KPMG

NEW YORK STATE
ENVIRONMENTAL FACILITIES CORPORATION

(A Component Unit of the State of New York)

Basic Financial Statements

March 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

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

Basic Financial Statements

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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, 2013 and 2012, 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, 2013 and 2012, 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 relate 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 27, 2013 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 27, 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 Financial Assistance to Business Program (FAB), 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 FAB provides financial assistance to businesses for the acquisition of pollution reducing and abatement equipment. 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 94% 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 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.

(Continued)

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 33⅓% 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 billion and $2 billion, respectively. For New York State, the CWSRF and DWSRF received additional capitalization grants of approximately $433 million and $87 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 $25,000,000 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 is 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, 2013, EFC closed 6 loans that provided financial assistance in the amounts of $5.6 million to storm damaged municipalities

During the year ended March 31, 2012, EFC closed 14 loans that provided financial assistance in the amounts of $13.2 million to storm damaged municipalities.

(Continued)

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 $1.0 billion.

Financial Highlights – 2012

- Total assets increased by $313.2 million or 2.4% from $13.2 billion to $13.5 billion.
- Net position increased by $307.1 million or 6.3% from $4.9 billion to $5.2 billion.
- Interest subsidy provided increased by $.6 million or 0.4% from $151.0 million to $151.6 million.
- Project grant revenues decreased by $60.6 million or 14.8% from $408.6 million to $348.0 million.
- The Corporation issued 2 series of SRF bonds in an aggregate principal amount of $712.4 million.

SRF Program Activity

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

2013

Series	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
		$ 1,002,700,000	45,730,000	1,048,430,000

2012

Series	Closed	CWSRF	DWSRF	Total
2011B	6/17/2011	$ 346,365,000	174,310,000	520,675,000
2011C	7/21/2011	108,555,000	83,180,000	191,735,000
		$ 454,920,000	257,490,000	712,410,000

(Continued)

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:

	2013		
	CWSRF	**DWSRF**	**Total**
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	3,914,033	10,050,673	13,964,706
	$ 1,582,180,527	347,829,720	1,930,010,247

	2012		
	CWSRF	**DWSRF**	**Total**
Leveraged financings	$ 492,079,171	281,882,809	773,961,980
Long term direct financings	302,557,667	69,837,759	372,395,426
Short term direct financings	303,173,683	55,587,745	358,761,428
Grants	—	16,067,171	16,067,171
	$ 1,097,810,521	423,375,484	1,521,186,005

(Continued)

Summary Schedule of Net Position

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

	March 31		
	2013	2012	2011
Assets			
Current assets	$ 2,033,830,974	1,737,062,140	1,471,126,732
Noncurrent assets	10,932,733,966	11,777,054,867	11,729,744,314
Total assets	$ 12,966,564,940	13,514,117,007	13,200,871,046
Liabilities and Net Position			
Current liabilities	$ 633,346,525	702,504,636	703,695,708
Noncurrent liabilities	6,842,933,406	7,612,872,337	7,605,548,524
Total liabilities	7,476,279,931	8,315,376,973	8,309,244,232
Net position:			
Restricted	5,482,260,275	5,193,201,121	4,888,066,080
Unrestricted	8,024,734	5,538,913	3,560,734
Total net position	5,490,285,009	5,198,740,034	4,891,626,814
Total liabilities and net position	$ 12,966,564,940	13,514,117,007	13,200,871,046

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:

	March 31		
	2013	2012	2011
Total operating revenues	$ 349,998,126	391,834,289	388,856,712
Total operating expenses	554,418,626	600,729,970	675,869,858
Operating loss	(204,420,500)	(208,895,681)	(287,013,146)
Nonoperating revenues	520,958,728	535,040,142	560,920,987
Nonoperating expenses	24,993,253	19,031,241	42,681,863
Increase in net position	291,544,975	307,113,220	231,225,978
Beginning net position	5,198,740,034	4,891,626,814	4,660,400,836
Ending net position	$ 5,490,285,009	5,198,740,034	4,891,626,814

Statements of Net Position Analysis

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, a decrease in due from NYS appropriation bonds receivable of $91.4 million, as well as a decrease in investments of $498.4 million.

2012

The Corporation's total assets increased $313.2 million from $13.2 billion as of March 31, 2011 to $13.5 billion as of March 31, 2012. The increase in assets of $313.2 million was primarily the result of an increase in direct financings receivable of $246.7 million, an increase in bonds receivable of $94.9 million, an increase in short term financing receivable of $68.0 million, as well as a decrease in due from NYS appropriation bonds receivable of $72.5 million.

Changes in Net Position Analysis

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. The primary reason for 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 market value on its 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.

(Continued)

2012

During the year ended March 31, 2012, the Corporation recorded an operating loss of $208.9 million as compared to an operating loss of $287.0 million during the year ended March 31, 2011. The primary reason for the decrease in operating loss of $78.1 million was a decrease in interest expense on bonds payable of $8.8 million and a decrease of $67.0 million in principal forgiveness.

The Corporation recorded project grant revenues in its statements of revenues, expenses and changes in net position of $348.0 million during the year ended March 31, 2012 as compared to $408.6 million for the year ended March 31, 2011. The decrease in project grant revenues of $60.6 million is primarily related to the decreased activity under the ARRA capitalization grants.

The Corporation recorded an increase in net position of $307.1 million as compared to an increase in net position of $231.2 million from the year ended March 31, 2011 to March 31, 2012. The increase in the change in net position of $75.9 million year over year is directly related to the decrease in operating loss as described above.

It should also be noted that EFC recorded an unrealized gain in the change in market value on its long term investment portfolio of $58.9 million for the year ended March 31, 2012 as compared to an unrealized gain of $2.6 million for the year ended March 31, 2011.

Liquidity

For fiscal year 2013/2014, 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. These bonds will serve as the primary security for EFC's bonds.

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.

