

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

FINANCIAL STATEMENTS

MARCH 31, 2011

New York State Energy Research and Development Authority (A Component Unit of the State of New York)

Table of Contents

March 31, 2011

	<u>Page</u>
Responsibility for Financial Reporting	1
Independent Auditors' Report	2
Management's Discussion and Analysis	3
<u>Government-wide Financial Statements</u>	
Statement of Net Assets	9
Statements of Activities	10
<u>Governmental Fund Financial Statements</u>	
Balance Sheet	11
Statement of Revenue, Expenditures and Changes in Fund Balances	12
<u>Agency Fund Financial Statements</u>	
Statement of Fiduciary Net Assets	13
Notes to Financial Statements	14
Required Supplementary Information (unaudited):	
Schedule of Funding Progress for Other Postemployment Benefit Plans	27

RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation, integrity and objectivity of the financial statements of the New York State Energy Research and Development Authority (the Authority), as well as all other information contained in the Authority's Annual Report. The financial statements of the Authority for the fiscal year ending March 31, 2011 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 adopted these financial statements and the Annual Report at a meeting on June 20, 2011.

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

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

The independent audit included obtaining an understanding of the internal control structure, tests of accounting records, and other procedures which the independent auditors considered necessary in order to express an opinion as to the fairness of the presentation of the financial statements. No material weaknesses in internal control or any condition of non-compliance with applicable laws, regulations or policy were noted by the independent auditors. The unqualified 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.



Francis J. Murray, Jr.
President and
Chief Executive Officer



Jeffrey J. Pitkin
Treasurer and
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the New York State Energy Research and Development Authority (the Authority) (a component unit of the State of New York), as of and for the year ended March 31, 2011, which collectively comprise the Authority's financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of March 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2011, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for other postemployment benefits on pages 3 through 8 and page 27 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.



June 20, 2011

New York State Energy Research and Development Authority
(A Component Unit of the State of New York)
Management's Discussion and Analysis
For the Year Ended March 31, 2011
Unaudited

The following Management's Discussion and Analysis (MD&A) of New York State Energy Research and Development Authority's (NYSERDA) financial performance provides an overview of NYSEERDA's financial activities for the fiscal year ended March 31, 2011. The information contained in the MD&A should be considered in conjunction with the information presented as part of NYSEERDA's Basic Financial Statements as presented. Following this MD&A are the basic financial statements of NYSEERDA with the notes thereto that are essential to a full understanding of the data contained in the financial statements. NYSEERDA's basic financial statements have the following components: (1) government-wide financial statements; (2) government fund financial statements; (3) agency fund statements; and (4) notes to the financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of NYSEERDA's finances in a manner similar to a private-sector business. The *Statement of Net Assets* presents information on all of NYSEERDA's assets and liabilities, and the difference between the two is reported as *net assets*. The *Statement of Activities* presents information showing how NYSEERDA's net assets change during each fiscal year. All changes in net assets 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 government-wide financial statements present information about NYSEERDA as a whole. All of the activities of NYSEERDA are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

Agency funds are used to account for resources held for the benefit of parties outside the government. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support NYSEERDA's programs. The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the government-wide and governmental fund financial statements.

CONDENSED FINANCIAL INFORMATION

The following condensed financial information is presented from NYSEERDA's government-wide financial statements:

<i>(Amounts in thousands)</i>			
Summary of Net Assets	March 31, <u>2011</u>	March 31, <u>2010</u>	% Change <u>2011-2010</u>
Cash and investments	\$925,858	754,322	22.7%
Capital assets	14,495	15,732	(7.9%)
Other assets	31,107	27,765	12.0%
Total assets	971,460	797,819	21.8%
Long-term liabilities	7,091	7,009	1.2%
Other liabilities	101,705	93,309	9.0%
Total liabilities	108,796	100,318	8.5%
Net Assets:			
Unrestricted	3,216	1,138	182.7%
Invested in capital assets, net of debt	13,327	13,890	(4.1%)
Restricted	846,121	682,473	24.0%
Total Net Assets	<u>\$862,664</u>	<u>697,501</u>	<u>23.7%</u>

Total assets increased \$173.6 million (21.8%) primarily due to a \$171.5 million (22.7%) increase in cash and investments. This increase was principally due to scheduled collections from utilities in the New York Energy Smart and Renewable Portfolio Standard programs, which exceeded disbursements for expenses, as well as proceeds received from the sale of emission allowances for the Regional Greenhouse Gas Initiative (RGGI). In addition, other assets increased \$3.3 million

New York State Energy Research and Development Authority
(A Component Unit of the State of New York)
Management's Discussion and Analysis
For the Year Ended March 31, 2011
Unaudited

