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

Basic Financial Statements

March 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

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## Table of Contents

**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), a component unit of the State of New York, as of and for the years ended March 31, 2016 and 2015, and the related notes to the basic financial statements, which collectively comprise the Corporation's basic financial statements, as listed in the table of contents.

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

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

#### *Auditors' Responsibility*

Our responsibility is to express 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2016 and 2015, and the changes in its 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 required supplementary information 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 management's discussion and analysis and 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 Corporation's basic financial statements taken as a whole. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016 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 30, 2016
Albany, New York

## Introduction

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

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

## Corporate Activities

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

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

## State Revolving Fund Programs

EFC's two major programs are the Clean Water and Drinking Water State Revolving Funds (CWSRF/DWSRF). These two programs account for approximately 97% of the total assets and substantially all of the increase in net position of EFC. These programs help make it financially advantageous for communities throughout the State to undertake projects that prevent water pollution and provide safe drinking water.

## Clean Water State Revolving Fund Program

The CWSRF program provides low-interest rate financing terms and in certain cases offers loan guarantees, principal forgiveness and grants to eligible recipient entities for projects that reduce, eliminate or prevent water pollution. The program is administered jointly by EFC and the New York State Department of Environmental Conservation (DEC). As the financings are repaid, the money becomes available to finance 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.

**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 to finance 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 $4.0 billion and $2.0 billion, respectively. For New York State, the CWSRF and DWSRF received additional capitalization grants of approximately $432.6 million and $86.8 million, respectively.

ARRA requires that no less than 50% of the funds be provided as additional subsidization in the form of principal forgiveness, grants, or negative interest loans. EFC originated the majority of ARRA funds as either principal forgiveness or grants. EFC is currently working to convert the last two ARRA financings from short to long-term financings.

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.

**Disaster Relief Appropriations Act of 2013**

On January 29, 2013, the Disaster Relief Appropriations Act of 2013 (DRAA) was signed into law and funds were appropriated to reduce flood damage risk and vulnerability or to enhance resiliency to rapid hydrologic change or natural disaster at treatment works as defined by section 212 of the Federal Water Pollution Control Act or any eligible facilities under section 1452 of the Safe Drinking Water Act, and for other eligible tasks at such treatment works or facilities necessary to further such purposes. Under DRAA the CWSRF and DWSRF received additional capitalization grants and state match of $339.8 million and $67.9 million, respectively. EFC is currently working to commit these funds to eligible projects.

**Water Infrastructure Improvement Act of 2015**

The New York State 2015-2016 budget created the Water Infrastructure Improvement Act of 2015 (NYS Water Grants). Amended in 2016, the budget provides $400 million over three years to fund wastewater and drinking water infrastructure projects. The grants are available for projects that improve water quality and protect public health. EFC is currently working to implement this program and to commit these funds to eligible projects.

**Financial Highlights – 2016**

- Total assets and deferred outflows of resources decreased by $163.7 million or 1.3% from $12.6 billion to $12.4 billion.
- Net position increased by $174.9 million or 2.9% from $6.0 billion to $6.2 billion.
- Interest subsidy provided decreased by $1.5 million or 1.1% from $131.8 million to $130.3 million.
- Project grant revenues decreased by $16.8 million or 7.1% from $238.4 million to $221.6 million.
- The Corporation issued 4 series of SRF bonds in an aggregate principal amount of $699.1 million.

**Financial Highlights – 2015**

- Total assets decreased by $122.5 million or 1.0% from $12.7 billion to $12.6 billion.
- Net position increased by $223.3 million or 3.9% from $5.8 billion to $6.0 billion.
- Interest subsidy provided increased by $1.1 million or .8% from $130.7 million to $131.8 million.
- Project grant revenues decreased by $129.8 million or 35.2% from $368.2 million to $238.4 million.
- The Corporation issued 1 series of SRF bonds in an aggregate principal amount of $213.6 million.

**SRF Program Activity**

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

**2016**

| Series | Closed | CWSRF | DWSRF | Total |
|---|---|---|---|---|
| 2015A | 7/2/2015 | $ 201,530,000 | 18,240,000 | 219,770,000 |
| 2015B | 8/20/2015 | 73,530,000 | 6,990,000 | 80,520,000 |
| 2015C | 8/20/2015 | 31,370,000 | — | 31,370,000 |
| 2015D | 8/20/2015 | 303,990,000 | 63,465,000 | 367,455,000 |
| | | $ 610,420,000 | 88,695,000 | 699,115,000 |

**2015**

| Series | Closed | CWSRF | DWSRF | Total |
|---|---|---|---|---|
| 2014B | 7/2/2014 | $ 186,565,000 | 27,070,000 | 213,635,000 |
| | | $ 186,565,000 | 27,070,000 | 213,635,000 |

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:

| | | 2016 | | |
|---|---|---|---|---|
| | | **CWSRF** | **DWSRF** | **Total** |
| Leveraged financings | $ | 740,617,845 | 98,863,016 | 839,480,861 |
| Long-term direct financings | | 206,893,641 | 51,137,626 | 258,031,267 |
| Short-term direct financings | | 747,080,048 | 274,256,065 | 1,021,336,113 |
| Grants | | 36,284,348 | 21,963,790 | 58,248,138 |
| | $ | 1,730,875,882 | 446,220,497 | 2,177,096,379 |

| | | 2015 | | |
|---|---|---|---|---|
| | | **CWSRF** | **DWSRF** | **Total** |
| Leveraged financings | $ | 420,850,370 | 41,726,116 | 462,576,486 |
| Long-term direct financings | | 28,836,193 | 40,437,942 | 69,274,135 |
| Short-term direct financings | | 657,973,721 | 30,864,800 | 688,838,521 |
| Grants | | 12,672,736 | 12,541,500 | 25,214,236 |
| | $ | 1,120,333,020 | 125,570,358 | 1,245,903,378 |

## Summary Schedule of Net Position

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

| | | March 31 | | |
|---|---|---|---|---|
| | | 2016 | 2015 | 2014 |
| **Assets and Deferred Outflows of Resources** | | | | |
| Current assets | $ | 1,726,276,068 | 1,967,567,240 | 1,704,117,586 |
| Noncurrent assets | | 10,716,425,182 | 10,640,547,038 | 11,026,468,927 |
| Total assets | | 12,442,701,250 | 12,608,114,278 | 12,730,586,513 |
| Deferred outflows of resources | | 1,718,505 | — | — |
| Total assets and deferred outflows of resources | $ | 12,444,419,755 | 12,608,114,278 | 12,730,586,513 |
| **Liabilities, Deferred Inflows of Resources, and Net Position** | | | | |
| Current liabilities | $ | 552,870,553 | 558,492,365 | 590,619,729 |
| Noncurrent liabilities | | 5,730,275,318 | 6,063,317,075 | 6,376,970,326 |
| Total liabilities | | 6,283,145,871 | 6,621,809,440 | 6,967,590,055 |
| Deferred inflows of resources | | 54,172 | — | — |
| Total liabilities and deferred inflows of resources | | 6,283,200,043 | 6,621,809,440 | 6,967,590,055 |
| Net position restricted | | 6,154,663,226 | 5,979,870,784 | 5,755,953,409 |
| Net position unrestricted | | 6,556,486 | 6,434,054 | 7,043,049 |
| Total net position | | 6,161,219,712 | 5,986,304,838 | 5,762,996,458 |
| Total liabilities, deferred inflows of resources and net position | $ | 12,444,419,755 | 12,608,114,278 | 12,730,586,513 |

## 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 | | |
|---|---|---|---|---|
| | | 2016 | 2015 | 2014 |
| Total operating revenues | $ | 338,315,526 | 344,248,134 | 338,696,507 |
| Total operating expenses | | 433,840,925 | 440,103,994 | 472,146,753 |
| Operating loss | | (95,525,399) | (95,855,860) | (133,450,246) |
| Nonoperating revenues | | 296,593,889 | 360,955,296 | 429,268,698 |
| Nonoperating expenses | | 26,211,937 | 41,791,056 | 23,107,003 |
| Increase in net position | | 174,856,553 | 223,308,380 | 272,711,449 |
| Beginning net position | | 5,986,304,838 | 5,762,996,458 | 5,490,285,009 |
| Cumulative effect of change in accounting principle | | 58,321 | — | — |
| Ending net position | $ | 6,161,219,712 | 5,986,304,838 | 5,762,996,458 |

## Statements of Net Position Analysis

***2016***

The Corporation's total assets decreased $163.7 million from $12.6 billion as of March 31, 2015 to $12.4 billion as of March 31, 2016. The decrease in assets of $163.7 million was primarily the net result of several factors which include a decrease in investments of $83.1 million, a decrease in cash and cash equivalents of $296.9 million, an increase in short-term financings receivable of $321.3 million, an increase in direct financings receivable of $189.3 million, a decrease in bonds receivable of $40.9 million, as well as a decrease in due from NYS appropriation bonds receivable of $253.2 million.

The Corporation's total liabilities decreased $338.7 million from $6.6 billion as of March 31, 2015 to $6.3 billion as of March 31, 2016. The decrease in liabilities of $338.7 million was primarily the net result of several factors which include a decrease in bonds payable of $93.3 million, a decrease in appropriation bonds payable of $253.2 million, as well as an increase in other liabilities of $9.2 million.

The total assets and liabilities continue to decline as bonds receivable and due from NYS appropriation bonds receivable are being paid down in conjunction with the continued refunding and defeasance of bonds and appropriation bonds payable as a result of the current low interest rate environment.

The Corporation's total net position increased $174.9 million from $6.0 billion as of March 31, 2015 to $6.2 billion as of March 31, 2016. The increase in net position of $174.9 million was primarily the result of receiving project grant revenues from the 2015 federal fiscal year capitalization grant awards.

***2015***

The Corporation's total assets decreased $122.5 million from $12.7 billion as of March 31, 2014 to $12.6 billion as of March 31, 2015. The decrease in assets of $122.5 million was primarily the net result of several factors, which include a decrease in investments of $609.0 million, an increase in cash and cash equivalents of $394.5 million, an increase in short-term financings receivable of $234.7 million, an increase in direct financings receivable of $1.9 million, a decrease in bonds receivable of $79.8 million, as well as a decrease in due from NYS appropriation bonds receivable of $57.8 million.

