(A Component Unit of the State of New York)

FINANCIAL STATEMENTS

March 31, 2010

New York State Energy Research and Development Authority (A Component Unit of the State of New York)

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RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation, integrity and objectivity of the financial statements of the New York State Energy Research and Development Authority (the Authority), as well as all other information contained in the Authority's Annual Report. The financial statements of the Authority for the fiscal year ending March 31, 2010 were prepared in conformity with accounting principles generally accepted in the United States of America. Financial information contained elsewhere in the Annual Report is consistent with the financial statements. The Board of the Authority adopted these financial statements and the Annual Report at a meeting on June 21, 2010.

The Authority maintains a system of internal controls, the objectives of which are to provide reasonable assurance as to the proper authorization and recording of transactions, the safeguarding of Authority assets, the compliance with applicable laws and regulations, and the reliability of financial records for preparing financial statements. The internal control structure is subject to periodic review by management, internal audit staff and the independent auditors. No internal control system can provide absolute assurance that errors and irregularities will not occur due to the inherent limitations of the effectiveness of internal controls; however, management strives to maintain a balance, recognizing that the cost of such system should not exceed the benefits derived.

The Authority's financial statements have been audited by Lumsden & McCormick, LLP, independent auditors appointed by the Members of the Authority. Management has made available to the independent auditors all the financial records and related data of the Authority, as well as providing access to all the minutes of the meetings of the Board and its standing committees. The independent auditors periodically meet directly with the Audit and Finance Committee of the Board, which is comprised of Members who are not employees of the Authority.

The independent audit included obtaining an understanding of the internal control structure, tests of accounting records, and other procedures which the independent auditors considered necessary in order to express an opinion as to the fairness of the presentation of the financial statements. No material weaknesses in internal control or any condition of non-compliance with applicable laws, regulations or policy were noted by the independent auditors. The unqualified independent auditors' report attests that the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

Francis J. Murray, Jr.

Francis for king of

President and

Chief Executive Officer

Jeffrey J. Pitkin Treasurer and

Chief Financial Officer



INDEPENDENT AUDITORS' REPORT

Members of the Authority New York State Energy Research and Development Authority Albany, New York

We have audited the accompanying financial statements of the governmental activities and each major fund of the New York State Energy Research and Development Authority (the Authority) (a component unit of the State of New York), as of and for the year ended March 31, 2010, which collectively comprise the Authority's financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of March 31, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2010, 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, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis preceding the financial statements 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.

June 21, 2010

Zimilan & McCornick, LLP

The following Management's Discussion and Analysis (MD&A) of New York State Energy Research and Development Authority's (NYSERDA) financial performance provides an overview of NYSERDA's financial activities for the fiscal year ended March 31, 2010. The information contained in the MD&A should be considered in conjunction with the information presented as part of NYSERDA's Basic Financial Statements as presented. Following this MD&A are the basic financial statements of NYSERDA with the notes thereto that are essential to a full understanding of the data contained in the financial statements. NYSERDA's basic financial statements have the following components: (1) government-wide financial statements; (2) government fund financial statements; (3) agency fund statements; and (4) notes to the financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of NYSERDA's finances in a manner similar to a private-sector business. The *Statement of Net Assets* presents information on all of NYSERDA's assets and liabilities, and the difference between the two is reported as *net assets*. The *Statement of Activities* presents information showing how NYSERDA's net assets change during each fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods. The government-wide financial statements present information about NYSERDA as a whole. All of the activities of NYSERDA are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

Agency funds are used to account for resources held for the benefit of parties outside the government. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support NYSERDA's programs. The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the government-wide and governmental fund financial statements.

CONDENSED FINANCIAL INFORMATION

The following condensed financial information is presented from NYSERDA's government-wide financial statements:

March 31,	March 31,	% Change
<u>2010</u>	<u>2009</u>	<u>2010-2009</u>
\$754,322,355	668,652,368	12.8%
15,732,333	16,569,884	(5.1%)
27,763,648	20,586,951	34.9%
797,818,336	705,809,203	13.0%
7,009,171	15,768,011	(55.5%)
85,649,771	76,995,027	11.2%
92,658,942	92,763,038	(0.1%)
1,137,744	1,312,310	(13.3%)
13,889,896	14,242,592	(2.5%)
690,131,754	597,491,263	15.5%
\$705,159,394	613,046,165	<u>15.0%</u>
	2010 \$754,322,355 15,732,333 27,763,648 797,818,336 7,009,171 85,649,771 92,658,942 1,137,744 13,889,896 690,131,754	2010 2009 \$754,322,355 668,652,368 15,732,333 16,569,884 27,763,648 20,586,951 797,818,336 705,809,203 7,009,171 15,768,011 85,649,771 76,995,027 92,658,942 92,763,038 1,137,744 1,312,310 13,889,896 14,242,592 690,131,754 597,491,263

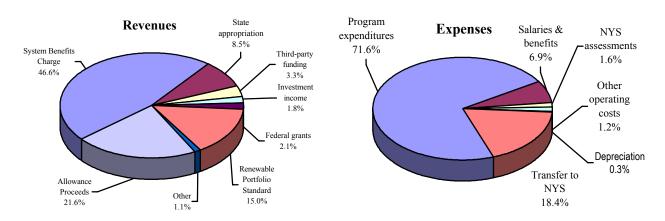
Total assets increased \$92.0 million (13.0%) primarily due to a \$85.7 million (12.8%) increase in cash and investments. This increase was principally due to scheduled collections from utilities in the New York Energy \$mart and Renewable Portfolio Standard programs which exceeded disbursements for expenses, as well as proceeds received from the sale of emission allowances for the Regional Greenhouse Gas Initiative (RGGI). Expenditure of RGGI funds had been on hold as a result of litigation that commenced in January 2009 by a New York generator. All parties to the litigation signed an agreement to settle the litigation and in February 2010 NYSERDA's Board approved the expenditure of RGGI funds through a variety of

programs. In addition, other assets increased \$7.2 million (34.9%) due to increases in accounts receivable balances due to the timing of expenditures and billings.

Total liabilities decreased \$0.1 million (0.1%). Long-term liabilities decreased \$8.8 million (55.5%) primarily due to the funding of \$7.1 million of prior years' postemployment retiree health insurance benefit liabilities in a newly established irrevocable Trust account. Additionally the final \$1.7 million State Service Contract Revenue bond principal payment was made on April 1, 2009. Other liabilities increased \$8.7 million (11.2%) as a result of a number of factors including an \$11.4 million increase in accounts payable and accrued liabilities, as well as a \$2 million increase in deferred revenue resulting from settlement funds received from the Office of the Attorney General under a pending agreement for a program to be administered by NYSERDA. These increases were offset in part by a \$5.1 million net decrease in payments due Con Edison for program funding advances not committed.

Net assets, the difference between NYSERDA's assets and its liabilities, increased overall by 15.0% from \$613.0 million to \$705.2 million. Restricted net assets (unexpended funds received for particular specified programmatic purposes) increased 15.5% to \$690.1 million. Unrestricted net assets (which can be used to finance operations without constraints established by debt covenants, enabling legislation, or other legal requirements) decreased 13.3% to \$1.1 million, principally due to investments made in capital assets and differences in operating revenues and expenses.

Summary of Changes in Net Assets	March 31,	March 31,	% Change
from Operating Results	<u>2010</u>	<u>2009</u>	<u>2010-2009</u>
Program Revenues:			
State Appropriations	\$49,582,821	\$33,198,137	49.4%
System Benefits Charge Funding	271,094,835	193,715,326	39.9%
Renewable Portfolio Standard	87,171,388	67,262,376	29.6%
Con Edison Rate Settlement	-	19,449,802	(100.0%)
Allowance Proceeds	125,903,681	111,925,164	12.5%
Third-party reimbursements	19,433,809	40,571,666	(52.1%)
Federal grants	11,999,251	6,482,170	85.1%
Investment income	10,105,175	12,626,595	(20.0%)
Other Program Revenue	6,252,253	7,182,271	(12.9)%
General Revenues (Investment income)	560,251	1,543,784	(63.7%)
Total Revenues	582,103,464	493,957,291	17.8%
Expenses:			
Salaries and Benefits	33,750,315	30,994,970	8.9%
Program Expenditures	350,863,298	269,096,332	30.4%
Other Operating Costs	5,915,062	5,685,205	4.0%
Depreciation	1,698,560	763,363	122.5%
New York State Assessments	7,763,000	7,763,000	0.0%
Interest	-	80,475	(100.0%)
Payment to NYS	90,000,000	-	100.0%
Total Expenses	489,990,235	314,383,345	55.9%
Increase in Net Assets	\$92,113,229	\$179,573,946	(48.7%)