NEW YORK STATE
ENVIRONMENTAL FACILITIES CORPORATION
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Statements of Net Position

March 31, 2013 and 2012

Assets	**2013**	**2012**
Current assets:		
Cash and cash equivalents	$ 12,479,569	10,860,948
Contractual services and fees receivable	291,430	352,821
Restricted assets:		
Cash and cash equivalents	1,086,669,736	834,728,042
Contractual services and fees receivable	331,685	1,859,871
Interest receivable on bonds and direct financings	99,512,544	108,899,666
Interest receivable on cash and cash equivalents and investments	26,435,549	35,221,225
Annual fees receivable	12,791,836	11,990,316
Short term financings receivable	277,139,226	167,259,587
Direct financings receivable	89,969,253	81,899,300
Bonds receivable	350,255,901	374,762,403
Due from New York State, appropriation bonds receivable	59,320,000	70,945,000
Other restricted funds	18,634,245	38,282,961
Total current assets	2,033,830,974	1,737,062,140
Noncurrent assets:		
Restricted assets:		
Investments	2,245,140,512	2,743,513,116
Short term financings receivable	270,255,217	170,896,991
Direct financings receivable	1,592,772,402	1,264,681,999
Bonds receivable	6,104,110,835	6,797,732,761
Due from New York State, appropriation bonds receivable	720,455,000	800,230,000
Total noncurrent assets	10,932,733,966	11,777,054,867
Total assets	$ 12,966,564,940	13,514,117,007
Liabilities and Net Position		
Current liabilities:		
Accrued interest payable on bonds	$ 88,199,356	101,208,872
Accrued interest subsidy	46,091,723	51,812,416
Bonds payable	350,255,901	374,762,403
Appropriation bonds payable	59,320,000	70,945,000
Other restricted funds	18,634,245	38,282,961
Accounts payable and accrued expenses	1,186,880	1,663,449
Debt service funds payable	8,529,682	3,691,249
Deferred revenue	391,935	556,225
Other liabilities	60,276,301	59,141,219
Other post employment benefits	460,502	440,842
Total current liabilities	633,346,525	702,504,636
Noncurrent liabilities:		
Bonds payable	6,104,110,835	6,797,732,761
Appropriation bonds payable	720,455,000	800,230,000
Deferred revenue	6,121,930	6,156,425
Other post employment benefits	12,245,641	8,753,151
Total noncurrent liabilities	6,842,933,406	7,612,872,337
Total liabilities	7,476,279,931	8,315,376,973
Net position:		
Restricted for revolving loan fund programs	5,482,260,275	5,193,201,121
Unrestricted	8,024,734	5,538,913
Total net position	5,490,285,009	5,198,740,034
Total liabilities and net position	$ 12,966,564,940	13,514,117,007

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, 2013 and 2012

	2013	2012
Operating revenues:		
Interest income on bonds and direct financings receivable	$ 320,757,968	363,031,489
Bond financing and administrative fees	14,955,818	11,763,194
Administrative grant revenues	11,386,089	15,419,142
Advisory service fees	850,156	1,166,481
Other revenues	2,048,095	453,983
Total operating revenues	349,998,126	391,834,289
Operating expenses:		
Interest expense on bonds payable	289,041,813	340,115,542
Interest subsidy provided	135,410,755	151,619,393
Principal forgiveness	108,269,335	89,030,923
Administrative costs	21,696,723	19,964,112
Total operating expenses	554,418,626	600,729,970
Operating loss	(204,420,500)	(208,895,681)
Nonoperating revenues:		
Project grant revenues	400,334,884	348,000,743
Investment income	119,852,652	184,730,616
State assistance payments revenue	771,192	2,034,383
Appropriations received from New York State	—	274,400
Total nonoperating revenues	520,958,728	535,040,142
Nonoperating expenses:		
Grants disbursed	24,222,061	15,268,943
State assistance payments expense	771,192	2,034,383
Transferred to New York State	—	1,727,915
Total nonoperating expenses	24,993,253	19,031,241
Increase in net position	291,544,975	307,113,220
Beginning net position	5,198,740,034	4,891,626,814
Ending net position	$ 5,490,285,009	5,198,740,034

See accompanying notes to basic financial statements.

NEW YORK STATE
ENVIRONMENTAL FACILITIES CORPORATION
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Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Bond financing and administrative fees	$ 29,829,429	46,638,964
Personal services expense	(7,549,098)	(7,486,078)
Fringe benefits expense	(3,639,325)	(3,170,665)
Other administrative expenses	(7,472,719)	(11,300,675)
Yield reduction received	2,666,617	1,041,953
Yield reduction paid	(5,952,473)	(9,537,782)
Other, net	4,420,939	1,010,164
Net cash provided by operating activities	12,303,370	17,195,881
Cash flows from noncapital financing activities:		
Proceeds from bonds issued	1,067,385,860	773,961,980
Payments on bonds payable	(1,785,514,288)	(679,098,205)
Interest paid on bonds payable	(302,051,329)	(339,255,392)
New York State appropriation bond payments received	91,400,000	72,465,000
Payments on New York State appropriation bonds	(91,400,000)	(72,465,000)
Grants disbursed	(24,222,061)	(15,268,943)
Appropriations received from New York State	—	274,400
Transfer to New York State	—	(1,727,915)
Contributions received from the U.S. Environmental Protection Agency	368,761,924	314,330,131
Contributions received from New York State	31,572,959	33,670,613
Net cash (used in) provided by noncapital financing activities	(644,066,935)	86,886,669
Cash flows from investing activities:		
Net proceeds from maturities of investments	498,372,607	147,635,006
Interest income on investments	128,638,328	189,798,995
Bonds purchased	(1,067,385,860)	(773,961,980)
Bonds repayments received	1,785,514,288	679,098,205
Short term financing disbursements	(510,542,974)	(318,783,062)
Short term financing repayments received	268,930,287	161,785,428
Principal forgiveness repayments	(75,894,515)	—
Direct financings issued	(422,826,747)	(372,395,426)
Direct financing repayments received	86,666,391	125,718,732
Interest income on bonds and direct financings receivable	330,145,090	359,688,514
Interest subsidy provided	(141,131,448)	(147,713,505)
Debt service funds received	8,822,177	4,478,359
Debt service funds paid	(3,983,744)	(2,307,870)
Net cash provided by investing activities	885,323,880	53,041,396
Net increase in cash and cash equivalents	253,560,315	157,123,946
Cash and cash equivalents, beginning of year	845,588,990	688,465,044
Cash and cash equivalents, end of year	$ 1,099,149,305	845,588,990

(Continued)

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

Statements of Cash Flows

Years ended March 31, 2013 and 2012

		2013	**2012**
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$	(204,420,500)	(208,895,681)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Interest income on bonds and direct financings receivable		(320,757,968)	(363,031,489)
Interest expense		289,041,813	340,115,542
Principal forgiveness		108,269,335	89,030,923
Interest subsidy provided		135,410,755	151,619,393
Depreciation		—	19,350
Changes in assets and liabilities:			
Contractual services and fees receivable		1,589,577	15,588,686
Annual fees receivable		(801,520)	302,908
Accounts payable and accrued expenses		(476,569)	(4,110,982)
Deferred revenue		(198,785)	1,944,568
Other liabilities		1,135,082	(7,485,662)
Other post employment benefits		3,512,150	2,098,325
Net cash provided by operating activities	$	12,303,370	17,195,881

See accompanying notes to basic financial statements.

(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:

The Financial Assistance to Business Program (FAB) provides financial assistance to businesses for the acquisition of pollution reducing and abatement equipment.