The Corporation’s total liabilities decreased $345.8 million from $7.0 billion as of March 31, 2014 to $6.6 billion as of March 31, 2015. The decrease in liabilities of $345.8 million was primarily the net result of several factors which include a decrease in bonds payable of $255.0 million, a decrease in appropriation bonds payable of $57.8 million, a decrease in debt service funds payable of 26.8 million, as well as a decrease in other liabilities of $8.7 million.

The total assets and liabilities continue to decline as bonds receivable and due from NYS appropriation bonds receivable are being paid down in conjunction with the continued refunding and defeasance of bonds and appropriation bonds payable as a result of the current low interest rate environment.

The Corporation’s total net position increased $223.3 million from $5.8 billion as of March 31, 2014 to $6.0 billion as of March 31, 2015. The increase in net position of $223.3 million was primarily the result of receiving project grant revenues from the 2014 federal fiscal year capitalization grant awards.

**Changes in Net Position Analysis**

***2016***

During the year ended March 31, 2016, the Corporation recorded an operating loss of $95.5 million as compared to an operating loss of $95.9 million during the year ended March 31, 2015. The primary reason for the decrease in operating loss of $330 thousand was a decrease in interest income on bonds and direct financings of $6.3 million, a decrease in interest expense on bonds payable of $11.2 million, a decrease in interest subsidy provided of $1.5 million, as well as an increase in principal forgiveness of $7.3 million.

The Corporation recorded project grant revenues in its statements of revenues, expenses, and changes in net position of $221.6 million during the year ended March 31, 2016 as compared to $238.4 million for the year ended March 31, 2015. The decrease in project grant revenues of $16.8 million is primarily related to the decrease in the amount of funds that the Corporation expected to draw under the DRAA capitalization grant.

The Corporation recorded an increase in net position of $174.9 million for the year ended March 31, 2016 as compared to $223.3 million for the year ended March 31, 2015. The decrease in the change in net position of $48.4 million year over year is directly related to the decrease in project grant revenues discussed above, and a decrease in investment income of $47.1 million offset by a decrease in grants disbursed of $15.2 million.

Contributing to the decrease in investment income was an unrealized loss in the change in fair value on our long-term investment portfolio of $5.2 million for the year ended March 31, 2016 as compared to an unrealized gain of $31.5 million for the year ended March 31, 2015. In addition, at March 31, 2015, there was a one-time adjustment of $10.0 million recognized to reduce the arbitrage rebate liability which did not occur in fiscal year 2016.

***2015***

During the year ended March 31, 2015, the Corporation recorded an operating loss of $95.9 million as compared to an operating loss of $133.5 million during the year ended March 31, 2014. The primary reason for the decrease in operating loss of $37.6 million was an increase in interest income on bonds and direct financings of $6.5 million, a decrease in interest expense on bonds payable of $8.7 million, as well as a decrease in principal forgiveness of $23.6 million.

The Corporation recorded project grant revenues in its statements of revenues, expenses, and changes in net position of $238.4 million during the year ended March 31, 2015 as compared to $368.2 million for the year ended March 31, 2014. The decrease in project grant revenues of $129.8 million is primarily related to the decrease in the amount of funds available to draw under the federal capitalization grants.

The Corporation recorded an increase in net position of $223.3 million for the year ended March 31, 2015 as compared to $272.7 million for the year ended March 31, 2014. The decrease in the change in net position of $49.4 million year over year is directly related to the decrease in project grant revenues discussed above offset by an increase of $61.7 million in investment income and a decrease in operating loss as discussed above.

Contributing to the increase in investment income was an unrealized gain in the change in fair value on our long-term investment portfolio of $31.5 million for the year ended March 31, 2015 as compared to an unrealized loss of $31.0 million for the year ended March 31, 2014

**Liquidity**

For fiscal year 2016/2017, the Corporation expects to recover its operating costs through fees charged to clients for various services as well as through the use of the administrative portion of the CWSRF and DWSRF capitalization grants.

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

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

**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**
(A Component Unit of the State of New York)

Statements of Net Position

March 31, 2016 and 2015

| **Assets and Deferred Outflows of Resources** | **2016** | **2015** |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 12,622,330 | 13,524,970 |
| Contractual services and fees receivable | 237,630 | 248,705 |
| Restricted assets: | | |
| Cash and cash equivalents | 928,709,926 | 1,224,677,583 |
| Interest receivable on bonds and direct financings | 82,270,915 | 90,101,804 |
| Interest receivable on cash and cash equivalents and investments | 21,009,864 | 21,949,641 |
| Annual fees receivable | 12,706,113 | 12,282,326 |
| Prepaid expense | 875,000 | — |
| Short-term financings receivable | 147,919,301 | 93,204,480 |
| Direct financings receivable | 70,459,258 | 61,591,418 |
| Bonds receivable | 391,027,037 | 385,592,632 |
| Due from New York State, appropriation bonds receivable | 46,300,000 | 57,926,000 |
| Other restricted funds | 12,138,694 | 6,467,681 |
| Total current assets | 1,726,276,068 | 1,967,567,240 |
| Noncurrent assets: | | |
| Restricted assets: | | |
| Investments | 1,859,764,440 | 1,942,899,495 |
| Short-term financings receivable | 874,171,193 | 607,626,999 |
| Direct financings receivable | 1,528,448,618 | 1,348,050,616 |
| Bonds receivable | 6,176,600,931 | 6,222,970,928 |
| Due from New York State, appropriation bonds receivable | 277,440,000 | 518,999,000 |
| Total noncurrent assets | 10,716,425,182 | 10,640,547,038 |
| Total assets | 12,442,701,250 | 12,608,114,278 |
| Deferred outflows of resources related to pensions | 1,718,505 | — |
| Total assets and deferred outflows of resources | $ 12,444,419,755 | 12,608,114,278 |
| **Liabilities, Deferred Inflows of Resources and Net Position** | | |
| Current liabilities: | | |
| Accrued interest payable on bonds | $ 75,948,142 | 83,470,224 |
| Accrued interest subsidy | 42,446,415 | 45,571,598 |
| Bonds payable | 316,435,000 | 315,125,000 |
| Appropriation bonds payable | 46,300,000 | 57,926,000 |
| Other restricted funds | 12,138,694 | 6,467,681 |
| Accounts payable and accrued expenses | 6,662,271 | 6,329,708 |
| Debt service funds payable | 3,298,715 | 3,426,929 |
| Unearned revenue | 409,643 | 418,197 |
| Other liabilities | 48,454,173 | 39,229,701 |
| Other post-employment benefits | 777,500 | 527,327 |
| Total current liabilities | 552,870,553 | 558,492,365 |
| Noncurrent liabilities: | | |
| Bonds payable | 5,424,461,751 | 5,519,066,100 |
| Appropriation bonds payable | 277,440,000 | 518,999,000 |
| Unearned revenue | 5,360,765 | 5,646,711 |
| Other post-employment benefits | 23,012,802 | 19,605,264 |
| Total noncurrent liabilities | 5,730,275,318 | 6,063,317,075 |
| Total liabilities | 6,283,145,871 | 6,621,809,440 |
| Deferred inflows of resources related to pensions | 54,172 | — |
| Total liabilities and deferred inflows of resources | 6,283,200,043 | 6,621,809,440 |
| Net position: | | |
| Restricted for revolving loan fund programs | 6,154,663,226 | 5,979,870,784 |
| Unrestricted | 6,556,486 | 6,434,054 |
| Total net position | 6,161,219,712 | 5,986,304,838 |
| Total liabilities, deferred inflows of resources and net position | $ 12,444,419,755 | 12,608,114,278 |

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, 2016 and 2015

| | 2016 | 2015 |
|---|---|---|
| Operating revenues: | | |
| Interest income on bonds and direct financings receivable | $ 317,524,412 | 323,819,324 |
| Bond financing and administrative fees | 13,135,193 | 12,384,329 |
| Administrative grant revenues | 7,101,211 | 7,189,484 |
| Advisory service fees | 526,394 | 831,636 |
| Other revenues | 28,316 | 23,361 |
| Total operating revenues | 338,315,526 | 344,248,134 |
| Operating expenses: | | |
| Interest expense on bonds payable | 262,486,445 | 273,677,628 |
| Interest subsidy provided | 130,319,713 | 131,810,355 |
| Principal forgiveness | 18,852,122 | 11,573,328 |
| Administrative costs | 22,182,645 | 23,042,683 |
| Total operating expenses | 433,840,925 | 440,103,994 |
| Operating loss | (95,525,399) | (95,855,860) |
| Nonoperating revenues: | | |
| Project grant revenues | 221,566,744 | 238,407,345 |
| Investment income | 74,634,968 | 121,764,334 |
| State assistance payments revenue | 392,177 | 783,617 |
| Total nonoperating revenues | 296,593,889 | 360,955,296 |
| Nonoperating expenses: | | |
| Grants disbursed | 25,819,760 | 41,007,439 |
| State assistance payments expense | 392,177 | 783,617 |
| Total nonoperating expenses | 26,211,937 | 41,791,056 |
| Increase in net position | 174,856,553 | 223,308,380 |
| Beginning net position | 5,986,304,838 | 5,762,996,458 |
| Cumulative effect of change in accounting principle (note 2(a)) | 58,321 | — |
| Ending net position | $ 6,161,219,712 | 5,986,304,838 |

See accompanying notes to basic financial statements.

