



**NEW YORK STATE  
ENVIRONMENTAL FACILITIES CORPORATION**  
(A Component Unit of the State of New York)

Basic Financial Statements

March 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

**NEW YORK STATE**  
**ENVIRONMENTAL FACILITIES CORPORATION**  
(A Component Unit of the State of New York)

Basic Financial Statements

March 31, 2014 and 2013

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KPMG LLP  
515 Broadway  
Albany, NY 12207-2974

## Independent Auditors' Report

The Board of Directors  
New York State Environmental Facilities Corporation:

### Report on the Financial Statements

We have audited the accompanying financial statements of the New York State Environmental Facilities Corporation (the Corporation), as of and for the years ended March 31, 2014 and 2013, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 auditor considers 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 opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New York State Environmental Facilities Corporation, as of March 31, 2014 and 2013, and the changes in financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



## ***Other Matters***

### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that management's discussion and analysis and the schedule of funding progress for the Retiree Health Plan as listed in the table of contents 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.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014 on our consideration of the Corporation'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 Corporation's internal control over financial reporting and compliance.

**KPMG LLP**

June 26, 2014  
Albany, New York

**NEW YORK STATE  
ENVIRONMENTAL FACILITIES CORPORATION**  
(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)

March 31, 2014 and 2013

**Introduction**

The New York State Environmental Facilities Corporation (EFC or the Corporation) is a Public Benefit Corporation whose mission is to provide low-cost capital and expert technical assistance for environmental projects in New York State. Its purpose is to help public and private entities comply with Federal and State environmental protection and quality requirements in a cost effective manner that advances sustainable growth. EFC promotes innovative environmental technologies and practices. EFC's primary activities are within its State Revolving Fund programs (SRFs).

EFC's basic financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

**Corporate Activities**

EFC's corporate activities include the Industrial Finance Program (IFP), the Technical Advisory Services Program (TAS), the Small Business Environmental Assistance Program (SBEAP) and the Clean Vessel Assistance Program (CVAP).

The IFP provides tax-exempt and taxable conduit financings to private entities for a variety of environmental purposes. The TAS provides administrative and technical assistance to private and public sector clients to help them comply with environmental laws and regulations. The SBEAP assists business owners in reducing discharges of pollutants into the environment by providing technical guidance. The CVAP provides grants to assist recipients install pump out and dump station facilities to receive sewage from recreational marine vessels. The program also works to raise boater awareness regarding the benefits, use and availability of pump out stations.

**State Revolving Fund Programs**

EFC's two major programs are the Clean Water and Drinking Water State Revolving Funds (CWSRF/DWSRF). These two programs account for approximately 95% of the total assets and substantially all of the increase in net position of EFC. These programs help make it financially advantageous for communities throughout the State to undertake projects that prevent water pollution and provide safe drinking water.

**Clean Water State Revolving Fund Program**

The CWSRF program provides low-interest rate financing terms and in certain cases offers loan guarantees, principal forgiveness and grants to eligible recipient entities for projects that reduce, eliminate or prevent water pollution. The program is administered jointly by EFC and the New York State Department of Environmental Conservation (DEC). As the financings are repaid, the money becomes available for new projects and the funds continue to revolve. The CWSRF provides up to a 50% interest rate subsidy, which saves communities money on interest costs.

Examples of eligible CWSRF projects include construction of new wastewater treatment plants, upgrades to existing plants, sewer line extensions, landfill closures, stormwater management projects, and habitat and natural living resources restoration.

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**Drinking Water State Revolving Fund Program**

The DWSRF program provides low-interest rate financing terms and in certain cases offers principal forgiveness, as well as hardship grants for publicly and privately owned community water system projects that provide safe, affordable drinking water. The program is administered jointly by EFC and the New York State Department of Health (DOH). Like the CWSRF, as the financings are repaid, the money becomes available for new projects. The DWSRF provides a 33 $\frac{1}{3}$ % interest rate subsidy, which saves communities money on interest costs.

Examples of eligible DWSRF projects include upgrades to treatment facilities to ensure compliance with Federal and State drinking water standards, installation or replacement of storage facilities to prevent contamination or provide adequate delivery pressure, and installation or replacement of transmission and distribution mains to prevent contamination.

**American Recovery and Reinvestment Act of 2009**

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA). The primary purpose of the statute was to stimulate the economy and retain or create jobs through tax relief and infrastructure investment. Nationally, the CWSRF and DWSRF received an additional Federal Fiscal Year 2010 appropriation of \$4.0 billion and \$2.0 billion, respectively. For New York State, the CWSRF and DWSRF received additional capitalization grants of approximately \$432.6 million and \$86.8 million, respectively.

ARRA requires that no less than 50% of the funds be provided as additional subsidization in the form of principal forgiveness, grants, or negative interest loans. EFC intends to originate the majority of ARRA funds as either principal forgiveness or grants.

ARRA imposes certain new requirements for projects that receive ARRA funds. Similar to the CWSRF and DWSRF, assistance will be provided to recipients pursuant to the terms of a Project Finance Agreement.

**Hurricane Emergency Loan Program**

Pursuant to Governor Cuomo's call for a prompt and coordinated government response, EFC has established a Hurricane Emergency Loan Program (HELP), making available up to \$25.0 million in aggregate loans, with cooperation from the State Departments of Health and Environmental Conservation, the State Emergency Management Office and the U.S. Environmental Protection Agency. HELP was available to provide financial assistance to municipalities with storm-damaged drinking water, storm water and wastewater infrastructure in counties eligible for public and/or private assistance by the Federal Emergency Management Agency pursuant to Disaster Declarations DE-4020 and DR-4031, as each may be amended and/or supplemented from time to time.

During the year ended March 31, 2014, no new loans were originated.

During the year ended March 31, 2013, EFC closed 6 loans that provided financial assistance in the amounts of \$5.6 million to storm damaged municipalities.

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**Financial Highlights – 2014**

- Total assets decreased by \$236.0 million or 1.8% from \$13.0 billion to \$12.7 billion.
- Net position increased by \$272.7 million or 5.0% from \$5.5 billion to \$5.8 billion.
- Interest subsidy provided decreased by \$4.7 million or 3.4% from \$135.4 million to \$130.7 million.
- Project grant revenues decreased by \$32.1 million or 8.0% from \$400.3 million to \$368.2 million.
- The Corporation issued 3 series of SRF bonds in an aggregate principal amount of \$915.1 million.

**Financial Highlights – 2013**

- Total assets decreased by \$547.6 million or 4.1% from \$13.5 billion to \$13.0 billion.
- Net position increased by \$291.5 million or 5.6% from \$5.2 billion to \$5.5 billion.
- Interest subsidy provided decreased by \$16.2 million or 10.7% from \$151.6 million to \$135.4 million.
- Project grant revenues increased by \$52.3 million or 15.0% from \$348.0 million to \$400.3 million.
- The Corporation issued 6 series of SRF bonds in an aggregate principal amount of \$1 billion.

**SRF Program Activity**

A summary of the SRFs' bonds issued is as follows:

| Series | 2014      |                       |                   |                    |
|--------|-----------|-----------------------|-------------------|--------------------|
|        | Closed    | CWSRF                 | DWSRF             | Total              |
| 2013A  | 7/11/2013 | \$ 381,800,000        | 19,290,000        | 401,090,000        |
| 2013B  | 8/1/2013  | 126,915,000           | 39,670,000        | 166,585,000        |
| 2014A  | 3/27/2014 | 327,675,000           | 19,710,000        | 347,385,000        |
|        |           | <u>\$ 836,390,000</u> | <u>78,670,000</u> | <u>915,060,000</u> |

| Series | 2013       |                         |                   |                      |
|--------|------------|-------------------------|-------------------|----------------------|
|        | Closed     | CWSRF                   | DWSRF             | Total                |
| 2012A  | 5/31/2012  | \$ 468,465,000          | 27,680,000        | 496,145,000          |
| 2012B  | 6/21/2012  | 78,805,000              | 10,145,000        | 88,950,000           |
| 2012C  | 6/21/2012  | 14,440,000              | —                 | 14,440,000           |
| 2012D  | 7/12/2012  | 316,790,000             | —                 | 316,790,000          |
| 2012E  | 11/15/2012 | 90,735,000              | 7,905,000         | 98,640,000           |
| 2012F  | 11/15/2012 | 33,465,000              | —                 | 33,465,000           |
|        |            | <u>\$ 1,002,700,000</u> | <u>45,730,000</u> | <u>1,048,430,000</u> |

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The preceding charts reflect the amount of SRF bonds at their original par value. SRF bonds are typically sold at a premium or discount and the proceeds of those bonds are provided to recipients. SRF bonds are rated AA or better by Standard and Poor's, Moody's Investors Service and Fitch, Inc.

A summary of the SRFs' financings that occurred is as follows:

|                              | <b>2014</b>             |                    |                      |
|------------------------------|-------------------------|--------------------|----------------------|
|                              | <b>CWSRF</b>            | <b>DWSRF</b>       | <b>Total</b>         |
| Leveraged financings         | \$ 985,273,510          | 100,207,661        | 1,085,481,171        |
| Long term direct financings  | 251,149,919             | 19,008,490         | 270,158,409          |
| Short term direct financings | 589,679,875             | 58,366,181         | 648,046,056          |
| Grants                       | 38,192,290              | 13,161,907         | 51,354,197           |
|                              | <u>\$ 1,864,295,594</u> | <u>190,744,239</u> | <u>2,055,039,833</u> |
|                              |                         |                    |                      |
|                              | <b>2013</b>             |                    |                      |
|                              | <b>CWSRF</b>            | <b>DWSRF</b>       | <b>Total</b>         |
| Leveraged financings         | \$ 1,018,798,214        | 48,587,646         | 1,067,385,860        |
| Long term direct financings  | 389,349,597             | 30,479,413         | 419,829,010          |
| Short term direct financings | 170,118,683             | 258,711,988        | 428,830,671          |
| Grants                       | 16,510,754              | 10,050,673         | 26,561,427           |
|                              | <u>\$ 1,594,777,248</u> | <u>347,829,720</u> | <u>1,942,606,968</u> |

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**Summary Schedule of Net Position**

A summary of the Corporation's net position is as follows:

|                                     | <b>March 31</b>          |                       |                       |
|-------------------------------------|--------------------------|-----------------------|-----------------------|
|                                     | <b>2014</b>              | <b>2013</b>           | <b>2012</b>           |
| <b>Assets</b>                       |                          |                       |                       |
| Current assets                      | \$ 1,704,117,586         | 2,033,830,974         | 1,737,062,140         |
| Noncurrent assets                   | <u>11,026,468,927</u>    | <u>10,932,733,966</u> | <u>11,777,054,867</u> |
| Total assets                        | <u>\$ 12,730,586,513</u> | <u>12,966,564,940</u> | <u>13,514,117,007</u> |
| <b>Liabilities and Net Position</b> |                          |                       |                       |
| Current liabilities                 | \$ 590,619,729           | 633,346,525           | 702,504,636           |
| Noncurrent liabilities              | <u>6,376,970,326</u>     | <u>6,842,933,406</u>  | <u>7,612,872,337</u>  |
| Total liabilities                   | <u>6,967,590,055</u>     | <u>7,476,279,931</u>  | <u>8,315,376,973</u>  |
| Net position                        |                          |                       |                       |
| Restricted                          | 5,755,953,409            | 5,482,260,275         | 5,193,201,121         |
| Unrestricted                        | <u>7,043,049</u>         | <u>8,024,734</u>      | <u>5,538,913</u>      |
| Total net position                  | <u>5,762,996,458</u>     | <u>5,490,285,009</u>  | <u>5,198,740,034</u>  |
| Total liabilities and net position  | <u>\$ 12,730,586,513</u> | <u>12,966,564,940</u> | <u>13,514,117,007</u> |

**Summary Schedule of Revenues, Expenses and Changes in Net Position**

A summary of the Corporation's revenues, expenses and changes in net position is as follows:

|                          | <b>March 31</b>         |                      |                      |
|--------------------------|-------------------------|----------------------|----------------------|
|                          | <b>2014</b>             | <b>2013</b>          | <b>2012</b>          |
| Total operating revenues | \$ 338,696,507          | 349,998,126          | 391,834,289          |
| Total operating expenses | <u>472,146,753</u>      | <u>554,418,626</u>   | <u>600,729,970</u>   |
| Operating loss           | (133,450,246)           | (204,420,500)        | (208,895,681)        |
| Nonoperating revenues    | 429,268,698             | 520,958,728          | 535,040,142          |
| Nonoperating expenses    | <u>23,107,003</u>       | <u>24,993,253</u>    | <u>19,031,241</u>    |
| Increase in net position | 272,711,449             | 291,544,975          | 307,113,220          |
| Beginning net position   | <u>5,490,285,009</u>    | <u>5,198,740,034</u> | <u>4,891,626,814</u> |
| Ending net position      | <u>\$ 5,762,996,458</u> | <u>5,490,285,009</u> | <u>5,198,740,034</u> |

**NEW YORK STATE  
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**Statements of Net Position Analysis**

***2014***

The Corporation's total assets decreased \$236.0 million from \$13.0 billion as of March 31, 2013 to \$12.7 billion as of March 31, 2014. The decrease in assets of \$236.0 million was primarily the result of several factors which include a decrease in restricted cash and cash equivalents of \$256.5 million, a decrease in short term financings receivable of \$81.2 million, an increase in direct financings receivable of \$203.4 million, a decrease in bonds receivable of \$244.4 million, a decrease in due from NYS appropriation bonds receivable of \$145.1 million, as well as an increase in investments of \$306.8 million.