Total Revenue increased 17.8% from \$494.0 million to \$582.1 million. State appropriation revenue increased \$16.4 million (49.4%) primarily from a non-recurring appropriation for the construction of a building at the Saratoga Technology and Energy Park ("STEP"). System Benefits Charge revenue increased \$77.4 million (39.9%) due to additional energy efficiency funding approved by the Public Service Commission in various Orders issued under the Energy Efficiency Portfolio Standard proceedings. Renewable Portfolio Standard revenue increased \$19.9 million (29.6%) as a result of utility assessment collections transferred to NYSERDA pursuant to payment schedules approved by the PSC. Allowance proceeds increased by \$14.0 million (12.5%), reflecting a \$37.5 million increase in RGGI allowance revenue based on a full program year, offset in part by a reduction in CAIR allowance revenues of \$23.4 since these revenues were primarily derived in the prior year. Third party reimbursements decreased by \$21.1 million (52.1%), principally from a decrease in program funding for the administration of the multiple gas efficiency programs. Federal grants revenue increased by \$5.5 million (85.1%), primarily due to new American Recovery and Reinvestment Act ("ARRA") grants, and also due to timing of grant expenditures. Total investment income decreased by \$2.5 million (20.0%), primarily from overall reductions in market interest rates. Other Program Revenues decreased by \$0.9 million (12.9%) primarily due to non-recurring revenues in the prior year of approximately \$1.1 million for unanticipated letter of credit proceeds collected upon termination of certain RPS program contracts General Revenues (unrestricted Investment Income) decreased \$1.0 million principally as a result of a decline in market interest rates.

Total Expenses increased 55.9% from \$314.4 million to \$490.0 million. Salaries and benefits increased \$2.8 million (8.9%) primarily due to increased staffing levels. Program Expenditures increased \$81.8 million (30.4%) primarily due to increased expenditures under the New York Energy \$mart and Renewable Portfolio Standard programs, and also as a result of non-recurring expenditures at STEP. Other Operating Costs increased \$0.2 million (4.0%) primarily from increased expenditures for office space rental, offset in part by lower travel costs. Payment to NYS represents a \$90 million disbursement made to New York State from RGGI allowance proceeds under the State's deficit reduction legislation.

FINANCIAL ANALYSIS OF FUNDS

Total fund balances for the Governmental Funds increased from \$610.5 million to \$696.4 million as further described below:

- The New York Energy \$mart Fund, which accounts for the **New York Energy \$martSM** Program funded through the System Benefits Charge, increased from \$298.2 million to \$360.8 million primarily due to increased System Benefits Charge funding authorized by the State Public Service Commission which was received, but not yet spent.
- The Renewable Portfolio Standard Fund increased from \$68.9 million to \$81.7 million principally as a result of funds received but not yet spent.
- The Con Edison System Wide Demand Reduction Fund decreased from \$54.4 million to \$39.5 million as a result of program expenditures without any additional revenue inflows, as this program is winding down.
- The RGGI fund balance decreased from \$87.5 million to \$51.2 million principally as a net result of additional allowance proceeds collected, less a \$90.0 million payment made to New York State as a result of the State's deficit reduction plan, and a \$68.3 million transfer to the GJGNY fund to fund this program pursuant to requirements in legislation.

- The GJGNY fund was established pursuant to legislation enacted in October 2009, to be funded by RGGI Fund proceeds in the amount of \$112 million, \$68.3 million of which has been transferred as of the fiscal year end.
- The CAIR fund was established late in fiscal year 20009 and its fund balance has not fluctuated significantly as revenues and program expenditures in this fiscal year have been minimal.
- The Other Program Funds decreased from \$77.8 million to \$71.1 million due primarily to the contribution of prior year designated funds to a segregated Trust for payment of future postemployment health care benefit costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

NYSERDA maintains land, buildings, and furniture and equipment in various locations for its corporate purposes. Total capital assets as of March 31, 2010 were \$15.7 million, net of accumulated depreciation. Capital asset additions for the fiscal year ended March 31, 2010 were approximately \$1.7 million, primarily for technology equipment upgrades.

Total long-term liabilities decreased from \$15.8 million to \$7.0 million primarily due to the funding of \$7.1 million of prior years' postemployment retiree health insurance benefit liabilities in a newly established irrevocable Trust account. Additionally the final \$1.7 million State Service Contract Revenue bond principal payment was made on April 1, 2009.

NYSERDA also issues tax-exempt bonds on a conduit basis on behalf of utility companies to finance certain eligible projects. As of March 31, 2010, approximately \$3.6 billion of bonds are outstanding. These bonds are non-recourse bonds and as such are not included in NYSERDA's financial statements.

ECONOMIC FACTORS

A substantial portion of NYSERDA's annual revenues are derived from sources, which, pursuant to Orders of the PSC, are currently scheduled to expire as follows: System Benefits Charge funds July 2011, Energy Efficiency Portfolio Standard (collected through the System Benefits Charge) January 2015, and Renewable Portfolio Standard funds October 2024.

On behalf of the State, NYSERDA manages the Western New York Nuclear Service Center (West Valley), the site of a former plant for reprocessing used nuclear fuel. Depending upon the clean-up options selected and agreement on cost sharing with the federal government, these costs could be substantial. It is anticipated that New York State's share of future costs for the West Valley site will be provided by New York State to NYSERDA and will not impact NYSERDA's current funding. As permitted by GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, no liability has been recorded in NYSERDA's financial statements for this contingency due to the expected recoveries from New York State.

NYSERDA's programs are impacted by a number of factors including, but not limited to, general economic conditions, energy prices and energy system reliability, and energy technology advancements.

BUDGETARY INFORMATION

The following table summarizes actual revenues and expenses, as reported in the Statement of Activities, for the fiscal year ended March 31, 2010, in comparison to amounts included in the final Budget approved by NYSERDA's Board:

	<u>Actual</u>	Budget	<u>Variance</u>
Revenues:		_	
State appropriations	\$49,582,821	57,106,000	(7,523,179)
System Benefits Charge	271,094,835	270,557,000	537,835
Renewable Portfolio Standard	87,171,388	87,171,000	388
Allowance Proceeds	125,903,681	155,260,000	(29,356,319)
Third-party contributions	3,200,000	3,200,000	-
Third-party reimbursements	19,433,809	24,811,000	(5,377,191)
Federal grants	11,999,251	45,186,000	(33,186,749)
Project repayments	797,462	921,000	(123,538)
Rentals from leases	1,144,788	1,233,000	(88,212)
Fees and other income	1,110,003	474,000	636,003
Interest income	10,875,813	15,445,000	(4,569,187)
Net change in fair value of investments	(210,387)	-	(210,387)
Total Revenues	582,103,464	661,364,000	(79,260,536)
Expenses:			,
Salaries and benefits	33,750,315	35,846,000	(2,095,685)
Program expenditures	350,863,298	529,842,000	(178,978,702)
Other operating costs	5,915,062	6,201,000	(285,938)
Depreciation	1,698,560	1,498,000	200,560
New York State Assessments	7,763,000	7,764,000	(1,000)
Payment to NYS	90,000,000	-	90,000,000
Total Expenses	489,990,235	581,151,000	(91,160,765)
Excess Revenues/(Expenses)	92,113,229	80,213,000	11,900,229
Net Assets, beginning of year	613,046,165	613,046,000	165
Net Assets, end of year			
Invested in capital assets, net of debt	13,889,896	14,907,000	(1,017,104)
Restricted for specific programs	690,131,754	677,209,000	12,922,754
Unrestricted	1,137,744	1,143,000	(5,256)
Total Net Assets, end of year	<u>\$705,159,394</u>	<u>693,259,000</u>	<u>11,900,394</u>

Total revenues were approximately \$79.3 million, or 12.0%, lower than the approved Budget. State appropriation revenues were less than budgeted principally due to the timing of reimbursable expenditures for the certain non-recurring programs funded through State appropriations which were expected to be fully expended in the current year, but were not and have been re-appropriated in the FY 2010-11 State Budget. Allowance proceeds were less than budget by \$29.4 million due to a decrease in the RGGI auction allowance prices, which cleared at a price less than budgeted. Third-party reimbursements were lower than budget primarily due to lower than anticipated gas efficiency program commitments. Federal grants revenue was lower than budget due to the timing of reimbursable expenditures, principally under several new ARRA grants. Fees and other income were higher than budget due to unanticipated funds received from the forfeiture of participant deposits in the New York Energy \$mart program. Interest income was lower than budget due to declines in overall market interest rates.

Total expenses were approximately \$91.2 million, or 15.7%, below the approved Budget. Salaries and benefits were lower than anticipated principally due to staff vacancies. Benefit costs were also less than budget primarily due to lower than anticipated pension, postemployment health insurance, and compensated absences expenses. Program expenditures were less than budgeted primarily due to timing of anticipated expenditures for the New York Energy \$mart, Regional Greenhouse Gas Initiative, ARRA, Energy Efficiency Deployment, and Renewable Portfolio Standard programs. Other Operating Costs were less than budgeted primarily due to lower than expected costs incurred for travel and other general operating expenses.

