

**NEW YORK STATE ENERGY RESEARCH  
AND DEVELOPMENT AUTHORITY  
(A Component Unit of the State of New York)**

**FINANCIAL STATEMENTS**

**March 31, 2016**

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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, 2016 were prepared in conformity with U.S. generally accepted accounting principles. 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, 2016.

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 KPMG 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 unmodified independent auditors' report attests that the financial statements are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles.



John B. Rhodes  
President and  
Chief Executive Officer



Jeffrey J. Pitkin  
Treasurer and  
Chief Financial Officer



KPMG LLP  
515 Broadway  
Albany, NY 12207-2974

## Independent Auditors' Report

Members of the Authority  
New York State Energy Research and Development Authority:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New York State Energy Research and Development Authority (a component unit of the State of New York) (the Authority) as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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 from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New York State Energy Research and Development Authority



as of March 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

***Report on Summarized Comparative Information***

We have previously audited the 2015 financial statements of the New York State Energy Research and Development Authority, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 19, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Matters***

***Required Supplementary Information***

U.S. generally accepted accounting principles require that management's discussion and analysis and the required supplementary information on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

The Responsibility for Financial Reporting section is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

**KPMG LLP**

Albany, New York  
June 21, 2016

**New York State Energy Research and Development Authority**  
**(A Component Unit of the State of New York)**  
**Management's Discussion and Analysis**  
**For the Year Ended March 31, 2016**  
**Unaudited**

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 NYSEDA's financial activities for the fiscal year ended March 31, 2016. The information contained in the MD&A should be considered in conjunction with the information presented as part of NYSEDA's basic financial statements. Following this MD&A are the basic financial statements of NYSEDA with the notes thereto that are essential to a full understanding of the data contained in the financial statements. NYSEDA's basic financial statements have the following components: (1) government-wide financial statements; (2) governmental fund financial statements; (3) proprietary fund financial statements; (4) fiduciary fund statements; and (5) notes to the financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of NYSEDA's finances in a manner similar to a private-sector business. The *Statement of Net Position* presents information on all of NYSEDA's assets, deferred outflows of resources, and liabilities, and the difference between these is reported as *net position*. The *Statement of Activities* presents information showing how NYSEDA's net position changed during each fiscal year. All changes in net position 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, or which already resulted in cash flows in a prior fiscal period. The government-wide financial statements present information about NYSEDA as a whole. All of the activities of NYSEDA are considered to be governmental activities, with the exception of the activities of NY Green Bank, which are considered business-type 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. 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.

Proprietary fund financial statements provide information for business-type activities where NYSEDA charges fees to customers to recover costs of providing services. NY Green Bank is reported as a proprietary fund. The proprietary fund financial statements include a *Statement of Net Position*, a *Statement of Revenue, Expenses and Changes in Fund Net Position*, and a *Statement of Cash Flows*.

The fiduciary financial statements report assets held by NYSEDA in a fiduciary capacity for others and consist of a *Statement of Fiduciary Net Position* and *Statement of Changes in Fiduciary Net Position*. These funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support NYSEDA'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, governmental fund, and proprietary fund financial statements.

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**CONDENSED FINANCIAL INFORMATION**

The following condensed financial information is presented in NYSEDA's government-wide financial statements:

*(Amounts in thousands)*

<b>Summary of Net Position</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>March 31, 2015</b>	<b>% Change 2016-2015</b>
Cash and investments	\$1,445,517	202,636	1,648,153	1,618,841	1.8%
Capital assets	15,306	-	15,306	14,843	3.1%
Other assets	183,878	10,105	193,983	118,007	64.4%
Total assets	<u>1,644,701</u>	<u>212,741</u>	<u>1,857,442</u>	<u>1,751,691</u>	<u>6.0%</u>
Deferred outflows of resources	4,114	407	4,521	-	100%
Long-term liabilities	102,484	363	102,847	59,257	73.6%
Other liabilities	83,147	210	83,357	94,745	-12.0%
Total liabilities	<u>185,631</u>	<u>573</u>	<u>186,204</u>	<u>154,002</u>	<u>21.0%</u>
<b>Net Position:</b>					
Unrestricted	3,855	-	3,855	3,569	8.1%
Net investment in capital assets	15,277	-	15,277	14,799	3.2%
Restricted	1,444,052	212,575	1,656,627	1,579,321	4.9%
Total net position	<u>\$1,463,184</u>	<u>212,575</u>	<u>1,675,759</u>	<u>1,597,689</u>	<u>5.0%</u>

Total assets increased \$105.8 million (6.0%). Cash and investments increased \$29.3 million (1.8%) primarily due to revenues exceeding expenses in the Renewable Portfolio Standard (RPS), Energy Efficiency Portfolio Standard (EEPS) and Regional Greenhouse Gas Initiative (RGGI) programs. Other assets increased by \$76.0 million (64.4%) principally due to a \$68.5 million increase in loans issued and outstanding through the Green Jobs-Green New York program, as well as an increase of \$10.0 million in NY Green Bank loans and financing receivables outstanding. Partially offsetting the increase was a \$2.2 million decrease in the market value of the Fuel NY program strategic gasoline reserve. Deferred outflows of resources increased by \$4.5 million (100.0%) due to defined benefit plan contributions to the New York State and Local Retirement System (the System) subsequent to the measurement date of the net pension liability.

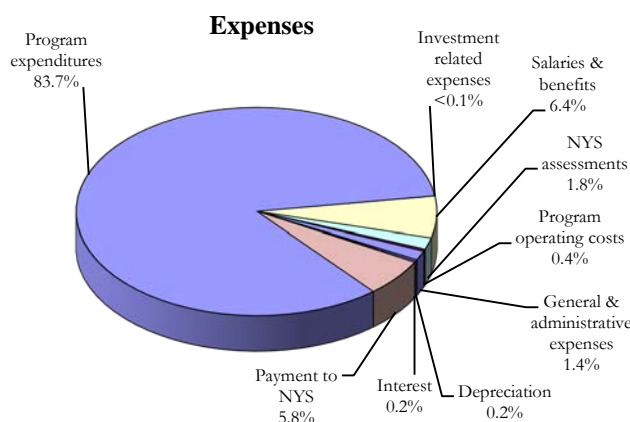
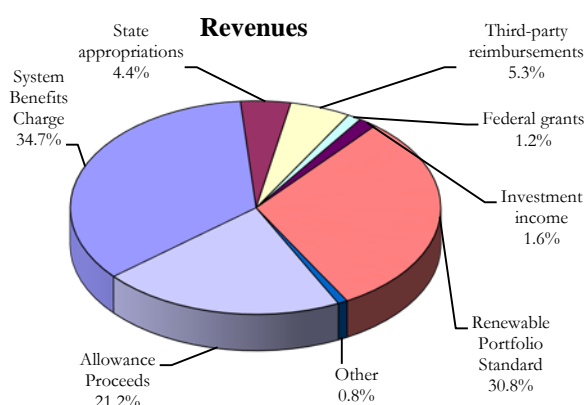
Total liabilities increased \$32.2 million (21.0%). Long-term liabilities increased \$43.6 million (73.6%) primarily due to bonds issued in the Green Jobs-Green New York program to finance additional loans. Other liabilities decreased by \$11.4 million (12.0%) primarily due to a reduction in accrued expenses resulting from the wind down of the System Benefits Charge (SBC) and Energy Efficiency Portfolio Standard (EEPS) programs.

Net position increased \$78.1 million (5.0%). Restricted net position increased \$77.3 million (4.9%) based on the timing of program revenues received relative to expenses.

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(Amounts in thousands)

Summary of Changes in Net Position	Governmental Activities	Business-type Activities	Total	March 31, 2015	% Change 2016-2015
Program revenues:					
State appropriations	\$34,046	-	34,046	28,406	19.9%
System Benefits Charge	271,832	-	271,832	238,834	13.8%
Renewable Portfolio Standard	240,869	-	240,869	291,448	-17.4%
Allowance proceeds	165,660	-	165,660	140,568	17.9%
Third-party reimbursements	41,224	-	41,224	52,911	-22.1%
Federal grants	9,483	-	9,483	14,384	-34.1%
Interest subsidy	509	-	509	517	-1.5%
Loans and financing receivables interest	3,312	126	3,438	1,655	107.7%
Investment income	11,166	1,280	12,446	17,042	-27.0%
Other program revenue	2,255	402	2,657	2,664	-0.3%
<b>Total revenues</b>	<b>780,356</b>	<b>1,808</b>	<b>782,164</b>	<b>788,429</b>	<b>-0.8%</b>
Expenses:					
Salaries and benefits	41,197	4,053	45,250	42,754	5.8%
Program expenditures	589,560	-	589,560	604,803	-2.5%
Investment related expenses	-	211	211	78	172.2%
Program operating costs	2,292	174	2,466	2,385	3.4%
General & administrative costs	9,042	889	9,931	8,866	12.0%
Depreciation	1,514	120	1,634	1,324	23.4%
NY State assessments	12,463	91	12,554	14,348	-12.5%
Interest	1,563	-	1,563	590	164.9%
Payment to NY State	41,000	-	41,000	-	100.0%
<b>Total expenses</b>	<b>698,631</b>	<b>5,538</b>	<b>704,169</b>	<b>675,148</b>	<b>4.3%</b>
<b>Change in net position</b>	<b>\$81,725</b>	<b>(3,730)</b>	<b>77,995</b>	<b>\$113,281</b>	<b>-31.1%</b>



Total revenue decreased \$6.3 million (0.8%). State appropriation revenue increased by \$5.6 million (19.9%) primarily due to an increase in 18-a Assessment funding of \$4.5 million made available for the Research and Development, Energy Analysis, and Fuel NY programs during the year, an increase of \$2.7 million in West Valley funding, offset by a decrease of \$1.9 million in re-appropriations for certain energy and environmental programs. System Benefits Charge revenue increased by \$33.0 million (13.8%) principally due to scheduled collections pursuant to a PSC Order, offset in part by the January 2016 CEF Order's "Bill-As-You-Go" approach, which directed the electric and gas utilities to hold ratepayer collections for NYSERDA's programs commencing January 1, 2016 for future reimbursement of actual CEF program expenses once NYSERDA's cash balances are reduced. Renewable Portfolio Standard revenue decreased \$50.6 million (17.4%) as a result of the "Bill-As-You-



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Go" approach. Allowance proceeds increased by \$25.1 million (17.9%) due to a larger number of allowances being sold than in the prior fiscal year and from the unanticipated sale of additional allowances from the program cost containment reserve. Third-party reimbursements decreased by \$11.7 million (22.1%), principally due to \$10.0 million in non-recurring revenue in the prior year for the Fuel NY Upstate Strategic Fuel Reserve program, and a decrease of \$4.3 million in gas efficiency program funding from National Fuel Gas offset in part by an increase in third party project cofunding of \$2.6 million. Federal grants revenue decreased \$4.9 million (34.1%) primarily due to an overall decrease in reimbursable expenses for several Federal grants. Loans and financing receivables interest income increased \$1.8 million (107.7%) as a result of additional loans outstanding. Total investment income decreased \$4.6 million (27.0%) primarily due to changes in market rates.