***2013***

The Corporation's total assets decreased \$547.6 million from \$13.5 billion as of March 31, 2012 to \$13.0 billion as of March 31, 2013. The decrease in assets of \$547.6 million was primarily the result of several factors which include an increase in restricted cash and cash equivalents of \$251.9 million, an increase in short term financings receivable of \$209.2 million, an increase in direct financings receivable of \$336.2 million, a decrease in bonds receivable of \$718.1 million, a decrease in due from NYS appropriation bonds receivable of \$91.4 million, as well as a decrease in investments of \$498.4 million.

**Changes in Net Position Analysis**

***2014***

During the year ended March 31, 2014, the Corporation recorded an operating loss of \$133.5 million as compared to an operating loss of \$204.4 million during the year ended March 31, 2013. The primary reason for the decrease in operating loss of \$71.0 million was a decrease in the amount of principal forgiveness of \$73.1 million.

The Corporation recorded project grant revenues in its statements of revenues, expenses, and changes in net position of \$368.2 million during the year ended March 31, 2014 as compared to \$400.3 million for the year ended March 31, 2013. The decrease in project grant revenues of \$32.1 million is primarily related to the decreased activity under the ARRA capitalization grants.

The Corporation recorded an increase in net position of \$272.7 million as compared to an increase in net position of \$291.5 million from the year ended March 31, 2013 to March 31, 2014. The decrease in the change in net position of \$18.8 million year over year is directly related to the decrease in project grant revenues discussed above and a decrease of \$59.8 million in investment income offset by a decrease in operating loss as discussed above.

Contributing to the decrease in investment income was an unrealized loss in the change in fair value on our long term investment portfolio of \$31.0 million for the year ended March 31, 2014 as compared to an unrealized gain of \$13.4 million for the year ended March 31, 2013.

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**2013**

During the year ended March 31, 2013, the Corporation recorded an operating loss of \$204.4 million as compared to an operating loss of \$208.9 million during the year ended March 31, 2012. Contributing to the decrease in operating loss of \$4.5 million was a decrease in interest income on bonds and direct financings receivable of \$42.3 million, a decrease in interest expense on bonds payable of \$51.1 million, a decrease in interest subsidy provided of \$16.2 million, as well as an increase in principal forgiveness of \$19.2 million.

The Corporation recorded project grant revenues in its statements, of revenues, expenses and changes in net position of \$400.3 million during the year ended March 31, 2013 as compared to \$348.0 million for the year ended March 31, 2012. The increase in project grant revenues of \$52.3 million is primarily related to the increased activity under the DWSRF capitalization grants.

The Corporation recorded an increase in net position of \$291.5 million as compared to an increase in net position of \$307.1 million from the year ended March 31, 2012 to March 31, 2013. The decrease in the change in net position of \$15.6 million year over year is directly related to the decrease in operating loss and an increase in project grant revenues, both items are described above. In addition, there was a decrease of \$64.9 million in investment income and an increase in grants disbursed of \$9.0 million.

It should also be noted that EFC recorded an unrealized gain in the change in fair value on our long term investment portfolio of \$13.4 million for the year ended March 31, 2013 as compared to an unrealized gain of \$58.9 million for the year ended March 31, 2012.

**Liquidity**

For fiscal year 2014/2015, the Corporation expects to recover its operating costs through fees charged to clients for various services as well as through the use of the administrative portion of the CWSRF and DWSRF capitalization grants.

SRF fees are assessed and collected to cover SRF program administration costs. Fees collected and not expended against current administration costs are held in permitted investments for future use. Fees collected in excess of current administrative costs are expected to be sufficient to cover administration costs subsequent to the termination of federal grant funding.

The Corporation issues special obligation bonds under the State Clean Water and Drinking Water Revolving Funds to provide financial assistance to eligible recipients for water pollution and drinking water projects (as outlined in each programs' respective Intended Use Plan). The financial assistance is provided pursuant to a financing agreement between EFC and each recipient in which the Corporation agrees to purchase and the recipient agrees to sell its bonds in the principal amount of its financing to EFC. Payment on these bonds will serve as the primary security for EFC's bonds.

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**Contacting the New York State Environmental Facilities Corporation**

This financial report is designed to provide interested parties with a general overview of the Corporation's finances and to demonstrate its accountability for funds received and expended. If you have questions about this report or would like additional information regarding EFC's programs, please visit the Corporation's website at [www.efc.ny.gov](http://www.efc.ny.gov).

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Statements of Net Position

March 31, 2014 and 2013

| <b>Assets</b>  | <b>2014</b>       | <b>2013</b>    |
|--|-------------------|----------------|
| Current assets:  |                   |                |
| Cash and cash equivalents  | \$ 13,276,085     | 12,479,569     |
| Contractual services and fees receivable                         | 519,458           | 291,430        |
| Restricted assets:   |                   |                |
| Cash and cash equivalents  | 830,180,705       | 1,086,669,736  |
| Contractual services and fees receivable                         | 125,908           | 331,685        |
| Interest receivable on bonds and direct financings               | 88,622,643        | 99,512,544     |
| Interest receivable on cash and cash equivalents and investments | 23,341,024        | 26,435,549     |
| Annual fees receivable   | 12,611,193        | 12,791,836     |
| Prepaid expense  | 6,032,158         | —              |
| Short term financings receivable                                 | 225,600,495       | 277,139,226    |
| Direct financings receivable                                     | 60,476,932        | 55,478,723     |
| Bonds receivable   | 378,557,604       | 384,746,431    |
| Due from New York State, appropriation bonds receivable          | 57,790,000        | 59,320,000     |
| Other restricted funds   | 6,983,381         | 18,634,245     |
| Total current assets   | 1,704,117,586     | 2,033,830,974  |
| Noncurrent assets:   |                   |                |
| Restricted assets:   |                   |                |
| Investments  | 2,551,926,000     | 2,245,140,512  |
| Short term financings receivable                                 | 240,544,405       | 270,255,217    |
| Direct financings receivable                                     | 1,347,226,448     | 1,148,806,487  |
| Bonds receivable   | 6,309,847,074     | 6,548,076,750  |
| Due from New York State, appropriation bonds receivable          | 576,925,000       | 720,455,000    |
| Total noncurrent assets  | 11,026,468,927    | 10,932,733,966 |
| Total assets   | \$ 12,730,586,513 | 12,966,564,940 |
| <b>Liabilities and Net Position</b>                              |                   |                |
| Current liabilities:   |                   |                |
| Accrued interest payable on bonds                                | \$ 82,215,381     | 88,199,356     |
| Accrued interest subsidy   | 44,493,494        | 46,091,723     |
| Bonds payable  | 310,825,000       | 350,255,901    |
| Appropriation bonds payable                                      | 57,790,000        | 59,320,000     |
| Other restricted funds   | 6,983,381         | 18,634,245     |
| Accounts payable and accrued expenses                            | 9,227,613         | 1,186,880      |
| Debt service funds payable                                       | 30,226,254        | 8,529,682      |
| Deferred revenue   | 412,534           | 391,935        |
| Other liabilities  | 47,919,534        | 60,276,301     |
| Other post employment benefits                                   | 526,538           | 460,502        |
| Total current liabilities  | 590,619,729       | 633,346,525    |
| Noncurrent liabilities:  |                   |                |
| Bonds payable  | 5,778,376,051     | 6,104,110,835  |
| Appropriation bonds payable                                      | 576,925,000       | 720,455,000    |
| Deferred revenue   | 5,866,989         | 6,121,930      |
| Other post employment benefits                                   | 15,802,286        | 12,245,641     |
| Total noncurrent liabilities                                     | 6,376,970,326     | 6,842,933,406  |
| Total liabilities  | 6,967,590,055     | 7,476,279,931  |
| Net position:  |                   |                |
| Restricted for revolving loan fund programs                      | 5,755,953,409     | 5,482,260,275  |
| Unrestricted   | 7,043,049         | 8,024,734      |
| Total net position   | 5,762,996,458     | 5,490,285,009  |
| Total liabilities and net position                               | \$ 12,730,586,513 | 12,966,564,940 |

See accompanying notes to basic financial statements.

**NEW YORK STATE  
ENVIRONMENTAL FACILITIES CORPORATION**  
(A Component Unit of the State of New York)

Statements of Revenues, Expenses, and Changes in Net Position  
Years ended March 31, 2014 and 2013

|   | <u>2014</u>             | <u>2013</u>          |
|---|-------------------------|----------------------|
| Operating revenues:                                       |                         |                      |
| Interest income on bonds and direct financings receivable | \$ 317,342,366          | 320,757,968          |
| Bond financing and administrative fees                    | 13,200,430              | 14,955,818           |
| Administrative grant revenues                             | 7,359,708               | 11,386,089           |
| Advisory service fees                                     | 773,505                 | 850,156              |
| Other revenues  | 20,498                  | 2,048,095            |
| Total operating revenues                                  | <u>338,696,507</u>      | <u>349,998,126</u>   |
| Operating expenses:                                       |                         |                      |
| Interest expense on bonds payable                         | 282,424,612             | 289,041,813          |
| Interest subsidy provided                                 | 130,743,654             | 135,410,755          |
| Principal forgiveness                                     | 35,201,397              | 108,269,335          |
| Administrative costs                                      | 23,777,090              | 21,696,723           |
| Total operating expenses                                  | <u>472,146,753</u>      | <u>554,418,626</u>   |
| Operating loss  | <u>(133,450,246)</u>    | <u>(204,420,500)</u> |
| Nonoperating revenues:                                    |                         |                      |
| Project grant revenues                                    | 368,181,841             | 400,334,884          |
| Investment income   | 60,040,183              | 119,852,652          |
| State assistance payments revenue                         | 1,046,674               | 771,192              |
| Total nonoperating revenues                               | <u>429,268,698</u>      | <u>520,958,728</u>   |
| Nonoperating expenses:                                    |                         |                      |
| Grants disbursed  | 22,060,329              | 24,222,061           |
| State assistance payments expense                         | 1,046,674               | 771,192              |
| Total nonoperating expenses                               | <u>23,107,003</u>       | <u>24,993,253</u>    |
| Increase in net position                                  | 272,711,449             | 291,544,975          |
| Beginning net position                                    | <u>5,490,285,009</u>    | <u>5,198,740,034</u> |
| Ending net position                                       | <u>\$ 5,762,996,458</u> | <u>5,490,285,009</u> |

See accompanying notes to basic financial statements.

**NEW YORK STATE  
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Statements of Cash Flows

Years ended March 31, 2014 and 2013

|  | <u>2014</u>           | <u>2013</u>          |
|--|-----------------------|----------------------|
| Cash flows from operating activities:                                |                       |                      |
| Bond financing and administrative fees                               | \$ 21,278,191         | 29,829,429           |
| Personal services expense  | (8,379,171)           | (7,549,098)          |
| Fringe benefits expense  | (4,093,020)           | (3,639,325)          |
| Other administrative expenses  | 358,515               | (7,472,719)          |
| Prepaid expense  | (6,032,158)           | —                    |
| Yield reduction received   | 1,285,349             | 2,666,617            |
| Yield reduction paid   | (18,161,117)          | (5,952,473)          |
| Other, net   | 4,519,000             | 4,420,939            |
|  | <u>(9,224,411)</u>    | <u>12,303,370</u>    |
| Cash flows from noncapital financing activities:                     |                       |                      |
| Proceeds from bonds issued   | 915,060,000           | 1,067,385,860        |
| Payments on bonds payable  | (1,280,225,685)       | (1,785,514,288)      |
| Interest paid on bonds payable                                       | (288,408,588)         | (302,051,329)        |
| New York State appropriation bond payments received                  | 145,060,000           | 91,400,000           |
| Payments on New York State appropriation bonds                       | (145,060,000)         | (91,400,000)         |
| Grants disbursed   | (22,060,329)          | (24,222,061)         |
| Contributions received from the U.S. Environmental Protection Agency | 316,064,227           | 368,761,924          |
| Contributions received from New York State                           | 52,117,614            | 31,572,959           |
|  | <u>(307,452,761)</u>  | <u>(644,066,935)</u> |
| Cash flows from investing activities:                                |                       |                      |
| Net proceeds from maturities of investments                          | (306,785,488)         | 498,372,607          |
| Interest income on investments                                       | 63,134,709            | 128,638,328          |
| Bonds purchased  | (1,085,481,171)       | (1,067,385,860)      |
| Bonds repayments received  | 1,329,899,674         | 1,785,514,288        |
| Short term financing disbursements                                   | (373,101,623)         | (510,542,974)        |
| Short term financing repayments received                             | 485,667,835           | 268,930,287          |
| Principal forgiveness repayments                                     | (66,518,065)          | (75,894,515)         |
| Direct financings issued   | (270,158,409)         | (422,826,747)        |
| Direct financing repayments received                                 | 66,740,239            | 86,666,391           |
| Interest income on bonds and direct financings receivable            | 328,232,267           | 330,145,090          |
| Interest subsidy provided  | (132,341,883)         | (141,131,448)        |
| Debt service funds received  | 26,704,926            | 8,822,177            |
| Debt service funds paid  | (5,008,354)           | (3,983,744)          |
|  | <u>60,984,657</u>     | <u>885,323,880</u>   |
| Net (decrease) increase in cash and cash equivalents                 | (255,692,515)         | 253,560,315          |
| Cash and cash equivalents, beginning of year                         | <u>1,099,149,305</u>  | <u>845,588,990</u>   |
| Cash and cash equivalents, end of year                               | <u>\$ 843,456,790</u> | <u>1,099,149,305</u> |

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Statements of Cash Flows

Years ended March 31, 2014 and 2013

|   | <b>2014</b>      | <b>2013</b>   |
|---|------------------|---------------|
| Reconciliation of operating loss to net cash provided by operating activities:                  |                  |               |
| Operating loss  | \$ (133,450,246) | (204,420,500) |
| Adjustments to reconcile operating loss to net cash (used in) provided by operating activities: |                  |               |
| Interest income on bonds and direct financings receivable                                       | (317,342,366)    | (320,757,968) |
| Interest expense  | 282,424,612      | 289,041,813   |
| Principal forgiveness   | 35,201,397       | 108,269,335   |
| Interest subsidy provided   | 130,743,654      | 135,410,755   |
| Changes in assets and liabilities that (use) provide cash:                                      |                  |               |
| Contractual services and fees receivable  | (22,252)         | 1,589,577     |
| Annual fees receivable  | 180,643          | (801,520)     |
| Prepaid expense   | (6,032,158)      | —             |
| Accounts payable and accrued expenses   | 8,040,733        | (476,569)     |
| Deferred revenue  | (234,342)        | (198,785)     |
| Other liabilities   | (12,356,767)     | 1,135,082     |
| Other post employment benefits  | 3,622,681        | 3,512,150     |
| Net cash (used in) provided by operating activities   | \$ (9,224,411)   | 12,303,370    |

See accompanying notes to basic financial statements.