CONTACT FOR AUTHORITY'S FINANCIAL MANAGEMENT

This report is designed to provide a general overview of the finances of NYSERDA for interested parties. Questions concerning any information within this report or requests for additional information should be addressed to Jeffrey J. Pitkin, Treasurer, 17 Columbia Circle, Albany NY 12203.

(A Component Unit of the State of New York)

Statement of Net Assets March 31, 2010

(with comparative totals for March 31, 2009)

	March 31, 2010	March 31, 2009
ASSETS:		
Current assets:		
Cash and investments	\$754,322,355	668,652,368
New York State receivable	13,676,279	10,013,776
Third-party billings receivable	13,814,885	10,208,160
Prepaid expense	272,484	365,015
Total current assets	782,086,003	689,239,319
Noncurrent assets:		
Capital assets, net of depreciation	15,732,333	16,569,884
Total assets	797,818,336	705,809,203
		_
LIABILITIES:		
Current liabilities:		
Long-term liabilities due within one year	3,176,120	4,713,822
Accounts payable	29,232,162	25,044,304
Con Edison payable	10,141,136	7,549,462
Accrued liabilities	50,809,547	43,656,533
Deferred revenue	3,125,633	744,728
Total current liabilities	96,484,598	81,708,849
Noncurrent liabilities:		_
Postemployment benefits	-	7,058,542
Other long-term liabilities	3,833,051	3,995,647
Total noncurrent liabilities	3,833,051	11,054,189
Total liabilities	100,317,649	92,763,038
NET ASSETS:		
Invested in capital assets, net of related debt	13,889,896	14,242,592
Restricted for specific programs	682,473,047	597,491,263
Unrestricted	1,137,744	1,312,310
Total net assets	\$697,500,687	613,046,165

See accompanying notes to the basic financial statements.

(A Component Unit of the State of New York) Statement of Activities

For the year ended March 31, 2010 (with summarized comparative totals for March 31, 2009)

Functions/Program	s
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					Con Edison			
		Renewable	Energy	Energy	System Wide			
	New York	Portfolio	Research &	Efficiency	Demand			
	Energy \$mart	<u>Standard</u>	Development	Deployment	Reduction	ARRA	<u>RGGI</u>	GJGNY
EXPENSES:								
Salaries and benefits	\$17,964,551	1,751,548	3,237,712	2,193,963	546	849,188	1,237,405	17,973
Program expenditures	189,479,161	72,201,899	19,328,227	22,607,117	14,614,815	2,243,856	10,414,673	-
Other operating costs	2,732,436	465,741	449,817	286,420	-	110,690	197,517	4,731
Depreciation	786,520	74,399	142,006	96,224	2,022	37,245	54,124	788
NY State Assessments	3,986,712	1,345,848	344,785	357,143	274,165	-	74,958	459
Interest	-	-	-	-	-	-	-	-
Payment to NYS	-	-	-	-	-	-	90,000,000	-
Total expenses	214,949,380	75,839,435	23,502,547	25,540,867	14,891,548	3,240,979	101,978,677	23,951
PROGRAM REVENUES:								
Operating grants and contributions								
State appropriations	-	-	16,652,060	1,042,608	-	_	_	_
System Benefits Charge	271,094,835	-	-	-	-	_	_	_
Renewable Portfolio Standard	· · · -	87,171,388	-	-	-	_	_	_
Con Edison Rate Settlement	_	-	-	-	-	-	_	_
Allowance proceeds	_	-	-	-	-	-	125,430,330	_
Third-party contributions	_	-	3,200,000	-	-	-	, , -	_
Third-party reimbursements	2,038,923	-	1,118,869	14,438,706	406,253	-	_	_
Federal Grants	, , , , , , , , , , , , , , , , , , ,	-	, ,	8,734,397	, -	3,240,979	-	_
Charges for Services						-		-
Project repayments	-	-	797,462	-	-	-	-	-
Rentals from leases	-	-		-	-	-	-	-
Fees and other income	570,604	=	7,290	37,612	=	=	=	_
Restricted interest	7,253,805	1,520,006	-	16,241	239,810	=	770,592	145,146
Net change in fair value of	. ,			•	•		•	-
investments	(232,475)	220,228	=	=	(171,965)	=	185,543	(108,015)
Total program revenues	280,725,692	88,911,622	21,775,681	24,269,564	474,098	3,240,979	126,386,465	37,131
Excess Revenues / (Expenses)	\$65,776,312	13,072,187	(1,726,866)	(1,271,303)	(14,417,450)	=	24,407,788	13,180
			,					

GENERAL REVENUES:

Unrestricted Interest Net change in fair value of

investments

Change in net assets Net assets-beginning of period Net assets-end of period

 $See\ accompanying\ notes\ to\ the\ basic\ financial\ statements.$

	Functions/Progra	ıms (cont'd)					
						Total	Total
		Energy	West		Bond	March 31,	March 31,
	CAIR	Analysis	Valley	STEP	Financing	<u>2010</u>	2009
EXPENSES:		•					
Salaries and benefits	419,809	3,275,205	2,093,484	678,205	30,726	33,750,315	30,994,970
Program expenditures	110,164	452,700	12,416,197	14,653,196	-	358,522,005	269,096,332
Other operating costs	99,148	629,274	422,013	512,036	5,239	5,915,062	5,685,205
Depreciation	18,413	143,651	106,673	235,147	1,348	1,698,560	763,363
NY State Assessments	12,342	85,708	291,353	57,977	931,550	7,763,000	7,763,000
Interest	-	-	-	-	-	-	80,475
Payment to NYS		-	-	-	-	90,000,000	-
Total expenses	659,876	4,586,538	15,329,720	16,136,561	968,863	497,648,942	314,383,345
PROGRAM REVENUES:							
Operating grants and contributions							
State appropriations	-	4,292,000	15,329,720	12,266,433	-	49,582,821	33,198,137
System Benefits Charge	-	-	-	-	-	271,094,835	193,715,326
Renewable Portfolio Standard	-	-	-	_	-	87,171,388	67,262,376
Con Edison Rate Settlement	=	=	=	=	=	-	19,449,802
Allowance proceeds	473,351	-	-	-	-	125,903,681	111,925,164
Third-party contributions	-	-	-	-	-	3,200,000	3,200,000
Third-party reimbursements	-	-	-	1,431,058	-	19,433,809	40,571,666
Federal Grants	-	23,875	-	-	-	11,999,251	6,482,170
Charges for Services							
Project repayments	-	-	-	-	-	797,462	872,513
Rentals from leases	-	-	-	145,188	999,600	1,144,788	1,211,429
Fees and other income	2,010	-	-	18,940	473,547	1,110,003	1,898,329
Restricted interest	340,410	-	-	-	-	10,286,010	13,788,375
Net change in fair value of							
investments	(74,151)	-	-	-	-	(180,835)	(1,161,780)
Total program revenues	741,620	4,315,875	15,329,720	13,861,619	1,473,147	581,543,213	492,413,507
Excess Revenues / (Expenses)	81,744	(270,663)	-	(2,274,942)	504,284	83,894,271	178,030,162
GENERAL REVENUES:							
Unrestricted Interest						589,803	1,730,755
Net change in fair value of							
investments						(29,552)	(186,971)
Change in net assets						84,454,522	179,573,946
Net assets-beginning of period					-	613,046,165	433,472,219
Net assets-end of period					-	\$697,500,687	613,046,165

See accompanying notes to the basic financial statements.