Total expenses increased \$29.0 million (4.3%). Program expenditures decreased \$15.2 million (2.5%) primarily due to lower expenditures in the RPS, EEPS, T&MD and SBC programs offset by an increase in program expenditures in the RGGI program. General & administrative costs increased by \$1.1 million (12.0%) primarily from information technology consulting services and software licenses to support the development of several corporate technology initiatives. NY State assessments decreased by \$1.8 million (12.5%) over the prior year due to a decrease in NYSERDA's annual assessment. Interest expense increased \$1.0 million (164.9%) primarily from an increase in bonds issued and outstanding in the Green Jobs – Green New York program.

#### **FINANCIAL ANALYSIS OF FUNDS**

Total fund balances for the governmental funds increased from \$1.4 billion to \$1.5 billion as further described below:

- The Energy Efficiency Portfolio Standard fund balance increased from \$100.7 million to \$143.2 million principally due to scheduled ratepayer collections which exceeded expenditures.
- The Technology & Market Development Portfolio fund balance decreased from \$192.0 million to \$191.0 million, after accounting for a \$4.2 million transfer to NY-Sun.
- The Renewable Portfolio Standard fund balance increased from \$491.2 million to \$555.4 million principally as a result of funds received from scheduled collections in excess of expenditures.
- The RGGI fund balance decreased from \$274.3 million to \$260.7 million principally as a result of a transfer to the Green Jobs – Green NY (GJGNY) program fund of \$30.7 million.
- The GJGNY fund balance increased from \$119.1 million to \$172.8 million principally due to bonds issued of \$71.7 million, and a transfer of \$30.7 million from the RGGI fund, offset in part by the redemption of the 2014 Residential Energy Efficiency Financing Revenue Note of \$30.0 million and from net program expenditures of approximately \$18.8 million.
- The Other Programs fund balance decreased from \$248.6 million to \$223.7 million principally due to expenditures for various third party agreements being funded by unexpended revenues recognized in prior fiscal years.

Total net position for the proprietary fund was \$212.6 million at March 31, 2016 as described below:

- NY Green Bank's net position decreased by \$3.7 million (1.7%) due to the cost associated with the ongoing startup activities of hiring staff, developing systems, policies and procedures, and making a number of critical filings with the Public Service Commission, including some relating to NY Green Bank's business plan. Operating expenses increased by \$1.9 million primarily due to an increase in staffing levels, associated fringe benefit costs, and NYSERDA's allocable share of administrative costs. The decrease in net position was offset in part by \$0.5 million in operating revenues on transactions closed during the fiscal year and an increase in investment income of \$0.1 million over the prior year.

#### **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, 2016 were \$15.3 million, net of accumulated depreciation. Capital asset additions for the fiscal year ended March 31, 2016 were approximately \$2.1 million, primarily for technology upgrades such as NYSERDA's enterprise information system upgrade.

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Total long-term liabilities increased from \$64.6 million to \$102.8 million primarily due to bonds issued in the Green Jobs – Green New York program to finance residential energy efficiency improvements and the installation of residential photovoltaic systems.

NYSERDA also issues tax-exempt bonds on a conduit basis on behalf of utility companies to finance certain eligible projects. As of March 31, 2016, approximately \$3.0 billion of bonds are outstanding. These bonds are non-recourse bonds and, as such, are not included in NYSERDA's financial statements.

**ECONOMIC FACTORS**

On behalf of the State, NYSERDA manages the Western New York Nuclear Service Center in West Valley, New York, 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, energy system reliability, and energy technology advancements. Revenues in the Regional Greenhouse Gas Initiative program in particular can be highly sensitive to some of the aforementioned factors.

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**BUDGETARY INFORMATION**

The following table summarizes actual revenues and expenses, as reported in the Statement of Activities, for the fiscal year ended March 31, 2016, in comparison to amounts included in the final budget approved by NYSERDA's Board:

	<i>(Amount in thousands)</i>				
	Actuals			Budget	Variance
	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>	<u>Total</u>	
<b>Revenues:</b>					
State appropriations	\$34,046	-	34,046	43,574	(9,528)
System Benefits Charge	271,832	-	271,832	343,250	(71,418)
Renewable Portfolio Standard	240,869	-	240,869	297,934	(57,065)
Clean Energy Fund	-	-	-	12,175	(12,175)
Allowance proceeds	165,660	-	165,660	127,400	38,260
Third-party reimbursements	41,224	-	41,224	23,591	17,633
Federal grants	9,483	-	9,483	7,747	1,736
Interest subsidy	509	-	509	509	-
Project repayments	484	-	484	694	(210)
Rentals from leases	1,327	-	1,327	1,249	78
Fees and other income	444	402	846	1,685	(839)
Loans and financing receivables interest	3,312	126	3,438	3,596	(158)
Investment income	11,166	1,280	12,446	10,185	2,261
Total revenues	<u>780,356</u>	<u>1,808</u>	<u>782,164</u>	<u>873,589</u>	<u>(91,425)</u>
<b>Expenses:</b>					
Salaries and benefits	41,197	4,053	45,250	47,953	(2,703)
Program expenditures	589,560	-	589,560	692,050	(102,490)
Investment related expenses	-	211	211	562	(351)
Program operating costs	2,292	174	2,466	3,008	(542)
General & administrative costs	9,042	889	9,931	10,504	(573)
Depreciation	1,514	120	1,634	1,600	34
NY State assessments	12,463	91	12,554	12,554	-
Interest	1,563	-	1,563	1,114	449
Payment to NYS	41,000	-	41,000	41,000	-
Total expenses	<u>698,631</u>	<u>5,538</u>	<u>704,169</u>	<u>810,345</u>	<u>(106,176)</u>
Excess revenues/(expenses)	81,725	(3,730)	77,995	63,244	14,751
Net position, beginning of year	1,381,459	216,305	1,597,764	1,597,689	75
<b>Net position, end of year</b>					
Net investments in capital assets	15,277	-	15,277	16,228	(951)
Restricted for specific programs	1,444,052	212,575	1,656,627	1,641,705	14,922
Unrestricted	3,855	-	3,855	3,000	855
Total net position, end of year	<u>\$1,463,184</u>	<u>212,575</u>	<u>1,675,759</u>	<u>1,660,933</u>	<u>14,826</u>

Total revenues were approximately \$91.4 million (10.5%) below Budget. State appropriation revenues were less than budgeted principally due to the level of reimbursable expenditures for certain programs funded through State re-appropriations. System Benefits Charge and Renewable Portfolio Standard collections were less than budget due to the January 2016 approval of the Clean Energy Fund, which established a "Bill-As-You-Go" approach for revenue collection. Under this approach, collections budgeted and scheduled to be received in January, 2016 or later were directed to be held by the electric and gas utilities and used to reimburse NYSERDA in the future for actual CEF program expenses through a monthly reimbursement process. Allowance auction proceeds were greater than budget principally due to significantly higher clearing prices for allowances sold than had been estimated and from the unanticipated sale of additional allowances from the program cost containment reserve. Third-party reimbursements were higher than budget due to the level of reimbursable expenditures for the Con Edison Indian

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Point Energy Center Reliability Contingency program being more than anticipated in the budget. Federal grants revenue was higher than budget due to the level of reimbursable expenditures being more than anticipated, principally for the NYS Alternative Fuel Vehicle and Electric Vehicle programs. Fees and other income were lower than budget principally due to the timing of closing NY Green Bank transactions as anticipated in the budget. Investment income was higher than budget due to higher than anticipated balances offset in part by a decrease in fair value of investments held of \$2.4 million, which was not budgeted.

Total expenses were approximately \$106.2 million (13.1%) below budget. Salaries and benefits were lower than anticipated principally due to vacancies not filled. Program expenditures were less than budgeted primarily due to the level of expenditures for Renewable Portfolio Standard and the NY-Sun programs being lower than anticipated in the budget, offset by RGGI expenditures being higher than anticipated. Program operating costs were less than budgeted primarily due to lower than expected costs incurred for professional services related to NY Green Bank. General & administrative costs were less than budgeted primarily due to lower than expected computer services and software costs.

**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.

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

(A Component Unit of the State of New York)

Statement of Net Position

March 31, 2016

(with summarized comparative totals for March 31, 2015)

(Amounts in thousands)

	Governmental	Business-type	Total	
	Activities	Activities	March 31,	March 31,
			2016	2015
<b><u>ASSETS:</u></b>				
Current assets:				
Cash and investments	\$795,032	101,898	896,930	337,688
New York State receivable	16,861	-	16,861	16,598
Third-party billings receivable	10,388	9	10,397	11,361
Interest receivable on loans	180	83	263	111
Loans and financing receivables due within one year	10,166	-	10,166	5,695
Prepaid expense	744	-	744	488
Other assets	10,698	-	10,698	12,898
Due from business-type activities	-	-	-	74
Total current assets	<u>844,069</u>	<u>101,990</u>	<u>946,059</u>	<u>384,913</u>
Noncurrent assets:				
Investments	650,485	100,738	751,223	1,281,153
Loans and financing receivables- long-term	134,841	10,013	144,854	70,782
Capital assets, net of depreciation	15,306	-	15,306	14,843
Total noncurrent assets	<u>800,632</u>	<u>110,751</u>	<u>911,383</u>	<u>1,366,778</u>
Total assets	<u>1,644,701</u>	<u>212,741</u>	<u>1,857,442</u>	<u>1,751,691</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	<u>4,114</u>	<u>407</u>	<u>4,521</u>	<u>-</u>
<b><u>LIABILITIES:</u></b>				
Current liabilities:				
Long-term liabilities due within one year	7,556	-	7,556	5,933
Accounts payable	7,417	-	7,417	8,752
Con Edison payable	5,350	-	5,350	5,531
Accrued liabilities	66,264	-	66,264	74,455
Unearned revenue	4,116	-	4,116	5,933
Escrow deposits	-	210	210	-
Due to governmental activities	-	-	-	74
Total current liabilities	<u>90,703</u>	<u>210</u>	<u>90,913</u>	<u>100,678</u>
Noncurrent liabilities:				
Bonds and notes payable	86,746	-	86,746	48,917
Other long-term liabilities	8,182	363	8,545	4,407
Total long-term liabilities	<u>94,928</u>	<u>363</u>	<u>95,291</u>	<u>53,324</u>
Total liabilities	<u>185,631</u>	<u>573</u>	<u>186,204</u>	<u>154,002</u>
<b><u>NET POSITION:</u></b>				
Net investment in capital assets	15,277	-	15,277	14,799
Restricted for specific programs	1,444,052	212,575	1,656,627	1,579,321
Unrestricted	3,855	-	3,855	3,569
Total net position	<u>\$1,463,184</u>	<u>212,575</u>	<u>1,675,759</u>	<u>1,597,689</u>

See accompanying notes to the basic financial statements.