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

Statements of Cash Flows

Years ended March 31, 2016 and 2015

| | 2016 | 2015 |
|---|---|---|
| Cash flows from operating activities: | | |
| Bond financing and administrative fees | $ 20,083,898 | 20,939,723 |
| Personal services expense | (8,365,937) | (8,237,503) |
| Fringe benefits expense | (3,588,371) | (4,145,851) |
| Other administrative expenses | (6,179,742) | (9,753,467) |
| Yield reduction received | 2,923,166 | (7,388,021) |
| Yield reduction paid | (1,273,723) | (5,762,235) |
| Other, net | 5,035,699 | 10,492,581 |
| Net cash provided by (used in) operating activities | 8,634,990 | (3,854,773) |
| Cash flows from noncapital financing activities: | | |
| Proceeds from bonds issued | 699,115,000 | 213,635,000 |
| Payments on bonds payable | (792,409,349) | (468,644,951) |
| Interest paid on bonds payable | (270,008,527) | (272,422,785) |
| New York State appropriation bond payments received | 253,185,000 | 57,790,000 |
| Payments on New York State appropriation bonds | (253,185,000) | (57,790,000) |
| Grants disbursed | (25,819,760) | (41,007,439) |
| Contributions received from the U.S. Environmental Protection Agency | 190,975,978 | 208,489,398 |
| Contributions received from New York State | 30,590,766 | 29,917,947 |
| Net cash used in noncapital financing activities | (167,555,892) | (330,032,830) |
| Cash flows from investing activities: | | |
| Net proceeds from maturities of investments | 83,135,055 | 609,026,505 |
| Interest income on investments | 75,574,745 | 123,155,717 |
| Bonds purchased | (839,480,861) | (462,576,486) |
| Bonds repayments received | 880,416,453 | 542,417,604 |
| Short-term financing disbursements | (863,422,225) | (468,508,726) |
| Short-term financing repayments received | 767,494,433 | 304,144,649 |
| Principal forgiveness repayments | (244,183,344) | (81,895,830) |
| Direct financings issued | (258,031,267) | (69,274,135) |
| Direct financing repayments received | 68,765,425 | 67,335,481 |
| Interest income on bonds and direct financings receivable | 325,355,301 | 322,340,163 |
| Interest subsidy provided | (133,444,896) | (130,732,251) |
| Debt service funds received | 885,347 | 1,987,201 |
| Debt service funds paid | (1,013,561) | (28,786,526) |
| Net cash (used in) provided by investing activities | (137,949,395) | 728,633,366 |
| Net (decrease) increase in cash and cash equivalents | (296,870,297) | 394,745,763 |
| Cash and cash equivalents, beginning of year | 1,238,202,553 | 843,456,790 |
| Cash and cash equivalents, end of year | $ 941,332,256 | 1,238,202,553 |



(Continued)

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

Statements of Cash Flows

Years ended March 31, 2016 and 2015

| | | 2016 | 2015 |
|---|---|---|---|
| Reconciliation of operating loss to net cash provided by (used in) operating activities: | | | |
| Operating loss | $ | (95,525,399) | (95,855,860) |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities: | | | |
| Interest income on bonds and direct financings receivable | | (317,524,412) | (323,819,324) |
| Interest expense | | 262,486,445 | 273,677,628 |
| Principal forgiveness | | 18,852,122 | 11,573,328 |
| Interest subsidy provided | | 130,319,713 | 131,810,355 |
| Changes in assets and liabilities that provide (use) cash: | | | |
| Contractual services and fees receivable | | 11,075 | 396,661 |
| Annual fees receivable | | (423,787) | 328,867 |
| Prepaid expense | | (875,000) | 6,032,158 |
| Accounts payable and accrued expenses | | 332,563 | (2,897,905) |
| Unearned revenue | | (294,500) | (214,615) |
| Other liabilities | | 7,618,459 | (8,689,833) |
| Other post-employment benefits | | 3,657,711 | 3,803,767 |
| Net cash provided by (used in) operating activities | $ | 8,634,990 | (3,854,773) |

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:

1. A multi-year contract with the New York City Department of Environmental Protection (DEP) to administer Watershed Programs. Technical, financial and legal assistance is provided to DEP's Regulatory Upgrade Program and the New Sewage Treatment Infrastructure Program;

2. the Kensico Septic Rehabilitation Reimbursement Program contract with New York City DEP provides grants to reduce adverse water quality impacts from failing residential septic systems in the Kensico Watershed Basin;

3. the Small Business Environmental Assistance Program (SBEAP) assists business owners in reducing discharges of pollutants into the environment by providing technical guidance;

4. the Clean Vessel Assistance Program (CVAP) provides grants to assist recipients install pump out and dump station facilities to receive sewage from recreational marine vessels. The program also works to raise boater awareness regarding the benefits, use, and availability of pumpout stations.

The CWSRF and the DWSRF are the Corporation's largest programs. The CWSRF provides low-interest rate financing terms and in certain cases offers loan guarantees, principal forgiveness and grants to eligible recipient entities for projects that reduce, eliminate or prevent water pollution. The DWSRF provides low-interest rate financing terms and in certain cases offers principal forgiveness, as well as hardship grants for publicly and privately owned community water system projects that provide safe, affordable drinking water.

## (2) Summary of Significant Accounting Policies

### *(a) Basis of Accounting*

The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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.

During fiscal 2016, EFC has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* and GASB Statement No. 82, *Pension Issues*. For the cost sharing multiple employer pension plan that EFC participates in, the New York State and Local Employees' Retirement System (the Plan or ERS), GASB 68 requires that a portion of the Plan's net pension liability (asset) as well as deferred inflows and outflows of resources from pension activities be reflected in the reported amounts on the Corporation's statement of net position. As a result of adopting this pronouncement, EFC has restated the beginning net position at April 1, 2015 and the 2016 statement of net position includes EFC's proportionate share of the net pension liability of the ERS and related deferred inflows and outflows of resources. Net position as of April 1, 2015, has been restated as follows:

| | | |
|---|---|---|
| Net Position as previously reported at March 31, 2015: | $ | 5,986,304,838 |
| Net Pension Liability (measurement date as of March 31, 2014) | | (1,522,835) |
| Deferred outlflows: | | |
| EFC contributions made during year ended March 31, 2015 | | 1,581,156 |
| Total prior period adjustment | | 58,321 |
| Net Position as restated, April 1, 2015 | $ | 5,986,363,159 |

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to EFC's participation in the System, as well as the related pension expense, information about the fiduciary net position of the System, and additions to/deductions from EFC's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments are recognized when due and payable in accordance with the statutes governing the System. Investments of the System are reported at fair value.

***(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 unearned 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, 2016 and 2015, the cash and cash equivalents, excluding U.S. Treasury Bills and U.S. Treasury Money Market Funds, are fully insured or collateralized with securities in the Corporation’s name. U.S. Treasury Bills are uninsured and not collateralized, but are held in trust accounts in EFC’s name and are backed by the full faith and credit of the Federal government.

***(d) Investments***

EFC’s investment guidelines permit investment of funds in obligations of, or guaranteed by, the United States of America or New York State, as well as in time deposits, guaranteed investment contracts, repurchase agreements and other permitted investments such as qualified municipal obligations. All cash, time deposits, guaranteed investment contracts and repurchase agreements are collateralized by securities (obligations of, or guaranteed by, the United States of America or New York State and any FDIC coverage) having a fair value of not less than 102% of the amount currently on deposit or in accordance with their respective agreement. At March 31, 2016, EFC’s guaranteed investment contracts require collateral ranging from 113% to 130% 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 are therefore recorded at cost. Municipal obligations are recorded at fair value. State and Local Government Series Securities (SLGS) and 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, 2016 and 2015 such amounts were $12.5 million and $10.9 million, respectively, and are included on the statements of net position in the caption “other liabilities”. While management believes that these amounts are adequate, the actual liabilities could be in excess of, or less than, the amount indicated in the financial statements. Generally, a calculation is performed by an outside consultant for each new bond issue during the third bond year and then every fifth bond year through final maturity, at which time management refines its estimate. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in the statements of revenues, expenses and changes in net position in the year of the change.

### *(g) Net Position*

The Corporation’s net position is classified in the following categories: restricted for revolving loan fund programs, consisting of assets less related liabilities restricted for the operation of the CWSRF and DWSRF 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 expenses related to the administration of EFC’s activities. The principal nonoperating revenues are generated from project grant revenues, investment income, and other nonexchange revenues. Nonoperating expenses include program grants and other nonexchange expenses.

## (3) State Revolving Funds

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.

The Disaster Relief Appropriations Act of 2013 (DRAA) provided additional funds to the CWSRF and DWSRF to reduce flood damage risk and vulnerability or to enhance resiliency to rapid hydrologic change or natural disaster at treatment works as defined by section 212 of the Federal Water Pollution Control Act or any eligible facilities under section 1452 of the Safe Drinking Water Act, and for other eligible tasks such as treatment works or facilities necessary to further such purpose.

The NYS Water Infrastructure Improvement Act of 2015 (NYS Water Grants) will provide additional state funds over three years to fund wastewater and drinking water infrastructure projects. These grants are available for projects that improve water quality and protect public health.

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

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

## (4) Cash and Cash Equivalents and Investments

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

As of March 31, 2016, the Corporation had the following cash equivalents and 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 | $ 559,107,371 | 30,008,139 | 142,273,712 | 148,483,605 | 238,341,915 |
| Municipal obligations | BBB – AAA | 759,376,471 | 28,871,444 | 114,716,337 | 174,973,403 | 440,815,287 |
| Structured debt obligations | Aa2 | 40,337,809 | 5,293,333 | 27,870,831 | 7,173,645 | — |
| U.S. government backed: | | | | | | |
| U.S. Treasury bills | | 965,234,470 | 965,234,470 | — | — | — |
| State and local government series | | 277,389 | — | 277,389 | — | — |
| Structured debt obligations | | 448,079,630 | 33,272,099 | 167,395,926 | 135,987,956 | 111,423,649 |
| Total | | $ 2,772,413,140 | 1,062,679,485 | 452,534,195 | 466,618,609 | 790,580,851 |

As of March 31, 2015, the Corporation had the following cash equivalents and investments, credit risk 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 | $ 584,631,661 | 25,524,290 | 139,834,488 | 152,359,422 | 266,913,461 |
| Municipal obligations | BBB – AAA | 806,697,509 | 37,436,608 | 118,543,837 | 145,568,784 | 505,148,280 |
| Structured debt obligations | Aa2 | 45,352,809 | 5,015,000 | 29,123,331 | 11,214,478 | — |
| U.S. government backed: | | | | | | |
| U.S. Treasury bills | | 1,229,398,621 | 1,229,398,621 | — | — | — |
| State and local government series | | 4,545,719 | 1,160,832 | 1,359,887 | 1,075,000 | 950,000 |
| Structured debt obligations | | 483,611,340 | 35,531,710 | 169,027,817 | 144,922,830 | 134,128,983 |
| Total | | $ 3,154,237,659 | 1,334,067,061 | 457,889,360 | 455,140,514 | 907,140,724 |

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. New York State law limits the investments that the Corporation can make, which minimizes 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, 2016, the Corporation had five providers of guaranteed investment contracts, four of which were obligated for more than 5% of the total investment contract portfolio. The four providers were Societe General with $239.2 million or 42.8% of the portfolio, JP Morgan Chase with $146.4 million or 26.2% of the portfolio, Bank of America with $134.7 million or 24.1% of the portfolio, and Citigroup with $38.7 million or 6.9% of the portfolio.