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March 31, 2014 and 2013

**(1) General**

**(a) Organization**

The New York State Environmental Facilities Corporation (EFC or the Corporation) is a public benefit corporation formed pursuant to the New York State Environmental Facilities Corporation Act (Chapter 744 of the Laws of New York State of 1970, as amended). EFC is a component unit of New York State (State) and is exempt from Federal, State, and local income taxes. EFC is included in the State's basic financial statements. The Corporation is governed by a board of directors consisting of seven members, three of whom are required to be certain State officials – the Commissioner of Environmental Conservation (who is also designated as the chair), the Commissioner of Health and the Secretary of State. The four remaining directors are appointed by the Governor and confirmed by the State Senate.

**(b) Description of Business**

EFC provides low-cost capital and expert technical assistance to municipalities, businesses and State agencies for environmental projects in New York State. These activities include assisting businesses finance environmental projects through the Industrial Finance Program (IFP); helping municipalities, State agencies and businesses comply with environmental laws and regulations through various programs administered under the Technical Advisory Services Program (TAS); and the administration of the Clean Water State Revolving Fund program (CWSRF) and the Drinking Water State Revolving Fund program (DWSRF).

The IFP provides tax-exempt and taxable conduit financings to private entities for a variety of environmental purposes.

The TAS provides administrative and technical assistance to private and public sector clients to help them comply with environmental laws and regulations through the following programs:

A multi-year contract with the New York City Department of Environmental Protection (DEP) to administer two Watershed Programs. Technical, financial and legal assistance is provided to DEP's Regulatory Upgrade Program and the New Sewage Treatment Infrastructure Program; the Kensico Septic Rehabilitation Reimbursement Program contract with New York City DEP provides grants to reduce adverse water quality impacts from failing residential septic systems in the Kensico Watershed Basin; the Small Business Environmental Assistance Program (SBEAP) assists business owners in reducing discharges of pollutants into the environment by providing technical guidance; the Clean Vessel Assistance Program (CVAP) provides grants to assist recipients install pump out and dump station facilities to receive sewage from recreational marine vessels. The program also works to raise boater awareness regarding the benefits, use, and availability of pumpout stations.

The CWSRF and the DWSRF are the Corporation's largest programs. The CWSRF provides low-interest rate financing terms and in certain cases offers loan guarantees, principal forgiveness and grants to eligible recipient entities for projects that reduce, eliminate or prevent water pollution. The DWSRF provides low-interest rate financing terms and in certain cases offers principal

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forgiveness, as well as hardship grants for publicly and privately owned community water system projects that provide safe, affordable drinking water.

**(2) Summary of Significant Accounting Policies**

**(a) *Basis of Accounting***

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Corporation applies all Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989 unless these standards and interpretations conflict with or contradict the GASB pronouncements. The operations of the Corporation are accounted for using the accrual basis of accounting in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. The more significant accounting policies are described below.

**(b) *Revenue Recognition and Accounts Receivable***

The Corporation recognizes revenue when earned. Project grant revenues under capitalization grants for the operation of the State Revolving Fund (SRF) programs are recognized when reimbursable expenses are incurred for financings originated. Fees for services are recognized, and deferred fees for services are amortized, as the related expense of the Corporation is incurred over the life of the related financing.

**(c) *Cash and Cash Equivalents***

EFC considers certificates of deposit, repurchase agreements, money market funds and U.S. Treasury Bills, with remaining maturities of three months or less at the time of purchase, to be cash equivalents. At March 31, 2014 and 2013, the cash and cash equivalents, excluding U.S. Treasury Bills and U.S. Treasury Money Market Funds, are fully insured or collateralized with securities in the Corporation's name. U.S. Treasury Bills are uninsured and not collateralized, but are held in trust accounts in EFC's name and are backed by the full faith and credit of the Federal government.

**(d) *Investments***

EFC's investment guidelines permit investment of funds in obligations of, or guaranteed by, the United States of America or New York State, as well as in time deposits, guaranteed investment contracts, repurchase agreements and other permitted investments such as qualified municipal obligations. All cash, time deposits, guaranteed investment contracts and repurchase agreements are collateralized by securities (obligations of, or guaranteed by, the United States of America or New York State and any FDIC coverage) having a fair value of not less than 102% of the amount currently on deposit or in accordance with their respective agreement. At March 31, 2014, EFC's guaranteed investment contracts require collateral ranging from 113% to 163% of the investment

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value. From time to time, the actual collateral pledged may fall below the contractual requirement of the guaranteed investment contracts. Upon notice to the investment providers, additional collateral is pledged to satisfy the contractual requirements.

Investments are recorded at fair value or amortized cost. Guaranteed investment contracts and structured debt obligations (Tennessee Valley Authority (TVA), Inter-American Development Bank (IADB) and The Nature Conservancy (TNC)) are considered nonparticipating contracts and are therefore recorded at cost. Municipal obligations are recorded at fair value. All other investments with original maturities at the time of purchase of one year or less are recorded at cost. EFC requires delivery to its custodian (agent) or other acceptable financial institutions of all securities purchased and collateral for guaranteed investment contracts, certificates of deposit and repurchase agreements, regardless of the seller institution.

**(e) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(f) Arbitrage and Yield Reduction Liability**

The Corporation estimates its arbitrage and yield reduction liabilities. At March 31, 2014 and 2013 such amounts were \$24.0 million and \$40.9 million, respectively, and are included on the statements of net position in the caption "other liabilities". While management believes that these amounts are adequate, the actual liabilities could be in excess of, or less than, the amount indicated in the financial statements. Generally, a calculation is performed by an outside consultant for each new bond issue during the third bond year and then every fifth bond year through final maturity, at which time management refines its estimate. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in the statements of revenues, expenses and changes in net position in the year of the change.

**(g) Net Position**

The Corporation's net position is classified in the following categories: restricted for revolving loan fund programs, consisting of assets less related liabilities restricted for the operation of the clean and drinking water State Revolving Fund programs; and unrestricted, consisting of assets reduced by related liabilities that are not classified as restricted. If both restricted and unrestricted resources are available for use, restricted resources are used first.

**(h) Operating and Nonoperating Revenues and Expenses**

The Corporation distinguishes operating revenues and expenses from nonoperating items in the preparation of its financial statements. The principal operating revenues are generated from the interest income earned from borrowings under the long-term loan programs and fees related to these

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programs. The Corporation's operating expenses include interest expense on bonds payable, interest subsidy provided, principal forgiveness and expenses related to the administration of EFC's activities. The principal nonoperating revenues are generated from project grant revenues, investment income, and other nonexchange revenues. Nonoperating expenses include program grants and other nonexchange expenses.

**(3) State Revolving Fund**

The Federal Water Quality Act of 1987 established a revolving fund program. In this regard, the New York State Water Pollution Control Revolving Fund, or CWSRF program, was established by New York State in 1989 to provide financial assistance to eligible recipient entities in connection with the construction of water pollution control facilities. EFC has been designated to be the custodian of the CWSRF in New York State. The program is administered jointly by EFC and the New York State Department of Environmental Conservation (DEC).

A DWSRF was created as a result of New York State's enactment of Chapter 413 of the Laws of 1996 (Clean Water/Clean Air Bond Act) and passage of the 1996 Amendments to the Safe Drinking Water Act by the U.S. Congress. The DWSRF provides a financial incentive for public and private water systems to undertake needed drinking water infrastructure improvements. The program is administered jointly by EFC and the New York State Department of Health (DOH).

The American Recovery and Reinvestment Act of 2009 (ARRA) provided additional funds to the CWSRF and DWSRF to help stimulate the economy through infrastructure investment. ARRA requires that no less than 50% of the funds be provided as additional subsidization in the form of principal forgiveness, grants, or negative interest loans.

EFC's primary activities with regard to the CWSRF and DWSRF include providing financial assistance for eligible projects, the issuance of debt in the capital markets for the purpose of providing financial assistance, the investment of program moneys, and the management and coordination of the programs.

SRF program capitalization grants are issued from the U.S. Environmental Protection Agency (USEPA) to New York State, for which the State is required to provide 20% in matching funds. New York State distributes these Federal and State moneys to DEC and DOH to administer the programs. DEC and DOH in turn distribute these moneys to EFC to provide financial assistance to eligible recipients. EFC invests the Federal and State capitalization grant moneys and uses interest earnings on these and other funds to subsidize by one-third or one-half the interest on the financings it provides. Financial assistance under the SRF program may be provided directly from the grant funds, from the proceeds from the issuance of bonds, through the use of guarantees, repayments, and/or interest earnings.

Funds and accounts pertaining to the SRF programs are limited to specific uses by laws and regulations as well as Grant and Operating Agreements entered into between USEPA and the State. As a result of these limitations on uses, these funds are classified as restricted on the statements of net position.

Reserve Allocation and Subsidy: In connection with certain financings, amounts received from the Federal government through the U.S. Environmental Protection Agency and New York State are drawn and

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deposited in an unallocated equity account as an eligible recipient expends funds for costs of issuance, repayment of debt, refinancing of debt, defeasance of debt, and for acquisition and/or construction. As these funds are received by the recipient an amount equal to one-third or one-half of the expenditure is transferred from the unallocated equity account to the debt service reserve fund for the recipient. As a recipient repays its financing, a proportionate amount in the applicable debt service reserve fund will be redeposited in the unallocated equity account of the appropriate SRF. The earnings on the debt service reserve funds are utilized as subsidy to reduce the interest costs that recipients pay on their financing.

Committed Subsidies: In certain financings, the SRF provides contractual commitments to recipients of leveraged financings to provide specified amounts of interest subsidies from earnings on reserve allocations or other SRF program resources or a combination of both. In general, it is expected that certain leveraged financings will not have any associated reserve allocations. Nevertheless, we utilize other available SRF monies to provide recipients with an interest subsidy generally comparable to the subsidy that we provide from earnings on reserve allocations.

**(4) Cash and Cash Equivalents and Investments**

EFC's cash and cash equivalents and investments include cash and cash equivalents and investments that are insured or collateralized and that are backed by the full faith and credit of the Federal government.

As of March 31, 2014, the Corporation had the following investments, credit risks and maturities:

| Investment type                   | Credit risk range | Cost/<br>fair value | Investment maturities in years |                |                 |                       |
|-----------------------------------|-------------------|---------------------|--------------------------------|----------------|-----------------|-----------------------|
|                                   |                   |                     | Less than<br>1 year            | 1 – 5<br>years | 6 – 10<br>years | More than<br>10 years |
| Non-U.S. government backed:       |                   |                     |                                |                |                 |                       |
| Guaranteed investment contracts   | A – AAA           | \$ 678,675,152      | 36,020,993                     | 154,593,127    | 170,166,798     | 317,894,234           |
| Municipal obligations             | BBB – AAA         | 751,993,679         | 42,803,312                     | 126,631,534    | 85,566,957      | 496,991,876           |
| Structured debt obligations       | Aa2               | 47,978,252          | 2,625,443                      | 27,794,165     | 17,558,644      | —                     |
| U.S. government backed:           |                   |                     |                                |                |                 |                       |
| U.S. Treasury bills               |                   | 1,334,764,213       | 1,334,764,213                  | —              | —               | —                     |
| State and local government series |                   | 6,876,551           | 2,330,832                      | 2,291,553      | 1,231,666       | 1,022,500             |
| Structured debt obligations       |                   | 519,315,342         | 35,704,002                     | 172,459,101    | 152,230,551     | 158,921,688           |
| Total                             |                   | \$ 3,339,603,189    | 1,454,248,795                  | 483,769,480    | 426,754,616     | 974,830,298           |

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As of March 31, 2013, the Corporation had the following investments, credit risks and maturities:

| Investment type                   | Credit risk range | Cost/<br>fair value     | Investment maturities in years |                    |                    |                       |
|-----------------------------------|-------------------|-------------------------|--------------------------------|--------------------|--------------------|-----------------------|
|                                   |                   |                         | Less than<br>1 year            | 1 – 5<br>years     | 6 – 10<br>years    | More than<br>10 years |
| Non-U.S. government backed:       |                   |                         |                                |                    |                    |                       |
| Guaranteed investment contracts   | A – AAA           | \$ 899,349,610          | 75,520,289                     | 193,933,035        | 206,870,140        | 423,026,146           |
| Municipal obligations             | BBB – AAA         | 742,881,381             | 40,663,526                     | 109,915,705        | 72,322,837         | 519,979,313           |
| Structured debt obligations       | Aa2               | 50,000,000              | 2,021,748                      | 24,341,275         | 19,196,664         | 4,440,313             |
| U.S. government backed:           |                   |                         |                                |                    |                    |                       |
| U.S. Treasury bills               |                   | 1,006,877,586           | 1,006,877,586                  | —                  | —                  | —                     |
| State and local government series |                   | 18,505,376              | 2,753,830                      | 5,490,830          | 4,908,216          | 5,352,500             |
| Structured debt obligations       |                   | 531,437,679             | 12,122,337                     | 173,045,982        | 162,672,591        | 183,596,769           |
| Total                             |                   | <u>\$ 3,249,051,632</u> | <u>1,139,959,316</u>           | <u>506,726,827</u> | <u>465,970,448</u> | <u>1,136,395,041</u>  |

With regard to the investments above, the Corporation has an investment policy that limits its exposure to losses arising from credit risk, interest rate risk, custodial credit risk, and concentration of credit risk.

