

**NY GREEN BANK**  
**(A Division of New York State Energy Research and Development Authority)**

**FINANCIAL STATEMENTS**

**March 31, 2014**

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**Table of Contents**

March 31, 2014

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	<u>Page</u>
Responsibility for Financial Reporting	1
Independent Auditors' Report	2
Management's Discussion and Analysis	4
<u>Proprietary Fund Financial Statements</u>	
Statement of Net Position – Proprietary Funds	7
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	8
Statement of Cash Flows – Proprietary Funds	9
Notes to Financial Statements	10

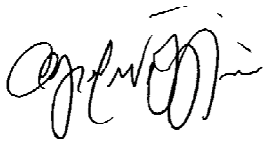
## RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation, integrity and objectivity of the financial statements of the NY Green Bank, a division of the New York State Energy Research and Development Authority (the Authority), as well as all other information contained in the Authority's Annual Report. The financial statements of the NY Green Bank for the fiscal year ending March 31, 2014 were prepared in conformity with accounting principles generally accepted in the United States of America. Financial information contained elsewhere in the Annual Report is consistent with the financial statements. The Board of the Authority (Board) adopted these financial statements and the Annual Report at a meeting on June 24, 2014.

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

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

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



Alfred W. Griffin  
President of the  
NY Green Bank



Jeffrey J. Pitkin  
Treasurer and  
Chief Financial Officer



KPMG LLP  
515 Broadway  
Albany, NY 12207-2974

## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of The NY Green Bank, (an enterprise fund of the New York State Energy Research and Development Authority) (the Fund) as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Fund'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of March 31, 2014, and changes in its financial position, and its cash flows thereof for the year then ended, in accordance with U.S. generally accepted accounting principles.



***Emphasis of Matter***

As discussed in Note 2(a) to the financial statements, the financial statements of the Fund are intended to present the financial position and the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities and proprietary fund type of the New York State Energy Research and Development Authority (a component unit of the State of New York) (the Authority) that is attributable to the transaction of the Fund. They do not purport, and do not, present fairly the financial position of the Authority as of March 31, 2014 the changes in its financial position, or, where applicable, its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

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

***Other Information***

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

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

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

**KPMG LLP**

Albany, New York  
June 26, 2014

NY Green Bank  
(A Division of the New York State Energy Research and Development Authority)  
Management's Discussion and Analysis  
For the Year Ended March 31, 2014  
Unaudited

The following Management's Discussion and Analysis (MD&A) of NY Green Bank's financial performance provides an overview of NY Green Bank's financial activities for the fiscal year ended March 31, 2014. The information contained in the MD&A should be considered in conjunction with the information in the accompanying financial statements and notes to financial statements. Following this MD&A are the basic financial statements of NY Green Bank with the notes thereto that are essential to a full understanding of the data contained in the financial statements. NY Green Bank's basic financial statements have the following components: (1) proprietary fund financial statements and (2) notes to the financial statements.

Proprietary fund financial statements are designed to provide readers with a broad overview of NY Green Bank's finances in a manner similar to a private-sector business. The *Statement of Net Position* presents information on NY Green Bank's assets and liabilities, and the difference between the two is reported as *net position*. The *Statement of Revenues, Expenses and Changes in Fund Net Position* presents information showing how NY Green Bank's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods.

The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the financial statements.

The financial statements present the financial results of NY Green Bank and not the overall financial results of the New York State Energy Research and Development Authority (NYSERDA). A complete set of NYSERDA's audited financial statements are available upon request.

**FINANCIAL INFORMATION**

*(Amount in thousands)*

	<b>March 31, <u>2014</u></b>
<b>Summary of Net Position</b>	
Cash and investments	\$207,004
Third-party billings receivable	<u>11,212</u>
Total assets	<u>218,216</u>
Net Position (Restricted)	<u>\$218,216</u>

Total assets of the NY Green Bank at March 31, 2014 were \$218.2 million. Pursuant to a December 2013 Order of the New York State Public Service Commission, initial funding of approximately \$165.6 million was made available to the NY Green Bank. The funding consisted of \$3.5 million in uncommitted NYSERDA Energy Efficiency Portfolio Standard I (EEPS 1) funds; \$22.1 million in uncommitted NYSERDA System Benefits Charge (SBC) funds; \$50.0 million in NYSERDA Renewable Portfolio Standard (RPS) funds; and \$90.0 million in uncommitted utility EEPS I funds. In addition to the PSC Order, NYSERDA transferred \$52.9 million of revenues from the Regional Greenhouse Gas Initiative to NY Green Bank, resulting in a total initial capitalization of \$218.5 million. Total cash and investments at March 31, 2014 was \$207 million. The accounts receivable amount of \$11.2 million represents uncommitted utility EEPS I funds not received until after March 31, 2014.