As of March 31, 2015, the Corporation had five providers of guaranteed investment contracts, four of which were obligated for more than 5% of the total investment contract portfolio. The four providers were Societe General with $248.2 million or 42.5% of the portfolio, JP Morgan Chase with $154.9 million or 26.5% of the portfolio, Bank of America with $140.2 million or 24.0% of the portfolio, and Citigroup with $40.9 million or 7.0% of the portfolio.

## (5) Short-Term Financings Receivable

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

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

Short-term financings receivable is comprised of the following at March 31, 2016:

| | CWSRF | DWSRF | Total |
|---|---|---|---|
| Receivable subject to principal forgiveness | $ 12,232,974 | — | 12,232,974 |
| Other short-term financing receivable | 742,081,007 | 280,009,487 | 1,022,090,494 |
| | 754,313,981 | 280,009,487 | 1,034,323,468 |
| Less reserve for principal forgiveness | (12,232,974) | — | (12,232,974) |
| Short-term financing receivable, net of reserve for principal forgiveness | $ 742,081,007 | 280,009,487 | 1,022,090,494 |

Short-term financings receivable is comprised of the following at March 31, 2015:

| | CWSRF | DWSRF | Total |
|---|---|---|---|
| Receivable subject to principal forgiveness | $ 229,753,602 | 7,810,595 | 237,564,197 |
| Other short-term financing receivable | 606,865,148 | 93,966,331 | 700,831,479 |
| | 836,618,750 | 101,776,926 | 938,395,676 |
| Less reserve for principal forgiveness | (229,753,602) | (7,810,595) | (237,564,197) |
| Short-term financing receivable, net of reserve for principal forgiveness | $ 606,865,148 | 93,966,331 | 700,831,479 |

Short-term financings receivable mature as follows:

| | CWSRF | DWSRF | Total |
|---|---|---|---|
| Year ending March 31: | | | |
| 2017 | $ 119,443,754 | 28,475,547 | 147,919,301 |
| 2018 | 103,186,850 | 37,619,985 | 140,806,835 |
| 2019 | 519,450,403 | 213,913,955 | 733,364,358 |
| | $ 742,081,007 | 280,009,487 | 1,022,090,494 |

## (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 4.87% and mature through the year 2045.

Direct financings receivable mature as follows:

| | | CWSRF | DWSRF | Total |
|---|---|---|---|---|
| Year ending March 31: | | | | |
| 2017 | $ | 47,055,057 | 23,404,201 | 70,459,258 |
| 2018 | | 46,151,670 | 24,778,617 | 70,930,287 |
| 2019 | | 41,922,385 | 24,741,296 | 66,663,681 |
| 2020 | | 40,510,594 | 24,143,162 | 64,653,756 |
| 2021 | | 39,964,261 | 23,026,754 | 62,991,015 |
| 2022–2026 | | 233,821,017 | 108,021,226 | 341,842,243 |
| 2027–2031 | | 290,312,051 | 86,980,128 | 377,292,179 |
| 2032–2036 | | 195,778,176 | 73,537,816 | 269,315,992 |
| 2037–2041 | | 141,114,823 | 42,485,679 | 183,600,502 |
| 2042–2046 | | 77,067,454 | 14,091,509 | 91,158,963 |
| | $ | 1,153,697,488 | 445,210,388 | 1,598,907,876 |

## (7) SRF Bonds Receivable and Bonds Payable

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

Bond proceeds net of issuance costs, and in most cases equity funds, are deposited in construction funds simultaneously with the issuance and sale of the SRF revenue bonds and are generally held for the recipients by the SRF trustee under a third party agreement. The construction fund proceeds are recorded on the recipients' financial statements and are not included in EFC's financial statements. Moneys available and on deposit in the construction funds were $113.9 million at March 31, 2016 and $104.3 million at March 31, 2015.

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 from 100% to 102% of the principal amount to be redeemed.

The following is a schedule of CWSRF bonds receivable outstanding at March 31, 2016 and March 31, 2015:

| Bond issue | Range of interest rates | Year of maturity | March 31 2016 | March 31 2015 |
|---|---|---|---|---|
| Series 1994E, 12/1/94 | 6.875 | 2016 | $ 115,000 | 340,000 |
| Series 2002K, 11/14/02 | 2.00 – 5.00 | 2017 | 67,830,000 | 99,925,000 |
| Series 2002L, 11/26/02 | 4.00 – 5.00 | 2015 | — | 4,848,000 |
| Series 2003B, 3/20/03 | 5.25 | 2015 | — | 4,250,000 |
| Series 2003C, 3/20/03 | 5.25 | 2015 | — | 2,170,000 |
| Series 2004B, 3/4/04 | 5.00 | 2016 | 3,335,000 | 6,595,000 |
| Series 2004C, 4/7/04 | 3.375 – 5.25 | 2033 | 86,535,000 | 93,475,000 |
| Series 2004F, 11/30/04 | 4.265 – 5.00 | 2034 | 131,795,000 | 137,010,000 |
| Series 2005A, 3/3/05 | 3.50 – 4.75 | 2034 | — | 80,010,000 |
| Series 2005B, 7/28/05 | 3.40 – 5.50 | 2035 | — | 70,435,000 |
| Series 2005C, 10/12/05 | 4.125 – 5.00 | 2035 | 64,035,000 | 136,569,348 |
| Series 2005D, 11/15/05 | 4.00 – 5.00 | 2024 | — | 7,110,000 |
| Series 2006A, 6/22/06 | 4.50 – 5.43 | 2036 | 141,530,764 | 146,716,528 |
| Series 2006B, 6/22/06 | 4.50 – 5.50 | 2036 | 181,185,717 | 187,721,434 |
| Series 2006C, 7/27/06 | 4.125 – 5.00 | 2036 | — | 105,275,000 |
| Series 2007A, 3/27/07 | 3.75 – 5.00 | 2036 | 159,818,565 | 166,072,130 |
| Series 2007B, 3/27/07 | 4.50 – 5.00 | 2036 | 204,167,663 | 212,150,326 |
| Series 2007C, 5/15/07 | 4.125 – 5.00 | 2024 | 106,575,000 | 121,440,000 |
| Series 2007D, 7/26/07 | 4.00 – 5.00 | 2037 | — | 81,880,000 |
| Series 2008A, 5/22/08 | 4.625 – 5.00 | 2037 | 107,669,087 | 111,622,116 |
| Series 2008B, 5/22/08 | 5.00 | 2037 | 137,890,361 | 142,957,148 |
| Series 2009A, 4/2/09 | 5.00 – 5.25 | 2038 | 269,550,900 | 276,388,625 |
| Series 2010A, 2/11/10 | 3.50 – 5.00 | 2029 | 88,160,368 | 93,685,460 |
| 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 | 110,723,000 | 120,014,000 |
| Series 2011A, 3/17/11 | 3.00 – 5.00 | 2021 | 40,270,000 | 56,745,000 |
| Series 2011B, 6/17/11 | 5.00 | 2041 | 329,386,590 | 340,763,948 |
| Series 2011C, 7/21/11 | 3.00 – 5.00 | 2041 | 144,171,000 | 154,635,000 |
| Series 2012A, 5/31/12 | 2.00 – 5.00 | 2029 | 379,350,000 | 409,950,000 |
| Series 2012B, 6/21/12 | 2.00 – 5.00 | 2042 | 144,199,488 | 150,350,962 |
| Series 2012C, 6/21/12 | 1.123 – 3.684 | 2029 | 23,285,000 | 23,915,000 |

| Bond issue | Range of interest rates | Year of maturity | March 31 2016 | March 31 2015 |
|---|---|---|---|---|
| Series 2012D, 7/12/12 | 3.00 – 5.00 | 2028 | $ 299,130,000 | 305,105,000 |
| Series 2012E, 11/15/12 | 3.00 – 5.00 | 2042 | 161,549,564 | 170,429,564 |
| Series 2012F, 11/15/12 | 0.986 – 2.806 | 2024 | 42,727,000 | 47,496,000 |
| Series 2013A, 7/11/13 | 3.00 – 5.00 | 2033 | 351,145,000 | 365,855,000 |
| Series 2013B, 8/1/13 | 3.00 – 5.00 | 2043 | 252,910,859 | 263,694,380 |
| Series 2014A, 3/27/14 | 2.00 – 5.00 | 2034 | 317,475,000 | 327,675,000 |
| Series 2014B, 7/2/14 | 2.00 – 5.00 | 2044 | 401,815,370 | 416,425,370 |
| Series 2015A, 7/2/15 | 2.00 – 5.00 | 2045 | 201,530,000 | — |
| Series 2015B, 8/20/15 | 2.00 – 5.00 | 2045 | 163,506,713 | — |
| Series 2015C, 8/20/15 | .50 – 3.82 | 2030 | 46,357,500 | — |
| Series 2015D, 8/20/15 | 2.00 – 5.00 | 2037 | 315,394,811 | — |
| | | | $ 5,586,560,320 | 5,553,140,339 |
| Beginning balance | | | $ 5,553,140,339 | 5,564,053,654 |
| Bonds issued | | | 740,617,845 | 420,850,370 |
| Bonds retired | | | (707,197,864) | (431,763,685) |
| Ending balance | | | $ 5,586,560,320 | 5,553,140,339 |

The New York City Municipal Water Finance Authority makes up 68% of the CWSRF bonds receivable at March 31, 2016 and 69% at March 31, 2015.

Included in CWSRF bonds payable are unamortized bond premiums/discounts of $105,688,022 at March 31, 2016 and $100,000,639 at March 31, 2015.