Credit risk is the risk that an issuer will not fulfill its obligations. The Corporation's policy is to follow State law which limits the investments that the Corporation can make and generally limits the Corporation's exposure to credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation's policy for managing this risk is to hold investment securities to maturity, at which time the fair value of the investment is equal to its stated maturity value.

Custodial credit risk for deposits and investments is the risk that in the event of the failure of the counterparty to perform on a transaction, the Corporation will not be able to recover the value of deposits or investment securities that are in the possession of an outside party. In order to manage this risk the Corporation's deposits or investments are collateralized and held by a third party.

Other than U.S. government and U.S. Government Guaranteed securities, New York State General Obligation securities and New York State Personal Income Tax securities, EFC's investment policies limit any single obligor's uncollateralized investments to no more than 15% of the combined SRF program's long term nonpurpose, unpledged investment buy program. Concentration of credit risk in EFC's Guaranteed Investment Contracts portfolio is minimized by obligors providing collateralization of at least 113% of invested funds to a third party custodian.

As of March 31, 2014, the Corporation had five providers of guaranteed investment contracts, four of which were obligated for more than 5% of the total investment portfolio. The four providers were Societe General with \$258.4 million or 38% of the portfolio, JP Morgan Chase with \$226.1 million or 33% of the portfolio, Bank of America with \$146.5 million or 22% of the portfolio, and Citigroup with \$43.1 million or 6% of the portfolio.

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As of March 31, 2013, the Corporation had five providers of guaranteed investment contracts, three of which were obligated for more than 5% of the total investment portfolio. The three providers were Societe General with \$413.7 million or 46% of the portfolio, JP Morgan Chase with \$238.2 million or 27% of the portfolio, and Bank of America with \$191.1 million or 21% of the portfolio.

**(5) Short Term Financings Receivable**

Short term financings receivable are provided with SRF capitalization grant monies, repayments, and/or interest earnings. This program assists eligible recipients with cash flow needs through project design and construction. The program provides short term (generally up to three years) interest free and/or market rate financings to eligible recipients which have completed the facility planning process but in most instances are not ready to apply for long term (up to thirty years) financing.

Under the American Recovery and Reinvestment Act of 2009 (ARRA) the CWSRF and DWSRF are required to offer additional subsidization of no less than 50% in the form of principal forgiveness, grants, or negative interest loans. EFC has established a reserve against receivables based on amounts disbursed and categorized as subject to principal forgiveness.

Short term financings receivable is comprised of the following at March 31, 2014:

|   | <u>CWSRF</u>          | <u>DWSRF</u>       | <u>Total</u>         |
|---|-----------------------|--------------------|----------------------|
| Receivable subject to principal forgiveness                                     | \$ 298,568,529        | 9,318,169          | 307,886,698          |
| Other short term financing receivable   | <u>356,005,855</u>    | <u>110,139,045</u> | <u>466,144,900</u>   |
|   | 654,574,384           | 119,457,214        | 774,031,598          |
| Less reserve for principal forgiveness  | <u>(298,568,529)</u>  | <u>(9,318,169)</u> | <u>(307,886,698)</u> |
| Short term financing<br>receivable, net of reserve<br>for principal forgiveness | <u>\$ 356,005,855</u> | <u>110,139,045</u> | <u>466,144,900</u>   |

Short term financings receivable is comprised of the following at March 31, 2013:

|   | <u>CWSRF</u>          | <u>DWSRF</u>        | <u>Total</u>         |
|---|-----------------------|---------------------|----------------------|
| Receivable subject to principal forgiveness                                     | \$ 303,936,816        | 35,266,550          | 339,203,366          |
| Other short term financing receivable   | <u>216,474,395</u>    | <u>330,920,048</u>  | <u>547,394,443</u>   |
|   | 520,411,211           | 366,186,598         | 886,597,809          |
| Less reserve for principal forgiveness  | <u>(303,936,816)</u>  | <u>(35,266,550)</u> | <u>(339,203,366)</u> |
| Short term financing<br>receivable, net of reserve<br>for principal forgiveness | <u>\$ 216,474,395</u> | <u>330,920,048</u>  | <u>547,394,443</u>   |

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Other short term financings receivable mature as follows:

|                       | <u>CWSRF</u>          | <u>DWSRF</u>       | <u>Total</u>       |
|-----------------------|-----------------------|--------------------|--------------------|
| Year ending March 31: |                       |                    |                    |
| 2015                  | \$ 171,389,525        | 54,210,970         | 225,600,495        |
| 2016                  | 52,618,713            | 35,790,895         | 88,409,608         |
| 2017                  | 131,997,617           | 20,137,180         | 152,134,797        |
|                       | <u>\$ 356,005,855</u> | <u>110,139,045</u> | <u>466,144,900</u> |

**(6) Direct Financings Receivable**

Direct financings receivable are provided with SRF capitalization grant monies, repayments, interest earnings and/or administrative fees. Direct financings receivable have been issued with interest rates that range from 0% to 5.6% and mature through the year 2043.

Direct financings receivable mature as follows:

|                       | <u>CWSRF</u>            | <u>DWSRF</u>       | <u>Total</u>         |
|-----------------------|-------------------------|--------------------|----------------------|
| Year ending March 31: |                         |                    |                      |
| 2015                  | \$ 39,727,545           | 20,749,387         | 60,476,932           |
| 2016                  | 39,882,041              | 21,861,281         | 61,743,322           |
| 2017                  | 45,830,774              | 21,880,107         | 67,710,881           |
| 2018                  | 39,962,060              | 21,887,435         | 61,849,495           |
| 2019                  | 35,636,632              | 21,838,684         | 57,475,316           |
| 2020–2024             | 203,508,186             | 101,667,785        | 305,175,971          |
| 2025–2029             | 203,276,032             | 76,688,661         | 279,964,693          |
| 2030–2034             | 218,930,018             | 64,099,545         | 283,029,563          |
| 2035–2039             | 116,650,115             | 42,509,907         | 159,160,022          |
| 2040–2044             | 63,688,315              | 7,428,870          | 71,117,185           |
|                       | <u>\$ 1,007,091,718</u> | <u>400,611,662</u> | <u>1,407,703,380</u> |

**(7) SRF Bonds Receivable and Bonds Payable**

EFC issues special obligation bonds under the SRF programs and in certain cases these bond proceeds together with equity funds are used to provide financial assistance to eligible recipients. The financial assistance is provided pursuant to a financing agreement between EFC and each recipient in which EFC agrees to purchase and the recipient agrees to sell its bonds in the principal amount of its financing to EFC. These financing agreements will serve as the primary security for EFC's bonds. Additionally, SRF program debt service reserve funds may be available to collateralize the outstanding bonds. The principal and interest payments of the project financing agreements are structured to be sufficient to pay the full principal and interest payments on EFC's bonds. EFC's bonds are issued subject to the terms of a Master

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Trust Agreement, various Financing Indentures of Trusts, and a Supplemental Financing Indenture of Trust that is issued for each bond issue.

Bond proceeds net of issuance costs, and in certain cases equity funds, are deposited in construction funds simultaneously with the issuance and sale of the SRF revenue bonds and are generally held for the recipients by the SRF trustee under a third party agreement. The construction fund proceeds are recorded on the recipients financial statements and are not included in EFC's financial statements. Moneys available and on deposit in the construction funds were \$81.7 million at March 31, 2014 and \$67.6 million at March 31, 2013.

The bonds of each series are not general obligations of EFC. Bonds are payable solely from payments made by each recipient to the trustee and any other pledged funds held by the trustee.

Certain bond series provide for optional redemption provisions equal to 100% of the principal amount to be redeemed.

The following is a schedule of CWSRF bonds receivable outstanding at March 31, 2014 and March 31, 2013:

| <b>Bond issue</b>      | <b>Range of<br/>interest<br/>rates</b> | <b>Year of<br/>maturity</b> | <b>March 31</b> |             |
|------------------------|--|-----------------------------|-----------------|-------------|
|                        |  |                             | <b>2014</b>     | <b>2013</b> |
| Series 1991E, 12/1/91  | 6.50%                                  | 2014                        | \$ 89,742       | 288,946     |
| Series 1993B, 9/15/93  | 5.20                                   | 2014                        | 295,000         | 2,140,000   |
| Series 1994A, 3/15/94  |  | 2013                        | —               | 12,755,000  |
| Series 1994E, 12/1/94  | 6.875                                  | 2016                        | 4,410,000       | 8,215,000   |
| Series 2002K, 11/14/02 | 2.00 – 5.00                            | 2028                        | 130,835,000     | 160,630,000 |
| Series 2002L, 11/26/02 | 4.00 – 5.00                            | 2015                        | 11,310,000      | 17,602,000  |
| Series 2003B, 3/20/03  | 5.25                                   | 2015                        | 8,340,000       | 12,290,000  |
| Series 2003C, 3/20/03  | 5.25                                   | 2015                        | 4,255,000       | 6,255,000   |
| Series 2003E, 4/23/03  |  | 2032                        | —               | 208,688,676 |
| Series 2003F, 7/24/03  |  | 2033                        | —               | 50,365,000  |
| Series 2003G, 9/25/03  |  | 2033                        | —               | 14,540,000  |
| Series 2003I, 10/9/03  |  | 2033                        | —               | 217,878,376 |
| Series 2004B, 3/4/04   | 4.00 – 5.00                            | 2033                        | 37,240,000      | 40,430,000  |
| Series 2004C, 4/7/04   | 4.438 – 5.125                          | 2033                        | 101,274,722     | 187,954,444 |
| Series 2004D, 7/22/04  | 4.00 – 5.00                            | 2034                        | 107,185,000     | 112,880,000 |
| Series 2004E, 8/11/04  |  | 2034                        | —               | 170,575,834 |
| Series 2004F, 11/30/04 | 4.265 – 5.00                           | 2034                        | 148,939,797     | 297,599,594 |
| Series 2005A, 3/3/05   | 3.40 – 5.00                            | 2034                        | 84,215,000      | 89,585,000  |
| Series 2005B, 7/28/05  | 3.40 – 5.50                            | 2035                        | 74,820,000      | 79,165,000  |
| Series 2005C, 10/12/05 | 4.213 – 5.00                           | 2035                        | 141,723,696     | 146,748,044 |