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY  
(A Component Unit of the State of New York)  
Statement of Activities  
For the year ended March 31, 2016  
(with summarized comparative totals for March 31, 2015)  
(Amounts in thousands)

Functions/Programs	Governmental Activities							
	Market Development / Innovation & Research		Energy Efficiency Portfolio	Technology and Market Development Portfolio	Renewable Portfolio Standard	NY-Sun	Energy Research & Development	RGGI
	Development / Innovation & Research	New York Energy Smart	Portfolio Standard	Portfolio	Standard	NY-Sun	Development	RGGI
<b>EXPENSES:</b>								
Salaries and benefits	\$724	482	10,355	6,699	4,076	232	3,075	4,123
Program expenditures	69	13,319	176,102	35,941	160,872	22,920	8,030	98,497
Investment related expenses	-	-	-	-	-	-	-	-
Program operating costs	-	-	349	127	372	194	291	45
General & administrative expenses	159	104	2,273	1,471	894	51	675	905
Depreciation	21	14	307	199	121	7	91	122
NY State assessments	16	256	3,269	769	2,845	361	211	2,333
Interest	-	-	-	-	-	-	-	-
Payment to NY State	-	-	-	-	-	-	-	41,000
Total expenses	989	14,175	192,655	45,206	169,180	23,765	12,373	147,025
<b>REVENUES:</b>								
<i>Operating grants and contributions</i>								
State appropriations	-	-	-	-	-	-	13,717	1,616
System Benefits Charge	-	-	225,332	46,500	-	-	-	-
Renewable Portfolio Standard Allowance proceeds	-	-	-	-	240,869	-	-	-
Third-party reimbursements	-	-	1,158	714	-	-	64	-
Federal grants	-	-	-	-	-	-	-	-
Interest subsidy	-	-	-	-	-	-	-	-
<i>Charges for services</i>								
Project repayments	-	-	-	-	-	-	484	-
Rentals from leases	-	-	-	-	-	-	-	-
Fees and other income	-	-	-	-	25	-	-	-
Loans and financing receivables interest	-	-	-	-	-	-	-	-
<i>Other</i>								
Investment income	-	433	1,102	1,228	4,696	-	128	3,269
Total revenues	-	433	227,592	48,442	245,590	-	14,393	170,545
Net (expense) revenue and change in net position	(989)	(13,742)	34,937	3,236	76,410	(23,765)	2,020	23,520
Transfers	6,250	(13,414)	7,750	(4,173)	(12,180)	22,017	-	(36,959)
Change in net position	5,261	(27,156)	42,687	(937)	64,230	(1,748)	2,020	(13,439)
Net position-beginning of period	-	138,006	100,537	192,154	491,383	-	25,462	274,425
Cumulative effect of change in accounting principle (GASB 68)	-	-	-	-	-	-	-	-
Net position-end of period	\$5,261	110,850	143,224	191,217	555,613	(1,748)	27,482	260,986

See accompanying notes to the basic financial statements.

	Governmental Activities					Business-type	Total	
	Functions/Programs (cont'd)					Activities	March 31,	March 31,
	GJGNY	Energy Analysis	West Valley	Other	Total	NY Green Bank	2016	2015
<b>EXPENSES:</b>								
Salaries and benefits	1,201	3,059	2,276	4,895	41,197	4,053	45,250	42,754
Program expenditures	17,154	1,514	8,987	46,155	589,560	-	589,560	604,803
Investment related expenses	-	-	-	-	-	211	211	78
Program operating costs	20	290	143	461	2,292	174	2,466	2,385
General & administrative expenses	264	672	500	1,074	9,042	889	9,931	8,866
Depreciation	36	91	72	433	1,514	120	1,634	1,324
NY State assessments	336	92	201	1,774	12,463	91	12,554	14,348
Interest	1,563	-	-	-	1,563	-	1,563	590
Payment to NY State	-	-	-	-	41,000	-	41,000	-
Total expenses	20,574	5,718	12,179	54,792	698,631	5,538	704,169	675,148
<b>REVENUES:</b>								
<i>Operating grants and contributions</i>								
State appropriations	-	4,350	11,850	2,513	34,046	-	34,046	28,406
System Benefits Charge	-	-	-	-	271,832	-	271,832	238,834
Renewable Portfolio Standard	-	-	-	-	240,869	-	240,869	291,448
Allowance proceeds	-	-	-	-	165,660	-	165,660	140,568
Third-party reimbursements	-	-	2,316	36,972	41,224	-	41,224	52,911
Federal grants	73	2,113	-	7,297	9,483	-	9,483	14,384
Interest subsidy	509	-	-	-	509	-	509	517
<i>Charges for services</i>								
Project repayments	-	-	-	-	484	-	484	408
Rentals from leases	-	-	-	1,327	1,327	-	1,327	1,438
Fees and other income	12	-	-	407	444	402	846	818
Loans and financing receivables interest	3,312	-	-	-	3,312	126	3,438	1,655
<i>Other</i>								
Investment income	68	-	-	242	11,166	1,280	12,446	17,042
Total revenues	3,974	6,463	14,166	48,758	780,356	1,808	782,164	788,429
Net (expense) revenue and change in net position	(16,600)	745	1,987	(6,034)	81,725	(3,730)	77,995	113,281
Transfers	30,709	-	-	-	-	-	-	-
Change in net position	14,109	745	1,987	(6,034)	81,725	(3,730)	77,995	113,281
Net position-beginning of period	66,974	695	111	91,642	1,381,389	216,300	1,597,689	1,484,408
Cumulative effect of change in accounting principle (GASB 68)	-	-	-	70	70	5	75	-
Net position-end of period	81,083	1,440	2,098	85,678	\$1,463,184	212,575	1,675,759	1,597,689

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY  
(A Component Unit of the State of New York)  
Balance Sheet - Governmental Funds  
March 31, 2016  
(with summarized comparative totals for March 31, 2015)  
(Amounts in thousands)

	Energy Efficiency Portfolio Standard	Technology & Market Development	Renewable Portfolio Standard	RGGI	GJGNY	Other	Total March 31, 2016	March 31, 2015
<b>ASSETS:</b>								
Cash and investments	\$150,402	196,504	572,906	273,796	29,042	222,867	1,445,517	1,402,467
Receivables:								
New York State	-	1,351	-	869	-	14,641	16,861	16,598
Third-party billings	8,321	-	-	-	169	1,898	10,388	11,361
Interest on loans	-	-	-	-	180	-	180	111
Loans	-	-	-	-	145,007	-	145,007	76,477
Prepaid expense	-	-	-	-	-	744	744	488
Other assets	-	-	-	-	-	10,698	10,698	12,898
Due from other funds	-	-	-	-	413	856	1,269	663
<b>Total assets</b>	<b>158,723</b>	<b>197,855</b>	<b>572,906</b>	<b>274,665</b>	<b>174,811</b>	<b>251,704</b>	<b>1,630,664</b>	<b>1,521,063</b>
<b>LIABILITIES AND FUND BALANCES:</b>								
Liabilities:								
Accounts payable	558	1,592	835	702	43	3,687	7,417	8,752
Con Edison payable	-	-	-	4,874	-	476	5,350	5,531
Accrued liabilities	14,941	3,374	16,459	8,102	1,982	21,406	66,264	74,455
Due to other funds	36	253	211	238	-	-	738	450
Unearned revenue	-	1,673	-	-	31	2,412	4,116	5,933
<b>Total liabilities</b>	<b>15,535</b>	<b>6,892</b>	<b>17,505</b>	<b>13,916</b>	<b>2,056</b>	<b>27,981</b>	<b>83,885</b>	<b>95,121</b>
Fund Balances:								
Nonspendable-not in spendable form	-	-	-	-	-	744	744	488
Restricted	143,188	190,963	555,401	260,749	172,755	218,103	1,541,159	1,422,412
Assigned	-	-	-	-	-	4,876	4,876	38
Unassigned	-	-	-	-	-	-	-	3,004
<b>Total fund balances</b>	<b>143,188</b>	<b>190,963</b>	<b>555,401</b>	<b>260,749</b>	<b>172,755</b>	<b>223,723</b>	<b>1,546,779</b>	<b>1,425,942</b>
<b>Total liabilities and fund balances</b>	<b>\$158,723</b>	<b>197,855</b>	<b>572,906</b>	<b>274,665</b>	<b>174,811</b>	<b>251,704</b>	<b>1,630,664</b>	<b>1,521,063</b>

Following is a reconciliation of amounts reported differently in the Statement of Net Position:

Total fund balances for governmental funds	1,546,779	1,425,942
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	15,114	14,719
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(102,460)	(59,272)
Deferred outflows/inflows, net are not reported in governmental funds	4,114	-
Interest expense not yet paid	(363)	-
<b>Net position of governmental activities</b>	<b>\$1,463,184</b>	<b>1,381,389</b>

See accompanying notes to the basic financial statements.



NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY  
(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, 2016  
(with summarized comparative totals for March 31, 2015)  
(Amounts in thousands)

	Energy Efficiency Portfolio Standard	Technology and Market Development Portfolio	Renewable Portfolio Standard	RGGI	GJGNY	Other Funds	Total March 31, 2016	March 31, 2015
<b>REVENUES:</b>								
State appropriations	\$ -	-	-	1,616	-	32,430	34,046	28,406
System Benefits Charge	225,332	46,500	-	-	-	-	271,832	238,834
Renewable Portfolio Standard	-	-	240,869	-	-	-	240,869	291,448
Allowance proceeds	-	-	-	165,660	-	-	165,660	140,568
Third-party reimbursements	1,158	714	-	-	-	39,352	41,224	52,911
Federal grants	-	-	-	-	73	9,410	9,483	14,384
Interest subsidy	-	-	-	-	509	-	509	517
Project repayments	-	-	-	-	-	484	484	408
Rentals from leases	-	-	-	-	-	1,327	1,327	1,438
Fees and other income	-	-	25	-	12	407	444	818
Loan interest	-	-	-	-	3,312	-	3,312	1,655
Investment income	1,102	1,228	4,696	3,269	68	803	11,166	15,866
<b>Total revenue</b>	<b>227,592</b>	<b>48,442</b>	<b>245,590</b>	<b>170,545</b>	<b>3,974</b>	<b>84,213</b>	<b>780,356</b>	<b>787,253</b>
<b>EXPENDITURES:</b>								
Current expenditures	192,351	45,010	169,060	146,903	17,152	123,266	693,742	670,079
Debt Service:								
Principal	-	-	-	-	2,557	-	2,557	2,195
Interest	-	-	-	-	1,200	-	1,200	588
Bond issuance costs	-	-	-	-	1,823	-	1,823	-
Capital outlay	478	310	188	190	56	687	1,909	3,036
<b>Total expenditures</b>	<b>192,829</b>	<b>45,320</b>	<b>169,248</b>	<b>147,093</b>	<b>22,788</b>	<b>123,953</b>	<b>701,231</b>	<b>675,898</b>
<b>OTHER FINANCING SOURCES (USES):</b>	34,763	3,122	76,342	23,452	(18,814)	(39,740)	79,125	111,355
Residential Energy Efficiency Financing Revenue								
Bonds issued	-	-	-	-	46,357	-	46,357	30,000
Residential Solar Loan Revenue Bonds issued	-	-	-	-	25,355	-	25,355	-
Refunding of Residential Energy Efficiency Revenue Notes	-	-	-	-	(30,000)	-	(30,000)	-
Operating transfers, net	7,750	(4,173)	(12,182)	(36,959)	30,710	14,854	-	(500)
<b>Net change in fund balances</b>	<b>42,513</b>	<b>(1,051)</b>	<b>64,160</b>	<b>(13,507)</b>	<b>53,608</b>	<b>(24,886)</b>	<b>120,837</b>	<b>140,855</b>
Fund balances, beginning of period	100,675	192,014	491,241	274,256	119,147	248,609	1,425,942	1,285,087
<b>Fund balances, end of period</b>	<b>\$143,188</b>	<b>190,963</b>	<b>555,401</b>	<b>260,749</b>	<b>172,755</b>	<b>223,723</b>	<b>1,546,779</b>	<b>1,425,942</b>