The following is a schedule of DWSRF bonds receivable outstanding at March 31, 2016 and March 31, 2015:

| Bond issue | Range of interest rates | Year of maturity | March 31 2016 | March 31 2015 |
|---|---|---|---|---|
| Series 2004B, 3/4/04 | 5.00 | 2016 | $ 195,000 | 385,000 |
| Series 2004C, 4/7/04 | 4.50 – 5.25 | 2026 | 3,935,000 | 4,770,000 |
| Series 2004F, 11/30/04 | 5.00 | 2026 | 2,975,000 | 3,240,000 |
| Series 2005A, 3/3/05 | 3.50 – 4.75 | 2025 | — | 3,430,000 |
| Series 2005B, 7/28/05 | 3.40 – 5.50 | 2025 | — | 4,845,000 |
| Series 2005C, 10/12/05 | 4.25 – 5.00 | 2027 | 10,180,000 | 33,213,258 |
| Series 2006A, 6/22/06 | 4.75 – 5.50 | 2028 | 12,982,348 | 13,899,696 |
| Series 2006B, 6/22/06 | 4.625 – 5.50 | 2028 | 16,529,060 | 17,703,120 |
| Series 2006C, 7/27/06 | 4.125 – 5.00 | 2028 | — | 35,040,000 |
| Series 2007A, 3/27/07 | 3.75 – 5.00 | 2029 | 15,049,143 | 16,083,286 |
| Series 2007B, 3/27/07 | 4.50 – 5.00 | 2029 | 19,349,151 | 20,658,302 |
| Series 2007D, 7/26/07 | 4.00 – 5.00 | 2036 | — | 26,890,000 |
| Series 2008A, 5/22/08 | 4.625 – 5.00 | 2030 | 75,518,030 | 85,946,240 |
| Series 2008B, 5/22/08 | 5.00 | 2030 | 42,366,206 | 44,836,608 |
| Series 2009A, 4/2/09 | 5.00 – 5.25 | 2031 | 57,059,612 | 59,912,015 |
| Series 2010A, 2/11/10 | 4.00 | 2016 | 4,555,000 | 9,005,000 |
| Series 2010B, 2/11/10 | 4.005 – 5.707 | 2029 | 85,020,000 | 85,020,000 |
| Series 2010C, 6/24/10 | 3.00 – 5.00 | 2039 | 61,530,000 | 68,940,000 |
| Series 2011A, 3/17/11 | 3.00 – 5.00 | 2022 | 55,704,174 | 69,187,874 |
| Series 2011B, 6/17/11 | 2.00 – 5.00 | 2031 | 155,896,995 | 164,810,174 |
| Series 2011C, 7/21/11 | 4.00 – 5.00 | 2041 | 99,423,481 | 105,726,335 |
| Series 2012A, 5/31/12 | 5.00 | 2022 | 18,935,000 | 21,925,000 |
| Series 2012B, 6/21/12 | 2.00 – 5.00 | 2032 | 11,603,459 | 12,691,206 |
| Series 2012E, 11/15/12 | 3.00 – 5.00 | 2032 | 11,595,000 | 12,410,000 |
| Series 2013A, 7/11/13 | 5.00 | 2026 | 15,935,000 | 17,575,000 |
| Series 2013B, 8/1/13 | 3.00 – 5.00 | 2042 | 52,196,857 | 56,453,991 |
| Series 2014A, 3/27/14 | 4.00 – 5.00 | 2026 | 18,460,000 | 19,710,000 |
| Series 2014B, 7/2/14 | 2.00 – 5.00 | 2044 | 38,831,116 | 41,116,116 |
| Series 2015A, 7/2/15 | 2.00 – 5.00 | 2027 | 18,240,000 | — |
| Series 2015B, 8/20/15 | 3.00 – 5.00 | 2042 | 11,741,595 | — |
| Series 2015D, 8/20/15 | 2.00 – 5.00 | 2036 | 65,261,421 | — |
| | | | $ 981,067,648 | 1,055,423,221 |

| Bond issue | Range of interest rates | Year of maturity | March 31 2016 | March 31 2015 |
|---|---|---|---|---|
| Beginning balance | | | $ 1,055,423,221 | 1,124,351,024 |
| Bonds issued | | | 98,863,016 | 41,726,116 |
| Bonds retired | | | (173,218,589) | (110,653,919) |
| Ending balance | | | $ 981,067,648 | 1,055,423,221 |

The New York City Municipal Water Finance Authority makes up 59% of the DWSRF bonds receivable at March 31, 2016 and 2015.

Included in DWSRF bonds payable are unamortized bond premiums/discounts of $35,353,729 at March 31, 2016 and $37,630,461 at March 31, 2015.

Defeased in-substance debt outstanding that is no longer recorded on EFC's statements of net position amounted to $366.9 million at March 31, 2016 and $94.5 million at March 31, 2015.

In fiscal 2016, the Corporation issued $699.1 million of State Revolving Funds Revenue Bonds. A portion of the proceeds, including a premium of $84.0 million, were used to redeem six series of previously issued SRF bonds which totaled $478.9 million. As a result of refinancing, the underlying borrowers in these transactions will realize $42.5 million in present value savings. The remaining bond proceeds were used to provide financial assistance to eligible recipients.

In fiscal 2015, the Corporation issued $213.6 million of State Revolving Funds Revenue Bonds. A portion of the proceeds, including a premium of $31.1 million, were used to redeem three series of previously issued SRF bonds which totaled $165.7 million. As a result of refinancing, the underlying borrowers in these transactions will realize $24.8 million in present value savings. The remaining bond proceeds were used to provide financial assistance to eligible recipients.

Principal payments on bonds receivable mature as follows:

| | CWSRF | DWSRF | Total |
|---|---|---|---|
| Year ending March 31: | | | |
| 2017 | $ 308,029,056 | 82,997,981 | 391,027,037 |
| 2018 | 310,153,190 | 83,647,406 | 393,800,596 |
| 2019 | 308,797,290 | 85,034,667 | 393,831,957 |
| 2020 | 307,937,406 | 80,243,751 | 388,181,157 |
| 2021 | 303,561,416 | 77,091,130 | 380,652,546 |
| 2022–2026 | 1,362,297,151 | 281,606,713 | 1,643,903,864 |
| 2027–2031 | 1,160,741,097 | 210,591,000 | 1,371,332,097 |
| 2032–2036 | 964,480,714 | 50,455,000 | 1,014,935,714 |
| 2037–2041 | 435,333,000 | 24,255,000 | 459,588,000 |
| 2042–2046 | 125,230,000 | 5,145,000 | 130,375,000 |
| | $ 5,586,560,320 | 981,067,648 | 6,567,627,968 |

Interest payments on bonds receivable are as follows:

| | CWSRF | DWSRF | Total |
|---|---|---|---|
| Year ending March 31: | | | |
| 2017 | $ 239,494,888 | 37,935,043 | 277,429,931 |
| 2018 | 229,781,118 | 35,573,180 | 265,354,298 |
| 2019 | 216,178,644 | 32,609,025 | 248,787,669 |
| 2020 | 204,258,500 | 29,904,133 | 234,162,633 |
| 2021 | 191,767,296 | 26,814,720 | 218,582,016 |
| 2022–2026 | 780,722,057 | 100,608,629 | 881,330,686 |
| 2027–2031 | 491,150,810 | 42,349,158 | 533,499,968 |
| 2032–2036 | 238,217,222 | 10,741,175 | 248,958,397 |
| 2037–2041 | 70,645,926 | 3,872,692 | 74,518,618 |
| 2042–2046 | 10,948,068 | 343,834 | 11,291,902 |
| | $ 2,673,164,529 | 320,751,589 | 2,993,916,118 |

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

| | | CWSRF | DWSRF | Total |
|---|---|---|---|---|
| Bonds receivable, March 31, 2016 | $ | 5,586,560,320 | 981,067,648 | 6,567,627,968 |
| Equity funded bonds receivable | | (726,177,298) | (100,553,919) | (826,731,217) |
| Bonds payable, March 31, 2016 | $ | 4,860,383,022 | 880,513,729 | 5,740,896,751 |
| Bonds receivable, March 31, 2015 | $ | 5,553,140,339 | 1,055,423,221 | 6,608,563,560 |
| Equity funded bonds receivable | | (666,224,700) | (108,147,760) | (774,372,460) |
| Bonds payable, March 31, 2015 | $ | 4,886,915,639 | 947,275,461 | 5,834,191,100 |

Equity funded bonds receivable, or the blend rate funding model, utilizes a combination of bond proceeds from the issuance of EFC special obligation bonds and equity funds available from the CWSRF and DWSRF programs to fund a portion of each underlying recipients' financing. The equity funded portion is essentially an interest free component of each financing which satisfies subsidy targets. Both bond proceeds and equity funds are included in amounts recorded to bonds receivable however, only the bond proceeds are included in amounts recorded to bonds payable. The above tables represent the reconciliation of bonds receivable to bonds payable outstanding at March 31, 2016 and 2015.

## (8) Other Restricted Funds

EFC acts as a custodian for various funds/programs under other restricted funds. At March 31, 2016 and 2015, EFC's other restricted funds were $12.1 million and $6.5 million, respectively. A description of each of the funds is as follows:

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

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

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

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

The following is a summary of activities that have occurred within other restricted funds during the year ended March 31, 2016 and 2015:

| | | DEC | WWTP | NSTI | KENSICO | Total |
|---|---|---|---|---|---|---|
| Balance, March 31, 2015 | $ | 2,807,865 | 1,175,451 | — | 2,484,365 | 6,467,681 |
| Receipts: | | | | | | |
| Program advances | | — | 11,278,529 | — | — | 11,278,529 |
| Interest earnings | | 470 | 845 | — | 497 | 1,812 |
| Total receipts | | 470 | 11,279,374 | — | 497 | 11,280,341 |
| Disbursements: | | | | | | |
| Project expenses | | 453,285 | 4,836,382 | — | 8,963 | 5,302,016 |
| Administrative expenses | | — | 298,349 | — | 12,349 | 307,312 |
| Total disbursements | | 453,285 | 5,134,731 | — | 21,312 | 5,609,328 |
| Balance, March 31, 2016 | $ | 2,355,050 | 7,320,094 | — | 2,463,550 | 12,138,694 |

| | | DEC | WWTP | NSTI | KENSICO | Total |
|---|---|---|---|---|---|---|
| Balance, March 31, 2014 | $ | 3,163,737 | 1,198,459 | 129,390 | 2,491,795 | 6,983,381 |
| Receipts: | | | | | | |
| Program advances | | — | 6,355,372 | 63,335 | — | 6,418,707 |
| Interest earnings | | 572 | 532 | 87 | 498 | 1,689 |
| Total receipts | | 572 | 6,355,904 | 63,422 | 498 | 6,420,396 |
| Disbursements: | | | | | | |
| Project expenses | | 338,444 | 5,888,080 | 187,792 | — | 6,414,316 |
| Administrative expenses | | 18,000 | 490,832 | 5,020 | 7,928 | 521,780 |
| Total disbursements | | 356,444 | 6,378,912 | 192,812 | 7,928 | 6,936,096 |
| Balance, March 31, 2015 | $ | 2,807,865 | 1,175,451 | — | 2,484,365 | 6,467,681 |

## (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 $130.0 million at March 31, 2016 and $141.2 million at March 31, 2015.