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 providing 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 principal forgiveness and grants to

(Continued)

eligible recipient entities for projects that reduce, eliminate or prevent water pollution. The DWSRF offers low-interest rate financing terms, 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. In accordance with GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 and AICPA Pronouncements*, 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, 2013 and 2012, the cash and cash equivalents, excluding U.S. Treasury Bills, 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 market value of not less than 102% of the amount currently on deposit or in accordance with their respective agreement. At March 31, 2013, EFC’s guaranteed investment contracts require collateral ranging from 113% to 163% of the investment 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 therefore recorded at cost. Municipal obligations are recorded at fair market 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, 2013 and 2012 such amounts were approximately $40,886,000 and $44,172,000, 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

In 2013, the Corporation retrospectively adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This Statement provides reporting guidance for deferred outflows of resources and deferred inflows of resources to be reported in the statement of financial position in a separate section following assets and liabilities, respectively. This Statement also amends the net asset requirement of GASB Statement No. 34, *Basic Financials Statements and Management’s Discussion and Analysis for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into definitions of the required components of the residual measure and by renaming that measure as net position rather than net assets.

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 programs. The Corporation's operating expenses include interest expense on bonds payable, interest subsidy provided, principal forgiveness and other 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 assistance.

(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, 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 deposited in an unallocated corpus 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 corpus 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 corpus 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, Investments and Other Restricted Funds

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

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

			Investment maturities in years			
Investment type	**Credit risk range**	**Cost/ fair value**	**Less than 1 year**	**1 – 5 years**	**6 – 10 years**	**More than 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		$ 3,249,051,632	1,139,959,316	506,726,827	465,970,448	1,136,395,041

As of March 31, 2012, the Corporation had the following investments, credit risks and maturities:

Investment type	Credit risk range	Cost/ fair value	Investment maturities in years: Less than 1 year	1 – 5 years	6 – 10 years	More than 10 years
Non-U.S. government backed:						
Guaranteed investment contracts	A – AAA	$ 1,451,244,647	111,786,457	361,855,441	345,445,059	632,157,690
Municipal obligations	BBB – AAA	663,072,861	17,361,502	80,763,757	53,727,365	511,220,237
Structured debt obligations	Aa2	50,000,000	—	20,536,357	23,629,164	5,834,479
U.S. government backed:						
U.S. Treasury bills		835,927,643	835,927,643	—	—	—
State and local government series		21,241,922	2,713,046	7,764,827	3,268,216	7,495,833
Structured debt obligations		543,729,064	12,291,385	150,591,247	165,018,355	215,828,077
Total		$ 3,565,216,137	980,080,033	621,511,629	591,088,159	1,372,536,316

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, 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 $414 million or 46% of the portfolio, JP Morgan Chase with $238 million or 27% of the portfolio, and Bank of America with $191 million or 21% of the portfolio.

As of March 31, 2012, 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 $802 million or 55% of the portfolio, Bank of America with $274 million or 19% of the portfolio, and JP Morgan Chase with $257 million or 18% 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 (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, 2013:

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

Short term financings receivable is comprised of the following at March 31, 2012:

	CWSRF	DWSRF	Total
Receivable subject to principal forgiveness	$ 248,261,545	58,567,000	306,828,545
Other short term financing receivable	230,829,632	107,326,946	338,156,578
	479,091,177	165,893,946	644,985,123
Less reserve for principal forgiveness	(248,261,545)	(58,567,000)	(306,828,545)
Short term financing receivable, net of reserve for principal forgiveness	$ 230,829,632	107,326,946	338,156,578

Other short term financings receivable mature as follows:

	CWSRF	DWSRF	Total
Year ending March 31:			
2014	$ 49,291,485	227,847,741	277,139,226
2015	111,971,333	88,256,914	200,228,247
2016	55,211,577	14,815,393	70,026,970
	$ 216,474,395	330,920,048	547,394,443

(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:

	CWSRF	DWSRF	Total
Year ending March 31:			
2014	$ 60,757,242	29,212,011	89,969,253
2015	60,438,581	30,496,945	90,935,526
2016	58,818,587	30,672,637	89,491,224
2017	71,318,377	30,128,524	101,446,901
2018	61,438,186	29,773,146	91,211,332
2019 – 2023	261,424,955	129,640,599	391,065,554
2024 – 2028	209,847,750	92,075,544	301,923,294
2029 – 2033	249,676,783	74,445,535	324,122,318
2034 – 2038	103,184,954	46,547,070	149,732,024
2039 – 2043	43,055,543	9,788,686	52,844,229
	$ 1,179,960,958	502,780,697	1,682,741,655

(7) SRF Bonds Receivable and Bonds Payable

EFC issues special obligation bonds under the SRF programs 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 are 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 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, 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 approximately $67,565,000 at March 31, 2013 and $99,769,000 at March 31, 2012.

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/payable outstanding at March 31, 2013 and March 31, 2012:

Bond issue	Range of interest percentage	Year of maturity	March 31 2013	March 31 2012
Series 1990A, 5/15/90	7.50%	2012	$ —	360,000
Series 1991A, 1/1/91	7.00	2012	—	615,000
Series 1991E, 12/1/91	6.50	2014	288,946	1,066,986
Series 1992A, 5/1/92	6.60	2012	—	75,000
Series 1992B, 10/15/92	6.65	2013	—	1,640,000
Series 1993A, 6/1/93	5.60	2013	—	1,755,000
Series 1993B, 9/15/93	5.20	2014	2,140,000	4,035,000
Series 1994A, 3/15/94	5.75 – 5.875	2013	12,755,000	20,140,000
Series 1994E, 12/1/94	6.88	2016	8,215,000	11,775,000
Series 1997E, 9/15/97	6.00	2012	—	43,915,000
Series 1998G, 12/16/98	4.60 – 4.90	2017	—	3,235,000
Series 2002A, 3/14/02	4.00 – 5.00	2031	—	30,035,000
Series 2002B, 1/31/02	4.00 – 5.247	2031	—	381,714,058
Series 2002C, 2/13/02	4.10 – 5.00	2020	—	6,952,000
Series 2002D, 5/14/02	5.00 – 5.50	2031	—	269,072,670
Series 2002E, 5/14/02	4.00 – 5.375	2019	—	54,611,500
Series 2002F, 6/20/02	4.05 – 5.25	2024	—	74,230,000
Series 2002I, 8/7/02	3.90 – 5.25	2022	—	31,932,000
Series 2002J, 10/10/02	3.30 – 5.00	2032	—	93,826,318
Series 2002K, 11/14/02	2.00 – 5.00	2028	160,630,000	497,997,427
Series 2002L, 11/26/02	3.70 – 5.00	2015	17,602,000	23,781,000
Series 2003A, 3/13/03	3.375 – 5.00	2032	—	48,570,000
Series 2003B, 3/20/03	4.00 – 5.25	2029	12,290,000	72,710,000
Series 2003C, 3/20/03	3.25– 5.25	2030	6,255,000	39,260,000
Series 2003D, 3/20/03	3.25 – 4.75	2027	—	5,470,000