Following is a reconciliation of amounts reported differently in the Statement of Activities:

Net change in fund balances for governmental funds	120,836	140,855
Capitalization and depreciation of capital outlays, rather than recording as an expenditure	396	1,739
Expenses for compensated absences in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	(405)	391
Expenses for accrued bond interest in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	(363)	-
Pension contributions are an not an expense in the Statement of Activities, and GASB 68 pension expense is not a use of current financial resources in the governmental funds	402	-
Bonds proceeds are a current financial resource in the governmental funds but are not reported as revenues in the Statement of Activities	(71,712)	(30,000)
Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position	32,571	2,212
Cumulative effect of change in accounting principle (GASB 68)	70	-
<b>Change in net position of governmental activities</b>	<b>\$81,795</b>	<b>115,197</b>

See accompanying notes to the basic financial statements.

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY  
(A Component Unit of the State of New York)  
Statement of Net Position  
Proprietary Fund  
March 31, 2016 (with comparative totals for March 31, 2015)  
(Amounts in thousands)

	March 31, <u>2016</u>	March 31, <u>2015</u>
<b><u>ASSETS:</u></b>		
Current assets:		
Cash and investments	\$101,898	97,622
Third-party billings receivable	9	-
Interest receivable on loans	83	-
Total current assets	101,990	97,622
Non-current assets:		
Investments	100,738	118,752
Loan and financing receivables - long term	10,013	-
Total non-current assets	110,751	118,752
Total assets	212,741	216,374
 <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	 407	 -
 <b><u>LIABILITIES:</u></b>		
Current liabilities:		
Escrow deposits	210	-
Due to governmental activities	-	74
Total current liabilities	210	74
Non-current liabilities:		
Net pension liability	363	-
Total liabilities	573	74
 <b><u>NET POSITION:</u></b>		
Net position restricted for specific programs	\$212,575	216,300

*See accompanying notes to the basic financial statements.*

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY  
(A Component Unit of the State of New York)  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Fund  
For the year ended March 31, 2016 (with comparative totals for March 31, 2015)  
(Amounts in thousands)

	March 31, <u>2016</u>	March 31, <u>2015</u>
<b><u>OPERATING REVENUES:</u></b>		
Closing fees	\$373	-
Undrawn fees	19	-
Administrative fees	10	-
Loans and financing receivables interest	126	-
Total operating revenues	<u>528</u>	<u>-</u>
<b><u>OPERATING EXPENSES:</u></b>		
Salaries and benefits	4,053	2,497
Investment related expenses	211	78
Program operating costs	174	362
General & administrative expenses	889	518
Depreciation	120	60
NY State assessments	91	77
Total operating expenses	<u>5,538</u>	<u>3,592</u>
<b>OPERATING LOSS</b>	<b>(5,010)</b>	<b>(3,592)</b>
<b><u>NON-OPERATING REVENUES:</u></b>		
Investment income	1,280	1,176
<b><u>TRANSFERS</u></b>		
Change in net position	<u>-</u> (3,730)	<u>500</u> (1,916)
Net position, beginning of period	216,300	218,216
Cumulative effect of change in accounting principle (GASB 68)	<u>5</u>	<u>-</u>
Net position, end of period	<u><u>\$212,575</u></u>	<u><u>216,300</u></u>

*See accompanying notes to the basic financial statements.*

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY  
(A Component Unit of the State of New York)  
Statement of Cash Flows  
Proprietary Fund  
For the year ended March 31, 2016 (with comparative totals for March 31, 2015)  
(Amounts in thousands)

	March 31, <u>2016</u>	March 31, <u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Closing fees collected	\$373	-
Administrative fees collected	10	-
Undrawn fees collected	10	-
Loans and financing receivables interest collected	43	-
Receipt of escrow deposits	210	-
Payments to employees & employee benefit providers	(4,092)	(2,497)
Payments to suppliers	(1,274)	(958)
Payment for allocated depreciation	(120)	(60)
Payments to NYS	(91)	(77)
Loans and financing receivables made	(10,013)	-
Advance from governmental activities	(74)	74
Net cash used in operating activities	<u>(15,018)</u>	<u>(3,518)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
System Benefits Charge	-	11,212
Transfers from other funds	-	500
Net cash provided by non-capital financing activities	<u>-</u>	<u>11,712</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(93,605)	(104,460)
Proceeds from sale of investments	111,047	94,282
Investment income	944	94
Net cash provided by (used in) investing activities	<u>18,386</u>	<u>(10,084)</u>
<b>Net change in cash and cash equivalents:</b>	3,368	(1,890)
Cash and cash equivalents, beginning of period	-	1,890
Cash and cash equivalents, end of period	<u>\$3,368</u>	<u>-</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	(\$5,010)	(3,592)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Increase in third party billings receivable	(9)	-
Increase in interest receivable	(83)	-
Increase in loans and financing receivables	(10,013)	-
Increase in escrow deposits	210	-
(Decrease) increase in due to NYSERDA	(74)	74
Net change in pension related accounts	(39)	-
Net cash used in operating activities	<u>(\$15,018)</u>	<u>(3,518)</u>

*See accompanying notes to the basic financial statements.*

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY  
(A Component Unit of the State of New York)  
Statement of Fiduciary Net Position  
March 31, 2016 (except for Other Postemployment Benefits Trust Fund which is December 31, 2015)  
(Amounts in thousands)

	<u>OPEB Trust Fund</u>	<u>Agency Fund</u>
<b><u>ASSETS:</u></b>		
Cash and investments	\$35,124	\$33,210
LLRW assessment billings receivable	-	2,054
Total assets	\$35,124	\$35,264
<b><u>LIABILITIES:</u></b>		
Accrued expenses	\$4	\$ -
Payable to New York State	-	598
LLRW escrow funds	-	5,437
Perpetual care of nuclear waste	-	29,226
Federal Energy Regulatory Commission	-	3
Total liabilities	4	\$35,264
<b><u>NET POSITION:</u></b>		
Held in trust for other postemployment benefits	\$35,120	

*See accompanying notes to the basic financial statements.*

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY  
(A Component Unit of the State of New York)  
Statement of Changes in Fiduciary Net Position  
Other Postemployment Benefits Trust Fund  
For the year ended December 31, 2015  
(Amounts in thousands)

<b><u>ADDITIONS:</u></b>	
Employer contributions	\$2,740
Investment income:	
Dividend income	746
Net change in fair value of investments	<u>(1,492)</u>
Total investment income	(746)
Less investment management expenses	<u>(10)</u>
Net investment income	<u>(756)</u>
Total additions	<u>1,984</u>
 <b><u>DEDUCTIONS:</u></b>	
Benefits	838
Trustee management fees	5
Audit fees	<u>9</u>
Total deductions	<u>852</u>
Change in net position	1,132
 <b>Net position</b>	
Net position-beginning of period	<u>33,988</u>
Net position-end of period	<u><u>\$35,120</u></u>

*See accompanying notes to the basic financial statements.*

**NEW YORK STATE ENERGY  
RESEARCH AND DEVELOPMENT AUTHORITY  
(A Component Unit of the State of New York)**

**Notes to Basic Financial Statements  
March 31, 2016**

**(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 component unit. NYSERDA's major functions and programs are summarized below.

Clean Energy Fund (CEF) Market Development/Innovation & Research

Pursuant to a January 2016 Order (CEF Order), the Public Service Commission (Commission) authorized a ten-year commitment through 2025 of approximately \$5.322 billion to clean energy programs through a CEF. The CEF is designed to meet four primary objectives: greenhouse gas emission reductions; energy affordability; statewide penetration and scale of energy efficiency and clean energy generation; and growth in the State's clean energy economy.

The CEF Market Development activities are designed to reduce costs, accelerate customer demand, and increase private investment for energy efficiency and other behind-the-meter clean energy solutions through strategies including financial support, technical knowledge, data, education to customers and service providers, and advanced workforce training. The CEF Innovation & Research activities are designed to invest in cutting-edge technologies that will meet increasing demand for clean energy including: smart grid technology, renewables and distributed energy resources, high performance buildings, transportation, and clean tech startup and innovation development.

The CEF Order provided for a ten-year funding authorization of \$3.43 billion for the Market Development and Innovation & Research activities, and also provided for additional funding authorization of \$781.5 million for the NY Green Bank, \$960.6 million for NY-Sun, and \$150 million for the Renewable Portfolio Standard Program for a 2016 Main Tier solicitation. The NY Green Bank, NY-Sun, and Renewable Portfolio Standard programs are presented as separate Programs/Functions in the financial statements as further described below.

The CEF Order authorized the continuation of previously authorized ratepayer collections for calendar years 2016 through 2024 for previous program authorizations for the New York Energy Smart, Energy Efficiency Portfolio Standard, Technology and Market Development, and Renewable Portfolio Standard programs (the Previously Approved Programs). It also authorized incremental ratepayer collections totaling \$3.909 billion from calendar years 2016 through 2036 for the new funding authorizations approved, supplemented by \$1.152 billion of uncommitted funds reallocated from the Previously Approved Programs (pursuant to uncommitted balances as of February 29, 2016 based upon a report filed on April 29, 2016 as required by the CEF Order) and \$250 million of funds to be allocated from 2016-2024 from the Regional Greenhouse Gas Initiative. The CEF Order provides for the disposition of any funds which become uncommitted after February 29, 2016 from the Previously Approved Programs, including retaining the funds for future ratepayer benefits.

The CEF Order established a "Bill-As-You-Go" approach for revenue collection under the CEF effective January 1, 2016. Under this approach, CEF ratepayer collections are held by the electric and gas utilities and used to reimburse NYSERDA for actual CEF program expenses through a monthly reimbursement process, provided that the reimbursement allows NYSERDA to maintain a sufficient cash balance based on projected expenses for the subsequent two-month period, subject to the collection amounts approved in the CEF Order.

New York Energy Smart<sup>SM</sup> program

Pursuant to Orders of the Commission, the program was designed to support certain public benefit programs, including energy efficiency, research and development, environmental protection, and low-income programs. The program expired on December 31, 2011 and NYSERDA is administering program funds committed through that date until fully expended.