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| <u>Bond issue</u>                        | <u>Range of<br/>interest<br/>rates</u> | <u>Year of<br/>maturity</u> | <u>March 31</u>         |                        |
|--|--|-----------------------------|-------------------------|------------------------|
|  |  |                             | <u>2014</u>             | <u>2013</u>            |
| Series 2005D, 11/15/05                   | 3.75 – 5.00%                           | 2024                        | \$ 12,270,000           | 17,575,000             |
| Series 2006A, 6/22/06                    | 4.276 – 5.43                           | 2036                        | 151,802,292             | 156,778,057            |
| Series 2006B, 6/22/06                    | 4.272 – 5.50                           | 2036                        | 194,127,151             | 200,417,868            |
| Series 2006C, 7/27/06                    | 4.00 – 5.00                            | 2036                        | 110,015,000             | 114,755,000            |
| Series 2007A, 3/27/07                    | 3.625 – 5.00                           | 2036                        | 172,245,695             | 178,339,260            |
| Series 2007B, 3/27/07                    | 4.50 – 5.00                            | 2036                        | 219,942,989             | 227,555,652            |
| Series 2007C, 5/15/07                    | 4.125 – 5.00                           | 2024                        | 135,680,000             | 149,330,000            |
| Series 2007D, 7/26/07                    | 4.00 – 5.00                            | 2037                        | 86,440,000              | 90,935,000             |
| Series 2008A, 5/22/08                    | 4.625 – 5.00                           | 2037                        | 115,530,145             | 119,273,174            |
| Series 2008B, 5/22/08                    | 4.00 – 5.00                            | 2037                        | 147,948,935             | 152,830,722            |
| Series 2009A, 4/2/09                     | 5.00 – 5.25                            | 2038                        | 282,976,350             | 289,384,075            |
| Series 2010A, 2/11/10                    | 3.50 – 5.00                            | 2029                        | 99,085,552              | 104,320,644            |
| Series 2010B, 2/11/10                    | 5.707 – 5.807                          | 2039                        | 111,440,000             | 111,440,000            |
| Series 2010C, 6/24/10                    | 3.00 – 5.00                            | 2039                        | 129,875,000             | 72,840,000             |
| Series 2011A, 3/17/11                    | 3.00 – 5.00                            | 2021                        | 74,010,000              | 45,473,917             |
| Series 2011B, 6/17/11                    | 4.00 – 5.00                            | 2041                        | 351,961,306             | 363,068,664            |
| Series 2011C, 7/21/11                    | 3.00 – 5.00                            | 2041                        | 165,139,000             | 108,191,649            |
| Series 2012A, 5/31/12                    | 2.00 – 5.00                            | 2029                        | 439,940,000             | 468,465,000            |
| Series 2012B, 6/21/12                    | 2.00 – 5.00                            | 2042                        | 156,414,444             | 86,758,061             |
| Series 2012C, 6/21/12                    | 0.599 – 3.684                          | 2029                        | 24,860,000              | 12,960,000             |
| Series 2012D, 7/12/12                    | 2.00 – 5.00                            | 2028                        | 310,950,000             | 316,790,000            |
| Series 2012E, 11/15/12                   | 2.00 – 5.00                            | 2042                        | 179,104,328             | 101,084,084            |
| Series 2012F, 11/15/12                   | 0.52 – 2.806                           | 2024                        | 52,089,000              | 31,145,333             |
| Series 2013A, 7/11/13                    | 3.00 – 5.00                            | 2033                        | 381,800,000             | —                      |
| Series 2013B, 8/1/13                     | 2.00 – 5.00                            | 2043                        | 275,798,510             | —                      |
| Series 2014A, 3/27/14                    | 2.00 – 5.00                            | 2034                        | 327,675,000             | —                      |
|  |  |                             | <u>\$ 5,564,053,654</u> | <u>5,356,297,074</u>   |
| Beginning balance                        |  |                             | \$ 5,735,069,404        | 5,996,429,768          |
| Reclassification of Direct<br>Financings |  |                             | —                       | 378,772,330            |
| Bonds issued                             |  |                             | 985,273,510             | 1,018,798,214          |
| Bonds retired                            |  |                             | <u>(1,156,289,260)</u>  | <u>(1,658,930,908)</u> |
| Ending balance                           |  |                             | <u>\$ 5,564,053,654</u> | <u>5,735,069,404</u>   |

Included in CWSRF bonds payable are unamortized bond premiums/discounts of \$92,558,288 at March 31, 2014 and \$98,152,074 at March 31, 2013.

The New York City Municipal Water Finance Authority makes up 72% of the CWSRF bonds receivable at March 31, 2014 and 80% at March 31, 2013.

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The following is a schedule of DWSRF bonds receivable outstanding at March 31, 2014 and March 31, 2013:

| Bond issue             | Range of<br>interest<br>rates | Year of<br>maturity | March 31                |                      |
|------------------------|-------------------------------|---------------------|-------------------------|----------------------|
|                        |                               |                     | 2014                    | 2013                 |
| Series 2003E, 4/23/03  | 4.00 – 5.00%                  | 2026                | \$ —                    | 13,492,502           |
| Series 2003F, 7/24/03  | 3.75 – 5.00                   | 2024                | —                       | 34,905,000           |
| Series 2003G, 9/25/03  | 4.50 – 5.00                   | 2023                | —                       | 5,580,000            |
| Series 2003H, 9/25/03  | 4.66 – 5.59                   | 2019                | —                       | 7,810,000            |
| Series 2003I, 10/9/03  | 3.50 – 5.00                   | 2026                | —                       | 14,563,324           |
| Series 2004B, 3/4/04   | 3.00 – 5.00                   | 2023                | 2,030,000               | 2,205,000            |
| Series 2004C, 4/7/04   | 4.50 – 5.25                   | 2026                | 5,763,808               | 12,807,617           |
| Series 2004D, 7/22/04  | 3.50 – 5.00                   | 2026                | 25,315,000              | 27,185,000           |
| Series 2004A, 8/3/04   | 5.40                          | 2021                | 4,095,000               | 4,095,000            |
| Series 2004E, 8/11/04  | 3.30 – 5.00                   | 2026                | —                       | 12,195,652           |
| Series 2004F, 11/30/04 | 5.00 – 5.25                   | 2026                | 4,136,330               | 11,432,660           |
| Series 2005A, 3/3/05   | 3.50 – 5.00                   | 2025                | 3,700,000               | 3,970,000            |
| Series 2005B, 7/28/05  | 3.375 – 5.50                  | 2025                | 5,190,000               | 5,530,000            |
| Series 2005C, 10/12/05 | 4.25 – 5.00                   | 2027                | 35,746,517              | 38,204,776           |
| Series 2006A, 6/22/06  | 4.75 – 5.50                   | 2028                | 14,787,044              | 15,649,392           |
| Series 2006B, 6/22/06  | 4.625 – 5.50                  | 2028                | 18,847,180              | 19,961,240           |
| Series 2006C, 7/27/06  | 4.00 – 5.00                   | 2028                | 37,180,000              | 39,260,000           |
| Series 2007A, 3/27/07  | 3.625 – 5.00                  | 2029                | 17,097,429              | 18,096,572           |
| Series 2007B, 3/27/07  | 4.50 – 5.00                   | 2029                | 21,927,453              | 23,161,604           |
| Series 2007D, 7/26/07  | 4.00 – 5.00                   | 2036                | 28,115,000              | 29,315,000           |
| Series 2008A, 5/22/08  | 4.625 – 5.00                  | 2030                | 96,034,450              | 105,617,660          |
| Series 2008B, 5/22/08  | 4.00 – 5.00                   | 2030                | 47,257,010              | 49,607,412           |
| Series 2009A, 4/2/09   | 4.00 – 5.25                   | 2031                | 62,664,418              | 65,361,821           |
| Series 2010A, 2/11/10  | 4.00 – 5.00                   | 2016                | 13,357,375              | 17,613,616           |
| Series 2010B, 2/11/10  | 4.005 – 5.707                 | 2029                | 85,020,000              | 85,020,000           |
| Series 2010C, 6/24/10  | 3.00 – 5.00                   | 2039                | 76,195,000              | 56,146,637           |
| Series 2011A, 3/17/11  | 3.00 – 5.00                   | 2022                | 82,510,668              | 63,194,032           |
| Series 2011B, 6/17/11  | 2.00 – 5.00                   | 2031                | 173,493,353             | 182,031,532          |
| Series 2011C, 7/21/11  | 3.00 – 5.00                   | 2041                | 111,873,873             | 85,835,116           |
| Series 2012A, 5/31/12  | 2.00 – 5.00                   | 2022                | 24,850,000              | 27,680,000           |
| Series 2012B, 6/21/12  | 2.00 – 5.00                   | 2032                | 13,742,435              | 11,202,167           |
| Series 2012E, 11/15/12 | 2.00 – 5.00                   | 2032                | 13,214,020              | 9,339,330            |
| Series 2013A, 7/11/13  | 3.00 – 5.00                   | 2026                | 19,290,000              | —                    |
| Series 2013B, 8/1/13   | 2.00 – 5.00                   | 2042                | 61,207,661              | —                    |
| Series 2014A, 3/27/14  | 2.00 – 5.00                   | 2026                | 19,710,000              | —                    |
|                        |                               |                     | <u>\$ 1,124,351,024</u> | <u>1,098,069,662</u> |

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| <u>Bond issue</u>                        | <u>Range of<br/>interest<br/>rates</u> | <u>Year of<br/>maturity</u> | <u>March 31</u>         |                      |
|--|--|-----------------------------|-------------------------|----------------------|
|  |  |                             | <u>2014</u>             | <u>2013</u>          |
| Beginning balance                        |  |                             | \$ 1,197,753,777        | 1,176,065,396        |
| Reclassification of Direct<br>Financings |  |                             | —                       | 99,684,115           |
| Bonds issued                             |  |                             | 100,207,661             | 48,587,646           |
| Bonds retired                            |  |                             | <u>(173,610,414)</u>    | <u>(126,583,380)</u> |
| Ending balance                           |  |                             | <u>\$ 1,124,351,024</u> | <u>1,197,753,777</u> |

Included in DWSRF bonds payable are unamortized bond premiums/discounts of \$42,202,763 at March 31, 2014 and \$46,359,662 at March 31, 2013.

The New York City Municipal Water Finance Authority makes up 59% of the DWSRF bonds receivable at March 31, 2014 and 65% at March 31, 2013.

Defeased in-substance debt outstanding which is no longer recorded on EFC's statements of net position amounted to \$521.8 million at March 31, 2014 and \$143.0 million at March 31, 2013.

In fiscal 2014, the Corporation issued \$915.1 million of State Revolving Funds Revenue Bonds. A portion of the proceeds, including a premium of \$108.4 million, were used to redeem eight series of previously issued SRF bonds which totaled \$946.7 million. As a result of refinancing, the underlying borrowers in these transactions will realize \$84.4 million in present value savings. The remaining bond proceeds were used to provide financial assistance to eligible recipients.

In fiscal 2013, the Corporation issued \$1 billion of State Revolving Funds Revenue Bonds. A portion of the proceeds, including a premium of \$93.2 million, were used to redeem sixteen series of previously issued SRF bonds which totaled \$673.8 million. As a result of refinancing, the underlying borrowers in these transactions will realize \$94.9 million in present value savings. The remaining bond proceeds were used to provide financial assistance to eligible recipients.

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Principal payments on bonds receivable mature as follows:

|                       | <u>CWSRF</u>            | <u>DWSRF</u>         | <u>Total</u>         |
|-----------------------|-------------------------|----------------------|----------------------|
| Year ending March 31: |                         |                      |                      |
| 2015                  | \$ 297,443,685          | 81,113,919           | 378,557,604          |
| 2016                  | 293,899,043             | 82,753,589           | 376,652,632          |
| 2017                  | 289,111,686             | 82,442,448           | 371,554,134          |
| 2018                  | 290,188,538             | 83,183,811           | 373,372,349          |
| 2019                  | 288,352,661             | 84,585,667           | 372,938,328          |
| 2020–2024             | 1,348,021,081           | 335,516,590          | 1,683,537,671        |
| 2025–2029             | 1,132,410,555           | 234,495,000          | 1,366,905,555        |
| 2030–2034             | 976,386,405             | 108,005,000          | 1,084,391,405        |
| 2035–2039             | 544,180,000             | 24,520,000           | 568,700,000          |
| 2040–2044             | 104,060,000             | 7,735,000            | 111,795,000          |
|                       | <u>\$ 5,564,053,654</u> | <u>1,124,351,024</u> | <u>6,688,404,678</u> |

Interest payments on bonds receivable are as follows:

|                       | <u>CWSRF</u>            | <u>DWSRF</u>       | <u>Total</u>         |
|-----------------------|-------------------------|--------------------|----------------------|
| Year ending March 31: |                         |                    |                      |
| 2015                  | \$ 239,511,313          | 42,063,312         | 281,574,625          |
| 2016                  | 230,358,219             | 39,891,044         | 270,249,263          |
| 2017                  | 218,888,659             | 37,469,354         | 256,358,013          |
| 2018                  | 209,259,440             | 35,075,183         | 244,334,623          |
| 2019                  | 195,839,723             | 32,085,616         | 227,925,339          |
| 2020–2024             | 805,516,053             | 122,045,460        | 927,561,513          |
| 2025–2029             | 519,069,648             | 61,400,879         | 580,470,527          |
| 2030–2034             | 273,056,322             | 15,653,191         | 288,709,513          |
| 2035–2039             | 81,251,319              | 4,830,450          | 86,081,769           |
| 2040–2044             | 8,390,131               | 689,577            | 9,079,708            |
|                       | <u>\$ 2,781,140,827</u> | <u>391,204,066</u> | <u>3,172,344,893</u> |

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The following is a reconciliation of bonds receivable to bonds payable:

|                                  | <u>CWSRF</u>            | <u>DWSRF</u>         | <u>Total</u>         |
|----------------------------------|-------------------------|----------------------|----------------------|
| Bonds receivable, March 31, 2014 | \$ 5,564,053,654        | 1,124,351,024        | 6,688,404,678        |
| Equity funded bonds receivable   | <u>(491,435,366)</u>    | <u>(107,768,261)</u> | <u>(599,203,627)</u> |
| Bonds payable, March 31, 2014    | <u>\$ 5,072,618,288</u> | <u>1,016,582,763</u> | <u>6,089,201,051</u> |
| <br>                             |                         |                      |                      |
| Bonds receivable, March 31, 2013 | \$ 5,735,069,404        | 1,197,753,777        | 6,932,823,181        |
| Equity funded bonds receivable   | <u>(378,772,330)</u>    | <u>(99,684,115)</u>  | <u>(478,456,445)</u> |
| Bonds payable, March 31, 2013    | <u>\$ 5,356,297,074</u> | <u>1,098,069,662</u> | <u>6,454,366,736</u> |

Equity funded bonds receivable, or the blend rate funding model, utilizes a combination of bond proceeds from the issuance of EFC special obligation bonds and equity funds available from the CWSRF and DWSRF programs to fund a portion of each underlying recipients' financing. The equity funded portion is essentially an interest free component of each financing which satisfies subsidy targets. Both bond proceeds and equity funds are included in amounts recorded to bonds receivable however, only the bond proceeds are included in amounts recorded to bonds payable. The above tables represent the reconciliation of bonds receivable to bonds payable outstanding at March 31, 2014 and 2013.