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 $323.7 million at March 31, 2016 and $576.9 million at March 31, 2015. This amount is reported as appropriation bonds payable and receivable from the State of New York in the accompanying financial statements of EFC.

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

| | | Principal | Interest | Total |
|---|---|---|---|---|
| Year ending March 31: | | | | |
| 2017 | $ | 46,300,000 | 22,172,000 | 68,472,000 |
| 2018 | | 39,800,000 | 17,345,000 | 57,145,000 |
| 2019 | | 33,915,000 | 11,765,000 | 45,680,000 |
| 2020 | | 32,075,000 | 10,006,000 | 42,081,000 |
| 2021 | | 33,660,000 | 8,432,000 | 42,092,000 |
| 2022–2026 | | 83,730,000 | 26,015,000 | 109,745,000 |
| 2027–2031 | | 54,260,000 | 5,564,000 | 59,824,000 |
| | $ | 323,740,000 | 101,299,000 | 425,039,000 |

Defeased in-substance debt outstanding on state appropriation bonds which is no longer recorded on EFC's statements of net position amounted to $125.6 at March 31, 2016 and $0 at March 31, 2015.

## (10) Retirement Plan

### *(a) General information*

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 net position of the System is held in the New York State Common Retirement Fund (Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. System benefits and required contributions are established under the provisions of the New York State Retirement and Social Security Law (RSSL). The System offers a range of programs and benefits that vary based on the date of membership, years of credited service and final average salary, vesting of retirement benefits, disability benefits and optional methods of benefit payments. Once a public employer elects to participate in the System, the election is irrevocable. As part of ERS, EFC also participates in the Public Employees Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. This system is included in the State's financial report as a pension trust fund. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing the New York State and Local Retirement System, 110 State St, Albany, NY 12244.

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

### *(b) Contributions*

System funding requirements are determined by the actuary of the System. The System calculates the employer contribution as a result of the actuarially determined rates and salaries. Contributions for the current and prior year were equal to 100 percent of the contributions required, and were as follows:

| | Contribution |
|---|---|
| 2016 | $ 1,484,327 |
| 2015 | 1,581,156 |

### *(c) Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At March 31, 2016, EFC recognized a net pension liability of $1,138,453 for its proportionate share of the System's net pension liability. The net pension liability was measured as of March 31, 2015, and was determined using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the net pension liability to March 31, 2015. EFC's proportion of the System's net pension liability was based on a projection of EFC's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At the measurement date of March 31, 2015, EFC's proportion of the net pension liability of the System was 0.0336995%, which is the same as the proportion at March 31, 2014. For the year ended March 31, 2016, EFC recognized pension expense of $1,180,515. At March 31, 2016, EFC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 36,443 | — |
| Net difference between projected and actual earnings on pension plan investments | 197,735 | — |
| Changes in proportion and differences between contributions and proportionate share of contributions | — | 54,172 |
| Contributions susequent to measurement date | 1,484,327 | — |
| Total | $ 1,718,505 | 54,172 |

$1,484,327 reported as deferred outflows of resources resulted from EFC's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended March 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended March 31: | Amount |
|---|---|
| 2016 | $ 45,001 |
| 2017 | 45,001 |
| 2018 | 45,001 |
| 2019 | 45,001 |
| | $ 180,004 |

***(d) Actuarial Assumptions***

The total pension liability at the measurement date of March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The actuarial assumptions included in the actuarial valuation included an inflation factor of 2.7%, projected salary increases of 4.9% and an investment rate of return of 7.5%. Annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

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

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic equity | 38 % | 7.30 % |
| International equity | 13 | 8.55 |
| Private equity | 10 | 11.00 |
| Real estate | 8 | 8.25 |
| Absolute return strategies | 3 | 6.75 |
| Opportunistic portfolio | 3 | 8.60 |
| Real assets | 3 | 8.65 |
| Bonds and mortgages | 18 | 4.00 |
| Cash | 2 | 2.25 |
| Inflation indexed bonds | 2 | 4.00 |
| | 100 % | |

The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments (7.5%) was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents EFC's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5%, as well as what EFC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

| | | 1% Decrease (6.5%) | Current Assumption 7.5% | 1% Increase (8.5%) |
|---|---|---|---|---|
| Proportionate share of the net pension liability (asset) | $ | 7,588,272 | 1,138,453 | (4,306,796) |

## (11) Other Post-Employment Benefits

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

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

Annual OPEB: EFC's annual other post-employment 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 2016 and 2015, the amount actually contributed to the plan, and changes in EFC's net OPEB obligation:

| | | **2016** | **2015** |
|---|---|---|---|
| Annual OPEB cost: | | | |
| Annual required contribution (ARC): | | | |
| Normal cost | $ | 2,394,600 | 2,579,000 |
| Past service cost | | 1,856,300 | 1,773,900 |
| Total | | 4,250,900 | 4,352,900 |
| ARC adjustment | | (666,053) | (539,098) |
| Interest on net OPEB obligation | | 603,978 | 488,855 |
| Annual OPEB cost | $ | 4,188,825 | 4,302,657 |
| Net OPEB obligation: | | | |
| Net OPEB obligation at beginning of fiscal year | $ | 20,132,591 | 16,328,824 |
| Annual OPEB cost | | 4,188,825 | 4,302,657 |
| Employer contribution | | (531,114) | (498,890) |
| Net OPEB obligation at end of fiscal year | $ | 23,790,302 | 20,132,591 |

EFC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016, 2015, and 2014 were as follows:

| Fiscal year ended | | Annual OPEB cost | Actual contribution | Percentage of annual OPEB cost contributed | Net OPEB obligation |
|---|---|---|---|---|---|
| March 31, 2016 | $ | 4,188,825 | 531,114 | 12.7 | 23,790,302 |
| March 31, 2015 | | 4,302,657 | 498,890 | 11.6 | 20,132,591 |
| March 31, 2014 | | 4,120,822 | 498,141 | 12.1 | 16,328,824 |

Funded Status and Funding Progress: As of January 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $56.1 million, all of which was unfunded.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. 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) |
|---|---|---|---|---|---|---|---|
| 1/1/2016 | $ | — | 56,109,600 | 56,109,600 | —% | 8,378,500 | 669.7% |

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, 2016 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 expected rate of increase in healthcare premiums is based on projections developed by the actuary's healthcare specialists. For the two plans with the highest enrollment, rates of 6.2% and 6.3% were assumed initially for pre-Medicare costs and 6.8% for Medicare costs, reduced to an ultimate rate of 4.5% after 55 years. 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 has entered into a five year revocable permit with the New York State Office of General Services for office space located at 625 Broadway, Albany, New York. The revocable permit includes a fixed basic fee to cover debt service on the building, as well as a pro rata share of the building's operating costs, real estate taxes, and utilities. The revocable permit expires on March 31, 2018. All costs, debt service and occupancy costs, under the revocable permit are recognized in the statements of revenues, expenses, and changes in net position as part of administrative costs. For the year ended March 31, 2016 and 2015 these costs are as follows:

| | | 2016 | 2015 |
|---|---|---|---|
| Debt service | $ | 249,879 | 249,879 |
| Occupancy costs | | 378,000 | 36,000 |
| | $ | 627,879 | 285,879 |

At March 31, 2016, the undisbursed balance of active SRF short-term direct loans and grants closed were $906.6 million and $125.4 million, respectively.

In August 2013, the Corporation through the State Revolving Fund (SRF), guaranteed $24.3 million Series 2013A Residential Energy Efficiency Financing Revenue Bonds issued by the New York State Energy Research and Development Authority (NYSERDA). The bonds have semi-annual interest payments each January and July 1 and annual principal payments each July 1 from January 1, 2014 to July 1, 2028 and are secured with a pledge of payments from certain residential energy efficiency loans funded by NYSERDA. Under the terms of the guarantee agreement, the Corporation guarantees full and timely payment of principal and interest on the bonds in the event NYSERDA fails to pay when due and payable. NYSERDA established a Collateral Reserve account, which may be used by the Corporation to fund or reimburse the SRF if loan repayments and interest subsidies are insufficient to meet scheduled payments on the bonds, and if there are insufficient additional funds available from the residential energy efficiency loan program. As of March 31, 2016, the outstanding balance of the bonds totaled $20.0 million and the balance in the Collateral Reserve account was $7.8 million.

## (13) Subsequent Events

The Corporation has evaluated subsequent events from the statement of net position date of March 31, 2016 through June 30, 2016, the date at which the financial statements were available to be issued.

On June 29, 2016, EFC issued $500,955,000 of State Clean Water and Drinking Water Revolving Funds Revenue Bonds, (New York City Municipal Water Finance Authority Projects – Second Resolution Bonds) Series 2016A Subordinated SRF Bonds. The 2016A bonds have interest rates ranging from 2.00% to 5.00% and have a final maturity of June 2046. In addition, EFC also issued a direct loan to the New York City Municipal Water Finance Authority in the amount of $277,615,000 as part of this financing.