Bond issue	Range of interest percentage	Year of maturity	March 31 2013	March 31 2012
Series 2003E, 4/23/03	4.00 – 5.00	2032	$ 208,688,676	217,227,352
Series 2003F, 7/24/03	3.75 – 5.00	2033	50,365,000	53,535,000
Series 2003G, 9/25/03	4.00 – 5.00	2033	14,540,000	15,040,000
Series 2003I, 10/9/03	3.50 – 5.00	2033	217,878,376	226,281,754
Series 2004B, 3/4/04	3.00 – 5.00	2033	40,430,000	43,535,000
Series 2004C, 4/7/04	4.438 – 5.125	2033	187,954,444	195,409,167
Series 2004D, 7/22/04	3.50 – 5.00	2034	112,880,000	118,485,000
Series 2004E, 8/11/04	3.30 – 5.00	2034	170,575,834	176,706,251
Series 2004F, 11/30/04	3.636 – 5.00	2034	297,599,594	309,119,391
Series 2005A, 3/3/05	3.00 – 5.00	2034	89,585,000	94,875,000
Series 2005B, 7/28/05	3.00 – 5.50	2035	79,165,000	83,475,000
Series 2005C, 10/12/05	4.213 – 5.00	2035	146,748,044	151,662,392
Series 2005D, 11/15/05	3.50 – 5.00	2024	17,575,000	22,890,000
Series 2006A, 6/22/06	4.00 – 5.43	2036	156,778,057	161,668,822
Series 2006B, 6/22/06	4.120 – 5.50	2036	200,417,868	206,568,585
Series 2006C, 7/27/06	4.00 – 5.00	2036	114,755,000	119,405,000
Series 2007A, 3/27/07	3.60 – 5.00	2036	178,339,260	184,282,825
Series 2007B, 3/27/07	4.00 – 5.00	2036	227,555,652	234,983,315
Series 2007C, 5/15/07	4.00 – 5.00	2024	149,330,000	149,330,000
Series 2007D, 7/26/07	4.00 – 5.00	2037	90,935,000	95,360,000
Series 2008A, 5/22/08	3.25 – 5.00	2037	119,273,174	122,986,203
Series 2008B, 5/22/08	4.00 – 5.00	2037	152,830,722	157,602,509
Series 2009A, 4/2/09	3.00 – 5.25	2038	289,384,075	295,606,800
Series 2010A, 2/11/10	2.00 – 5.00	2029	104,320,644	109,450,736
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	72,840,000	77,577,500
Series 2011A, 3/17/11	2.00 – 5.00	2021	45,473,917	53,985,036
Series 2011B, 6/17/11	2.00 – 5.00	2041	363,068,664	374,046,022
Series 2011C, 7/21/11	2.50 – 5.00	2041	108,191,649	115,121,149
Series 2012A, 5/31/12	2.00 – 5.00	2029	468,465,000	—
Series 2012B, 6/21/12	2.00 – 5.00	2042	86,758,061	—
Series 2012C, 6/21/12	0.379 – 3.684	2029	12,960,000	—
Series 2012D, 7/12/12	2.00 – 5.00	2028	316,790,000	—
Series 2012E, 11/15/12	1.00 – 5.00	2042	101,084,084	—
Series 2012F, 11/15/12	0.25 – 2.806	2024	31,145,333	—
			$ 5,356,297,074	5,996,429,768

Bond issue	Range of interest percentage	Year of maturity		March 31 2013	March 31 2012
Beginning balance			$	5,996,429,768	6,073,933,897
Bonds issued				1,018,798,214	492,079,171
Bonds retired				(1,658,930,908)	(569,583,300)
Ending balance			$	5,356,297,074	5,996,429,768

Included in CWSRF bonds receivable/payable are unamortized bond premiums/discounts of $98,152,074 at March 31, 2013 and $86,204,767 at March 31, 2012.

The New York City Municipal Water Finance Authority makes up 80% of the CWSRF bonds receivable/payable at March 31, 2013 and March 31, 2012.

The following is a schedule of DWSRF bonds receivable/payable outstanding at March 31, 2013 and March 31, 2012:

Bond issue	Range of interest percentage	Year of maturity		March 31 2013	March 31 2012
Series 2002A, 3/14/02	4.00 – 5.00	2023	$	—	12,765,000
Series 2002B, 1/31/02	4.00 – 5.25	2021		—	5,159,155
Series 2002D, 5/14/02	5.00 – 5.50	2025		—	20,840,789
Series 2002J, 10/10/02	3.30 – 5.00	2025		—	18,919,944
Series 2003A, 3/13/03	3.375 – 5.00	2022		—	3,970,000
Series 2003E, 4/23/03	4.00 – 5.00	2026		13,492,502	14,530,004
Series 2003F, 7/24/03	3.75 – 5.00	2024		34,905,000	37,515,000
Series 2003G, 9/25/03	4.50 – 5.00	2023		5,580,000	5,580,000
Series 2003H, 9/25/03	4.66 – 5.59	2019		7,810,000	8,820,000
Series 2003I, 10/9/03	3.50 – 5.00	2026		14,563,324	15,681,649
Series 2004B, 3/4/04	3.00 – 5.00	2023		2,205,000	2,375,000
Series 2004C, 4/7/04	4.50 – 5.25	2026		12,807,617	13,746,426
Series 2004D, 7/22/04	3.50 – 5.00	2026		27,185,000	29,015,000
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	13,063,478
Series 2004F, 11/30/04	5.00 – 5.25	2026		11,432,660	12,273,990