**(8) Other Restricted Funds**

EFC acts as a custodian for various funds/programs under other restricted funds. At March 31, 2014 and 2013, EFC's other restricted funds were \$7.0 million and \$18.6 million, respectively. A description of each of the funds is as follows:

DEC Escrow Fund (DEC): This fund is utilized to account for all transactions which occur relative to the agreements between DEC and EFC to administer certain escrow accounts.

Waste Water Treatment Plant Upgrade Program Fund (WWTP): This fund is utilized to account for all transactions which occur relative to the agreement between the New York City Department of Environmental Protection and EFC to administer the WWTP Program.

New Sewage Treatment Infrastructure Fund (NSTI): This fund is utilized to account for all transactions which occur relative to the agreement among the New York City Department of Environmental Protection, EFC, and the Catskill Watershed Corporation to administer the NSTI Program.

Kensico Septic Rehabilitation Reimbursement Program: This fund is utilized to account for all transactions that occur relative to the agreement between the New York City Department of Environmental Protection and EFC to administer the Kensico Program.

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The following is a summary of activities that have occurred within other restricted funds during the year ended March 31, 2014 and 2013:

|                         | <u>DEC</u>          | <u>WWTP</u>       | <u>NSTI</u>    | <u>KENSICO</u>   | <u>Total</u>      |
|-------------------------|---------------------|-------------------|----------------|------------------|-------------------|
| Balance, March 31, 2013 | \$ 3,742,165        | 11,951,378        | 404,927        | 2,535,775        | 18,634,245        |
| Receipts:               |                     |                   |                |                  |                   |
| Program advances        | —                   | 1,826,167         | 514,028        | —                | 2,340,195         |
| Interest earnings       | 2,990               | 6,512             | 228            | 2,151            | 11,881            |
| Total receipts          | <u>2,990</u>        | <u>1,832,679</u>  | <u>514,256</u> | <u>2,151</u>     | <u>2,352,076</u>  |
| Disbursements:          |                     |                   |                |                  |                   |
| Project expenses        | 563,418             | 12,126,561        | 781,109        | 35,689           | 13,506,777        |
| Administrative expenses | 18,000              | 459,037           | 8,684          | 10,442           | 496,163           |
| Total disbursements     | <u>581,418</u>      | <u>12,585,598</u> | <u>789,793</u> | <u>46,131</u>    | <u>14,002,940</u> |
| Balance, March 31, 2014 | <u>\$ 3,163,737</u> | <u>1,198,459</u>  | <u>129,390</u> | <u>2,491,795</u> | <u>6,983,381</u>  |
|                         |                     |                   |                |                  |                   |
|                         | <u>DEC</u>          | <u>WWTP</u>       | <u>NSTI</u>    | <u>KENSICO</u>   | <u>Total</u>      |
| Balance, March 31, 2012 | \$ 26,322,226       | 8,395,518         | 928,503        | 2,636,714        | 38,282,961        |
| Receipts:               |                     |                   |                |                  |                   |
| Program advances        | —                   | 14,651,622        | 310,703        | —                | 14,962,325        |
| Interest earnings       | 25,742              | 11,644            | 969            | 3,871            | 42,226            |
| Total receipts          | <u>25,742</u>       | <u>14,663,266</u> | <u>311,672</u> | <u>3,871</u>     | <u>15,004,551</u> |
| Disbursements:          |                     |                   |                |                  |                   |
| Project expenses        | 22,581,803          | 10,454,530        | 824,449        | 86,204           | 33,946,986        |
| Administrative expenses | 24,000              | 652,876           | 10,799         | 18,606           | 706,281           |
| Total disbursements     | <u>22,605,803</u>   | <u>11,107,406</u> | <u>835,248</u> | <u>104,810</u>   | <u>34,653,267</u> |
| Balance, March 31, 2013 | <u>\$ 3,742,165</u> | <u>11,951,378</u> | <u>404,927</u> | <u>2,535,775</u> | <u>18,634,245</u> |

**(9) Industrial Financing Program**

EFC has entered into agreements with private sector companies to provide funds for certain environmental projects and with New York State to provide funding to the State for certain programs. Industrial Financing Bonds for Private Activity Bonds are considered conduit debt and not included as obligations in the accompanying financial statements of EFC.

Private Activity Bonds: Under the terms of the agreements, EFC issues bonds on behalf of private sector companies for use in the construction or refinancing of certain environmental projects. The bonds issued are special obligation revenue bonds payable solely from funds provided by the companies and do not

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constitute a liability of EFC or New York State. Private Activity Bonds outstanding totaled \$132.2 million at March 31, 2014 and \$146.9 million at March 31, 2013.

State Appropriation Bonds: Under these agreements, EFC issues bonds on behalf of the State to provide funding for certain programs. The bonds issued are special obligation bonds, payable solely from and collateralized by, payments from the State under various agreements. The obligations of the State to make payments under these agreements are subject to, and dependent upon, the making of annual appropriations by the State Legislature. The bonds are not general obligations of EFC and do not constitute an indebtedness against the general credit of the Corporation. State Appropriation Bonds outstanding totaled \$634.7 million at March 31, 2014 and \$779.8 million at March 31, 2013. This amount is reported as appropriation bonds payable and receivable from the State of New York in the accompanying financial statements of EFC.

Principal and interest payments on state appropriation bonds receivable/payable mature as follows:

|                       | <u>Principal</u>      | <u>Interest</u>    | <u>Total</u>       |
|-----------------------|-----------------------|--------------------|--------------------|
| Year ending March 31: |                       |                    |                    |
| 2015                  | \$ 57,790,000         | 30,540,000         | 88,330,000         |
| 2016                  | 57,925,000            | 27,872,000         | 85,797,000         |
| 2017                  | 51,985,000            | 25,361,000         | 77,346,000         |
| 2018                  | 49,410,000            | 22,769,000         | 72,179,000         |
| 2019                  | 49,920,000            | 20,434,000         | 70,354,000         |
| 2020–2024             | 213,090,000           | 67,549,000         | 280,639,000        |
| 2025–2029             | 154,595,000           | 20,939,000         | 175,534,000        |
|                       | <u>\$ 634,715,000</u> | <u>215,464,000</u> | <u>850,179,000</u> |

Defeased in-substance debt outstanding on state appropriation bonds which is no longer recorded on EFC's statements of net position amounted to \$67.4 million at March 31, 2014 and \$30.3 million at March 31, 2013.

**(10) Retirement Plan**

Retirement Plan: Employees of EFC are members of the New York State and Local Employees' Retirement System (System), a defined benefit cost-sharing, multiple-employer public employee retirement system. The State Comptroller is sole trustee and administrative head of the System. The System issues a publicly available financial report that includes financial statements and required supplementary information which may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State St, Albany, New York.

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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 upon the point in time at which an employee first joined the System (membership tier). Most members of the System who joined before July 27, 1976 or have been a member of the System for at least ten years are enrolled in a noncontributory plan; the Corporation contributes the entire amount determined to be payable to the System. Personnel who joined the System July 27, 1976 or after and have not been a member of the System for at least ten years or who joined the system after December 31, 2009 are required by law to contribute a percentage of their gross salary; the Corporation contributes the balance payable to the System for these employees.

System funding requirements are determined by the actuary of the System using the aggregate funding method. The System calculates the employer contribution as a result of multiplying projected salaries by the actuarially determined contribution rates.

The employer contributions for the System covered employees of EFC for the fiscal years ended March 31, 2014, 2013, and 2012, were \$1.8 million, \$1.5 million, and \$1.1 million, respectively, which were 100% of the required contribution.

**(11) Other Postemployment Benefits**

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

Funding Policy: Health insurance premiums for retired employees are equal to the premiums charged for active employees. EFC pays a portion of the premium for medical coverage for the employee and spouse for the lifetimes of the employee and spouse based on the plan chosen by the employee. EFC also reimburses retirees, spouses, and surviving spouses for their entire Medicare Part B premium payment. The dollar value of accumulated sick leave credits at the time of retirement is converted to a lifetime monthly credit, which is used to reduce the portion of the health insurance premiums paid directly by retirees and in some instances their surviving spouse for life.

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Annual OPEB: EFC's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of thirty years. The following table shows the components of EFC's annual OPEB cost for 2014 and 2013, the amount actually contributed to the plan, and changes in EFC's net OPEB obligation:

|   | <u>2014</u>          | <u>2013</u>       |
|---|----------------------|-------------------|
| Annual OPEB cost:                               |                      |                   |
| Annual required contribution (ARC):             |                      |                   |
| Normal cost                                     | \$ 2,503,900         | 2,430,900         |
| Past service cost                               | 1,656,100            | 1,542,400         |
| Total   | <u>4,160,000</u>     | <u>3,973,300</u>  |
| ARC adjustment                                  | (420,362)            | (304,168)         |
| Interest on net OPEB obligation                 | 381,184              | 275,820           |
| Annual OPEB cost                                | <u>\$ 4,120,822</u>  | <u>3,944,952</u>  |
| Net OPEB obligation:                            |                      |                   |
| Net OPEB obligation at beginning of fiscal year | \$ 12,706,143        | 9,193,993         |
| Annual OPEB cost                                | 4,120,822            | 3,944,952         |
| Employer contribution                           | <u>(498,141)</u>     | <u>(432,802)</u>  |
| Net OPEB obligation at end of fiscal year       | <u>\$ 16,328,824</u> | <u>12,706,143</u> |

EFC's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014, 2013, and 2012 were as follows:

| <u>Fiscal year ended</u> | <u>Annual<br/>OPEB cost</u> | <u>Actual<br/>contribution</u> | <u>Percentage<br/>of annual<br/>OPEB cost<br/>contributed</u> | <u>NET OPEB<br/>obligation</u> |
|--------------------------|-----------------------------|--------------------------------|---|--------------------------------|
| March 31, 2014           | \$ 4,120,822                | 498,141                        | 12.1  | 16,328,824                     |
| March 31, 2013           | 3,944,952                   | 432,802                        | 11.0  | 12,706,143                     |
| March 31, 2012           | 2,513,812                   | 415,486                        | 16.5  | 9,193,993                      |

Funded Status and Funding Progress: As of January 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$46.6 million all of which was unfunded.

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

| Actuarial<br>valuation<br>date | Actuarial<br>value of<br>assets<br>(a) | Actuarial<br>Accrued<br>liability<br>(b) | Unfunded<br>Accrued<br>Liability<br>(UAAL)<br>(b-a) | Funded<br>ratio<br>(a/b) | Covered<br>payroll<br>(c) | UAL as a<br>percentage<br>of covered<br>payroll<br>((b-a)/c) |
|--------------------------------|--|--|---|--------------------------|---------------------------|--|
| 1/1/2013                       | \$ —                                   | 46,618,500                               | 46,618,500  | —%                       | 7,736,307                 | 602.6%   |

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

In the January 1, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3% baseline discount rate. The 3% baseline discount rate assumes the benefits are not prefunded, so the discount rate is based on the expected earnings of EFC's general investments. The actuarial assumptions also included a baseline medical inflation rate of 8.8% initially, reduced to a rate of 5.8% by 2042, and an annual Medicare Part B premium inflation rate of 8.8% for post-65 medical benefits. The UAAL's amortization technique produces annual payments that are designed to increase over time as payroll grows. The Corporation has selected a 30 year open amortization period.

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**(12) Commitments and Contingencies**

The Corporation rents office space located at 625 Broadway, Albany, New York, from the New York State Office of General Services (OGS). EFC has consolidated its office space to one floor and is currently in the process of renegotiating a new long term permit/lease with OGS. The permit/lease is expected to include a fixed basic fee to cover debt service on the building, as well as a pro rata share of the buildings operating costs, real estate taxes, and utilities. All costs, debt service and occupancy costs, under the permit/lease are recognized in the statements of revenues, expenses, and changes in net position as part of administrative costs. For the year ended March 31, 2014 and 2013 these costs are as follows:

|                 | <b>2014</b> | <b>2013</b> |
|-----------------|-------------|-------------|
| Debt service    | \$ 249,879  | 249,879     |
| Occupancy costs | 348,000     | 319,000     |
|                 | \$ 597,879  | 568,879     |

At March 31, 2014, the undisbursed balance of active SRF short term direct loans and grants closed were \$725.8 million and \$106.4 million, respectively.

In August 2013, the Corporation through the State Revolving Fund (SRF), guaranteed \$24.3 million Series 2013A Residential Energy Efficiency Financing Revenue Bonds issued by the New York State Energy Research and Development Authority (NYSERDA). The bonds have semi-annual interest payments each January and July 1 and annual principal payments each July 1 from January 1, 2014 to July 1, 2028 and are secured with a pledge of payments from certain residential energy efficiency loans funded by NYSERDA. Under the terms of the guarantee agreement, the Corporation guarantees full and timely payment of principal and interest on the bonds in the event NYSERDA fails to pay when due and payable. NYSERDA deposited with an escrow agent, The Bank of New York Mellon, approximately \$8.5 million in a Collateral Reserve account, which may be used by the Corporation to fund or reimburse the SRF if loan repayments and interest subsidies are insufficient to meet scheduled payments on the bonds, and if there are insufficient additional funds available from the residential energy efficiency loan program.

EFC is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of EFC's general counsel the resolution of these matters will not have a material adverse effect on the financial position, changes in financial position, or cash flows of EFC.

**(13) Subsequent Events**

The Corporation has evaluated subsequent events from the statement of net position date of March 31, 2014 through June 26, 2014, the date at which the financial statements were available to be issued. No significant financings have occurred during this period. However, EFC is scheduled to close on July 2, 2014 on \$213.6 million of its State Revolving Funds Revenue Bonds, Series 2014B (2010 Master Financing Program) (Green Bonds). These proceeds as well as \$221.0 million in Equity Funds will be used to fund long term financings to various recipients.