Net position, the difference between NY Green Bank's assets and its liabilities, at March 31, 2014 was \$218.2 million. Since these funds are for particular specified investment purposes, NY Green Bank's entire net position is restricted.

NY Green Bank  
(A Division of the New York State Energy Research and Development Authority)  
Management's Discussion and Analysis  
For the Year Ended March 31, 2014  
Unaudited

*(Amounts in thousands)*

**March 31,  
2014**

**Summary of Changes in Net Position**

Operating Expenses:	
Salaries and benefits	\$427
Other operating costs	90
NY State assessments	<u>13</u>
Total operating expenses	<u>530</u>
Non-operating revenues:	
Investment income	219
System Benefits Charge	<u>90,000</u>
Total non-operating revenues	90,219
Transfers in	<u>128,527</u>
Change in net position	<u><u>\$218,216</u></u>

Total non-operating revenue and transfers for the fiscal year ended March 31, 2014 were \$218.7 million. Transfers from the NYSERDA totaled \$128.5 million and Systems Benefit Charge revenue of \$90 million was from utility EEPS 1 uncommitted funds. Investment earnings for the fiscal year were \$0.2 million.

Total expenses for the fiscal year ended March 31, 2014 were \$0.5 million. Salary and benefit costs were \$0.4 million. Other operating costs and NY State assessments totaled \$0.1 million.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets are purchased and owned by NYSERDA. The NY Green Bank does not maintain capital assets on its balance sheet, but instead is allocated depreciation expense on capital assets from NYSERDA.

The NY Green Bank has no long-term liabilities as of March 31, 2014.

NY Green Bank  
(A Division of the New York State Energy Research and Development Authority)  
Management's Discussion and Analysis  
For the Year Ended March 31, 2014  
Unaudited

**BUDGETARY INFORMATION**

The following table summarizes actual revenues and expenses, as reported in the Statement of Revenues, Expenses and Changes in Fund Net Position, for the fiscal year ended March 31, 2014, in comparison to amounts included in the final Budget approved by NYSERDA's Board:

	<i>(Amounts in thousands)</i>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<u>Operating expenses:</u>			
Salaries and benefits	\$427	1,347	(920)
Other operating costs	90	355	(265)
NY State assessments	13	27	(14)
Total operating expenses	<u>530</u>	<u>1,729</u>	<u>(1,199)</u>
<u>Non-operating revenues</u>			
Investment income	219	639	(420)
System Benefits Charge	90,000	90,000	-
Total non-operating revenues	<u>90,219</u>	<u>90,639</u>	<u>(420)</u>
Transfers in	128,527	139,626	(11,099)
Change in net position	<u>218,216</u>	<u>228,536</u>	<u>10,320</u>
Net position, beginning of year	-	-	-
Net position, end of year	<u>\$218,216</u>	<u>228,536</u>	<u>10,320</u>

Total expenses were approximately \$1.2 million, or 69.3%, below the approved Budget. Salaries and benefits were lower than anticipated principally due to vacancies not filled as early as anticipated. Other operating costs were less than budgeted primarily due to lower than anticipated indirect operating costs allocated from NYSERDA. NYSERDA-wide allocable operating costs were less than budgeted, and furthermore NY Green Bank had lower direct labor costs than expected, leading to a lesser allocation of costs from NYSERDA since direct labor is the basis for allocation. NY State Assessments was lower than budgeted principally due to lower total expenses than anticipated (total expenses being the allocation basis), offset in part by NY Green Bank's allocable share of an unanticipated increase of \$316,000 in the annual assessments to NYSERDA as a whole.

Non-operating revenues were approximately \$0.4 million, or 0.5% lower than Budget. Investment income was lower than budget principally due to collections of System Benefit Charge funds from utilities at a later date than anticipated. Partially offsetting the variance was a <\$0.1 million increase in the fair value of investments held, which was not budgeted.

Transfers in were less than budget due to a smaller amount of RGGI auction allowance proceeds being allocated than originally anticipated.

**ECONOMIC FACTORS**

Programs and future capitalization of the NY Green Bank may be impacted by a number of factors including, but not limited to, general economic conditions, energy prices, energy system reliability, and energy technology advancements.