Energy Efficiency Portfolio Standard

Pursuant to a June 2008 and subsequent Orders, the Commission authorized an Energy Efficiency Portfolio Standard, which provided funding for certain energy efficiency programs for program activities committed through December 31, 2011. NYSERDA is administering program funds committed through that date until fully expended.

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In October 2011, the Commission authorized additional energy efficiency programs, which expired February 29, 2016. NYSERDA is administering program funds committed through that date until fully expended.

Technology and Market Development Portfolio

Pursuant to an October 2011 Commission Order, the Technology and Market Development Portfolio was established to test, develop, and introduce new technologies, strategies, and practices that build the statewide market infrastructure to reliably deliver clean energy to New Yorkers. The program expired on February 29, 2016. NYSERDA is administering program funds committed through that date until fully expended.

Renewable Portfolio Standard

Pursuant to a September 2004 and subsequent Orders, the Commission 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 30 percent by 2015. The Commission adopted a Renewable Portfolio Standard (RPS) that sets annual, incremental, renewable energy targets for the years 2006 through 2015; 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. The existing programs expired on February 29, 2016, except that as noted above, the CEF Order provided additional funding for a Main Tier solicitation to be issued during 2016. NYSERDA is administering program funds committed until fully expended.

NY-Sun

Approved through a 2012 Commission Order, the NY-Sun program is designed to develop a sustainable and subsidy-free solar electric industry through a megawatt block approach. The NY-Sun program was initially funded through \$216 million reallocated under the RPS program; as a result, certain expenditures for the NY-Sun program are included in the RPS program. The CEF Order established the incremental collection schedule and reallocation of uncommitted funds to support program activities approved through the 2012 Order.

Energy Research and 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 an assessment on the intrastate gas and electricity sales of the State's investor-owned utilities billed by the Department of Public Service and collected by NYSERDA, as authorized through the enacted State Budget.

Regional Greenhouse Gas Initiative (RGGI)

The Regional Greenhouse Gas Initiative, or RGGI, is an agreement among nine 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)

GJGNY is a statewide program created by legislation enacted in October 2009 to promote energy efficiency retrofits in residential, multifamily, small business 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 \$112.0 million from RGGI auction proceeds and restricts the use of interest earnings and revolving loan proceeds for additional programmatic spending. NYSERDA subsequently allocated \$35.9 million in additional RGGI funds to support program activities.



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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 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 material 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), which is 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), which is 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.

Other

Other programs represent an aggregate of smaller programs/initiatives. These activities are primarily funded through various third-party reimbursements and federal energy grants.

NY Green Bank

NY Green Bank, a division of NYSERDA, is a state-sponsored, specialized financial entity working in partnership with the private sector to increase investments into New York's clean energy markets, creating a more efficient, reliable and sustainable energy system. NY Green Bank's mission is "to accelerate clean energy deployment in New York State by working in partnership with the private sector to transform financing markets."

The key elements of NY Green Bank's mission are partnering with private sector participants, implementing structures that overcome barriers and address gaps in current clean energy financing markets, and transforming those markets by enabling greater scale, new and expanded asset classes and liquidity. These factors combined have the objectives to motivate faster and more extensive implementation of clean energy assets within New York State, foster greater energy choices, reduce environmental impacts and accrue more green energy advantages per public dollar spent for the benefit of all New Yorkers.

Pursuant to a December 2013 Order of the Commission, initial funding of \$165.6 million was made available to the NY Green Bank from uncommitted NYSERDA and utility clean energy funds. In addition to the Commission Order, NYSERDA also contributed \$52.9 million of its own Regional Greenhouse Gas Initiative (RGGI) revenues to the NY Green Bank for a total initial capitalization of \$219.0 million. In July 2015, the Commission issued an Order providing an additional \$150.0 million of capitalization, to be funded from certain uncommitted ratepayer program funds, to be available once NY Green Bank has committed at least \$150.0 million of its initial capitalization. As discussed above, the CEF Order authorized incremental collections for the remaining \$781.5 million of NY Green Bank's \$1.0 billion capitalization. The CEF Order authorized incremental collections in varying amounts from

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calendar year 2016 through 2025, and authorizes the establishment an external Credit Facility with a pledge of the incremental collections, if necessary, to meet future liquidity and capital deployment.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of presentation**

The basic financial statements include government-wide financial statements, governmental fund financial statements, proprietary fund financial statements, and fiduciary fund financial statements.

The government-wide financial statements report information on governmental and business-type activities, and consist of a Statement of Net Position and a Statement of Activities. 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 governmental fund financial statements report governmental activities, and consist of a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances. The funds presented in the governmental funds statements are categorized as either major or non-major funds (the latter are aggregated as "other") as required by U.S. generally accepted accounting principles (GAAP).

Fund balance classifications used in the governmental fund financial statements are as follows:

Nonspendable – amounts that cannot be spent because they are not in spendable form.

Restricted – amounts with constraints placed on the use of resources that are legally imposed by creditors, grantors, contributors, or laws or regulations of other governments. They may be imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making. Amounts cannot be used for any other purposes unless the government removes the specified use.

Assigned – amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed.

Unassigned – residual balance is the amount not meeting other fund balance classifications.

NYSERDA administers certain programs on behalf of the State Public Service Commission and others whereby the terms of the program sponsor or enabling legislation limit the use of funds to certain program purposes, and as such, the funds are reported as restricted. Since NYSERDA has multiple constraints on its resources, restricted funds are considered spent first, committed funds second, assigned funds third, and unassigned funds last.

The proprietary fund financial statements, based on an enterprise type fund, report business-type activities for which a fee is charged to external users for goods or services, and consist of a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Fund Net Position; and a Statement of Cash Flows. NY Green Bank is presented in the proprietary fund financial statements.

The fiduciary fund financial statements report assets held by NYSERDA in a fiduciary capacity for others, and consist of a Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. 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; (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; and (3) funds held in an irrevocable trust maintained by a third-party trustee to receive employer contributions for NYSERDA's health insurance premiums for benefits provided to NYSERDA employees and/ or their eligible spouses and dependent children after active employment ends (postemployment).

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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 GAAP. Accordingly, such information should be read in conjunction with NYSERDA's financial statements for the year ended March 31, 2015, from which the summarized information was derived.

**(b) Basis of accounting**

The government-wide financial statements are prepared using the economic resources measurement focus and accrual basis of accounting, as are the enterprise funds and the fiduciary funds financial statements. 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.

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 12 months).

**(c) Investments**

Investments are recorded at fair value, which reflects quoted market prices for U.S. government obligations.

**(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, which ranges from three to 50 years and is reported in the government-wide and proprietary fund financial statements. Capital asset purchases are recorded as expenditures in the governmental funds financial statements.

**(e) Unearned revenue**

Unearned revenue consists of funds received or receivable in advance of revenue recognition conditions having been met for the underlying exchange transactions.

**(f) Deferred outflows of resources**

Deferred outflows of resources are defined as a consumption of net assets applicable to a future reporting period, less deferred inflows of resources, which are defined as an acquisition of net assets applicable to a future reporting period. Deferred outflows of resources include differences between expected projected results and actual results related to NYSERDA's proportionate share of the New York State and Local Retirement System cost sharing retirement plan, as well as contributions subsequent to the measurement date.

**(g) 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 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 government-wide financial statement 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.

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**(h) New York State Assessments**

New York State Assessments for the year ended March 31, 2016 consisted of \$11.6 million in fees assessed by the State under Section 2975 of the Public Authorities Law (Governmental Cost Recovery System) for general governmental services, and \$.9 million paid to the State under a budget bill pursuant to Article VII of the New York State Constitution.

**(i) Net position restricted for specific programs**

NYSERDA administers certain programs on behalf of the 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 Position Restricted for Specific Programs on the Statement of Net Position.

Following is a summary of restricted net position and related commitments as of March 31, 2016:

*(Amounts in thousands)*

	Restricted Net <u>Position</u>	Contractual Obligations (a) / Committed <u>Capital</u>	Pre-contractual Obligations /Approved <u>Investments</u>	Total <u>Commitments</u>
Market Development/Innovation & Research	\$5,261	71	109,589	109,660
New York Energy Smart	110,850	37,755	1,347	39,102
Energy Efficiency Portfolio Standard	143,224	252,696	181,954	434,650
Technology & Market Development Portfolio	191,140	104,335	63,570	167,905
Renewable Portfolio Standard	555,613	1,015,510	265,651	1,281,161
NY-Sun	(1,748)	48,250	27,886	76,136
Energy Research and Development	24,944	12,860	13,961	26,821
RGGI	260,986	91,222	73,476	164,698
GJGNY	81,083	5,681	27,672	33,353
Energy Analysis	1,329	347	-	347
West Valley	2,098	792	660	1,452
Other	<u>69,272</u>	<u>67,754</u>	<u>40,049</u>	<u>107,803</u>
Total governmental activities	<u>\$1,444,052</u>	<u>1,637,273</u>	<u>805,815</u>	<u>2,443,088</u>
NY Green Bank:				
Investments	212,575	44,487	46,489	90,976
Operating expenses	<u>-</u>	<u>299</u>	<u>3,430</u>	<u>3,729</u>
Total business-type activities/proprietary fund	<u>\$212,575</u>	<u>44,786</u>	<u>49,919</u>	<u>94,705</u>

(a) Less accounts payable and accrued expenses

Committed Capital reflects investments NY Green Bank has legally executed, but where capital has not been deployed. Pre-contractual obligations consist of planned funding for contracts awarded and under negotiation, and planned funding under active development through open solicitations with upcoming proposal due dates.

Approved investments reflects NY Green Bank investment transactions, which have been approved through its Investment Review Committee and where a commitment letter has been issued to its counterparty.

The outstanding contractual commitments in excess of Restricted Net Position under certain Functions/Programs are scheduled to be funded from future collections and reimbursements (see note 11). Individually significant encumbrances exist in certain programs. The restricted fund balance of each program (see note 1 for program purpose restrictions), and in certain cases, future collections and reimbursements, is anticipated to fund the expenditure of these encumbrances.

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(j) **Use of estimates**

The preparation of financial statements in conformity with GAAP 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.

(k) **Adoption of new accounting pronouncement**

During the fiscal year ended March 31, 2016, NYSERDA implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB No. 68). NYSERDA participates in the New York State and Local Retirement System cost-sharing defined benefit retirement plan, as described further in note 9. NYSERDA, including the Proprietary fund, has recorded a proportionate share of the net pension liability of the plan and pension-related deferred outflows as a result of adopting this pronouncement. The impact of this adoption has a cumulative effect of \$75,000 on beginning net position at April 1, 2015.

