
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Egg's covered-employee payroll	\$ 427,293	\$ 389,230	\$ 369,765	\$ 317,303	\$ 345,273
Contributions as a percentage of covered-employee payroll	16.91%	14.16%	17.26%	19.25%	19.84%

See independent auditors' report and notes to financial statements



PATTISON, KOSKEY, HOWE & BUCCI

www.pkhbcpa.com

Richard P. Koskey, CPA
Ned Howe, CPA
A. Michael Buccì, CPA
Bradley Cummings, CPA, CVA
Suzanne E. Muldoon, CPA
Nancy K. Patzwahl, CPA
Matthew H. VanDerbeck, CPA
Gary F. Newkirk, CPA
N. Thérèse Wolfe, CPA
Mary A. Kimball, CPA

Reginald H. Pattison, CPA (1910-2002)
Jon Rath, CPA (Retired)

Jean Howe Lossi, EA
Carol LaMont Howe, EA
Dennis A. O'Brien, CPA

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation

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 financial statements of Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation's basic financial statements, and have issued our report thereon dated June 29, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation'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 Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or

502 Union Street Hudson, NY 12534 Tel: 518-828-1565 Fax: 518-828-2672	45 Five Mile Woods Rd., Ste 1 Catskill, NY 12414 Tel: 518-943-4502 Fax: 518-943-6532	2890 Route 9, Ste 2 Valatie, NY 12184 Tel: 518-758-6776 Fax: 518-758-6779	340 Main Street Saugerties, NY 12477 Tel: 845-246-3803 Fax: 845-246-1035	465 Washington Ave. Kingston, NY 12401 Tel: 845-331-5030 Fax: 845-331-0242	418 Broadway Albany, NY 12207 Tel: 518-669-4161 Fax: 518-758-6779
--	---	--	---	---	--

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattison, Koskey, Howe & Bucci, CPAs, P.C.

Albany, New York
June 29, 2018