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

Required Supplemental Information

Schedule of Proportionate Share of the Net Pension Liability – New York State and Local Employees' Retirement System Pension Plan (Unaudited)

March 31, 2016

| | | **2016** |
|---|---|---|
| Share of net pension liability | | 0.0336995% |
| Proportionate share of the net pension liability | $ | 1,138,453 |
| Covered payroll | $ | 8,378,527 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | | 13.5877464% |
| Plan fiduciary net position as a percentage of the total pension liability | | 97.9% |

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

Required Supplemental Information

Schedule of Employer Contributions – New York State and
Local Employees' Retirement System Pension Plan (Unaudited)

March 31, 2016

| | | 2016 |
|---|---|---|
| Contractually required contribution | $ | 1,484,327 |
| Contributions in relation to the contractually required contribution | | 1,484,327 |
| Contribution deficiency (excess) | $ | - |
| Covered payroll | $ | 8,378,527 |
| Contributions as a percentage of covered payroll | | 17.7158% |

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**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, 2016

| 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) |
|---|---|---|---|---|---|---|---|
| 1/1/2016 | $ | — | 56,109,600 | 56,109,600 | —% | 8,378,500 | 669.7% |
| 1/1/2013 | | — | 46,618,500 | 46,618,500 | — | 7,736,300 | 602.6 |
| 1/1/2010 | | — | 21,591,800 | 21,591,800 | — | 8,736,700 | 247.1 |

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

Other Supplementary Information – Combining Schedule of Net Position

March 31, 2016 and 2015

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | **Corporate activities** | **CWSRF** | **DWSRF** | **Total** | **Corporate activities** | **CWSRF** | **DWSRF** | **Total** |
| Current assets: | | | | | | | | |
| Cash and cash equivalents: | $ 12,622,330 | — | — | 12,622,330 | 13,524,970 | — | — | 13,524,970 |
| Contractual services and fees receivable | 237,630 | — | — | 237,630 | 248,705 | — | — | 248,705 |
| Restricted assets: | | | | | | | | |
| Cash and cash equivalents | — | 737,448,081 | 191,261,845 | 928,709,926 | — | 886,494,340 | 338,183,243 | 1,224,677,583 |
| Interest receivable on bonds and direct financings | — | 69,848,994 | 12,421,921 | 82,270,915 | — | 75,754,435 | 14,347,369 | 90,101,804 |
| Interest receivable on cash and cash equivalents and investments | — | 19,011,542 | 1,998,322 | 21,009,864 | — | 19,721,395 | 2,228,246 | 21,949,641 |
| Annual fees receivable | — | 11,765,025 | 941,088 | 12,706,113 | — | 11,289,771 | 992,555 | 12,282,326 |
| Prepaid asset | — | 810,000 | 65,000 | 875,000 | — | — | — | — |
| Short-term financings receivable | — | 119,443,754 | 28,475,547 | 147,919,301 | — | 35,739,373 | 57,465,107 | 93,204,480 |
| Direct financing receivable | — | 47,055,057 | 23,404,201 | 70,459,258 | — | 39,864,634 | 21,726,784 | 61,591,418 |
| Bonds receivable | — | 308,029,056 | 82,997,981 | 391,027,037 | — | 302,554,043 | 83,038,589 | 385,592,632 |
| Due from New York State, appropriation bonds receivable | 46,300,000 | — | — | 46,300,000 | 57,926,000 | — | — | 57,926,000 |
| Other restricted funds | 12,138,694 | — | — | 12,138,694 | 6,467,681 | — | — | 6,467,681 |
| Total current assets | 71,298,654 | 1,313,411,509 | 341,565,905 | 1,726,276,068 | 78,167,356 | 1,371,417,991 | 517,981,893 | 1,967,567,240 |
| Noncurrent assets: | | | | | | | | |
| Restricted assets: | | | | | | | | |
| Investments | — | 1,683,555,399 | 176,209,041 | 1,859,764,440 | — | 1,739,220,931 | 203,678,564 | 1,942,899,495 |
| Short-term financings receivable | — | 622,637,253 | 251,533,940 | 874,171,193 | — | 571,125,775 | 36,501,224 | 607,626,999 |
| Direct financings receivable | — | 1,106,642,431 | 421,806,187 | 1,528,448,618 | — | 951,455,004 | 396,595,612 | 1,348,050,616 |
| Bonds receivable | — | 5,278,531,264 | 898,069,667 | 6,176,600,931 | — | 5,250,586,296 | 972,384,632 | 6,222,970,928 |
| Due from New York State, appropriation bonds receivable | 277,440,000 | — | — | 277,440,000 | 518,999,000 | — | — | 518,999,000 |
| Total noncurrent assets | 277,440,000 | 8,691,366,347 | 1,747,618,835 | 10,716,425,182 | 518,999,000 | 8,512,388,006 | 1,609,160,032 | 10,640,547,038 |
| Total assets | 348,738,654 | 10,004,777,856 | 2,089,184,740 | 12,442,701,250 | 597,166,356 | 9,883,805,997 | 2,127,141,925 | 12,608,114,278 |
| Deferred outflows of resources related to pensions | 328,234 | 1,122,184 | 268,087 | 1,718,505 | — | — | — | — |
| Total assets and deferred outflow of resources | $ 349,066,888 | 10,005,900,040 | 2,089,452,827 | 12,444,419,755 | 597,166,356 | 9,883,805,997 | 2,127,141,925 | 12,608,114,278 |
| **Liabilities, Deferred Inflows of Resources and Net Position** | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accrued interest payable on bonds | $ — | 64,224,128 | 11,724,014 | 75,948,142 | — | 70,065,773 | 13,404,451 | 83,470,224 |
| Accrued interest subsidy | — | 37,564,039 | 4,882,376 | 42,446,415 | — | 40,207,531 | 5,364,067 | 45,571,598 |
| Bonds payable | — | 250,985,000 | 65,450,000 | 316,435,000 | — | 250,475,000 | 64,650,000 | 315,125,000 |
| Appropriation bonds payable | 46,300,000 | — | — | 46,300,000 | 57,926,000 | — | — | 57,926,000 |
| Other restricted funds | 12,138,694 | — | — | 12,138,694 | 6,467,681 | — | — | 6,467,681 |
| Accounts payable and accrued expenses | 329,347 | 5,014,475 | 1,318,449 | 6,662,271 | 1,014,594 | 4,050,618 | 1,264,496 | 6,329,708 |
| Interfund balances | (1,415,965) | 1,124,962 | 291,003 | — | (630,977) | 512,894 | 118,083 | — |
| Debt service funds payable | — | 3,089,840 | 208,875 | 3,298,715 | — | 2,461,521 | 965,408 | 3,426,929 |
| Unearned revenue | 50,702 | — | 358,941 | 409,643 | 50,702 | — | 367,495 | 418,197 |
| Other liabilities | 2,087,007 | 37,138,362 | 9,228,804 | 48,454,173 | 1,869,564 | 29,721,414 | 7,638,723 | 39,229,701 |
| Other post-employment benefits | 77,750 | 559,800 | 139,950 | 777,500 | 84,373 | 358,582 | 84,372 | 527,327 |
| Total current liabilities | 59,567,535 | 399,700,606 | 93,602,412 | 552,870,553 | 66,781,937 | 397,853,333 | 93,857,095 | 558,492,365 |
| Noncurrent liabilities: | | | | | | | | |
| Bonds payable | — | 4,609,398,022 | 815,063,729 | 5,424,461,751 | — | 4,636,440,639 | 882,625,461 | 5,519,066,100 |
| Appropriation bonds payable | 277,440,000 | — | — | 277,440,000 | 518,999,000 | — | — | 518,999,000 |
| Unearned revenue | 668,248 | — | 4,692,517 | 5,360,765 | 718,950 | — | 4,927,761 | 5,646,711 |
| Other post-employment benefits | 4,824,272 | 14,125,209 | 4,063,321 | 23,012,802 | 4,232,415 | 11,839,184 | 3,533,665 | 19,605,264 |
| Total noncurrent liabilities | 282,932,520 | 4,623,523,231 | 823,819,567 | 5,730,275,318 | 523,950,365 | 4,648,279,823 | 891,086,887 | 6,063,317,075 |
| Total liabilities | 342,500,055 | 5,023,223,837 | 917,421,979 | 6,283,145,871 | 590,732,302 | 5,046,133,156 | 984,943,982 | 6,621,809,440 |
| Deferred inflows of resources related to pensions | 10,347 | 35,374 | 8,451 | 54,172 | — | — | — | — |
| Total liabilities and deferred inflows of resources | 342,510,402 | 5,023,259,211 | 917,430,430 | 6,283,200,043 | 590,732,302 | 5,046,133,156 | 984,943,982 | 6,621,809,440 |
| Net position: | | | | | | | | |
| Restricted for revolving loan fund programs | — | 4,982,640,829 | 1,172,022,397 | 6,154,663,226 | — | 4,837,672,841 | 1,142,197,943 | 5,979,870,784 |
| Unrestricted | 6,556,486 | — | — | 6,556,486 | 6,434,054 | — | — | 6,434,054 |
| Total net position | 6,556,486 | 4,982,640,829 | 1,172,022,397 | 6,161,219,712 | 6,434,054 | 4,837,672,841 | 1,142,197,943 | 5,986,304,838 |
| Total liabilities, deferred inflows of resources and net position | $ 349,066,888 | 10,005,900,040 | 2,089,452,827 | 12,444,419,755 | 597,166,356 | 9,883,805,997 | 2,127,141,925 | 12,608,114,278 |

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, 2016 and 2015

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Corporate activities** | **CWSRF** | **DWSRF** | **Total** | **Corporate activities** | **CWSRF** | **DWSRF** | **Total** |
| Operating revenues: | | | | | | | | |
| Interest income on bonds and direct financings receivable | $ — | 270,295,257 | 47,229,155 | 317,524,412 | — | 273,345,677 | 50,473,647 | 323,819,324 |
| Bond financing and administrative fees | 602,733 | 10,940,769 | 1,591,691 | 13,135,193 | 598,384 | 10,094,880 | 1,691,065 | 12,384,329 |
| Administrative grant revenues | 139,568 | 5,274,603 | 1,687,040 | 7,101,211 | 163,237 | 5,328,046 | 1,698,201 | 7,189,484 |
| Indirect cost and other recoveries | 2,000,000 | (1,650,000) | (350,000) | — | 1,701,054 | (1,384,320) | (316,734) | — |
| Advisory service fees | 526,394 | — | — | 526,394 | 831,636 | — | — | 831,636 |
| Other revenues | 28,316 | — | — | 28,316 | 23,361 | — | — | 23,361 |
| Total operating revenues | 3,297,011 | 284,860,629 | 50,157,886 | 338,315,526 | 3,317,672 | 287,384,283 | 53,546,179 | 344,248,134 |
| Operating expenses: | | | | | | | | |
| Interest expense on bonds payable | — | 222,089,543 | 40,396,902 | 262,486,445 | — | 229,728,788 | 43,948,840 | 273,677,628 |
| Interest subsidy provided | — | 115,900,249 | 14,419,464 | 130,319,713 | — | 117,042,983 | 14,767,372 | 131,810,355 |
| Principal forgiveness | — | 18,954,126 | (102,004) | 18,852,122 | — | 11,573,328 | — | 11,573,328 |
| Administrative costs | 3,187,803 | 15,232,376 | 3,762,466 | 22,182,645 | 3,928,606 | 15,308,008 | 3,806,069 | 23,042,683 |
| Total operating expenses | 3,187,803 | 372,176,294 | 58,476,828 | 433,840,925 | 3,928,606 | 373,653,107 | 62,522,281 | 440,103,994 |
| Operating gain (loss) | 109,208 | (87,315,665) | (8,318,942) | (95,525,399) | (610,934) | (86,268,824) | (8,976,102) | (95,855,860) |
| Nonoperating revenues: | | | | | | | | |
| Project grant revenues | — | 183,544,594 | 38,022,150 | 221,566,744 | — | 179,507,680 | 58,899,665 | 238,407,345 |
| Investment income | 2,084 | 68,701,224 | 5,931,660 | 74,634,968 | 1,939 | 105,551,397 | 16,210,998 | 121,764,334 |
| State assistance payments revenue | 392,177 | — | — | 392,177 | 783,617 | — | — | 783,617 |
| Total nonoperating revenues | 394,261 | 252,245,818 | 43,953,810 | 296,593,889 | 785,556 | 285,059,077 | 75,110,663 | 360,955,296 |
| Nonoperating expenses: | | | | | | | | |
| Grants disbursed | — | 20,000,248 | 5,819,512 | 25,819,760 | — | 27,523,057 | 13,484,382 | 41,007,439 |
| State assistance payments expense | 392,177 | — | — | 392,177 | 783,617 | — | — | 783,617 |
| Total nonoperating expenses | 392,177 | 20,000,248 | 5,819,512 | 26,211,937 | 783,617 | 27,523,057 | 13,484,382 | 41,791,056 |
| Increase (decrease) in net position | 111,292 | 144,929,905 | 29,815,356 | 174,856,553 | (608,995) | 171,267,196 | 52,650,179 | 223,308,380 |
| Beginning net position | 6,434,054 | 4,837,672,841 | 1,142,197,943 | 5,986,304,838 | 7,043,049 | 4,666,405,645 | 1,089,547,764 | 5,762,996,458 |
| Cumulative effect of change in accounting principle (note 2(a)) | 11,140 | 38,083 | 9,098 | 58,321 | — | — | — | — |
| Ending net position | $ 6,556,486 | 4,982,640,829 | 1,172,022,397 | 6,161,219,712 | 6,434,054 | 4,837,672,841 | 1,142,197,943 | 5,986,304,838 |