Bond issue	Range of interest percentage	Year of maturity	March 31 2013	March 31 2012
Series 2005A, 3/3/05	3.50 – 5.00	2025	$ 3,970,000	4,235,000
Series 2005B, 7/28/05	3.00 – 5.50	2025	5,530,000	5,850,000
Series 2005C, 10/12/05	3.50 – 5.00	2027	38,204,776	40,623,035
Series 2006A, 6/22/06	4.00 – 5.50	2028	15,649,392	16,496,740
Series 2006B, 6/22/06	4.625 – 5.50	2028	19,961,240	21,045,300
Series 2006C, 7/27/06	4.00 – 5.00	2028	39,260,000	41,290,000
Series 2007A, 3/27/07	3.60 – 5.00	2029	18,096,572	19,070,715
Series 2007B, 3/27/07	4.00 – 5.00	2029	23,161,604	24,360,755
Series 2007D, 7/26/07	4.00 – 5.00	2036	29,315,000	30,500,000
Series 2008A, 5/22/08	3.00 – 5.00	2030	105,617,660	114,935,870
Series 2008B, 5/22/08	4.00 – 5.00	2030	49,607,412	51,892,814
Series 2009A, 4/2/09	2.25 – 5.25	2031	65,361,821	67,984,224
Series 2010A, 2/11/10	2.00 – 5.00	2016	17,613,616	21,867,446
Series 2010B, 2/11/10	4.005 – 5.707	2029	85,020,000	85,020,000
Series 2010C, 6/24/10	2.00 – 5.00	2039	56,146,637	60,611,636
Series 2011A, 3/17/11	2.00 – 5.00	2022	63,194,032	71,432,126
Series 2011B, 6/17/11	2.00 – 5.00	2031	182,031,532	190,474,711
Series 2011C, 7/21/11	2.50 – 5.00	2041	85,835,116	90,024,589
Series 2012A, 5/31/12	2.00 – 5.00	2022	27,680,000	—
Series 2012B, 6/21/12	2.00 – 5.00	2032	11,202,167	—
Series 2012E, 11/15/12	1.00 – 5.00	2032	9,339,330	—
			$ 1,098,069,662	1,176,065,396
Beginning balance			$ 1,176,065,396	1,003,697,492
Bonds issued			48,587,646	281,882,809
Bonds retired			(126,583,380)	(109,514,905)
Ending balance			$ 1,098,069,662	1,176,065,396

Included in DWSRF bonds receivable/payable are unamortized bond premiums/discounts of $46,359,662 at March 31, 2013 and $51,980,395 at March 31, 2012.

The New York City Municipal Water Finance Authority makes up 65% of the DWSRF bonds receivable/payable at March 31, 2013 and 66% at March 31, 2012.

Defeased in-substance debt outstanding which is no longer recorded on EFC's statements of net position amounted to $143 million at March 31, 2013 and $238 million at March 31, 2012.

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

(Continued)

these transactions will realize $94.9 million in present value savings. The remaining bond proceeds were used to provide financial assistance to eligible recipients.

In fiscal 2012, the Corporation issued $712.4 million of State Revolving Funds Revenue Bonds. A portion of the proceeds, including a premium of $67.3 million, were used to redeem five series of previously issued SRF bonds which totaled $324.7 million. As a result of refinancing, the underlying borrowers in these transactions will realize $22.9 million in present value savings. The remaining bond proceeds were used to provide financial assistance to eligible recipients.

Principal payments on bonds receivable/payable mature as follows:

	CWSRF	DWSRF	Total
Year ending March 31:			
2014	$ 280,167,620	70,088,281	350,255,901
2015	269,426,950	71,908,483	341,335,433
2016	263,909,018	73,401,412	337,310,430
2017	257,180,125	73,656,842	330,836,967
2018	259,879,919	74,834,977	334,714,896
2019 – 2023	1,255,572,046	335,944,689	1,591,516,735
2024 – 2028	1,107,050,332	235,623,323	1,342,673,655
2029 – 2033	940,283,564	133,291,655	1,073,575,219
2034 – 2038	603,860,000	21,385,000	625,245,000
2039 – 2043	118,967,500	7,935,000	126,902,500
	$ 5,356,297,074	1,098,069,662	6,454,366,736

Interest payments on bonds receivable/payable are as follows:

	CWSRF	DWSRF	Total
Year ending March 31:			
2014	$ 230,856,214	41,029,691	271,885,905
2015	221,790,734	39,107,618	260,898,352
2016	213,921,846	37,138,059	251,059,905
2017	203,117,964	34,915,119	238,033,083
2018	194,315,245	32,732,991	227,048,236
2019 – 2023	801,704,997	126,041,961	927,746,958
2024 – 2028	531,747,731	67,076,379	598,824,110
2029 – 2033	290,472,913	18,818,624	309,291,537
2034 – 2038	92,091,570	4,442,173	96,533,743
2039 – 2043	9,261,272	585,595	9,846,867
	$ 2,789,280,486	401,888,210	3,191,168,696

(8) Other Restricted Funds

EFC acts as a custodian for various funds/programs under other restricted funds. At March 31, 2013 and 2012, EFC's other restricted funds were approximately $18,634,000 and $38,283,000, 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 was utilized to account for all transactions which occurred 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 program.

The following is a summary of activities that have occurred within other restricted funds during the year ended March 31, 2013 and 2012:

		DEC	WWTP	NSTI	KENSICO	Total
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		25,742	14,663,266	311,672	3,871	15,004,551
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		22,605,803	11,107,406	835,248	104,810	34,653,267
Balance, March 31, 2013	$	3,742,165	11,951,378	404,927	2,535,775	18,634,245

		DEC	WWTP	NSTI	KENSICO	Total
Balance, March 31, 2011	$	34,424,447	15,539,035	1,290,741	2,677,549	53,931,772
Receipts:						
Program advances		200,000	14,725,618	842,572	—	15,768,190
Interest earnings		55,241	11,130	2,913	4,653	73,937
Total receipts		255,241	14,736,748	845,485	4,653	15,842,127
Disbursements:						
Project expenses		8,327,462	20,905,117	1,197,485	24,801	30,454,865
Administrative expenses		30,000	975,148	10,238	20,687	1,036,073
Total disbursements		8,357,462	21,880,265	1,207,723	45,488	31,490,938
Balance, March 31, 2012	$	26,322,226	8,395,518	928,503	2,636,714	38,282,961

(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 constitute a liability of EFC or New York State. Private Activity bonds outstanding totaled $146,930,000 at March 31, 2013 and $202,800,000 at March 31, 2012.

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 $779,775,000 at March 31, 2013 and $871,175,000 at March 31, 2012. This amount is reported as 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:

		Principal	Interest	Total
Year ending March 31:				
2014	$	59,320,000	37,488,000	96,808,000
2015		61,690,000	34,764,000	96,454,000
2016		61,981,000	31,940,000	93,921,000
2017		56,245,000	29,227,000	85,472,000
2018		53,885,000	26,422,000	80,307,000
2019 – 2023		271,259,000	92,615,000	363,874,000
2024 – 2028		196,405,000	31,645,000	228,050,000
2029 – 2033		18,990,000	111,589,000	130,579,000
	$	779,775,000	395,690,000	1,175,465,000

Defeased in-substance debt outstanding on state appropriation bonds which is no longer recorded on EFC's statements of net position amounted to $30 million at March 31, 2013 and $82 million at March 31, 2012.

(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 New York State and Local Employees' Retirement System, 110 State St, Albany, New York.