(A Component Unit of the State of New York)
Balance Sheet - Governmental Funds
March 31, 2010

(with summarized comparative totals for March 31, 2009)

	New York Energy \$mart	Renewable Portfolio Standard	Con Edison System Wide Demand <u>Reduction</u>	<u>rggi</u>	<u>GJGNY</u>	<u>CAIR</u>	Other Programs	Total March 31, 2010	Total March 31,
ASSETS:									
Cash and investments	\$400,087,467	96,541,475	44,409,389	51,977,802	68,335,092	23,796,225	69,174,905	754,322,355	668,652,368
Receivables:									
New York State	97,473	-	-	-	-	-	13,578,806	13,676,279	10,013,776
Third-party billings	6,382,752	-	1,306,191	-	-	-	6,125,942	13,814,885	10,208,160
Prepaid expense	-	-	-	-	-	-	272,484	272,484	365,015
Due from other funds		-	-	-	-	751	10,137,487	10,138,238	8,009,098
Total assets	406,567,692	96,541,475	45,715,580	51,977,802	68,335,092	23,796,976	99,289,624	792,224,241	697,248,417
LIABILITIES AND FUND BALANCES:									
Liabilities:									
Accounts payable	9,903,278	2,922,803	526,500	54,972	-	-	15,824,609	29,232,162	25,044,304
Con Edison payable	-	-	2,482,429	7,658,707	-	-	-	10,141,136	7,549,462
Accrued liabilities	27,981,382	11,119,420	2,021,773	404,903	-	15,262	9,266,807	50,809,547	43,656,533
Payable to bond holders	-	-	-	-	-		-	-	1,740,000
Due to other funds	7,866,161	809,191	1,159,683	276,418	26,785		-	10,138,238	8,009,098
Deferred revenue	47,000	-	-	-	-	-	3,078,633	3,125,633	744,728
Total liabilities	45,797,821	14,851,414	6,190,385	8,395,000	26,785	15,262	28,170,049	103,446,716	86,744,125
Fund Balances:									
Reserved for:									
Contractual commitments	360,769,871	81,690,061	39,525,195	43,582,802	68,308,307	23,781,714	62,709,433	680,367,383	594,959,267
Unreserved:									
Designated for payment of									
postemployment health care benefits	-	-	-	-	-	-	-	-	7,058,542
Undesignated	-	-	-	-	-	-	8,410,142	8,410,142	8,486,483
Total fund balances	360,769,871	81,690,061	39,525,195	43,582,802	68,308,307	23,781,714	71,119,575	688,777,525	610,504,292
Total liabilities and fund balances	\$406,567,692	96,541,475	45,715,580	51,977,802	68,335,092	23,796,976	99,289,624	792,224,241	697,248,417
Following is a reconciliation of amounts report Total fund balances	ted differently in	the Statemen	t of Net Assets:					688,777,525	610,504,292
Capital assets used in governmental activities	s are not financia	il resources an	d					000,777,323	010,504,252
therefore are not reported in the funds			u					15,732,333	16,569,884
Certain long-term liabilities are not due and and therefore are not reported in the fund		rrent period						(7,009,171)	(14,028,011)
Net assets of governmental activities							_	\$697,500,687	613,046,165

 ${\it See accompanying notes to the basic financial statements.}$

(A Component Unit of the State of New York)

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds For the year ended March 31, 2010

(with summarized comparative totals for March 31, 2009)

	New York	Renewable	Con Edison System Wide					Total	Total
	Energy	Portfolio	Demand				Other	March 31,	March 31,
DEVEN MED	\$mart	Standard	Reduction	<u>RGGI</u>	<u>GJGNY</u>	<u>CAIR</u>	<u>Programs</u>	<u>2010</u>	<u>2009</u>
REVENUES: State appropriations							49,582,821	49,582,821	34,938,136
System Benefits Charge	\$271,094,835	_	_	-		-	-7,302,021	271,094,835	193,715,326
Renewable Portfolio Standard	-	87,171,388	_	_	_	_	_	87,171,388	67,262,376
Con Edison Rate Settlement	-	-	-	-	-	-	-	-	19,449,802
Allowance proceeds	-	-	-	125,430,330	-	473,351	-	125,903,681	111,925,164
Third-party contributions	-	-	-	-	-	-	3,200,000	3,200,000	3,200,000
Third-party reimbursements	2,038,923	-	406,253	-	-	-	16,988,633	19,433,809	40,571,666
Project repayments	-	-	-	-	-	-	797,462	797,462	872,513
Federal grants	-	-	-	-	-	-	11,999,251	11,999,251	6,482,170
Rentals from leases	-	-	-	-	-	-	1,144,788	1,144,788	1,211,429
Interest	7,253,805	1,520,006	239,810	770,592	145,146	340,410	606,044	10,875,813	15,519,130
Net change in fair value of investments	(232,475)	220,228	(171,965)	185,543	(108,015)	(74,151)	(29,552)	(210,387)	(1,348,751)
Fees and other income Total revenue	570,604 280,725,692	88,911,622	474,098	126,386,465	37,131	2,010 741,620	537,389 84,826,836	1,110,003 582,103,464	1,898,329 495,697,290
Total revenue	200,723,092	00,711,022	474,098	120,360,403	37,131	741,020	04,020,030	362,103,404	493,097,290
EXPENDITURES: Current:									
New York Energy \$mart	217,813,920	_	_	_	_	_	_	217,813,920	173,458,555
Renewable Portfolio Standard	-	76,077,290	_	_	_	_	_	76,077,290	45,455,480
Energy Research and Development	-	-	-	-	-	-	24,201,546	24,201,546	31,541,425
Energy Efficiency Deployment	-	-	-	-	-	-	25,847,426	25,847,426	24,845,073
Con Edison System Wide Demand Reduction	-	-	15,313,749	-	-	-	-	15,313,749	15,575,610
ARRA	-	-	-	-	-	-	3,205,080	3,205,080	-
RGGI	-	-	-	11,990,849	-	-	-	11,990,849	405,386
GJGNY	-	-	-	-	25,116	-	-	25,116	-
CAIR	-	-	-	-	-	651,838	-	651,838	282,235
Energy Analysis	-	-	-	-	-	-	5,223,251	5,223,251	3,942,100
West Valley	-	-	-	-	-	-	15,720,182	15,720,182	11,799,248
STEP & Economic Development	-	-	-	-	-	-	15,197,288 975,326	15,197,288 975,326	1,017,260 967,096
Bond Financing Payment to NYS	-	-	-	90,000,000	-	-	973,320	90,000,000	907,090
Capital outlay	372,494	34,496	1,009	403	25,620	8,775	1,144,573	1,587,370	6,227,008
Debt Service	,	0.,	-,		,	-,	-,,	-	v,==-,····
Principal	-	-	_	-	-	-	-	_	1,740,000
Interest	-	-	-	-	-	-	-	-	80,475
Total expenditures	218,186,414	76,111,786	15,314,758	101,991,252	50,736	660,613	91,514,672	503,830,231	317,336,951
OTHER FINANCING SOURCES (USES):									
Operating transfers, net	_	_	-	(68,321,912)	68,321,912	-	-	-	
,					, ,				
Net change in fund balances	62,539,278	12,799,836	(14,840,660)	(43,926,699)	68,308,307	81,007	(6,687,836)	78,273,233	178,360,339
Fund balances, beginning of year	298,230,593	68,890,225	54,365,855	87,509,501	_	23,700,707	77,807,411	610,504,292	432,143,953
		, ,	, ,	,,		,,	,,.	,,	
Fund balances, end of year	\$360,769,871	81,690,061	39,525,195	43,582,802	68,308,307	23,781,714	71,119,575	688,777,525	610,504,292
Following is a reconciliation of amounts reported Net change in fund balances Capitalization and depreciation of capital outlays	·							78,273,233 (960,684)	178,360,339 5,302,555
Expenses for compensated absences in the State financial resources and therefore are not repor				nt				(524,558)	(445,456)
Expenses for postemployment benefits in fiscal year 2009 in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds								-	(4,219,825)
State appropriation revenue for debt service provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets								-	(1,740,000)
Payment to Trust account for prior years' OPEF repayment reduces long-term liabilities in the S	statement of Net A	Assets		nds, but the				7,058,542	-
Repayment of principal is an expenditure in the long-term liabilities in the Statement of Net As	-	ds, but the repa	yment reduces					607,989	2,316,329
Change in net assets of governmental activities							_	\$84,454,522	179,573,946

(A Component Unit of the State of New York) Statement of Fiduciary Net Assets - Agency Fund March 31, 2010 (with comparative totals for March 31, 2009)

	March 31,	March 31,
	2010	2009
ASSETS:		
Cash and investments	\$31,842,044	31,116,027
LLRW assessment billings receivable	2,459,948	2,619,171
Total assets	\$34,301,992	33,735,198
<u>LIABILITIES:</u>		
Payable to New York State	\$1,218,629	673,299
LLRW escrow funds	4,883,676	4,998,537
Perpetual care of nuclear wastes	28,199,687	28,063,362
Total liabilities	\$34,301,992	33,735,198

See accompanying notes to the basic financial statements.

(A Component Unit of the State of New York)

Notes to Basic Financial Statements March 31, 2010

(1) GENERAL

The New York State Energy Research and Development Authority (NYSERDA) is a public benefit corporation established in 1975 pursuant to Title 9 of Article 8 of the Public Authorities Law of the State of New York (the State). NYSERDA is included in the State's basic financial statements as a discretely presented component unit. NYSERDA's major functions and programs are summarized below.

New York Energy \$martSM program

Pursuant to Orders of the New York Public Service Commission (PSC), NYSERDA administers public benefit programs funded by a System Benefits Charge (SBC) on consumers of electricity sold in the State through mid-2011. The program, named the **New York Energy \$martSM** program, is designed to support certain public benefit programs, including energy efficiency, research and development, environmental protection, and low-income programs.