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Schedule of Funding Progress for the Retiree Health Plan (Unaudited)

March 31, 2014

| Actuarial<br>valuation<br>date | Actuarial<br>value of<br>assets<br>(a) | Accrued<br>liability<br>(b) | Unfunded<br>Accrued<br>Liability<br>(UAL)<br>(b-a) | Funded<br>ratio<br>(a/b) | Covered<br>payroll<br>(c) | UAL as a<br>percentage<br>of covered<br>payroll<br>((b-a)/c) |
|--------------------------------|--|-----------------------------|--|--------------------------|---------------------------|--|
| 1/1/2013                       | \$ —                                   | 46,618,500                  | 46,618,500   | —%                       | 7,736,307                 | 602.6%   |
| 1/1/2010                       | —                                      | 21,591,800                  | 21,591,800   | —                        | 8,696,790                 | 248.3  |
| 1/1/2008                       | —                                      | 17,271,100                  | 17,271,100   | —                        | 7,896,000                 | 218.7  |

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Other Supplementary Information – Combining Schedule of Net Position  
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| Assets   | 2014                                |                      |                      |                       | 2013                 |                      |                      |                       |
|--|-------------------------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|
|  | Corporate activities                | CWSRF                | DWSRF                | Total                 | Corporate activities | CWSRF                | DWSRF                | Total                 |
| Current assets:  |                                     |                      |                      |                       |                      |                      |                      |                       |
| Cash and cash equivalents:                                       | \$ 13,276,085                       | —                    | —                    | 13,276,085            | 12,479,569           | —                    | —                    | 12,479,569            |
| Contractual services and fees receivable                         | 519,458                             | —                    | —                    | 519,458               | 291,430              | —                    | —                    | 291,430               |
| Restricted assets:   |                                     |                      |                      |                       |                      |                      |                      |                       |
| Cash and cash equivalents  | —                                   | 614,678,622          | 215,502,083          | 830,180,705           | —                    | 877,535,782          | 209,133,954          | 1,086,669,736         |
| Contractual services and fees receivable                         | —                                   | 83,666               | 42,242               | 125,908               | —                    | 144,965,072          | (144,633,387)        | 331,685               |
| Interest receivable on bonds and direct financings               | —                                   | 73,467,172           | 15,155,471           | 88,622,643            | —                    | 83,045,956           | 16,466,588           | 99,512,544            |
| Interest receivable on cash and cash equivalents and investments | —                                   | 21,108,267           | 2,232,757            | 23,341,024            | —                    | 23,936,417           | 2,499,132            | 26,435,549            |
| Annual fees receivable   | —                                   | 11,591,923           | 1,019,270            | 12,611,193            | —                    | 11,700,342           | 1,091,494            | 12,791,836            |
| Prepaid expense  | —                                   | 5,846,406            | 185,752              | 6,032,158             | —                    | —                    | —                    | —                     |
| Short term financings receivable                                 | —                                   | 171,389,525          | 54,210,970           | 225,600,495           | —                    | 49,291,485           | 227,847,741          | 277,139,226           |
| Direct financing receivable                                      | —                                   | 39,727,545           | 20,749,387           | 60,476,932            | —                    | 35,521,019           | 19,957,704           | 55,478,723            |
| Bonds receivable   | —                                   | 297,443,685          | 81,113,919           | 378,557,604           | —                    | 305,403,843          | 79,342,588           | 384,746,431           |
| Due from New York State, appropriation bonds receivable          | 57,790,000                          | —                    | —                    | 57,790,000            | 59,320,000           | —                    | —                    | 59,320,000            |
| Other restricted funds   | 6,983,381                           | —                    | —                    | 6,983,381             | 18,634,245           | —                    | —                    | 18,634,245            |
| Total current assets   | <u>78,568,924</u>                   | <u>1,235,336,811</u> | <u>390,211,851</u>   | <u>1,704,117,586</u>  | <u>90,725,244</u>    | <u>1,531,399,916</u> | <u>411,705,814</u>   | <u>2,033,830,974</u>  |
| Noncurrent assets:   |                                     |                      |                      |                       |                      |                      |                      |                       |
| Restricted assets:   |                                     |                      |                      |                       |                      |                      |                      |                       |
| Investments  | —                                   | 2,275,422,235        | 276,503,765          | 2,551,926,000         | —                    | 2,045,717,941        | 199,422,571          | 2,245,140,512         |
| Short term financings receivable                                 | —                                   | 184,616,330          | 55,928,075           | 240,544,405           | —                    | 167,182,910          | 103,072,307          | 270,255,217           |
| Direct financings receivable                                     | —                                   | 967,364,173          | 379,862,275          | 1,347,226,448         | —                    | 765,667,609          | 383,138,878          | 1,148,806,487         |
| Bonds receivable   | —                                   | 5,266,609,969        | 1,043,237,105        | 6,309,847,074         | —                    | 5,429,665,561        | 1,118,411,189        | 6,548,076,750         |
| Due from New York State, appropriation bonds receivable          | 576,925,000                         | —                    | —                    | 576,925,000           | 720,455,000          | —                    | —                    | 720,455,000           |
| Total noncurrent assets  | <u>576,925,000</u>                  | <u>8,694,012,707</u> | <u>1,755,531,220</u> | <u>11,026,468,927</u> | <u>720,455,000</u>   | <u>8,408,234,021</u> | <u>1,804,044,945</u> | <u>10,932,733,966</u> |
| Total assets   | <u>\$ 655,493,924</u>               | <u>9,929,349,518</u> | <u>2,145,743,071</u> | <u>12,730,586,513</u> | <u>811,180,244</u>   | <u>9,939,633,937</u> | <u>2,215,750,759</u> | <u>12,966,564,940</u> |
|  | <b>Liabilities and Net Position</b> |                      |                      |                       |                      |                      |                      |                       |
| Current liabilities:   |                                     |                      |                      |                       |                      |                      |                      |                       |
| Accrued interest payable on bonds                                | \$ —                                | 68,088,385           | 14,126,996           | 82,215,381            | —                    | 73,724,860           | 14,474,496           | 88,199,356            |
| Accrued interest subsidy   | —                                   | 39,132,563           | 5,360,931            | 44,493,494            | —                    | 40,718,529           | 5,373,194            | 46,091,723            |
| Bonds payable  | —                                   | 248,355,000          | 62,470,000           | 310,825,000           | —                    | 280,167,620          | 70,088,281           | 350,255,901           |
| Appropriation bonds payable                                      | 57,790,000                          | —                    | —                    | 57,790,000            | 59,320,000           | —                    | —                    | 59,320,000            |
| Other restricted funds   | 6,983,381                           | —                    | —                    | 6,983,381             | 18,634,245           | —                    | —                    | 18,634,245            |
| Accounts payable and accrued expenses                            | 1,020,908                           | 6,768,000            | 1,438,705            | 9,227,613             | 207,209              | 793,856              | 185,815              | 1,186,880             |
| Interfund balances   | (612,294)                           | 506,663              | 105,631              | —                     | (1,306,790)          | 1,057,281            | 249,509              | —                     |
| Debt service funds payable                                       | —                                   | 27,083,241           | 3,143,013            | 30,226,254            | —                    | 7,439,057            | 1,090,625            | 8,529,682             |
| Deferred revenue   | 45,369                              | —                    | 367,165              | 412,534               | 45,369               | —                    | 346,566              | 391,935               |
| Other liabilities  | 1,937,303                           | 39,173,566           | 6,808,665            | 47,919,534            | 1,937,303            | 49,953,816           | 8,385,182            | 60,276,301            |
| Other post employment benefits                                   | 163,227                             | 258,004              | 105,307              | 526,538               | 142,755              | 225,647              | 92,100               | 460,502               |
| Total current liabilities  | <u>67,327,894</u>                   | <u>429,365,422</u>   | <u>93,926,413</u>    | <u>590,619,729</u>    | <u>78,980,091</u>    | <u>454,080,666</u>   | <u>100,285,768</u>   | <u>633,346,525</u>    |
| Noncurrent liabilities:  |                                     |                      |                      |                       |                      |                      |                      |                       |
| Bonds payable  | —                                   | 4,824,263,288        | 954,112,763          | 5,778,376,051         | —                    | 5,076,129,454        | 1,027,981,381        | 6,104,110,835         |
| Appropriation bonds payable                                      | 576,925,000                         | —                    | —                    | 576,925,000           | 720,455,000          | —                    | —                    | 720,455,000           |
| Deferred revenue   | 614,985                             | —                    | 5,252,004            | 5,866,989             | 660,354              | —                    | 5,461,576            | 6,121,930             |
| Other post employment benefits                                   | 3,582,996                           | 9,315,163            | 2,904,127            | 15,802,286            | 3,060,065            | 6,884,098            | 2,301,478            | 12,245,641            |
| Total noncurrent liabilities                                     | <u>581,122,981</u>                  | <u>4,833,578,451</u> | <u>962,268,894</u>   | <u>6,376,970,326</u>  | <u>724,175,419</u>   | <u>5,083,013,552</u> | <u>1,035,744,435</u> | <u>6,842,933,406</u>  |
| Total liabilities  | <u>648,450,875</u>                  | <u>5,262,943,873</u> | <u>1,056,195,307</u> | <u>6,967,590,055</u>  | <u>803,155,510</u>   | <u>5,537,094,218</u> | <u>1,136,030,203</u> | <u>7,476,279,931</u>  |
| Net position:  |                                     |                      |                      |                       |                      |                      |                      |                       |
| Restricted for revolving loan fund programs                      | —                                   | 4,666,405,645        | 1,089,547,764        | 5,755,953,409         | —                    | 4,402,539,719        | 1,079,720,556        | 5,482,260,275         |
| Unrestricted   | 7,043,049                           | —                    | —                    | 7,043,049             | 8,024,734            | —                    | —                    | 8,024,734             |
| Total net position   | <u>7,043,049</u>                    | <u>4,666,405,645</u> | <u>1,089,547,764</u> | <u>5,762,996,458</u>  | <u>8,024,734</u>     | <u>4,402,539,719</u> | <u>1,079,720,556</u> | <u>5,490,285,009</u>  |
| Total liabilities and net position                               | <u>\$ 655,493,924</u>               | <u>9,929,349,518</u> | <u>2,145,743,071</u> | <u>12,730,586,513</u> | <u>811,180,244</u>   | <u>9,939,633,937</u> | <u>2,215,750,759</u> | <u>12,966,564,940</u> |

See accompanying independent auditors' report.

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Other Supplementary Information – Combining Schedule of Revenues, Expenses, and Changes in Net Position  
Years ended March 31, 2014 and 2013

|   | 2014                 |                      |                      |                      | 2013                 |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | Corporate activities | CWSRF                | DWSRF                | Total                | Corporate activities | CWSRF                | DWSRF                | Total                |
| Operating revenues:                                       |                      |                      |                      |                      |                      |                      |                      |                      |
| Interest income on bonds and direct financings receivable | \$ —                 | 265,634,006          | 51,708,360           | 317,342,366          | —                    | 265,622,018          | 55,135,950           | 320,757,968          |
| Bond financing and administrative fees                    | 672,634              | 10,733,282           | 1,794,514            | 13,200,430           | 820,423              | 12,225,894           | 1,909,501            | 14,955,818           |
| Administrative grant revenues                             | 265,583              | 5,030,953            | 2,063,172            | 7,359,708            | 141,739              | 9,003,397            | 2,240,953            | 11,386,089           |
| Indirect cost and other recoveries                        | 1,133,715            | (803,890)            | (329,825)            | —                    | 2,373,662            | (1,901,199)          | (472,463)            | —                    |
| Advisory service fees                                     | 773,505              | —                    | —                    | 773,505              | 850,156              | —                    | —                    | 850,156              |
| Other revenues  | 20,498               | —                    | —                    | 20,498               | 2,048,095            | —                    | —                    | 2,048,095            |
| Total operating revenues                                  | <u>2,865,935</u>     | <u>280,594,351</u>   | <u>55,236,221</u>    | <u>338,696,507</u>   | <u>6,234,075</u>     | <u>284,950,110</u>   | <u>58,813,941</u>    | <u>349,998,126</u>   |
| Operating expenses:                                       |                      |                      |                      |                      |                      |                      |                      |                      |
| Interest expense on bonds payable                         | —                    | 235,411,566          | 47,013,046           | 282,424,612          | —                    | 239,787,803          | 49,254,010           | 289,041,813          |
| Interest subsidy provided                                 | —                    | 115,884,269          | 14,859,385           | 130,743,654          | —                    | 119,897,256          | 15,513,499           | 135,410,755          |
| Principal forgiveness                                     | —                    | 35,244,926           | (43,529)             | 35,201,397           | —                    | 110,967,881          | (2,698,546)          | 108,269,335          |
| Administrative costs                                      | 3,855,702            | 15,983,353           | 3,938,035            | 23,777,090           | 3,759,497            | 14,045,155           | 3,892,071            | 21,696,723           |
| Total operating expenses                                  | <u>3,855,702</u>     | <u>402,524,114</u>   | <u>65,766,937</u>    | <u>472,146,753</u>   | <u>3,759,497</u>     | <u>484,698,095</u>   | <u>65,961,034</u>    | <u>554,418,626</u>   |
| Operating (loss) income                                   | <u>(989,767)</u>     | <u>(121,929,763)</u> | <u>(10,530,716)</u>  | <u>(133,450,246)</u> | <u>2,474,578</u>     | <u>(199,747,985)</u> | <u>(7,147,093)</u>   | <u>(204,420,500)</u> |
| Nonoperating revenues:                                    |                      |                      |                      |                      |                      |                      |                      |                      |
| Project grant revenues                                    | —                    | 344,141,568          | 24,040,273           | 368,181,841          | —                    | 294,636,371          | 105,698,513          | 400,334,884          |
| Investment income   | 8,082                | 56,322,001           | 3,710,100            | 60,040,183           | 11,243               | 107,279,981          | 12,561,428           | 119,852,652          |
| State assistance payments revenue                         | 1,044,475            | —                    | 2,199                | 1,046,674            | 767,995              | —                    | 3,197                | 771,192              |
| Total nonoperating revenues                               | <u>1,052,557</u>     | <u>400,463,569</u>   | <u>27,752,572</u>    | <u>429,268,698</u>   | <u>779,238</u>       | <u>401,916,352</u>   | <u>118,263,138</u>   | <u>520,958,728</u>   |
| Nonoperating expenses:                                    |                      |                      |                      |                      |                      |                      |                      |                      |
| Grants disbursed  | —                    | 14,667,880           | 7,392,449            | 22,060,329           | —                    | 6,621,158            | 17,600,903           | 24,222,061           |
| State assistance payments expense                         | 1,044,475            | —                    | 2,199                | 1,046,674            | 767,995              | —                    | 3,197                | 771,192              |
| Total nonoperating expenses                               | <u>1,044,475</u>     | <u>14,667,880</u>    | <u>7,394,648</u>     | <u>23,107,003</u>    | <u>767,995</u>       | <u>6,621,158</u>     | <u>17,604,100</u>    | <u>24,993,253</u>    |
| (Decrease) increase in net position                       | <u>(981,685)</u>     | <u>263,865,926</u>   | <u>9,827,208</u>     | <u>272,711,449</u>   | <u>2,485,821</u>     | <u>195,547,209</u>   | <u>93,511,945</u>    | <u>291,544,975</u>   |
| Beginning net position                                    | <u>8,024,734</u>     | <u>4,402,539,719</u> | <u>1,079,720,556</u> | <u>5,490,285,009</u> | <u>5,538,913</u>     | <u>4,206,992,510</u> | <u>986,208,611</u>   | <u>5,198,740,034</u> |
| Ending net position                                       | <u>\$ 7,043,049</u>  | <u>4,666,405,645</u> | <u>1,089,547,764</u> | <u>5,762,996,458</u> | <u>8,024,734</u>     | <u>4,402,539,719</u> | <u>1,079,720,556</u> | <u>5,490,285,009</u> |