The System provides retirement benefits as well as death and disability benefits. All benefits vest after five years of credited service. Retirement benefits are established by the New York State Retirement and Social Security Law. Retirement benefits and contributory requirements depend upon the point in time at which an employee last joined the System. 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 after July 27, 1976 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, 2013, 2012 and 2011, were approximately $1,525,000, $1,130,000 and $1,047,000, 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 used to reduce the portion of the health insurance premiums paid directly by retirees for life.

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 2013 and 2012, the amount actually contributed to the plan, and changes in EFC's net OPEB obligation:

		2013	2012
Annual OPEB cost:			
Annual required contribution (ARC):			
Normal cost	$	2,430,900	1,441,800
Past service cost		1,542,400	985,200
Total		3,973,300	2,427,000
ARC adjustment		(304,168)	(265,703)
Interest on net OPEB obligation		275,820	352,515
Annual OPEB cost	$	3,944,952	2,513,812
Net OPEB obligation:			
Net OPEB obligation at beginning of fiscal year	$	9,193,993	7,095,668
Annual OPEB cost		3,944,952	2,513,811
Employer contribution		(432,802)	(415,486)
Net OPEB obligation at end of fiscal year	$	12,706,143	9,193,993

EFC's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013, 2012 and 2011 were as follows:

Fiscal year ended		Annual OPEB cost	Actual contribution	Percentage of annual OPEB cost contributed	NET OPEB obligation
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
March 31, 2011		2,331,869	252,637	10.8	7,095,668

Funded Status and Funding Progress: As of January 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $46,618,500 all of which was unfunded.

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 valuation date		Actuarial value of assets (a)	Actuarial Accrued liability (b)	Unfunded Accrued Liability (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAL as a percentage of covered payroll ((b-a)/c)
1/01/2013	$	—	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.

(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 recently 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 will include a fixed basic fee for debt service on the building, which will be $249,879 annually. EFC will also be responsible for the 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, 2013 and 2012 these costs are as follows:

		2013	2012
Debt service	$	249,879	412,754
Occupancy costs		319,000	514,289
	$	568,879	927,043

At March 31, 2013, the undisbursed balance of active SRF short term direct loans and grants closed were approximately $501,926,000 and $77,083,000 respectively.

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, 2013 through June 27, 2013, the date at which the financial statements were available to be issued. No significant financings have occurred during this period. However, EFC plans to issue on July 11, 2013 approximately $378 million of its Series 2013A State Clean Water and Drinking Water Revolving Funds Revenue Bonds as well as a Direct Financing in the amount of $213 million. EFC also plans to issue on August 1, 2013 approximately $190 million of its Series 2013B State Clean Water and Drinking Water Revolving Funds Revenue Bonds as well as Direct Financings in the amount of $161 million.

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

Required Supplementary Information

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

March 31, 2013

Actuarial valuation date		Actuarial value of assets (a)	Accrued liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAL as a percentage of covered payroll ((b-a)/c)
1/01/2013	$	—	46,618,500	46,618,500	—%	7,736,307	602.6%
1/01/2010		—	21,591,800	21,591,800	—	8,696,790	248.3
1/01/2008		—	17,271,100	17,271,100	—	7,896,000	218.7

	2013				2012			
Assets	**Corporate activities**	**CWSRF**	**DWSRF**	**Total**	**Corporate activities**	**CWSRF**	**DWSRF**	**Total**
Current assets:								
Cash and cash equivalents	$ 12,479,569	—	—	12,479,569	10,860,948	—	—	10,860,948
Contractual services and fees receivable	291,430	—	—	291,430	352,821	—	—	352,821
Restricted assets:								
Cash and cash equivalents	—	877,535,782	209,133,954	1,086,669,736	—	657,559,159	177,168,883	834,728,042
Contractual services and fees receivable	—	144,965,072	(144,633,387)	331,685	—	1,849,799	10,072	1,859,871
Interest receivable on bonds and direct financings	—	83,045,956	16,466,588	99,512,544	—	91,745,069	17,154,597	108,899,666
Interest receivable on cash and cash equivalents and investments	—	23,936,417	2,499,132	26,435,549	—	32,331,984	2,889,241	35,221,225
Annual fees receivable	—	11,700,342	1,091,494	12,791,836	—	10,834,752	1,155,564	11,990,316
Short term financings receivable	—	49,291,485	227,847,741	277,139,226	—	112,082,758	55,176,829	167,259,587
Direct financings receivable	—	60,757,242	29,212,011	89,969,253	—	53,919,484	27,979,816	81,899,300
Bonds receivable	—	280,167,620	70,088,281	350,255,901	—	305,455,172	69,307,231	374,762,403
Due from New York State, appropriation bonds receivable	59,320,000	—	—	59,320,000	70,945,000	—	—	70,945,000
Other restricted funds	18,634,245	—	—	18,634,245	38,282,961	—	—	38,282,961
Total current assets	90,725,244	1,531,399,916	411,705,814	2,033,830,974	120,441,730	1,265,778,177	350,842,233	1,737,062,140
Noncurrent assets:								
Restricted assets:								
Investments	—	2,045,717,941	199,422,571	2,245,140,512	—	2,524,440,840	219,072,276	2,743,513,116
Short term financings receivable	—	167,182,910	103,072,307	270,255,217	—	118,746,874	52,150,117	170,896,991
Direct financings receivable	—	1,119,203,716	473,568,686	1,592,772,402	—	793,757,872	470,924,127	1,264,681,999
Bonds receivable	—	5,076,129,454	1,027,981,381	6,104,110,835	—	5,690,974,596	1,106,758,165	6,797,732,761
Due from New York State, appropriation bonds receivable	720,455,000	—	—	720,455,000	800,230,000	—	—	800,230,000
Total noncurrent assets	720,455,000	8,408,234,021	1,804,044,945	10,932,733,966	800,230,000	9,127,920,182	1,848,904,685	11,777,054,867
Total assets	$ 811,180,244	9,939,633,937	2,215,750,759	12,966,564,940	920,671,730	10,393,698,359	2,199,746,918	13,514,117,007
Liabilities and Net Position								
Current liabilities:								
Accrued interest payable on bonds	$ —	73,724,860	14,474,496	88,199,356	—	85,689,396	15,519,476	101,208,872
Accrued interest subsidy	—	40,718,529	5,373,194	46,091,723	—	45,931,559	5,880,857	51,812,416
Bonds payable	—	280,167,620	70,088,281	350,255,901	—	305,455,172	69,307,231	374,762,403
Appropriation bonds payable	59,320,000	—	—	59,320,000	70,945,000	—	—	70,945,000
Other restricted funds	18,634,245	—	—	18,634,245	38,282,961	—	—	38,282,961
Accounts payable and accrued expenses	207,209	793,856	185,815	1,186,880	329,061	1,046,452	287,936	1,663,449
Interfund balances	(1,306,790)	1,057,281	249,509	—	—	—	—	—
Debt service funds payable	—	7,439,057	1,090,625	8,529,682	—	3,610,789	80,460	3,691,249
Deferred revenue	45,369	—	346,566	391,935	70,818	—	485,407	556,225
Other liabilities	1,937,303	49,953,816	8,385,182	60,276,301	2,070,078	49,206,158	7,864,983	59,141,219
Other post employment benefits	142,755	225,647	92,100	460,502	136,661	216,013	88,168	440,842
Total current liabilities	78,980,091	454,080,666	100,285,768	633,346,525	111,834,579	491,155,539	99,514,518	702,504,636
Noncurrent liabilities:								
Bonds payable	—	5,076,129,454	1,027,981,381	6,104,110,835	—	5,690,974,596	1,106,758,165	6,797,732,761
Appropriation bonds payable	720,455,000	—	—	720,455,000	800,230,000	—	—	800,230,000
Deferred revenue	660,354	—	5,461,576	6,121,930	564,024	—	5,592,401	6,156,425
Other post employment benefits	3,060,065	6,884,098	2,301,478	12,245,641	2,504,214	4,575,714	1,673,223	8,753,151
Total noncurrent liabilities	724,175,419	5,083,013,552	1,035,744,435	6,842,933,406	803,298,238	5,695,550,310	1,114,023,789	7,612,872,337
Total liabilities	803,155,510	5,537,094,218	1,136,030,203	7,476,279,931	915,132,817	6,186,705,849	1,213,538,307	8,315,376,973
Net position:								
Restricted for revolving loan fund programs	—	4,402,539,719	1,079,720,556	5,482,260,275	—	4,206,992,510	986,208,611	5,193,201,121
Unrestricted	8,024,734	—	—	8,024,734	5,538,913	—	—	5,538,913
Total net position	8,024,734	4,402,539,719	1,079,720,556	5,490,285,009	5,538,913	4,206,992,510	986,208,611	5,198,740,034
Total liabilities and net position	$ 811,180,244	9,939,633,937	2,215,750,759	12,966,564,940	920,671,730	10,393,698,359	2,199,746,918	13,514,117,007