Pursuant to a June 2008 and subsequent Orders, the PSC expanded the New York Energy \$mart program through its Energy Efficiency Portfolio Standard proceeding, which provided additional funding for certain energy efficiency programs through January 31, 2015.

Renewable Portfolio Standard

Pursuant to a September 2004 Order, the PSC adopted a policy of increasing the percentage of electricity, used by retail consumers in New York State, that is derived from renewable resources to at least 25 percent. The Commission adopted a Renewable Portfolio Standard (RPS) that sets annual, incremental, renewable energy targets for the years 2006 through 2013; requires the use of financial incentives to encourage the development and operation of renewable generation facilities; and adopts a central procurement model to be administered by NYSERDA. It is funded with a non-bypassable wires charge on certain customers of each of the State's investor-owned utilities.

In April 2010, the PSC issued a new Order expanding the RPS goal to increase the proportion of renewable electricity consumed by New Yorkers from 25 percent to 30 percent by 2015. The Order addresses the scope and cost of administration, the cost of program initiatives, and the schedule of collections from utility customers which extend through October 2024.

Energy Research & Development

The goals of this program are to promote energy efficiency, encourage economic development, expand the use of New York State's indigenous and renewable energy resources, and reduce or mitigate adverse environmental effects associated with energy production and use. Base funding for the program comes from State appropriations that are financed by an assessment on the intrastate gas and electricity sales of the State's investor-owned utilities and from other sources, including annual contributions from the New York Power Authority (NYPA) and the Long Island Power Authority (LIPA).

Energy Efficiency Deployment

NYSERDA provides financial and technical assistance to help businesses and institutions assess and implement cost-saving energy efficiency measures; help public and private fleets convert to alternative-fuel vehicles, and provides technical training to public and private building owners, helping them improve energy and environmental efficiency. These programs also strive to provide affordable energy and a cleaner environment for all New Yorkers, including low-income residents, by increasing public awareness of energy efficiency's multiple benefits, providing residential building performance services, and making energy-efficient appliances and other products more widely available to consumers. These activities are primarily funded through various third party reimbursements and federal energy grants.

Con Edison System-Wide Demand Reduction

This program, administered by NYSERDA pursuant to a March 2005 Order of the PSC, provided funding of up to \$122.1 million for NYSERDA to implement electric energy demand reductions in Con Edison's service territory over an initial three-year period ending March 2008, with a goal of achieving

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Notes to Basic Financial Statements March 31, 2010

150 megawatts of demand reductions. A March 25, 2008 Order of the PSC provided for a one year extension to the program through March 31, 2009. The terms of the order required NYSERDA to return to Con Edison all unencumbered funds as of March 31, 2009 plus interest and to annually reconcile remaining retained funds and refund any monies no longer committed, until such time as all retained funds are fully expended. As of March 31, 2010 NYSERDA has recorded \$2.5 million of unencumbered funds as a refund payable to Con Edison, which will be paid during the fiscal year beginning April 1, 2011.

American Recovery and Reinvestment Act (ARRA)

NYSERDA has been awarded five grants to support several energy efficiency projects and initiatives under the American Recovery and Reinvestment Act, or ARRA. The grants support competitive subgrants to municipal governments for energy efficiency projects, energy code development and compliance, photovoltaic system installations, incentives for consumer purchases of energy efficient appliances, and incentives for alternative fuel vehicles for fleet operators. Grant funding is received on a reimbursement basis, requires funds to be expended within three years of award, and include requirements for compliance with a number of federal regulations and reporting requirements.

Regional Greenhouse Gas Initiative (RGGI)

The Regional Greenhouse Gas Initiative, or RGGI, is an agreement among ten Northeastern and Mid-Atlantic States to reduce greenhouse gas emissions from power plants. The RGGI states (Participating States) have committed to cap and then reduce the amount of carbon dioxide that certain power plants are allowed to emit, limiting the region's total contribution to atmospheric greenhouse gas levels. The Participating States have agreed to implement RGGI through a regional cap-and-trade program whereby the Participating States have agreed to auction annual regional emissions. Rules and regulations promulgated by the NYS Department of Environmental Conservation (DEC) call for NYSERDA to administer periodic auctions for annual emissions. Pursuant to these regulations, the proceeds will be used by NYSERDA to administer energy efficiency, renewable energy, and/or innovative carbon abatement programs, and to cover the costs to administer such programs.

Green Jobs-Green New York (GJGNY)

Green Jobs-Green New York, or GJGNY, is a statewide program created by legislation enacted in October 2009 to promote energy efficiency retrofits in residential, multifamily, small commercial and not-for-profit buildings, and authorizes NYSERDA to establish innovative financing approaches through revolving loan funds to finance such projects. The program will also support sustainable community development and create opportunities for green jobs. The legislation funded the program with \$112 million from RGGI auction proceeds.

Clean Air Interstate Rule (CAIR)

The Clean Air Interstate Rule, or CAIR, is an environmental program administered by DEC designed to reduce NOx and SOx emissions through an emissions allowance "cap and trade" regime. NYSERDA is responsible for selling the allowances allocated by DEC to the Energy Efficiency and Renewable Energy Technology Account and applying the proceeds to support programs that encourage and foster energy efficiency measures and renewable energy technologies, as well as cover NYSERDA's costs associated with the administration and evaluation of these programs.

Energy Analysis

Through this program, NYSERDA provides objective and credible analyses of energy issues to various stakeholders. The program also includes activities for energy related emergency planning and response, and support for State energy planning. These program activities are funded primarily by a State assessment on the intrastate gas and electricity sales of the State's investor-owned utilities.

Furthermore, Energy Analysis staff provide oversight activities pursuant to the State Low-Level Radioactive Waste (LLRW) Management Act of 1986, whereby NYSERDA is responsible for ultimately constructing and operating the State's LLRW disposal facilities, collecting information, and providing

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Notes to Basic Financial Statements March 31, 2010

regular reports to the Governor and Legislature on LLRW generation in the State. These activities are funded annually by State Appropriations through a sub-allocation from the New York State Department of Health.

NYSERDA is also responsible for coordination of nuclear materials matters, including serving as the State liaison with the Nuclear Regulatory Commission.

West Valley

NYSERDA manages, on behalf of the State, the Western New York Nuclear Service Center (West Valley), the site of a former plant for reprocessing used nuclear fuel. Through 1972, the former plant operator, Nuclear Fuel Services, Inc., generated as a by-product of its reprocessing operations more than 600,000 gallons of liquid, high-level radioactive waste, which were stored at the site. In 1980, Congress enacted the West Valley Demonstration Project Act (West Valley Act). Pursuant to the West Valley Act, the U.S. Department of Energy (DOE) is carrying out a demonstration project to: (1) solidify the liquid high-level radioactive waste at West Valley; (2) transport the solidified waste to a permanent federal repository; and (3) decontaminate and decommission the reprocessing plant and the facilities, materials, and hardware used in the project.

NYSERDA also maintains, on behalf of the State, the State-Licensed Disposal Area (SDA), a shut-down commercial low-level radioactive waste disposal facility at West Valley. NYSERDA is evaluating how to remediate and close this facility in accordance with regulatory requirements.

STEP (Saratoga Technology + Energy Park)

NYSERDA owns, on behalf of the State, a 280 acre parcel of land in Malta (Saratoga County), New York. The site, once used for rocket and weapons-testing programs and space-research activities, and later subject to certain remediation measures under a March 1998 Consent Decree as a "Superfund" site, was designated in 2001 as a business park devoted to the development of new, clean energy technologies.

Bond Financing

As part of its Bond Financing Program, NYSERDA issues bonds and notes for participating gas and electric utility companies and other private purpose users to finance certain energy-related projects. This program permits a private enterprise to obtain the benefits of tax-exempt financing for projects that qualify under NYSERDA's enabling statute and under relevant provisions of the Internal Revenue Code.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The basic financial statements include government-wide financial statements and governmental fund financial statements. The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities, and report overall information on NYSERDA without displaying individual funds. These statements exclude information about fiduciary activities where NYSERDA holds assets in a trustee or agency capacity for others since such assets cannot be used to support NYSERDA's own programs.

The Fund financial statements consist of a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances and report information concerning major funds:

<u>New York Energy \$mart</u> - this fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditure for the **New York Energy \$mart**SM program.

<u>Renewable Portfolio Standard</u> - this fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditure for the Renewable Portfolio Standard program.

<u>Con Edison System-Wide Demand Reduction</u> - this fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditure for the Con Edison System-Wide Demand Reduction program.

RGGI - this fund accounts for the specific auction proceeds that are legally restricted to

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Notes to Basic Financial Statements March 31, 2010

expenditure for the Regional Greenhouse Gas Initiative program.

<u>GJGNY</u> – this fund accounts for the Green Jobs Green New York statewide program, funded by a transfer from the RGGI fund.