**CONTACT FOR NY GREEN BANK'S FINANCIAL MANAGEMENT**

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



NY GREEN BANK  
(A Division of New York State Energy Research and Development Authority)  
Statement of Net Position  
March 31, 2014  
(Amounts in thousands)

**ASSETS:**

Current assets:

Cash and investments	\$92,872
Third-party billings receivable	11,212
Total current assets	<u>104,084</u>

Non-current assets:

Investments	114,132
Total non-current assets	<u>114,132</u>
Total assets	<u><u>218,216</u></u>

**NET POSITION:**

Net position restricted for specific programs	<u><u>\$218,216</u></u>
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*See accompanying notes to the basic financial statements.*

**NY GREEN BANK**  
 (A Division of New York State Energy Research and Development Authority)  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
 For the year ended March 31, 2014  
 (Amounts in thousands)

**OPERATING EXPENSES:**

Salaries and benefits	\$427
Other operating costs	90
NY State Assessments	13
Total operating expenses	<u>530</u>

**NON-OPERATING REVENUES:**

Investment income	219
System Benefits Charge	90,000
Total non-operating revenues	<u>90,219</u>
Transfers in	128,527
Change in net position	218,216

Net position, beginning of period	<u>-</u>
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Net position, end of period	<u><u>\$218,216</u></u>
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*See accompanying notes to the basic financial statements.*

NY GREEN BANK  
 (A Division of New York State Energy Research and Development Authority)  
 Statement of Cash Flows  
 For the year ended March 31, 2014  
 (Amounts in thousands)

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Payments to employees & employee benefit providers	(\$427)
Payments to suppliers	(90)
Payments to NYS	(13)
Net cash used in operating activities	(530)

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:**

System Benefits Charge	78,788
Transfers from other funds	128,527
Net cash provided by non-capital financing activities	207,315

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of investments	(204,895)
Net cash used in investing activities	(204,895)

**Net increase in cash and cash equivalents:**

Cash and cash equivalents, beginning of period	1,890
Cash and cash equivalents, end of period	-
	\$1,890

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:**

Operating loss	(\$530)
Adjustments to reconcile operating loss to net cash used by operating activities	-
Net cash used in operating activities	(530)

*See accompanying notes to the basic financial statements.*

NY Green Bank  
(A Division of the New York State Energy Research and Development Authority)

**Notes to Basic Financial Statements**  
**March 31, 2014**

**(1) GENERAL**

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

The NY Green Bank is a \$1 billion initiative created in 2013. Its mission is "to accelerate clean energy deployment in New York State by working in partnership with the private sector to transform financing markets".

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

Pursuant to a December 2013 Order of the PSC, initial funding of \$165.6 million was made available to the NY Green Bank. The funding consisted of \$3.5 million in uncommitted NYSERDA Energy Efficiency Portfolio Standard I (EEPS 1) funds; \$22.1 million in uncommitted NYSERDA System Benefits Charge (SBC) funds; \$50.0 million in NYSERDA Renewable Portfolio Standard (RPS) funds; and \$90.0 million in uncommitted utility EEPS I funds. In addition to the PSC Order, NYSERDA transferred \$52.9 million of its Regional Greenhouse Gas Initiative revenues to the NY Green Bank for a total initial capitalization of \$219 million.

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

**(a) Basis of presentation**

The NY Green Bank is presented as a Proprietary Fund. Proprietary funds are used to report business-type activities for which a fee is charged to external users for goods or services, and consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

The accompanying financial statements present only the activities of the fund and are not intended to present fairly the financial position of the Authority and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

**(b) Basis of accounting**

Proprietary fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Revenues resulting from exchange transactions are recognized when the exchange takes place. Revenues resulting from non-exchange transactions are recognized when all eligibility requirements (if any) have been met.

**(c) Investments**

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

**(d) Capital Assets**

Capital assets are purchased and owned by NYSERDA. The NY Green Bank does not maintain capital assets on its balance sheet, but instead is allocated depreciation expense on capital assets from NYSERDA.

NY Green Bank  
(A Division of the New York State Energy Research and Development Authority)

**Notes to Basic Financial Statements  
March 31, 2014**

(e) **Compensated Absences**

NY Green Bank employees are granted vacation and sick leave in varying amounts consistent with the policies of NYSERDA. In the event of termination or retirement, an employee is reimbursed for accumulated vacation leave up to the equivalent of 45 days, and sick leave up to a maximum of five days. Retired employees may use additional accumulated sick leave to pay for the employee share of health insurance premiums. The NY Green Bank has reimbursed NYSERDA for all allocated compensated absences expenses as of March 31, 2014.