See accompanying independent auditors’ report.

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

Other Supplementary Information – Combining Schedule of Revenues, Expenses, and Changes in Net Position

Years ended March 31, 2013 and 2012

	2013				2012			
	Corporate activities	CWSRF	DWSRF	Total	Corporate activities	CWSRF	DWSRF	Total
Operating revenues:								
Interest income on bonds and direct financings receivable	$ —	265,622,018	55,135,950	320,757,968	—	306,545,715	56,485,774	363,031,489
Bond financing and administrative fees	820,423	12,225,894	1,909,501	14,955,818	932,134	8,754,754	2,076,306	11,763,194
Administrative grant revenues	141,739	9,003,397	2,240,953	11,386,089	134,655	13,272,648	2,011,839	15,419,142
Indirect cost and other recoveries	2,373,662	(1,901,199)	(472,463)	—	5,090,053	(4,485,707)	(604,346)	—
Advisory service fees	850,156	—	—	850,156	1,166,481	—	—	1,166,481
Other revenues	2,048,095	—	—	2,048,095	453,983	—	—	453,983
Total operating revenues	6,234,075	284,950,110	58,813,941	349,998,126	7,777,306	324,087,410	59,969,573	391,834,289
Operating expenses:								
Interest expense on bonds payable	—	239,787,803	49,254,010	289,041,813	—	289,295,068	50,820,474	340,115,542
Interest subsidy provided	—	119,897,256	15,513,499	135,410,755	—	135,848,953	15,770,440	151,619,393
Principal forgiveness	—	110,967,881	(2,698,546)	108,269,335	—	89,515,961	(485,038)	89,030,923
Administrative costs	3,759,497	14,045,155	3,892,071	21,696,723	6,087,040	10,273,057	3,604,015	19,964,112
Total operating expenses	3,759,497	484,698,095	65,961,034	554,418,626	6,087,040	524,933,039	69,709,891	600,729,970
Operating income (loss)	2,474,578	(199,747,985)	(7,147,093)	(204,420,500)	1,690,266	(200,845,629)	(9,740,318)	(208,895,681)
Nonoperating revenues:								
Project grant revenues	—	294,636,371	105,698,513	400,334,884	—	301,903,292	46,097,451	348,000,743
Investment income	11,243	107,279,981	12,561,428	119,852,652	14,115	165,236,486	19,480,015	184,730,616
State assistance payments revenue	767,995	—	3,197	771,192	2,034,383	—	—	2,034,383
Appropriations received from New York State	—	—	—	—	274,400	—	—	274,400
Total nonoperating revenues	779,238	401,916,352	118,263,138	520,958,728	2,322,898	467,139,778	65,577,466	535,040,142
Nonoperating expenses:								
Grants disbursed	—	6,621,158	17,600,903	24,222,061	—	10,363,654	4,905,289	15,268,943
State assistance payments expense	767,995	—	3,197	771,192	2,034,383	—	—	2,034,383
Transferred to New York State	—	—	—	—	1,727,915	—	—	1,727,915
Total nonoperating expenses	767,995	6,621,158	17,604,100	24,993,253	3,762,298	10,363,654	4,905,289	19,031,241
Increase in net position	2,485,821	195,547,209	93,511,945	291,544,975	250,866	255,930,495	50,931,859	307,113,220
Beginning net position	5,538,913	4,206,992,510	986,208,611	5,198,740,034	5,288,047	3,951,062,015	935,276,752	4,891,626,814
Ending net position	$ 8,024,734	4,402,539,719	1,079,720,556	5,490,285,009	5,538,913	4,206,992,510	986,208,611	5,198,740,034