<u>CAIR</u>– this fund accounts for specific allowance proceeds that are legally restricted to expenditure for the Clean Air Intrastate Rule program.

Other Programs - these funds account for all of NYSERDA's activities, except those reported in one of the other funds.

Assets held by NYSERDA in a fiduciary capacity for others are reported in the Statement of Fiduciary Net Assets. NYSERDA's fiduciary funds include: (1) funds held for reimbursement to the State for costs associated with the Low-Level Radioactive Waste Management Act of 1986; and (2) funds that, pursuant to a Cooperative Agreement, must be turned over to the U.S. Department of Energy upon delivery of the solidified high level radioactive waste from West Valley to a permanent federal disposal repository to provide for perpetual care and management of the waste.

The basic financial statements include certain prior-year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NYSERDA's financial statements for the year ended March 31, 2009, from which the summarized information was derived.

(b) Basis of accounting

The Statement of Net Assets, Statement of Activities, and Statement of Fiduciary Net Assets - Agency Fund, are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues resulting from exchange transactions are recognized when the exchange takes place. Revenues resulting from non-exchange transactions, such as program funding received in the form of grants, contributions and state appropriations, are recognized when all eligibility requirements (if any) have been met or when the resources are received, whichever is first.

NYSERDA's administrative overhead charges are included as program direct expenses in the Statement of Activities.

Financial statements for governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available (expected to be collected in the next twelve months).

(c) <u>Investments</u>

Investments are recorded at fair value, which reflects quoted market prices for U.S. government obligations, and amortized cost for all other investments.

(d) Capital Assets

Generally, assets with a cost of more than \$2,500 and an estimated useful life in excess of two years are capitalized and reported at historical cost in the government-wide financial statements. Depreciation is calculated using the straight line method over the estimated useful life of the capital assets ranging from three to 50 years and reported in the Statement of Activities. Capital asset purchases are recorded as expenditures in the governmental funds financial statements.

(e) Deferred Revenue

Deferred Revenue consists primarily of funds received from project cost sharing arrangements with outside parties, for which revenue recognition conditions have not been met.

(f) Compensated Absences

NYSERDA employees are granted vacation and sick leave in varying amounts. In the event of termination or retirement, an employee is reimbursed for accumulated vacation leave up to the equivalent

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Notes to Basic Financial Statements March 31, 2010

of 45 days, and sick leave up to a maximum of five days. Retired employees may use additional accumulated sick leave to pay for the employee share of health insurance premiums.

NYSERDA's accrual for compensated absences, included in the Statement of Net Assets amount for long-term liabilities, includes fringe benefits on compensated absences and estimated costs to use employee sick leave for post-retirement health benefits. Compensated absences are not accrued in the governmental funds financial statements.

(g) New York State Assessments

New York State Assessments for the year ended March 31, 2010 consisted of \$6,850,000 and \$913,000 in fees paid or payable to the State under Section 2975 of the Public Authorities Law (Governmental Cost Recovery System) for general governmental services and under a budget bill pursuant to Article VII of the Constitution.

(h) Net Assets Restricted for Specific Programs

NYSERDA administers certain programs on behalf of the New York State Public Service Commission and others whereby funds are provided at program inception or on a fixed payment schedule over the program duration, but the terms of the program sponsor or enabling legislation limit the use of funds to certain program purposes. Frequently, the collection and recording of revenues does not occur in the same accounting period as the expenditure of such funds, and the difference is reported as Net Assets Restricted for Specific Programs on the Statement of Net Assets. Following is a summary of Restricted Net Assets and related outstanding contractual commitments (less accrued expenses) as of March 31, 2010:

	Restricted	<u>Outstanding</u>
	<u>Net</u>	<u>Contractual</u>
<u>FUNCTION/PROGRAM</u>	<u>Assets</u>	Commitments
New York Energy \$mart	\$362,818,348	\$315,853,651
Renewable Portfolio Standard	81,878,035	459,582,408
Energy Research and Development	25,613,979	39,772,846
Energy Efficient Deployment	36,601,073	25,561,926
Con Edison System Wide Demand Reduction	39,347,200	39,347,200
American Recovery and Reinvestment Act	-	14,040,876
Regional Greenhouse Gas Initiative (RGGI)	51,246,616	942,299
Green Jobs-Green New York (GJGNY)	68,335,092	50,000
Clean Air Intrastate Rule (CAIR)	23,780,963	120,611
Energy Analysis	<u>510,448</u>	<u>83,064</u>
Total	<u>\$690,131,754</u>	<u>\$895,354,881</u>

The outstanding contractual commitments in excess of Restricted Net Assets under certain Functions/Programs will be funded from future scheduled collections and reimbursements..

(i) Designated fund balance

Designations on the Balance Sheet - Governmental Funds are not legally required segregations, but represent fund balances segregated for a specific purpose by NYSERDA through Board resolution. Designated for payment of postemployment health care benefits at March 31, 2009, represents funds designated for the future payment of postemployment health care benefits and is equal to the actuarially determined net obligation at year end.

(j) <u>Use of estimates</u>

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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Notes to Basic Financial Statements March 31, 2010

(k) Reclassifications

Certain amounts for the fiscal year ended March 31, 2009 have been reclassified to conform with the amounts presented as of March 31, 2010.

(3) CASH AND INVESTMENTS

Pursuant to Public Authorities Law Section 1859(1), the Commissioner of the New York State Department of Taxation and Finance serves as fiscal agent for NYSERDA's cash and investments, maintaining such funds on NYSERDA's behalf and implementing investments subject to the Department's policies and with direction and authorization from NYSERDA. NYSERDA has a written investment policy that applies to all its investments. The policy permits deposits with financial institutions approved by the fiscal agent and permits investments in: certificates of deposit of bank or trust companies located in New York State; obligations of New York State and the United States government and certain of their agencies; repurchase agreements subject to certain limitations; and money market funds subject to certain limitations.

The following schedule presents cash and investments as of March 31, 2010:

	NYSERDA Funds			Fiduciary Funds		
		<u>Weighted</u>		Weig		<u>Weighted</u>
			<u>Average</u>			<u>Average</u>
		<u>% of</u>	<u>Maturity</u>		<u>% of</u>	<u>Maturity</u>
	Fair Value	<u>Total</u>	(months)	Fair Value	<u>Total</u>	(months)
Cash and money market	\$13,645,593	1.8%	n/a	\$-	0.0%	n/a
Certificates of deposit	253,302,781	33.6%	5.1	5,903,635	18.5%	3.4
U.S. Treasury Bills	140,369,190	18.6%	4.2	25,938,409	81.5%	6.8
U.S. Treasury Strips	<u>347,004,791</u>	46.0%	<u>36.3</u>		0.0%	<u>n/a</u>
Total	<u>\$754,322,355</u>	<u>100.0%</u>	<u>19.4</u>	\$31,842,044	<u>100.0%</u>	<u>6.2</u>

Interest Rate Risk. NYSERDA investment policies limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investment maturities are selected based on anticipated cash flow needs. Historically, most investments are held to maturity, so changes in interest rates do not impact the anticipated return realized on investments.

Credit Risk. Money market fund investments consist of non-rated funds whose investments are restricted to U.S. government obligations.

Concentration of Credit Risk. NYSERDA's investment policy limits investments with any single eligible banking institution to no more than 35% of its total investment portfolio, except as otherwise required by any policies and practices of the Commissioner of Taxation and Finance. As of March 31, 2010, NYSERDA's investments with institutions that were individually in excess of 5% of total investments included investments in certificates of deposit with two different banks, which aggregated 23.0% of NYSERDA's total investments.

(4) RECEIVABLE FROM NEW YORK STATE

As of March 31, 2010, the amount due from New York State is \$13,676,279, which represents grant receivables and other contractual provisions.