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, 2016 and 2015

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Corporate activities | CWSRF | DWSRF | Total | Corporate activities | CWSRF | DWSRF | Total |
| Cash flows from operating activities: | | | | | | | | |
| Bond financing and administrative fees | $ 3,257,384 | 14,090,115 | 2,736,399 | 20,083,898 | 3,697,722 | 14,424,424 | 2,817,577 | 20,939,723 |
| Personal services expense | (1,625,157) | (5,450,342) | (1,290,438) | (8,365,937) | (1,458,679) | (5,555,013) | (1,223,811) | (8,237,503) |
| Fringe benefits expense | (681,920) | (2,355,709) | (550,742) | (3,588,371) | (754,368) | (2,746,630) | (644,853) | (4,145,851) |
| Other administrative expenses | (969,600) | (3,937,141) | (1,273,001) | (6,179,742) | (1,151,307) | (7,099,148) | (1,503,012) | (9,753,467) |
| Yield reduction received | — | 2,827,419 | 95,747 | 2,923,166 | — | (7,040,702) | (347,319) | (7,388,021) |
| Yield reduction paid | — | (1,273,723) | — | (1,273,723) | — | (5,577,969) | (184,266) | (5,762,235) |
| Other, net | (885,431) | 4,578,512 | 1,342,618 | 5,035,699 | (86,422) | 9,019,156 | 1,559,847 | 10,492,581 |
| Net cash (used in) provided by operating activities | (904,724) | 8,479,131 | 1,060,583 | 8,634,990 | 246,946 | (4,575,882) | 474,163 | (3,854,773) |
| Cash flows from noncapital financing activities: | | | | | | | | |
| Proceeds from bonds issued | — | 610,420,000 | 88,695,000 | 699,115,000 | — | 186,565,000 | 27,070,000 | 213,635,000 |
| Payments on bonds payable | — | (636,952,617) | (155,456,732) | (792,409,349) | — | (372,267,649) | (96,377,302) | (468,644,951) |
| Interest paid on bonds payable | — | (227,931,188) | (42,077,339) | (270,008,527) | — | (227,751,400) | (44,671,385) | (272,422,785) |
| New York State appropriation bond payments received | 253,185,000 | — | — | 253,185,000 | 57,790,000 | — | — | 57,790,000 |
| Payments on New York State appropriation bonds | (253,185,000) | — | — | (253,185,000) | (57,790,000) | — | — | (57,790,000) |
| Grants disbursed | — | (20,000,248) | (5,819,512) | (25,819,760) | — | (27,523,057) | (13,484,382) | (41,007,439) |
| Contributions received from the U.S. EPA | — | 152,953,828 | 38,022,150 | 190,975,978 | — | 149,589,733 | 58,899,665 | 208,489,398 |
| Contributions received from New York State | — | 30,590,766 | — | 30,590,766 | — | 29,917,947 | — | 29,917,947 |
| Net cash used in noncapital financing activities | — | (90,919,459) | (76,636,433) | (167,555,892) | — | (261,469,426) | (68,563,404) | (330,032,830) |
| Cash flows from investing activities: | | | | | | | | |
| Net proceeds from maturities of investments | — | 55,665,532 | 27,469,523 | 83,135,055 | — | 536,201,304 | 72,825,201 | 609,026,505 |
| Interest income on investments | 2,084 | 69,411,077 | 6,161,584 | 75,574,745 | 1,939 | 106,938,269 | 16,215,509 | 123,155,717 |
| Bonds purchased | — | (740,617,845) | (98,863,016) | (839,480,861) | — | (420,850,370) | (41,726,116) | (462,576,486) |
| Bonds repayments received | — | 707,197,864 | 173,218,589 | 880,416,453 | — | 431,763,685 | 110,653,919 | 542,417,604 |
| Short-term financing disbursements | — | (623,796,829) | (239,625,396) | (863,422,225) | — | (433,989,257) | (34,519,469) | (468,508,726) |
| Short-term financing repayments received | — | 706,101,598 | 61,392,835 | 767,494,433 | — | 251,944,891 | 52,199,758 | 304,144,649 |
| Principal forgiveness repayments | — | (236,474,754) | (7,708,590) | (244,183,344) | — | (80,388,255) | (1,507,575) | (81,895,830) |
| Direct financings issued | — | (206,893,641) | (51,137,626) | (258,031,267) | — | (28,836,193) | (40,437,942) | (69,274,135) |
| Direct financing repayments received | — | 44,515,791 | 24,249,634 | 68,765,425 | — | 44,608,273 | 22,727,208 | 67,335,481 |
| Interest income on bonds and direct financings receivable | — | 276,200,698 | 49,154,603 | 325,355,301 | — | 271,058,414 | 51,281,749 | 322,340,163 |
| Interest subsidy provided | — | (118,543,741) | (14,901,155) | (133,444,896) | — | (115,968,015) | (14,764,236) | (130,732,251) |
| Debt service funds received | — | 1,108,094 | (222,747) | 885,347 | — | 1,428,433 | 558,768 | 1,987,201 |
| Debt service funds paid | — | (479,775) | (533,786) | (1,013,561) | — | (26,050,153) | (2,736,373) | (28,786,526) |
| Net cash provided by (used in) investing activities | 2,084 | (66,605,931) | (71,345,548) | (137,949,395) | 1,939 | 537,861,026 | 190,770,401 | 728,633,366 |
| Net (decrease) increase in cash and cash equivalents | (902,640) | (149,046,259) | (146,921,398) | (296,870,297) | 248,885 | 271,815,718 | 122,681,160 | 394,745,763 |
| Cash and cash equivalents, beginning of year | 13,524,970 | 886,494,340 | 338,183,243 | 1,238,202,553 | 13,276,085 | 614,678,622 | 215,502,083 | 843,456,790 |
| Cash and cash equivalents, end of year | $ 12,622,330 | 737,448,081 | 191,261,845 | 941,332,256 | 13,524,970 | 886,494,340 | 338,183,243 | 1,238,202,553 |

**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, 2016 and 2015

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Corporate activities | CWSRF | DWSRF | Total | Corporate activities | CWSRF | DWSRF | Total |
| Reconciliation of operating gain (loss) to net cash (used in) provided by operating activities: | | | | | | | | |
| Operating gain (loss) | $ 109,208 | (87,315,665) | (8,318,942) | (95,525,399) | (610,934) | (86,268,824) | (8,976,102) | (95,855,860) |
| Adjustments to reconcile operating gain (loss) to net cash (used in) provided by operating activities: | | | | | | | | |
| Interest income on bonds and direct financings receivable | — | (270,295,257) | (47,229,155) | (317,524,412) | — | (273,345,677) | (50,473,647) | (323,819,324) |
| Interest expense | — | 222,089,543 | 40,396,902 | 262,486,445 | — | 229,728,788 | 43,948,840 | 273,677,628 |
| Principal forgiveness | — | 18,954,126 | (102,004) | 18,852,122 | — | 11,573,328 | — | 11,573,328 |
| Interest subsidy provided | — | 115,900,249 | 14,419,464 | 130,319,713 | — | 117,042,983 | 14,767,372 | 131,810,355 |
| Changes in assets and liabilities that provide (use) cash: | | | | | | | | |
| Contractual services and fees receivable | 11,075 | — | — | 11,075 | 270,753 | 83,666 | 42,242 | 396,661 |
| Annual fees receivable | — | (475,254) | 51,467 | (423,787) | — | 302,152 | 26,715 | 328,867 |
| Prepaid expense | — | (810,000) | (65,000) | (875,000) | — | 5,846,406 | 185,752 | 6,032,158 |
| Accounts payable and accrued expenses | (685,248) | 963,857 | 53,954 | 332,563 | (6,313) | (2,717,382) | (174,210) | (2,897,905) |
| Interfund balances | (784,988) | 612,068 | 172,920 | — | (18,683) | 6,231 | 12,452 | — |
| Unearned revenue | (50,702) | — | (243,798) | (294,500) | 109,298 | — | (323,913) | (214,615) |
| Other liabilities | (89,303) | 6,368,221 | 1,339,541 | 7,618,459 | (67,740) | (9,452,152) | 830,059 | (8,689,833) |
| Other post-employment benefits | 585,234 | 2,487,243 | 585,234 | 3,657,711 | 570,565 | 2,624,599 | 608,603 | 3,803,767 |
| Net cash (used in) provided by operating activities | $ (904,724) | 8,479,131 | 1,060,583 | 8,634,990 | 246,946 | (4,575,882) | 474,163 | (3,854,773) |