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, 2013 and 2012

	2013				2012			
	Corporate activities	**CWSRF**	**DWSRF**	**Total**	**Corporate activities**	**CWSRF**	**DWSRF**	**Total**
Cash flows from operating activities:								
Bond financing and administrative fees	$ 6,366,346	(124,652,771)	148,115,854	29,829,429	8,263,792	20,083,569	18,291,603	46,638,964
Personal services expense	(1,392,025)	(4,975,299)	(1,181,774)	(7,549,098)	(2,771,898)	(3,612,593)	(1,101,587)	(7,486,078)
Fringe benefits expense	(747,543)	(2,306,864)	(584,918)	(3,639,325)	(1,108,189)	(1,585,029)	(477,447)	(3,170,665)
Other administrative expenses	(1,179,836)	(4,697,570)	(1,595,313)	(7,472,719)	(5,860,800)	(3,593,044)	(1,846,831)	(11,300,675)
Yield reduction received	—	2,257,247	409,370	2,666,617	—	1,151,079	(109,126)	1,041,953
Yield reduction paid	—	(5,312,177)	(640,296)	(5,952,473)	—	(8,989,224)	(548,558)	(9,537,782)
Other, net	(1,439,564)	4,859,869	1,000,634	4,420,939	(529,096)	748,935	790,325	1,010,164
Net cash provided by (used in) operating activities	1,607,378	(134,827,565)	145,523,557	12,303,370	(2,006,191)	4,203,693	14,998,379	17,195,881
Cash flows from noncapital financing activities:								
Proceeds from bonds issued	—	1,018,798,214	48,587,646	1,067,385,860	—	492,079,171	281,882,809	773,961,980
Payments on bonds payable	—	(1,658,930,908)	(126,583,380)	(1,785,514,288)	—	(569,583,300)	(109,514,905)	(679,098,205)
Interest paid on bonds payable	—	(251,752,339)	(50,298,990)	(302,051,329)	—	(290,829,544)	(48,425,848)	(339,255,392)
New York State appropriation bond payments received	91,400,000	—	—	91,400,000	72,465,000	—	—	72,465,000
Payments on New York State appropriation bonds	(91,400,000)	—	—	(91,400,000)	(72,465,000)	—	—	(72,465,000)
Grants disbursed	—	(6,621,158)	(17,600,903)	(24,222,061)	—	(10,363,654)	(4,905,289)	(15,268,943)
Appropriations received from New York State	—	—	—	—	274,400	—	—	274,400
Transfer to New York State	—	—	—	—	(1,727,915)	—	—	(1,727,915)
Contributions received from the U.S. Environmental Protection Agency	—	263,063,411	105,698,513	368,761,924	—	268,232,680	46,097,451	314,330,131
Contributions received from New York State	—	31,572,959	—	31,572,959	—	33,670,613	—	33,670,613
Net cash (used in) provided by in noncapital financing activities	—	(603,869,821)	(40,197,114)	(644,066,935)	(1,453,515)	(76,794,034)	165,134,218	86,886,669
Cash flows from investing activities:								
Net proceeds from maturities of investments	—	478,722,901	19,649,706	498,372,607	—	160,750,505	(13,115,499)	147,635,006
Interest income on investments	11,243	115,675,548	12,951,537	128,638,328	14,115	169,609,561	20,175,319	189,798,995
Bonds purchased	—	(1,018,798,214)	(48,587,646)	(1,067,385,860)	—	(492,079,171)	(281,882,809)	(773,961,980)
Bonds repayments received	—	1,658,930,908	126,583,380	1,785,514,288	—	569,583,300	109,514,905	679,098,205
Short term financing disbursements	—	(258,314,546)	(252,228,428)	(510,542,974)	—	(244,999,365)	(73,783,697)	(318,783,062)
Short term financing repayments received	—	216,994,511	51,935,776	268,930,287	—	125,883,794	35,901,634	161,785,428
Principal forgiveness repayments	—	(55,292,610)	(20,601,905)	(75,894,515)	—	—	—	—
Direct financings issued	—	(389,349,597)	(33,477,150)	(422,826,747)	—	(302,557,667)	(69,837,759)	(372,395,426)
Direct financing repayments received	—	57,065,995	29,600,396	86,666,391	—	65,697,083	60,021,649	125,718,732
Interest income on bonds and direct financings receivable	—	274,321,131	55,823,959	330,145,090	—	305,731,840	53,956,674	359,688,514
Interest subsidy provided	—	(125,110,286)	(16,021,162)	(141,131,448)	—	(133,582,961)	(14,130,544)	(147,713,505)
Debt service funds received	—	7,671,028	1,151,149	8,822,177	—	4,345,113	133,246	4,478,359
Debt service funds paid	—	(3,842,760)	(140,984)	(3,983,744)	—	(2,241,959)	(65,911)	(2,307,870)
Net cash provided by (used in) investing activities	11,243	958,674,009	(73,361,372)	885,323,880	14,115	226,140,073	(173,112,792)	53,041,396
Net increase (decrease) in cash and cash equivalents	1,618,621	219,976,623	31,965,071	253,560,315	(3,445,591)	153,549,732	7,019,805	157,123,946
Cash and cash equivalents, beginning of year	10,860,948	657,559,159	177,168,883	845,588,990	14,306,539	504,009,427	170,149,078	688,465,044
Cash and cash equivalents, end 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

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, 2013 and 2012

	2013				2012			
	Corporate activities	**CWSRF**	**DWSRF**	**Total**	**Corporate activities**	**CWSRF**	**DWSRF**	**Total**
Reconciliation of operating gain (loss) to net cash provided by (used in) operating activities:								
Operating gain (loss)	$ 2,474,578	(199,747,985)	(7,147,093)	(204,420,500)	1,690,266	(200,845,629)	(9,740,318)	(208,895,681)
Adjustments to reconcile operating gain (loss) to net cash provided by (used in) operating activities:								
Interest income on bonds and direct financings receivable	—	(265,622,018)	(55,135,950)	(320,757,968)	—	(306,545,715)	(56,485,774)	(363,031,489)
Interest expense	—	239,787,803	49,254,010	289,041,813	—	289,295,068	50,820,474	340,115,542
Principal forgiveness	—	110,967,881	(2,698,546)	108,269,335	—	89,515,961	(485,038)	89,030,923
Interest subsidy provided	—	119,897,256	15,513,499	135,410,755	—	135,848,953	15,770,440	151,619,393
Depreciation	—	—	—	—	19,350	—	—	19,350
Changes in assets and liabilities:								
Contractual services and fees receivable	61,391	(143,115,273)	144,643,459	1,589,577	557,304	2,100,142	12,931,240	15,588,686
Annual fees receivable	—	(865,590)	64,070	(801,520)	—	441,732	(138,824)	302,908
Accounts payable and accrued expenses	(121,852)	(252,596)	(102,121)	(476,569)	(4,113,844)	223,395	(220,533)	(4,110,982)
Interfund balances	(1,306,790)	1,057,281	249,509	—	—	—	—	—
Deferred revenue	70,881	—	(269,666)	(198,785)	(70,819)	—	2,015,387	1,944,568
Other liabilities	(132,775)	747,658	520,199	1,135,082	(529,095)	(7,089,210)	132,643	(7,485,662)
Other post employment benefits	561,945	2,318,018	632,187	3,512,150	440,647	1,258,996	398,682	2,098,325
Net cash provided by (used in) operating activities	$ 1,607,378	(134,827,565)	145,523,557	12,303,370	(2,006,191)	4,203,693	14,998,379	17,195,881

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