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(5) CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2010 was as follows:

	Beginning		Retirements/	Ending
	<u>Balance</u>	<u>Additions</u>	Reclassifications	<u>Balance</u>
Land	\$685,301	-	-	685,301
Land improvements	4,681,641	495,682	(814,871)	4,362,452
Buildings	9,309,439	69,816	(15,315)	9,363,940
Machinery and equipment	9,292,084	951,380	(504,334)	9,739,130
Leasehold improvements	361,512	<u>193,626</u>		555,138
•	24,329,977	1,710,504	(1,334,520)	24,705,961
Less accumulated depreciation for:				
Land Improvements	(105,558)	(140,365)	-	(245,923)
Buildings	(3,100,568)	(281,016)	-	(3,381,584)
Machinery and equipment	(4,253,554)	(1,239,196)	485,025	(5,007,725)
Leasehold improvements	(300,413)	(37,983)		(338,396)
Capital assets, net	\$16,569,884	<u>11,944</u>	(849,495)	15,732,333

(6) LONG-TERM LIABILITIES

Long-term liability activity for the year ended March 31, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
State Service Contract	<u>Darance</u>	<u> 11dditions</u>	reductions	Datatree	<u>one rear</u>
Revenue Bonds	\$1,740,000	-	(1,740,000)	-	_
Mortgage note payable	1,949,552	-	(545,925)	1,403,627	572,226
Capital lease obligations	377,740	123,134	(62,064)	438,810	101,800
Compensated absences	4642,177	3,146,069	(2,621,512)	5,166,734	2,502,094
Post-employment benefits					
(see note 10)	7,058,542	<u>3,666,000</u>	(10,724,542)		
Long-term liabilities	\$15,768,011	<u>6,935,203</u>	(15,694,043)	<u>7,009,171</u>	<u>3,176,120</u>

Mortgage note payable reflects a Bank Qualified Mortgage Note (Mortgage Note) dated July 18, 2002, maturing August 1, 2012, at an annual interest rate of 4.65%. The Mortgage Note is secured by a Mortgage of NYSERDA's main corporate offices at 17 Columbia Circle, Albany, New York. The Mortgage Note is payable in monthly installments of approximately \$52,182 consisting of principal and interest.

Capital lease obligations reflects two capital leases. The first is a capital lease with a bank, dated October 27, 2004 and maturing October 29, 2014 at an annual interest rate of 5.90%, used to finance certain building improvements at Saratoga Technology + Energy Park. The lease is payable in monthly installments of approximately \$6,631 consisting of principal and interest.

The second capital lease is with a vendor, dated February 28, 2010 and maturing February 28, 2013 at an annual interest rate of 4.48%, used to finance the purchase of a network storage device. The lease is payable in monthly installments of approximately \$3,662 consisting of principal and interest.

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As of March 31, 2010, future debt service requirements on the Mortgage note and Capital lease obligations are:

Fiscal year ending					
March 31,	Mortgage not	te payable	Capital lease	obligations	
	<u>Principal</u>	Interest	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$572,226	53,952	101,800	21,715	749,693
2012	599,752	26,426	107,385	16,130	749,693
2013	231,649	2,429	109,620	10,233	353,931
2014	-	-	74,486	5,087	79,573
2015			45,519	<u>900</u>	46,419
Total	\$1,403,627	<u>82,807</u>	438,810	<u>54,065</u>	<u>1,979,30</u>
					<u>9</u>

(7) DEFINED BENEFIT PENSION PLAN

Nearly all employees of NYSERDA are members of the New York State and Local Employees' Retirement System (System), a cost-sharing, multiple-employer public employee retirement system. The State Comptroller is sole trustee and administrative head of the System. The System issues a publicly available financial report including financial statements and required supplementary information that may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12244.

The System provides retirement benefits, as well as death and disability benefits. Retirement benefits are established by the New York State Retirement and Social Security Law. Retirement benefits, contributory requirements and vesting depend on the point in time at which an employee first joined the System (membership "tier"). Members of the System who joined before July 27, 1976 are enrolled in a noncontributory plan; NYSERDA contributes the entire amount determined to be payable to the System. Personnel who joined the System after July 27, 1976 and who have less than ten years of accredited service are required by law to contribute three percent of their gross salary; NYSERDA contributes the balance payable to the System during that period, and the full amount determined to be payable thereafter. Members who joined the system after January 1, 2010 contribute three percent of their gross salary for their entire career. Retirement benefits vest after five to ten years of accredited service, depending on tier.

NYSERDA's contributions to the System, expressed in dollars and as a percentage of salary, for each of the years ended March 31, 2008 through March 31, 2010 were:

Fiscal year ending		
March 31,	Contributions	Contribution Rate
2010	\$1,529,346	7.0 - 9.3
2009	1,505,901	8.0 - 10.8
2008	1,582,254	8.9 - 12.1

NYSERDA made 100% of the required contributions for each of the years displayed above.

(8) LEASES

In addition to the capital leases recorded as assets and capital lease obligations within Long-Term Liabilities, NYSERDA has multi-year operating leases expiring May 31, 2011, June 30, 2011, March 31, 2013, September 14, 2013, and September 30, 2013 for office space in West Valley, NY; Buffalo; 15 Columbia Circle, Albany; 210 Washington Ave Ext., Albany; and New York City, respectively. For the year ended March 31, 2010, rental expense for all office facilities was \$755,101.

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The following is a schedule by year of future minimum rental payments for NYSERDA's office space as of March 31, 2010:

Fiscal	year	ending
March	31	_

2011	\$802,028
2012	687,128
2013	683,686
2014	<u>273,857</u>
Total	\$2,446,699

NYSERDA is also the lessor of certain equipment comprising a cooling water structure at the Indian Point Nuclear Power Plant in Buchanan, New York under a lease that expires on March 31, 2017 with annual future minimum lease rental payments of \$999,600 for the fiscal years ending March 31, 2011-2017.

(9) CONTINGENCIES

(a) Western New York Nuclear Service Center

Under the federal West Valley Demonstration Project Act and an implementing Cooperative Agreement between DOE and NYSERDA, the federal government will pay 90% of the West Valley Demonstration Project (Demonstration Project) costs, and NYSERDA, on behalf of the State of New York, will pay the remaining 10%. NYSERDA, on behalf of the State, currently pays the full costs associated with the State-Licensed Disposal Area (SDA). Under a Supplemental Agreement, NYSERDA pays 17% of environmental impact statement (EIS) costs in addition to the 10% share paid as part of the 90/10 cost-sharing for the Demonstration Project. In addition, New York State and the Federal government are close to completing an agreement which will settle most of the claims identified in a 2006 lawsuit filed by NYSERDA and New York State against the federal government and DOE regarding the financial responsibility for cleaning up certain facilities at West Valley. The agreement defines a specific cost share for the cleanup of a number of facilities that had long been in dispute between NYSERDA and DOE.

In January 2010, NYSERDA and DOE issued a final EIS, which identifies and assesses the potential environmental impacts of a range of reasonable alternatives proposed to meet DOE's responsibilities under the West Valley Act and options for the State of New York, acting through NYSERDA, for management of West Valley. In April and May 2010, respectively, DOE and NYSERDA issued decision documents that formally selected the Phased Decision making alternative for continuing the cleanup. Under Phased Decision making, decommissioning work will be conducted in two phases. During Phase 1, which will take approximately 10 years, several highly contaminated facilities will be removed at a cost of \$1.162 billion. As the Phase 1 cleanup work is proceeding, DOE and NYSERDA will conduct additional scientific studies to reduce uncertainties in the decisions for the Phase 2 portion of the cleanup. The Phase 2 decisions, which will be made within 10 years of the Phase 1 decisions, will address the remaining facilities, including the High-Level Waste Tanks, State-Licensed Disposal Area, NRC-Licensed Disposal Area, and the main body of a groundwater contamination plume. Total costs for completing the Phase 2 work range from \$500 million to \$8.2 billion, and are dependent on the alternative selected for the remaining facilities.

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In accordance with Governmental Accounting Standards Board Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, no liability has been included in NYSERDA's financial statements as of March 31, 2010 or 2009 for this contingency because NYSERDA expects to continue to be reimbursed from State appropriations the State's share of the costs of the Demonstration Project, any costs NYSERDA may incur in relation to the SDA, and any other costs allocated to NYSERDA under the agreement resolving the lawsuit referenced above.

(b) <u>Low-Level Radioactive Waste</u>

Pursuant to the Low-Level Radioactive Waste (LLRW) Management Act of 1986, NYSERDA annually assesses licensees of operating nuclear power plants an amount sufficient to reimburse the State for the LLRW disposal facilities development activities of the Departments of Health and Environmental Conservation, and must provide nuclear power plant licensees with a user-fee reduction, when the disposal facilities are operational, equal to the statutory assessments collected plus interest at a fair market rate. During the year ended March 31, 2010, NYSERDA paid from the agency fund a total of \$3,404,734 to reimburse the State for such costs pursuant to Public Authorities Law Section 1854-d(2)(a).

(c) <u>Bond Financing Program</u>

The principal and interest on obligations issued for participating gas and electric utility companies and other private purpose users are payable solely from payments made by participating companies. They are not general obligations of NYSERDA nor do they constitute an indebtedness of or a charge against the general credit of NYSERDA, or cause any monetary liability to NYSERDA. These bonds and notes are not a debt of the State of New York.

The bonds and notes issued bear the name of NYSERDA and the participating company. NYSERDA assigns most of its rights and obligations to a trustee who is responsible for, among other things, disbursing bond and note proceeds and handling principal and interest payments. As of March 31, 2010, all participating companies were current in their debt service payments for these bonds and notes, the principal of which totaled approximately \$3.6 billion.

(d) Risk Management

NYSERDA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. NYSERDA maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to NYSERDA. NYSERDA has not experienced any reductions in coverage and has not had any insurance settlements exceeding the coverage in the past three years.