	<i>(Amounts in thousands)</i>		
	Governmental <u>activities</u>	Proprietary <u>fund</u>	<u>Total</u>
Net position as previously reported at March 31, 2015	\$1,381,389	216,300	1,597,689
Net pension liability (measurement date as of March 31, 2014)	(5,044)	(313)	(5,357)
Deferred outflows of resources – NYSERDA’s contribution made during fiscal year 2014-15 subsequent to the March 31, 2014 measurement date	<u>5,114</u>	<u>318</u>	<u>5,432</u>
Cumulative effect on net position	<u>70</u>	<u>5</u>	<u>75</u>
Net position, April 1, 2015, as adjusted	<u>\$1,381,459</u>	<u>216,305</u>	<u>1,597,764</u>

(3) **CASH AND INVESTMENTS**

Pursuant to Public Authorities Law Section 1859(1), the Commissioner of the New York State Department of Taxation and Finance (the Department) 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 of 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.

Cash and investments of the Other Post-Employment Benefits (OPEB) Trust (see note 12) are held with the Bank of New York Mellon Trust Company. All OPEB Trust investments are made consistent with the investment policy statement based on target percentages established for each asset class.

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The following schedule presents cash and investments for March 31, 2016 (except for Other Postemployment Benefits within Fiduciary funds, which is as of December 31, 2015).

	<u>March 31, 2016</u>		
	Fair Value <i>(in thousands)</i>	% of Total	Weighted Average Maturity (months)
<u>Governmental funds</u>			
Cash and money market	\$20,962	1.	n/a
Repurchase agreement	3,144	0.2	0.2
Certificates of deposit	872	0.1	4.2
U.S. Treasury Bills	388,681	26.9	3.4
U.S. Treasury Strips	<u>1,031,858</u>	<u>71.4</u>	<u>16.9</u>
Total	<u>\$1,445,517</u>	<u>100.0</u>	<u>13.2</u>
Current portion thereof	<u>\$795,032</u>		
<u>Proprietary fund</u>			
Cash and money market	\$3,368	1.7	n/a
U.S. Treasury Bills	5,241	2.6	0.9
U.S. Treasury Strips	<u>194,027</u>	<u>95.7</u>	<u>13.7</u>
Total	<u>\$202,636</u>	<u>100.0</u>	<u>13.4</u>
Current portion thereof	<u>\$101,898</u>		
<u>Fiduciary funds</u>			
Cash and money market	\$610	0.9	n/a
Mutual funds	10,518	15.4	n/a
Exchange traded funds	24,155	35.3	n/a
U.S. Treasury bills	3,827	5.6	0.5
U.S. Treasury strips	<u>29,224</u>	<u>42.8</u>	<u>28.9</u>
Total	<u>\$68,334</u>	<u>100.0</u>	<u>25.6</u>

The following is a summary of cash and investments by funding source and related contractual commitments as of March 31, 2016, excluding fiduciary funds:

*(Amounts in thousands)*

	Cash and Investments	Contractual Obligations (a) / Committed Capital	Pre-Contractual Obligations / Approved Investments	Total Commitments
<u>Governmental activity/funds</u>				
Energy Efficiency Portfolio Standard	\$150,402	267,637	181,954	449,591
Technology and Market Development	196,504	109,241	63,570	172,811
Renewable Portfolio Standard	572,906	1,032,803	265,651	1,298,454
RGGI	273,796	99,989	73,476	173,465
GJGNY	29,042	7,706	27,672	35,378
Other	222,867	174,596	193,767	368,363
<u>Business-type activities/Proprietary fund</u>				
NY Green Bank	<u>202,636</u>	<u>44,786</u>	<u>49,919</u>	<u>94,705</u>
Total	<u>\$1,648,153</u>	<u>1,736,758</u>	<u>856,009</u>	<u>2,592,767</u>

(a) Less accounts payable and accrued expenses

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*Interest Rate Risk.* NYSERDA's investment policies limit investment maturities to no longer than five years 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.

The NYSERDA Other Postemployment Benefit Trust's (OPEB) risk tolerance is understood by the Plan Administrator such that achieving the Plan's investment objectives is not guaranteed and there will be time periods for which these objectives will not be met. The Plan Administrator also recognizes that some risk must be assumed to achieve the Trust's long-term investment objectives and accepts the inevitable fluctuations in returns that will occur. While it is understood that a certain level of risk is expected in the Trust's portfolio, the ability to withstand short and intermediate term variability was specifically considered in the development of the Investment Policy Statement risk tolerances.

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

The Trust's investment policy places limitations on the concentration of investments in certain industries, with certain companies, and among asset classes and within investment policy ranges.

*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, 2016, NYSERDA did not have any investments with institutions that were individually in excess of 5% of total investments.

*Custodial Credit Risk for Deposits.* Deposits are exposed to custodial credit risk if the deposits are not covered by depository insurance or deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging institution's trust department or agent, but not in the name of NYSERDA.

In accordance with existing policies and procedures, the Commissioner of the New York State Department of Taxation and Finance, as fiscal agent for NYSERDA, monitors deposit balances for the purpose of determining collateralization levels. Collateral sufficient to cover all uninsured deposits is held at the Department's custodial bank.

*Custodial Credit Risk for Investments.* Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of NYSERDA, and are held either by the counterparty or the counterparty's trust department or agent, but not in the name of NYSERDA.

Fixed income investments owned directly by NYSERDA, which trade in the United States (U.S.) markets, are held at NYSERDA's fiscal agent's custodian, in separate accounts, in the name of the Comptroller of the State of New York in Trust for NYSERDA. These securities are typically held in electronic form through the Federal Book Entry System and by the Depository Trust Company (DTC) and its subsidiaries acting as an agent of NYSERDA's fiscal agent's custodian bank.

**(4) RECEIVABLE FROM NEW YORK STATE**

As of March 31, 2016, the amount due from New York State is \$16.9 million, which represents appropriation and grant receivables.

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**(5) LOANS AND FINANCING RECEIVABLES**

Loans receivable exist under the Green Jobs-Green New York program to finance energy efficiency retrofits in residential, multifamily, small business, and not-for-profit buildings. The residential component offers unsecured loans originated by a lender using pre-established loan underwriting criteria, which are then purchased or funded by NYSERDA and serviced by a third-party loan servicer. Multifamily and small business/not-for-profit loans are provided through participating lenders with NYSERDA providing 50% of the principal, subject to certain limits, generally at 0% interest. As of March 31, 2016, 13,300 loans are outstanding and 94.9% of the loan portfolio value is current on payment requirements.

NY Green Bank loans and financing receivables are used to make investments into eligible technologies consistent with its mission and investment criteria. These loans and financing transactions aim to mobilize private sector capital during the lifecycle of each investment, accelerate the deployment of economically and technically feasible clean energy projects in the State, provide financial returns to NY Green bank, and contribute to New York's clean energy policy outcomes. NY Green Bank offers the following categories of capital solutions: loans and financing receivables (warehousing/aggregation, asset lending and investments and composite products) and credit enhancements. NY Green Bank prices its products to reflect its credit underwriting, its risk position in the capital structure and pricing for comparable transactions, as well as internal portfolio return needs taking into account current market rates as well as commercial expectations of rates.

Loans and financing receivables at March 31, 2016 include the following:

	<i>(Amounts in thousands)</i>	
<u>Governmental activities/funds</u>	<u>Number of loans and financing receivables</u>	<u>Loans and financing receivables outstanding</u>
Residential Energy Efficiency	13,236	\$143,231
Small Business/Not-for-Profit	42	1,148
Multifamily Building	<u>22</u>	<u>2,474</u>
Total governmental funds	<u>13,300</u>	\$146,853
Allowance for Doubtful Accounts		<u>(1,846)</u>
Net total governmental funds		<u>\$145,007</u>
Business-type activities/proprietary fund	<u>2</u>	<u>\$10,013</u>

Loans and financing receivables at March 31, 2016 mature as follows:

	<i>(Amounts in thousands)</i>			
<u>Governmental activities/funds</u>	<u>Residential Energy Efficiency</u>	<u>Small Business/ Not-for- Profit</u>	<u>Multifamily Building</u>	<u>Total</u>
Fiscal year ending				
<u>March 31,</u>				
2017	\$9,717	181	536	10,434
2018	9,989	172	549	10,710
2019	10,181	165	579	10,925
2020	10,316	145	360	10,821
2021	10,153	112	236	10,501
2022-2026	50,812	368	207	51,387
2027-2031	41,895	5	7	41,907
2032-2036	<u>168</u>	<u>-</u>	<u>-</u>	<u>168</u>
Total governmental activities/funds	<u>\$143,231</u>	<u>1,148</u>	<u>2,474</u>	<u>146,853</u>



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<u>Business-type activities/proprietary fund</u>			
Fiscal year ending	Asset	Warehousing/	
<u>March 31,</u>	<u>Loans</u>	<u>Aggregation</u>	<u>Total</u>
2017	-	-	-
2018	1,227	-	1,227
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	<u>-</u>	<u>8,876</u>	<u>8,786</u>
Total Business-type activities/proprietary fund	<u>1,227</u>	<u>8,876</u>	<u>10,013</u>

**(6) OTHER ASSETS**

As of March 31, 2016 the other assets balance of \$10.7 million represents the market value of the Upstate and Downstate New York State Strategic Gasoline Reserves, which were established during the fiscal year ended March 31, 2015 to provide an emergency supply of finished motor gasoline in case of a significant disruption to petroleum fuels supply or distribution.

**(7) CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2016 was as follows:

*(Amounts in thousands)*

	Beginning <u>Balance</u>	<u>Additions</u>	Retirements/ <u>Reclassifications</u>	Ending <u>Balance</u>
Land	\$685	-	-	685
Land improvements	5,784	6	(16)	5,774
Buildings	8,982	-	-	8,982
Machinery and equipment	12,001	2,087	(316)	13,772
Leasehold improvements	<u>2,926</u>	<u>4</u>	<u>-</u>	<u>2,930</u>
	30,378	2,097	(332)	32,143
<u>Less accumulated depreciation for:</u>				
Land Improvements	(1,146)	(225)	16	(1,355)
Buildings	(4,497)	(275)	-	(4,772)
Machinery and equipment	(9,660)	(913)	316	(10,257)
Leasehold improvements	<u>(232)</u>	<u>(221)</u>	<u>-</u>	<u>(453)</u>
Capital assets, net	<u>\$14,843</u>	<u>463</u>	<u>=</u>	<u>15,306</u>

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**(8) LONG-TERM LIABILITIES**

Long-term liability activity for the year ended March 31, 2016 was as follows:

	Beginning <u>Balance</u>	Cumulative effect of <u>GASB 68</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Amounts Due within <u>One Year</u>
<i>(Amounts in thousands)</i>						
<u>Governmental activities</u>						
Notes payable	\$30,044	-	-	(30,015)	29	18
Compensated absences	7,108	-	4,657	(4,212)	7,553	3,013
Bonds payable	22,105	-	71,713	(2,557)	91,261	4,525
Net pension liability	-	5,044	3,981	(5,384)	3,641	-
Postemployment benefits	-	-	<u>3,336</u>	<u>(3,336)</u>	-	-
Long-term liabilities	<u>\$59,257</u>	<u>5,044</u>	<u>83,687</u>	<u>(45,504)</u>	<u>102,484</u>	<u>7,556</u>
<u>Business-type activities/proprietary fund</u>						
Net pension liability	-	<u>313</u>	<u>393</u>	<u>(343)</u>	<u>363</u>	-

Bonds payable includes Residential Energy Efficiency Financing Revenue Bonds (Series 2013A), issued in August 2013, with an outstanding principal balance of \$20.0 million as of March 31, 2016. The bonds mature in varying amounts from July 1, 2017 through July 1, 2028 at interest rates ranging from 1.028% to 4.106%. The bonds were issued as Qualified Energy Conservation Bonds, which provide an interest subsidy from the federal government for a portion of the interest costs on the bonds. Such interest subsidies are subject to the federal sequester and future subsidies may be affected by changes in the federal sequester. The bonds are secured by a pledge of payments from residential energy efficiency loans issued under the GJGNY program. Proceeds from the bonds were used to reimburse the GJGNY revolving loan fund for a portion of the principal amount of loans issued. Payment of principal and interest on the bonds are guaranteed by the New York State Environmental Facilities Corporation (EFC) through the Clean Water State Revolving Fund (SRF).