(f) **New York State Assessments**

NYSERDA's New York State Assessments for the year ended March 31, 2014 consisted of \$12,476,157 in fees paid to the State under Section 2975 of the Public Authorities Law (Governmental Cost Recovery System) for general governmental services. The NY Green Bank's allocated share of NYSERDA's NYS assessment was \$12,860 and was reimbursed to NYSERDA as of March 31, 2014.

(g) **Use of estimates**

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

**(3) CASH AND INVESTMENTS**

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

The following schedule presents The NY Green Bank's cash and investments as of March 31, 2014.

*(Amounts in thousands)*

	<u>Fair Value</u>	<u>% of Total</u>	<u>Weighted Average Maturity (months)</u>
Cash and money market	\$1,890	0.9	n/a
U.S. Treasury Bills	65,366	31.6	6.5
U.S. Treasury Strips	<u>139,748</u>	<u>67.5</u>	<u>18.5</u>
Total	<u>\$207,004</u>	<u>100.0</u>	<u>14.7</u>
Current Portion	<u>\$92,872</u>		

*Interest Rate Risk.* NYSERDA investment policies limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investment maturities are selected based on anticipated cash flow needs.

**Notes to Basic Financial Statements**  
**March 31, 2014**

*Concentration of Credit Risk.* NYSERDA's investment policy limits investments with any single eligible banking institution to no more than 35% of its total investment portfolio, except as otherwise required by any policies and practices of the Commissioner of Taxation and Finance. As of March 31, 2014, NYSERDA did not have any investments with institutions that were individually in excess of 5% of total investments.

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

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

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

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

**(4) RECEIVABLES**

As of March 31, 2014, the \$11.2 million receivable represents utility uncommitted funds owed to the NY Green Bank pursuant to the December 2013 Public Service Commission Order establishing the initial capitalization of the NY Green Bank.

**(5) RETIREMENT PLAN**

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

The System is a cost-sharing, multiple-employer, defined benefit public employee retirement plan. The State Comptroller is sole trustee and administrative head of the System. The System issues a publicly available financial report including financial statements and required supplementary information that may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12244. The System provides retirement benefits, as well as death and disability benefits. Retirement benefits are established by the New York State Retirement and Social Security Law. Retirement benefits, contributory requirements and vesting depend on the point in time at which an employee first joined the System (membership "tier"). Members of the System who joined before July 27, 1976 are enrolled in a noncontributory plan; NYSERDA contributes the entire amount determined to be payable to the System for those members. Personnel who joined the System after July 27, 1976 through January 1, 2010 and who have less than 10 years of accredited service are required by law to contribute three percent of their gross salary; NYSERDA contributes the balance payable to the System during that period, and the full amount determined to be payable thereafter. Members who joined the system between January 1, 2010 and March 31, 2012 contribute three percent of their gross salary during the full term of employment. Members who joined the System after April 1, 2012 contribute between three percent and six percent, depending on their salary, during the full term of employment. Retirement benefits vest after five to 10 years of accredited service, depending on

NY Green Bank  
(A Division of the New York State Energy Research and Development Authority)

**Notes to Basic Financial Statements**  
**March 31, 2014**

the applicable tier.

NYSERDA's contribution to the System on account of all NYSERDA employees, including those of the NY Green Bank, expressed in dollars and as a percentage of salary, for the year ended March 31, 2014 was:

*(Amounts in thousands)*

Fiscal year ended <u>March 31,</u>	<u>Contributions</u>	<u>Contribution Rate</u>
2014	\$4,947	11.4%-28.8%

NYSERDA made 100% of the required contribution for the fiscal year ended March 31, 2014 and the NY Green Bank reimbursed NYSERDA for its allocated share of the above System expenses as of March 31, 2014.

The VDC is a multiple-employer, defined contribution plan administered by the Director of University Benefits for the State University of New York (SUNY); TIAA-CREF serves as the third-party administrator. On July 1, 2013, the VDC option was made available to NYSERDA employees hired on or after that date whose annual salary is \$75,000 or more. Those employees voluntarily electing the VDC plan are prohibited from joining the System (defined benefit plan) at a later date (and the opposite also applies; plan participation elections are irrevocable). VDC provides benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in the VDC. Employees have the ability to choose from a variety of investment providers for the VDC. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. Employees electing to participate in the VDC plan are required to contribute between 3 percent and 6 percent of gross earnings, dependent upon their salary, for their entire working career; NYSERDA contributes 8 percent.

No employees were vested in the VDC at March 31, 2014 and therefore no employer contributions were made to the VDC during the fiscal year end March 31, 2014.