(e) Renewable Portfolio Standard (RPS) Program

Pursuant to Orders of the PSC, NYSERDA is the central procurement administrator to manage an incentive-based procurement mechanism to support the development of additional renewable energy resources. The Orders directed each of the State's six investor-owned electric utility companies to collect an RPS surcharge to fund the program through a volumetric charge applied to the delivery portion of customer bills, commencing October 1, 2005. Each utility was directed to establish RPS collection rates sufficient to collect certain amounts specified in the Order for each of the years 2005 through 2024, with any over- or under -collections being trued up on an annual basis. In the aggregate, future scheduled collections total approximately \$2.76 billion over the remaining 15 year collection period.

Pursuant to requirements of the Order, each utility will enter into a contractual agreement with NYSERDA to make quarterly payments to NYSERDA, commencing July 1, 2010 and continuing through October 31, 2024, based on the annual collection amounts prescribed in the Order. Each utility's payment obligation is fixed and is not adjusted for actual RPS surcharge collections.

Procurement contracts entered into by NYSERDA and funded with RPS funds become general obligations of NYSERDA, payable pursuant to such contract terms. NYSERDA intends to ensure that procurement contracts entered into shall not cause amounts payable under such contracts to exceed at

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any time the amounts due and payable under the funding agreements with the utility companies. As of March 31, 2010, NYSERDA has contractual obligations totaling approximately \$459,582,408, payable at varying dates upon successful operation of the renewable generation facilities, which will be funded in part from RPS surcharge collections to be received in the future pursuant to Order of the PSC.

(f) Regional Greenhouse Gas Initiative

On January 29, 2009, a lawsuit was initiated against NYSERDA and other parties claiming that the Regional Greenhouse Gas Initiative (RGGI) implementing regulations are unlawful and discriminatory, and requesting that enforcement of such regulations against the plaintiff be enjoined, and requesting that the defendants' participation in RGGI auctions be enjoined. In the Fall of 2009, the original parties to the lawsuit as well as others that were joined as parties, including Consolidated Edison, entered into a settlement agreement resolving the litigation. The NYSERDA Board adopted a resolution at its December 2009 meeting authorizing the Attorney General's office to enter into a consent decree embodying the settlement terms. The parties subsequently filed the consent decree with the court, and after a period of public comment, requested that the court approve the consent decree. After meeting with the court, the parties determined that their agreed joint resolution of the lawsuit is effective and enforceable according to its terms, and the parties decided to proceed without entry of the consent decree as an order of the court. After further discussion, the parties entered into a stipulation on April 30, 2010, whose terms are basically the same as those in the consent decree initially presented to the court. The stipulation will be effective at the earlier of (1) September 13, 2010, or (2) when the May 13, 2010 PSC Order regarding Consolidated Edison, as set forth in the stipulation, becomes final if it is challenged in court. Under the terms of the stipulation, NYSERDA will become obligated to pay Con Edison approximately \$7,658,707 over the next 3 years. Assuming a September 13, 2010 effective date of the Stipulation, the first payment of approximately two-thirds of that amount will likely be made by the end of 2010. NYSERDA will use proceeds from RGGI auctions to meet its obligations under the settlement, and that obligation has been included in the board-approved RGGI Operating Plan that governs how NYSERDA will spend auction proceeds, including future estimated proceeds.

(10) POSTEMPLOYMENT HEALTHCARE BENEFITS

The New York Civil Service Law, Section 163(2), provides for health insurance coverage for retired employees of New York State including their spouses and dependent children. The law extends to public benefit corporations. NYSERDA maintains a single-employer defined benefit plan (the Plan) providing this benefit to eligible retirees and/or their spouses and dependent children. Eligibility is determined by membership in the New York State and Local Employees' Retirement System, enrollment in the New York State Health Insurance Program at the time of retirement and the completion of a minimum number of years of service as required by the employee's membership tier in the retirement system. The plan provides that retired employees pay the same percentage share of the health insurance premiums as that charged for active State employees. Plan members presently contribute 10% of the premium for individual coverage and 25% of the incremental premium for family coverage.

NYSERDA is billed by the New York State Department of Civil Service monthly for pay-as-you-go funding requirements. Through 2009, there was no pre-funding of actuarially determined liabilities. In March 2010 an irrevocable Trust account was established for the accumulation of funds to pay future benefit costs. The Authority contributed \$10.3 million to the Trust on March 31, 2010, to fully fund the actuarially determined accumulated OPEB obligation as calculated under the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The Authority's post-retirement health care Trust has not issued stand-alone financial reports.

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NYSERDA's annual other postemployment benefit (OPEB) expense for the year ended March 31, 2010 is calculated based on the annual required contribution (ARC) of NYSERDA. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities over 30 years.

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The following table summarizes NYSERDA's annual OPEB expense for the year ended March 31, 2010, the amount actually contributed to the Plan, and changes in NYSERDA's OPEB obligation:

Annual required contribution

Normal cost	\$1,759,800
Amortization of unfunded actuarial accrued liability	2,094,600
Interest on Net OPEB Obligation	494,900
Adjustment to ARC	(683,300)
Total annual OPEB cost	3,666,000
Contributions made	(10,724,542)
Change in net OPEB obligation	(7,058,542)
Net OPEB obligation- beginning of year	<u>7,058,542</u>
Net OPEB obligation- end of year	<u>\$0</u>

NYSERDA's annual OPEB cost amounted to \$3,666,000, \$4,594,800 and \$3,154,300 for the years ended March 31, 2010, 2009 and 2008, the percentage of annual OPEB cost contributed to the Plan was 292%, 8.2% and 10.0%, respectively, and the net OPEB obligation was \$0, \$7,058,542 and \$2,838,720, respectively, for each of the years ended March 31, 2010, 2009 and 2008.

Valuations are required to be performed at least every two years. NYSERDA's actuarial liability, status of the accrued liability, annual payroll, and ratio of the unfunded accrued liability to the covered payroll for valuation dates of April 1, 2009, April 1, 2008 and April 1, 2006 are as follows:

Actuarial valuation		Status of		
<u>date</u>	<u>Actuarial</u>	<u>Accrued</u>	<u>Annual</u>	Ratio of
	<u>Liability</u>	<u>Liability</u>	<u>Payroll</u>	<u>unfunded</u>
				accrued liability
April 1, 2009	\$29,130,800	Unfunded	\$23,404,372	124.5%
April 1, 2008	\$34,448,900	Unfunded	\$20,406,237	168.9%
April 1, 2006	\$23,638,800	Unfunded	\$18,062,819	130.9%
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The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and ARC of NYSERDA are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the Plan as understood by NYSERDA and Plan members and include the types of benefits provided at the time of valuation and the historical pattern of sharing benefit costs between NYSERDA and Plan members. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The methods and assumptions used included 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. The following significant assumptions were made in the actuarial valuation:

Retirement age for active employees – based on assumptions used under the New York State and Local Employees' Retirement System (ERS), since eligibility for NYSERDA employees covered under this plan is based on membership in that system. The ERS assumptions were based on extensive analysis of their covered populations.

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Marital status – Assumed 80% of future retirees will be married, with male spouses assumed to be three years older than female spouses.

Mortality - RP 2000 mortality tables issued by the Society of Actuaries.

Turnover – Rates were based on age and length of service for the first ten years and age thereafter as the basis for assigning active members a probability of remaining employed until the assumed retirement age.

Healthcare cost trend rate – The expected rate of increase in healthcare premiums was based on projections developed by the actuary's healthcare specialists. A rate of 8.6% initially, reduced to an ultimate rate of 4.0% after eighty-nine years was used.

Health insurance premiums – 2009 health insurance premiums were used as the basis for calculation of the present value of total benefits to be paid.

Investment return – As of March 2010, Plan benefits are pre-funded in a segregated Trust, and a discount rate of 6.5% was used, representing the long-term earnings potential of investments in the Trust.

The actuarial cost method used was the projected unit credit method. The unfunded actuarial accrued liability is being amortized as a level dollar amount over a period of 30 years. The remaining amortization period at March 31, 2010 was 27 years.

As of March 31, 2010, there were 47 retirees and dependent survivors actively receiving benefits under the plan.

The plan also provides that the dollar value, subject to certain limitations, of member's accumulated sick leave credits at the time of retirement may be used to offset the portion of health insurance premiums paid by retirees. NYSERDA's estimated liability associated with sick leave credits is recorded as a Compensated Absence within "Other long-term liabilities" in accordance with the requirements of GASB Statement No. 16.

(11) INTERFUND BALANCES AND TRANSFERS

The balance of \$10,137,487 due to the general fund from the special revenue funds resulted from the timing difference of when expenditures are incurred and when interfund reimbursement occurs. These balances are expected to be liquidated within a year.