Bonds payable also includes Residential Energy Efficiency Financing Revenue Bonds (Series 2015A), issued to EFC in August 2015 in connection with SRF bonds issued by EFC, with an outstanding principal balance of \$46.4 million as of March 31, 2016. The bonds mature in varying amounts from July 1, 2016 through July 1, 2030 at interest rates ranging from .5% to 3.82%, subject to an interest rate subsidy credit provided by EFC on a portion of the bonds. The bonds are secured by a pledge of payments from residential energy efficiency loans issued under the GJGNY program. A portion of the proceeds from the bonds was used to redeem the outstanding balance of the Residential Energy Efficiency Financing Revenue Notes (Series 2014) issued in September 2014, and the remainder was used to reimburse the GJGNY revolving loan fund for a portion of the principal amount of loans issued.

The Series 2013A and Series 2015A Bonds were issued under a master Indenture of Trust (Indenture), as supplemented, which requires that NYSERDA maintain cash and future scheduled pledge loan payments in each bond year of not less than 110% of annual debt service for each series of bonds. Under the terms of agreements with EFC, NYSERDA has deposited with an escrow agent, The Bank of New York Mellon, approximately \$7.8 million in a Collateral Reserve Account, which may be used by EFC to fund or reimburse its guarantee. Any funds held by the Trustee under the Indenture may be withdrawn by NYSERDA provided that cash and scheduled pledged loan payments are not less than 120% of annual debt service and provided that the balance of the Collateral Reserve Account and any Debt Service Reserve Fund are not less than 15% of aggregate bonds outstanding under the Indenture.

Bonds payable also includes Residential Solar Loan Revenue Bonds (Series 2015) issued to Manufacturers and Traders Trust Company (M&T). Pursuant to the terms of a Credit Agreement with M&T, bonds may be issued in one or more series at various times through September 30, 2016. As of March 31, 2016, NYSERDA has issued two series of bonds with an outstanding principal balance of \$24.9 million. Eighty percent (80%) of the principal amount

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of bonds bear interest at a fixed rate determined at the time each series was issued, ranging from 4.93% to 5.24%, and mature approximately 10 years from the date issued, ranging from March 1, 2026 to June 1, 2026. Twenty percent (20%) of the principal amount of bonds bear interest at a variable interest rate equal to the one month London Interbank Offered Rate (LIBOR) plus 3.00% (provided that in no event shall the rate exceed 11% per annum), and mature approximately 7 years from the date issued, ranging from March 1, 2023 to June 1, 2023. The bonds are secured with a pledge of payments from consumer loans issued through the GJGNY program to finance the installation of residential photovoltaic systems (Solar Loans) in an amount which provides scheduled debt service coverage of 125% based on a 15 year structuring amortization schedule. Proceeds from the bonds are used to reimburse the GJGNY revolving loan fund for a portion of the principal amount of loans issued. The bonds are subject to a redemption feature which requires that all pledged Solar Loan payments received in excess of structuring scheduled payments are applied on a quarterly basis to the redemption of outstanding variable rate bonds, and then to outstanding fixed rate bonds. As a result of these features, the schedule of future debt service requirements below only includes the principal amount due on each series of bonds based on its final maturity date, but does not include a projection of future interest expense, since the interest expense and principal payments will be determined based on future pledged loan payments received in each fiscal year.

As of March 31, 2016, future debt service requirements on the notes and bonds payable are:

*(Amounts in thousands)*

Fiscal year ending <u>March 31,</u>	<u>Notes payable</u>		<u>Bonds payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2017	\$18	-	4,525	1,379	5,922
2018	11	-	5,315	1,336	6,662
2019	-	-	5,183	1,274	6,457
2020	-	-	5,165	1,196	6,361
2021	-	-	5,105	1,102	6,207
2026	-	-	41,818	1,944	43,762
2027-31	<u>-</u>	<u>-</u>	<u>24,150</u>	<u>737</u>	<u>24,887</u>
Total	<u>\$29</u>	<u>-</u>	<u>91,261</u>	<u>8,968</u>	<u>100,258</u>

Interest in the above table as it relates to the Series 2015A Residential Energy Efficiency Financing Revenue Bonds is net of an expected interest subsidy credit from EFC provided compliance with provisions of the EFC financing agreements.

**(9) RETIREMENT PLAN**

There are two retirement plans for NYSERDA employees: the New York State and Local Retirement System (System), and the New York State Voluntary Defined Contribution Plan (VDC). Nearly all employees of NYSERDA participate in one of these two plans.

The System is a cost-sharing, multiple-employer, defined benefit public employee retirement plan. 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 on the Internet at [http://www.osc.state.ny.us/retire/about\\_us/financial\\_statements\\_index.php#financial](http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php#financial), or by writing to the New York State and Local 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 for those members. Personnel who joined the System after July 27, 1976 through January 1, 2010 and who have less than 10 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 between

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January 1, 2010 and March 31, 2012 contribute three percent of their gross salary during the full term of employment. Members who joined the System after April 1, 2012 contribute between three percent and six percent, depending on their salary, during the full term of employment. Retirement benefits vest after five to 10 years of accredited service, depending on the applicable tier.

NYSERDA's proportionate share of the System's net pension liability for the fiscal year March 31, 2016 was approximately 0.12%, determined based on the ratio of NYSERDA's total projected long-term contributions to the total System projected long-term contributions from all employers. NYSERDA, in turn, allocated a share of its pension liability to NY Green Bank, its proprietary fund, based on a proportional allocation methodology using direct salary expenses. NYSERDA's net pension liability, which includes that of the NY Green Bank, is as follows:

	<i>(Amounts in thousands)</i>
Measurement date	03/31/2015
Actuarial valuation date	04/01/2014
Net pension liability	\$4,004

Update procedures were used to roll forward the total pension liability from the actuarial valuation date to the measurement date. The significant actuarial assumptions included in the actuarial valuation included an inflation factor of 2.7%, projected salary increases of 4.9%, and investment rate of return of 7.5%. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to NYSERDA's participation in the System, as well as the related pension expense, information about the fiduciary net position of the System, and additions to/deductions from NYSERDA's fiduciary net position, have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the statutes governing the System. Investments are reported at fair value.

Pension expense for the fiscal year ended March 31, 2016 was \$3.6 million.

The following table portrays the sensitivity of NYSERDA's proportionate share of the net pension liability due to changes in the discount rate:

	<i>(Amounts in thousands)</i>		
	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
<u>Governmental activities/funds</u>			
Net pension liability/(asset)	\$24,274	\$3,641	(\$13,777)
<u>Business type-activities/proprietary fund</u>			
Net pension liability/(asset)	\$2,420	\$363	(\$1,374)

Balances of System pension-related deferred outflows of resources as of the measurement date were as follows:

	<i>(Amounts in thousands)</i>		
	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	<u>Total</u>
Differences between expected and actual experience	\$128	-	128
Net difference between projected and actual investment earnings on pension plan investments	696	-	696
Differences between employer contributions and proportionate share of contributions	-	(\$296)	(296)
Employer contributions subsequent to the measurement date	<u>\$3,993</u>	<u>-</u>	<u>3,993</u>
Total	<u>\$4,817</u>	<u>(296)</u>	<u>4,521</u>

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The governmental activities/funds represent 91% and the Proprietary fund represents 9% of the proportional share of the balances of System pension-related amounts presented in the table consistent with NYSERDA's current allocation methodology.

The amount of employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended March 31, 2017. The remaining deferred outflows of resources and deferred inflows of resources as of the measurement date are reported on the Statement of Net Position on a net basis as deferred outflows of resources.

The net amount of deferred outflows of resources and deferred inflows of resources to be recognized in pension expense in each of the next five years and in the aggregate thereafter is as follows:

*(Amounts in thousands)*

Year Ended March 31:	<u>Governmental activities/funds</u>	<u>Business-type activities/proprietary fund</u>	<u>Total</u>
2017	\$120	12	132
2018	120	12	132
2019	120	12	132
2020	<u>120</u>	<u>12</u>	<u>132</u>
Total	<u>\$480</u>	<u>48</u>	<u>528</u>

NYSERDA's contribution to the System for the fiscal year ended March 31, 2016 was \$4.0 million, representing 100% of the required contribution.

The VDC is a multiple-employer, defined contribution plan administered by the Director of University Benefits for the State University of New York (SUNY); TIAA-CREF serves as the third-party administrator. On July 1, 2013, the VDC option was made available to NYSERDA employees hired on or after that date whose annual salary is \$75,000 or more. Those employees voluntarily electing the VDC plan are prohibited from joining the System (defined benefit plan) at a later date (and the opposite also applies; plan participation elections are irrevocable). VDC provides benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in the VDC. Employees have the ability to choose from a variety of investment providers for the VDC. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. Employees electing to participate in the VDC plan are required to contribute between 5.75% and 6% of gross earnings, dependent upon their salary, for their entire working career; NYSERDA contributes 8%.

Twenty-three employees have vested in the VDC as of March 31, 2016. NYSERDA's contribution to the VDC, expressed in dollars and as a percentage of salary, for the year ended March 31, 2016 was:

*(Amounts in thousands)*

<u>March 31,</u>	<u>Contributions</u>	<u>Contribution Rate</u>
2016	\$331	8%

**(10) LEASES**

NYSERDA has multi-year operating leases expiring May 31, 2016; July 7, 2017; September 30, 2018; and October 30, 2027, for office space in West Valley, Buffalo, Albany, and New York City, respectively. For the year ended March 31, 2016, rental expense for all office facilities was \$1.5 million.

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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, 2016:

*(Amounts in thousands)*

Fiscal year ending <u>March 31,</u>	
2017	\$1,372
2018	1,341
2019	1,097
2020	941
2021	941
Thereafter	<u>6,451</u>
Total	<u>\$12,143</u>

NYSERDA is also the lessor of certain equipment comprising a cooling water structure at the Indian Point Energy Center in Buchanan, New York under a lease that expires on March 31, 2017, with an annual minimum lease rental payment of \$1.0 million for the fiscal year ending March 31, 2017.