**(7) POSTEMPLOYMENT HEALTHCARE BENEFITS**

The New York Civil Service Law, Section 163(2), provides for health insurance coverage for retired employees of New York State including their spouses and dependent children. The law extends to public benefit corporations. NYSERDA maintains a single-employer defined benefit plan (the Plan) providing this benefit to eligible retirees and/or their spouses and dependent children. Eligibility is determined by membership in the New York State and Local Employees' Retirement System, enrollment in the New York State Health Insurance Program at the time of retirement and the completion of a minimum number of years of service as required by the employee's membership tier in the retirement system. The plan provides that retired employees pay the same percentage share of the health insurance premiums as that charged for active State management confidential employees. Plan members presently contribute 16% of the premium for individual coverage and 31% of the incremental premium for family coverage. NYSERDA is billed by the New York State Department of Civil Service monthly for pay-as-you-go funding requirements, however payments are made from an irrevocable Other Postemployment Benefits (OPEB) Trust account established in March 2010. The purpose of the OPEB Trust is for the accumulation of funds to pay future benefit costs. The Trust's funds are held by a third-party trustee. The Trust is managed by a five-member Plan Administrator, consisting of NYSERDA officers, in consultation with the Chair of the Audit and Finance Committee or his or her designee. As of March 31, 2014, the Authority has contributed \$25.2 million to the OPEB Trust to fully fund the actuarially determined accumulated OPEB obligation as calculated under the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. As of March 31, 2014, the value of the OPEB Trust investments totals \$30.6 million.

NY Green Bank  
(A Division of the New York State Energy Research and Development Authority)

**Notes to Basic Financial Statements**  
**March 31, 2014**

NYSERDA's annual OPEB expense for the year ended March 31, 2014 is calculated based on the annual required contribution (ARC) of NYSEERDA. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities over 30 years.

The following table summarizes NYSEERDA's annual OPEB expense for the year ended March 31, 2014, the amount contributed to the Plan, and changes in NYSEERDA's OPEB obligation:

*(Amounts in thousands)*

Annual required contribution	
Normal cost	\$2,381
Amortization of unfunded actuarial accrued liability	<u>1,188</u>
Total annual OPEB cost	3,569
Contributions made	<u>(3,569)</u>
Change in net OPEB obligation	-
Net OPEB obligation- beginning of year	-
Net OPEB obligation- end of year	<u>\$ -</u>

NYSEERDA's annual OPEB cost amounted to \$3,569,200 for the year ended March 31, 2014. The percentage of annual OPEB cost contributed to the Plan was 100% and the net OPEB obligation at the end of the fiscal year was \$0.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and ARC of NYSEERDA are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following significant assumptions were made in the actuarial valuation:

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

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

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

*Turnover* – Rates were based on age and length of service for the first 10 years and age thereafter as the basis for assigning active members a probability of remaining employed until the assumed retirement age.



**Notes to Basic Financial Statements**  
**March 31, 2014**

*Healthcare cost trend rate* – The expected rate of increase in healthcare premiums was based on projections developed by the actuary’s healthcare specialists. Rates of 8.6 and 8.7% for the two plans with the highest enrollment were assumed initially, reduced to an ultimate rate of 5.2% for both plans after 54 years was used.

*Health insurance premiums* – A Blend of actual 2013 and projected 2014 health insurance premiums were used as the basis for calculation of the present value of total benefits to be paid.

*Investment return* – As of March 2014, Plan benefits are pre-funded in a segregated Trust, and a discount rate of 6.5% was used, representing the long-term earnings potential of investments in the Trust.

The actuarial cost method used was the projected unit credit method. The unfunded actuarial accrued liability is being amortized as a level dollar amount over a period of 30 years. The remaining amortization period at March 31, 2014, was 23 years.

The plan also provides that the dollar value, subject to certain limitations, of member’s accumulated sick leave credits at the time of retirement may be used to offset the portion of health insurance premiums paid by retirees. NYSERDA’s estimated liability associated with sick leave credits is recorded as a Compensated Absence within its financial statements in accordance with the requirements of GASB Statement No. 16. The Trust does not accumulate resources for the purpose of paying this portion of the health insurance premiums, nor does it pay any benefits for this purpose. NYSERDA’s liability for that portion of the premiums is not included in the actuarially determined liabilities of the Plan or the ARC or OPEB expense calculations.

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

The Trust has no legally required reserves.

NY Green Bank is allocated a share of NYSERDA's OPEB costs based on direct labor costs of NY Green Bank. As of March 31, 2014 NY Green Bank had reimbursed NYSERDA for the allocated expense.

**(8) CONTINGENCIES**

Risk Management

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