See accompanying independent auditors' report.

**NEW YORK STATE  
ENVIRONMENTAL FACILITIES CORPORATION**  
(A Component Unit of New York State)

Other Supplementary Information – Combining Schedule of Cash Flows

Years ended March 31, 2014 and 2013

|   | 2014                 |                 |               |                 | 2013                 |                 |               |                 |
|---|----------------------|-----------------|---------------|-----------------|----------------------|-----------------|---------------|-----------------|
|   | Corporate activities | CWSRF           | DWSRF         | Total           | Corporate activities | CWSRF           | DWSRF         | Total           |
| Cash flows from operating activities:                     |                      |                 |               |                 |                      |                 |               |                 |
| Bond financing and administrative fees                    | \$ 2,592,538         | 159,950,170     | (141,264,517) | 21,278,191      | 6,366,346            | (124,652,771)   | 148,115,854   | 29,829,429      |
| Personal services expense                                 | (1,420,092)          | (5,659,329)     | (1,299,750)   | (8,379,171)     | (1,392,025)          | (4,975,299)     | (1,181,774)   | (7,549,098)     |
| Fringe benefits expense                                   | (752,506)            | (2,678,911)     | (661,603)     | (4,093,020)     | (747,543)            | (2,306,864)     | (584,918)     | (3,639,325)     |
| Other administrative expenses                             | (326,002)            | 792,453         | (107,936)     | 358,515         | (1,179,836)          | (4,697,570)     | (1,595,313)   | (7,472,719)     |
| Prepaid expenses  | —                    | (5,846,406)     | (185,752)     | (6,032,158)     | —                    | —               | —             | —               |
| Yield reduction received                                  | —                    | 1,054,852       | 230,497       | 1,285,349       | —                    | 2,257,247       | 409,370       | 2,666,617       |
| Yield reduction paid                                      | —                    | (15,235,121)    | (2,925,996)   | (18,161,117)    | —                    | (5,312,177)     | (640,296)     | (5,952,473)     |
| Other, net  | 694,496              | 2,849,399       | 975,105       | 4,519,000       | (1,439,564)          | 4,859,869       | 1,000,634     | 4,420,939       |
| Net cash provided by (used in) operating activities       | 788,434              | 135,227,107     | (145,239,952) | (9,224,411)     | 1,607,378            | (134,827,565)   | 145,523,557   | 12,303,370      |
| Cash flows from noncapital financing activities:          |                      |                 |               |                 |                      |                 |               |                 |
| Proceeds from bonds issued                                | —                    | 836,390,000     | 78,670,000    | 915,060,000     | —                    | 1,018,798,214   | 48,587,646    | 1,067,385,860   |
| Payments on bonds payable                                 | —                    | (1,120,068,786) | (160,156,899) | (1,280,225,685) | —                    | (1,658,930,908) | (126,583,380) | (1,785,514,288) |
| Interest paid on bonds payable                            | —                    | (241,048,041)   | (47,360,547)  | (288,408,588)   | —                    | (251,752,339)   | (50,298,990)  | (302,051,329)   |
| New York State appropriation bond payments received       | 145,060,000          | —               | —             | 145,060,000     | 91,400,000           | —               | —             | 91,400,000      |
| Payments on New York State appropriation bonds            | (145,060,000)        | —               | —             | (145,060,000)   | (91,400,000)         | —               | —             | (91,400,000)    |
| Grants disbursed  | —                    | (14,667,880)    | (7,392,449)   | (22,060,329)    | —                    | (6,621,158)     | (17,600,903)  | (24,222,061)    |
| Contributions received from the U.S. EPA                  | —                    | 292,023,954     | 24,040,273    | 316,064,227     | —                    | 263,063,411     | 105,698,513   | 368,761,924     |
| Contributions received from New York State                | —                    | 52,117,614      | —             | 52,117,614      | —                    | 31,572,959      | —             | 31,572,959      |
| Net cash (used in) noncapital financing activities        | —                    | (195,253,139)   | (112,199,622) | (307,452,761)   | —                    | (603,869,821)   | (40,197,114)  | (644,066,935)   |
| Cash flows from investing activities:                     |                      |                 |               |                 |                      |                 |               |                 |
| Net proceeds from maturities of investments               | —                    | (229,704,294)   | (77,081,194)  | (306,785,488)   | —                    | 478,722,901     | 19,649,706    | 498,372,607     |
| Interest income on investments                            | 8,082                | 59,150,151      | 3,976,476     | 63,134,709      | 11,243               | 115,675,548     | 12,951,537    | 128,638,328     |
| Bonds purchased   | —                    | (985,273,510)   | (100,207,661) | (1,085,481,171) | —                    | (1,018,798,214) | (48,587,646)  | (1,067,385,860) |
| Bonds repayments received                                 | —                    | 1,156,289,260   | 173,610,414   | 1,329,899,674   | —                    | 1,658,930,908   | 126,583,380   | 1,785,514,288   |
| Short term financing disbursements                        | —                    | (330,536,001)   | (42,565,622)  | (373,101,623)   | —                    | (258,314,546)   | (252,228,428) | (510,542,974)   |
| Short term financing repayments received                  | —                    | 196,372,829     | 289,295,006   | 485,667,835     | —                    | 216,994,511     | 51,935,776    | 268,930,287     |
| Principal forgiveness repayments                          | —                    | (40,613,213)    | (25,904,852)  | (66,518,065)    | —                    | (55,292,610)    | (20,601,905)  | (75,894,515)    |
| Direct financings issued                                  | —                    | (251,149,919)   | (19,008,490)  | (270,158,409)   | —                    | (389,349,597)   | (33,477,150)  | (422,826,747)   |
| Direct financing repayments received                      | —                    | 45,246,830      | 21,493,409    | 66,740,239      | —                    | 57,065,995      | 29,600,396    | 86,666,391      |
| Interest income on bonds and direct financings receivable | —                    | 275,212,790     | 53,019,477    | 328,232,267     | —                    | 274,321,131     | 55,823,959    | 330,145,090     |
| Interest subsidy provided                                 | —                    | (117,470,235)   | (14,871,648)  | (132,341,883)   | —                    | (125,110,286)   | (16,021,162)  | (141,131,448)   |
| Debt service funds received                               | —                    | 23,899,416      | 2,805,510     | 26,704,926      | —                    | 7,671,028       | 1,151,149     | 8,822,177       |
| Debt service funds paid                                   | —                    | (4,255,232)     | (753,122)     | (5,008,354)     | —                    | (3,842,760)     | (140,984)     | (3,983,744)     |
| Net cash provided by (used in) investing activities       | 8,082                | (202,831,128)   | 263,807,703   | 60,984,657      | 11,243               | 958,674,009     | (73,361,372)  | 885,323,880     |
| Net increase (decrease) in cash and cash equivalents      | 796,516              | (262,857,160)   | 6,368,129     | (255,692,515)   | 1,618,621            | 219,976,623     | 31,965,071    | 253,560,315     |
| Cash and cash equivalents, beginning of year              | 12,479,569           | 877,535,782     | 209,133,954   | 1,099,149,305   | 10,860,948           | 657,559,159     | 177,168,883   | 845,588,990     |
| Cash and cash equivalents, end of year                    | \$ 13,276,085        | 614,678,622     | 215,502,083   | 843,456,790     | 12,479,569           | 877,535,782     | 209,133,954   | 1,099,149,305   |

See accompanying independent auditors' report.

**NEW YORK STATE  
ENVIRONMENTAL FACILITIES CORPORATION**  
(A Component Unit of New York State)

Other Supplementary Information – Combining Schedule of Cash Flows  
Years ended March 31, 2014 and 2013

|   | 2014                    |                    |                      |                    | 2013                    |                      |                    |                   |
|---|-------------------------|--------------------|----------------------|--------------------|-------------------------|----------------------|--------------------|-------------------|
|   | Corporate<br>activities | CWSRF              | DWSRF                | Total              | Corporate<br>activities | CWSRF                | DWSRF              | Total             |
| Reconciliation of operating gain (loss) to net cash provided by<br>(used in) operating activities:        |                         |                    |                      |                    |                         |                      |                    |                   |
| Operating (loss) income   | \$ (989,767)            | (121,929,763)      | (10,530,716)         | (133,450,246)      | 2,474,578               | (199,747,985)        | (7,147,093)        | (204,420,500)     |
| Adjustments to reconcile operating gain (loss) to net cash provided by<br>(used in) operating activities: |                         |                    |                      |                    |                         |                      |                    |                   |
| Interest income on bonds and direct financings receivable   | —                       | (265,634,006)      | (51,708,360)         | (317,342,366)      | —                       | (265,622,018)        | (55,135,950)       | (320,757,968)     |
| Interest expense  | —                       | 235,411,566        | 47,013,046           | 282,424,612        | —                       | 239,787,803          | 49,254,010         | 289,041,813       |
| Principal forgiveness   | —                       | 35,244,926         | (43,529)             | 35,201,397         | —                       | 110,967,881          | (2,698,546)        | 108,269,335       |
| Interest subsidy provided   | —                       | 115,884,269        | 14,859,385           | 130,743,654        | —                       | 119,897,256          | 15,513,499         | 135,410,755       |
| Changes in assets and liabilities that (use) provide cash:  |                         |                    |                      |                    |                         |                      |                    |                   |
| Contractual services and fees receivable  | (228,028)               | 144,881,406        | (144,675,630)        | (22,252)           | 61,391                  | (143,115,273)        | 144,643,459        | 1,589,577         |
| Annual fees receivable  | —                       | 108,419            | 72,224               | 180,643            | —                       | (865,590)            | 64,070             | (801,520)         |
| Prepaid expense   | —                       | (5,846,406)        | (185,752)            | (6,032,158)        | —                       | —                    | —                  | —                 |
| Accounts payable and accrued expenses   | 813,699                 | 5,974,144          | 1,252,890            | 8,040,733          | (121,852)               | (252,596)            | (102,121)          | (476,569)         |
| Interfund balances  | 694,496                 | (550,618)          | (143,878)            | —                  | (1,306,790)             | 1,057,281            | 249,509            | —                 |
| Deferred revenue  | (45,369)                | —                  | (188,973)            | (234,342)          | 70,881                  | —                    | (269,666)          | (198,785)         |
| Other liabilities   | —                       | (10,780,252)       | (1,576,515)          | (12,356,767)       | (132,775)               | 747,658              | 520,199            | 1,135,082         |
| Other post employment benefits  | 543,403                 | 2,463,422          | 615,856              | 3,622,681          | 561,945                 | 2,318,018            | 632,187            | 3,512,150         |
| Net cash provided by (used in) operating activities   | \$ <u>788,434</u>       | <u>135,227,107</u> | <u>(145,239,952)</u> | <u>(9,224,411)</u> | <u>1,607,378</u>        | <u>(134,827,565)</u> | <u>145,523,557</u> | <u>12,303,370</u> |

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