**(11) 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 pays 90 percent of the West Valley Demonstration Project (WVDP) costs, and NYSERDA, on behalf of the State of New York, pays the remaining 10 percent. In addition, in 2010, the U.S. District Court for the Western District of New York approved an agreement between New York State and the federal government that resolved most of the claims asserted 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. For example, under this agreement, the federal government will pay a 30 percent share of costs associated with the State Licensed Disposal Area (SDA), which is solely owned and managed by NYSERDA, and NYSERDA, on behalf of the State, will pay the remaining 70 percent. Remediation costs for the North Plateau Groundwater Plume will be split equally between the State and federal government, and costs for remediating the Nuclear Regulatory Commission Licensed Disposal Area will also be a 50/50 split. The two governments agreed that other facilities are covered by the WVDP Act, such as the Main Process Plant building, and thus the federal government will pay 90% of the cleanup costs.

In January 2010, NYSERDA and DOE issued a final Environmental Impact Statement, which identifies and assesses the potential environmental impacts of a range of reasonable alternatives proposed to meet DOE's responsibilities under the WVDP 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, the Main Process Plant building and several other highly contaminated facilities will be removed at an estimated cost of approximately \$1.0 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 2010 Environmental Impact Statement states that the Phase 1 work would take 10 years and cost approximately \$1.0 billion based on a federal funding level of \$75.0 million per year. Since 2010, actual federal funding levels have ranged between \$60.0 million and \$65.0 million, and the proposed budget for FFY 2017 is \$61.6 million. Federal funding at \$60.0 million through the end of Phase 1 will extend the duration of the Phase 1 work to over 20 years and will add over \$300.0 million to the total project cost. The Phase 2 decisions, which will be made in the 2020 timeframe, will address the remaining facilities, subject to the parties' discretion, including the High-Level Waste Tanks, the SDA, the NRC-Licensed Disposal Area, and the main body of a plume of contaminated groundwater. Total estimated costs for completing the Phase 2 work

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range from over \$700.0 million to \$9.1 billion, and are dependent on the alternative selected for the remaining facilities.

In accordance with GASB 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, 2016 or 2015 for this contingency because NYSERDA expects to continue to be reimbursed from State appropriations for 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) Energy Analysis- Low-Level Radioactive Waste

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, 2016, NYSERDA paid, from the agency fund, a total of \$2.6 million to reimburse the State for such costs pursuant to Public Authorities Law Section 1854-d(2)(a).

(c) Bond Financing Program

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, 2016, all participating companies were current in their debt service payments for these bonds and notes, the principal of which totaled approximately \$3.0 million.

(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 Commission, NYSERDA is the central procurement administrator to manage an incentive-based procurement mechanism to support the development of additional renewable energy resources

Procurement contracts entered into by NYSERDA and funded with RPS funds become general obligations of NYSERDA, payable pursuant to such contract terms. As of March 31, 2016, NYSERDA has outstanding contractual obligations totaling \$1.0 million payable at varying dates upon successful operation of the renewable generation facilities, of which will be reimbursed in part from collections to be received in the future.

(f) Energy Efficiency Portfolio Standard

Pursuant to Orders of the Commission, the EEPS program was extended until February 29, 2016.

Procurement contracts entered into by NYSERDA and funded with EEPS funds become general obligations of NYSERDA, payable pursuant to such contract terms. As of March 31, 2016, NYSERDA has outstanding contractual obligations totaling approximately \$267.6 million payable at varying dates, which will be reimbursed through the "Bill-As-You-Go" approach.

(g) Regional Greenhouse Gas Initiative

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On January 29, 2009, a lawsuit was initiated in State Supreme Court against the Governor, NYSERDA, and other State entities, claiming that the RGGI regulations are unlawful and discriminatory. 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 that was approved on October 1, 2010 by the court. Under the terms of the settlement, NYSERDA will utilize proceeds from RGGI auctions to meet its obligations to pay Con Edison in accordance with a formula set forth in the settlement agreement. Con Edison, in turn, will use the monies provided by NYSERDA to fund energy efficiency and renewable energy programs with significant carbon reduction potential within its service territory.

NYSERDA has paid Con Edison \$18.0 million to date related to this settlement. The remaining obligation, as recorded in the financial statements under Con Edison payable at March 31, 2016 of \$4.9 million, represents all estimated remaining payments due to Con Edison.

(h) Con Edison System-Wide Demand Reduction and Gas Efficiency Programs

The terms of the Orders for these programs require NYSERDA to return to Con Edison any monies no longer committed, until such time as all retained funds are fully expended. As of March 31, 2016, retained funds subject to possible refund, not including the amount already recorded in the financial statements as Con Edison payable at that date, are \$7 million and \$1 million respectively, for the Demand Reduction and Gas Efficiency Programs. Any future refunds due would be recognized as program expenditures in the fiscal year the related commitments are disencumbered.

(i) NY Green Bank

As of March 31, 2016, NY Green Bank has entered into two credit enhancement contracts totaling \$5.5 million which have not been funded but contain contingent obligations. NY Green Bank capital is only drawn if a contingent obligation under either agreement is met.

**(12) 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 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 management confidential employees. Plan members generally contribute 16% of the premium for individual coverage and 31% 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; however, payments are made from an irrevocable OPEB Trust account established in March 2010. The purpose of the OPEB Trust is for the accumulation of funds to pay future benefit costs. The Trust's funds are held by a third-party trustee. The Trust is managed by a five-member Plan Administrator, consisting of NYSERDA officers, in consultation with the Chair of the Audit and Finance Committee or his or her designee. As of March 31, 2016, the NYSERDA has contributed \$31.5 million to the OPEB Trust to fully fund the actuarially determined accumulated OPEB obligation as calculated under the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. As of March 31, 2016, the fair value of the OPEB Trust investments totals \$36.7 million.

NYSERDA's OPEB Trust is recorded as a fiduciary fund within NYSERDA's financial statements and reflects the Trust's legal fiscal year-end of December 31.

NYSERDA's annual other postemployment benefit (OPEB) expense for the year ended March 31, 2016 is calculated based on the annual required contribution (ARC) of NYSERDA. The ARC represents a level funding that, if paid



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on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities over 30 years.

The following table summarizes NYSERDA's annual OPEB expense for the year ended March 31, 2016, the amount contributed to the Plan, and changes in NYSERDA's OPEB obligation:

*(Amounts in thousands)*

Annual required contribution	
Normal cost	\$2,454
Amortization of unfunded actuarial accrued liability	<u>882</u>
Total annual OPEB cost	3,336
Contributions made	<u>(3,336)</u>
Change in net OPEB obligation	-
Net OPEB obligation- beginning of year	<u>    </u>
Net OPEB obligation- end of year	<u><u>\$    </u></u>

NYSERDA's annual OPEB cost amounted to \$3.3 million; \$2.9 million; and \$3.6 million for the years ended March 31, 2016; 2015; and 2014, respectively. The percentage of annual OPEB cost contributed to the Plan was 100% and the net OPEB obligation at the end of each fiscal year was \$0.

As of April 1, 2015, the most recent actuarial valuation date, the plan was 74.0 percent funded. The actuarial accrued liability for benefits was \$47.0 million, and the actual value of assets was \$34.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$12.3 million. The covered payroll (annual payroll of active employees cover by the plan) was \$30.1 million, and the ratio of the UAAL to the covered payroll was 40.0 percent.

A Schedule of Funding Progress for the Plan is included as unaudited Required Supplementary Information following the Notes to Basic Financial Statements.

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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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.

*Marital status* – Assumed 75% of future retirees will be married, with male spouses assumed to be three years older than female spouses.

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March 31, 2016**

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

*Turnover* – Rates were based on age and length of service for the first 10 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. Rates of 7.1 and 7.2% for the two plans with the highest enrollment were assumed initially, reduced to an ultimate rate of 4.9% for both plans after 51 years.

*Health insurance premiums* – A Blend of actual 2015 and projected 2016 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 2016, 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, 2016 was 21 years.

As of March 31, 2016, there were 88 retirees and dependent survivors actively receiving benefits and 300 active plan members.

The plan also provides that the dollar value, subject to certain limitations, of members' 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. The Trust does not accumulate resources for the purpose of paying this portion of the health insurance premiums, nor does it pay any benefits for this purpose. NYSERDA’s liability for that portion of the premiums is not included in the actuarially determined liabilities of the Plan or the ARC or OPEB expense calculations.

The cost of third-party administrators, actuarial reports, audits and similar costs incurred exclusively for the Trust are paid from resources of the Trust. Routine daily administrative costs of administering the benefit plans, accounting services and similar costs are absorbed by NYSERDA.

The Trust has no legally required reserves.

**(13) INTERFUND BALANCES AND TRANSFERS**

The balances reflected in Due to other funds and Due from other funds reflect the timing difference of when expenditures are incurred and when interfund reimbursement occurs.

Transfers consist of \$30.7 million of RGGI proceeds transferred to the GJGNY residential financing program to fund additional loans as well as other GJGNY program activities; \$6.25 million of RGGI proceeds transferred to the Market Development/Innovation & Research program; an \$11.0 million transfer of uncommitted New York Energy \$mart program dollars to the EEPS Empower Gas program pursuant to PSC Order; and transfers totaling \$22.0 million from the New York Energy \$mart, Energy Efficiency Portfolio Standard, Technology and Market Development Portfolio, and Renewable Portfolio Standard programs to the NY-Sun program to fund NY-Sun cash expenditures pursuant to the Clean Energy fund “Bill-As-You-Go” process.

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**Required Supplementary Information (Unaudited)  
March 31, 2016**

**NYSERDA's Contributions to the System Pension Plan**

*(Amounts in thousands)*

Fiscal year ended March 31, 2016:	
Actuarially determined contribution	\$ 3,993
Contributions in relation to the actuarially determined contribution	<u>3,993</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$26,152
Contributions as a percentage of covered-employee payroll	15.3%

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

**NYSERDA's Proportionate Share of the System's Net Pension Liability**

*(Amounts in thousands)*

Measurement Date: March 31, 2015:	
Proportion of the net pension liability	0.12%
Proportionate share of the net pension liability	\$4,004
Covered-employee payroll	\$25,661
Proportionate share of the net pension liability as a % of its covered payroll	15.6%
Ratio of fiduciary net position to total pension liability	97.9%

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

**Schedule of Funding Progress for Other Postemployment Benefits**

*(Amounts in thousands)*

Actuarial Valuation Date	Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
4/1/2015	3/31/2016	\$34,752	\$47,014	\$12,262	74.0%	\$30,684	40.0%
4/1/2014	3/31/2015	*	*	*	*	*	*
4/1/2013	3/31/2014	\$25,166	\$41,696	\$16,530	60.4%	\$27,207	60.8%
4/1/2012	3/31/2013	\$19,891	\$39,388	\$19,497	50.5%	\$24,282	80.3%
4/1/2011	3/31/2012	*	*	*	*	*	*
4/1/2010	3/31/2011	\$10,285	\$33,921	\$23,636	30%	\$24,244	97.5%

*\*Valuation was not performed at this date.*

See accompanying independent auditors' report.