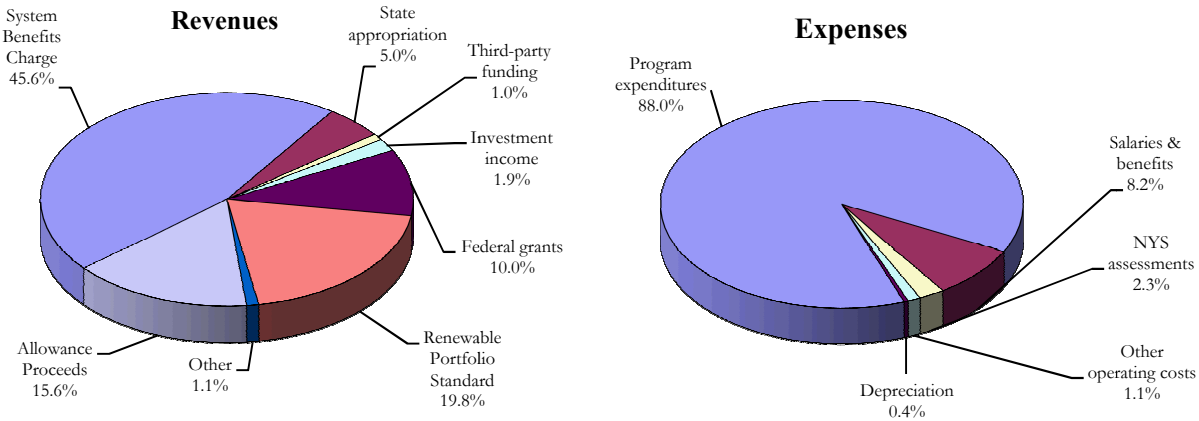
(12.0%) due to increases in accounts receivable balances due to the timing of expenditures and billings of reimbursable grants and due to an increase resulting from loans issued through the Green Jobs-Green New York program.

Total liabilities increased \$8.5 million (8.5%). Long-term liabilities increased \$0.08 million (1.2%) primarily due to an increase in compensated absences due to larger sick leave accrual balances for current employees as well as an increase in the estimated value of accumulated sick leave for retirees to cover their share of post employment healthcare costs. Other liabilities increased \$8.4 million (9.0%) primarily due to a \$7.2 million net increase in the Con Edison payable and a \$0.9 million increase in deferred revenue resulting from the receipt of an American Recovery and Reinvestment Act payment for the establishment of a loan loss reserve under the Green Jobs Green New York loan program and partially offset by the recognition of revenue for settlement funds received from the NYS Department of Environmental Conservation in the prior year. The net increase in the Con Edison Payable was the result of a \$5.4 million net increase in net payments due Con Edison for program funding advances not committed in the Demand Reduction program and an increase of \$2.7 million in payments due under the Gas Efficiency program for advances not committed at March 31, 2011 offset in part by a net decrease in the estimated amount due under the terms of a settlement agreement related to the RGGI program.

Net assets, the difference between NYSERDA's assets and its liabilities, increased overall by 23.7% from \$697.5 million to \$862.7 million. Restricted net assets (unexpended funds received for particular specified programmatic purposes) increased 24.0% to \$846.1 million. Unrestricted net assets, (which can be used to finance operations without constraints established by debt covenants, enabling legislation, or other legal requirements), increased 182.7% to \$3.2 million, principally due to unanticipated bond closing fees NYSERDA received for refunding certain utility bonds and from general variances in operating revenues and expenses of unrestricted funds.

Summary of Changes in Net Assets from Operating Results	<i>(Amounts in thousands)</i>		
	March 31, 2011	March 31, 2010	% Change 2011-2010
Program Revenues:			
State Appropriations	\$31,915	\$49,583	(35.6%)
System Benefits Charge Funding	289,913	271,095	6.9%
Renewable Portfolio Standard	126,012	87,171	44.6%
Allowance Proceeds	98,958	125,904	(21.4%)
Third-party reimbursements	6,133	19,434	(68.4%)
Federal grants	63,744	11,999	431.2%
Investment income	11,481	10,105	13.6%
Other Program Revenue	6,642	6,252	6.2%
General Revenues (Investment income)	551	560	(1.6%)
Total Revenues	<u>635,349</u>	<u>582,103</u>	<u>9.1%</u>
Expenses:			
Salaries and Benefits	38,381	33,750	13.7%
Program Expenditures	413,871	358,957	15.3%
Other Operating Costs	5,376	5,480	(1.9%)
Depreciation	1,795	1,699	5.7%
NY State Assessments	10,763	7,763	38.6%
Payment to NYS	-	90,000	(100.0%)
Total Expenses	<u>470,186</u>	<u>497,649</u>	<u>(5.5%)</u>
Increase in Net Assets	<u>\$165,163</u>	<u>\$84,455</u>	<u>95.6%</u>

New York State Energy Research and Development Authority
(A Component Unit of the State of New York)
Management's Discussion and Analysis
For the Year Ended March 31, 2011
Unaudited



Total Revenue increased 9.1% from \$582.1 million to \$635.4 million. State appropriation revenue decreased \$17.7 million (35.6%) primarily as a result of a non-recurring appropriation recognized in FY2009-10 for the construction of a building at the Saratoga Technology and Energy Park (“STEP”) and a reduction in State Capital Budget appropriation revenues provided for energy/environmental programs due to a decrease in expenditures during the current fiscal year as compared to the prior year. System Benefits Charge revenue increased \$18.8 million (6.9%) due to higher scheduled collections plus approximately \$7.4 million in net additional energy efficiency funding approved by the Public Service Commission in various Orders issued under the Energy Efficiency Portfolio Standard proceedings. Renewable Portfolio Standard revenue increased \$38.8 million (44.6%) as a result of utility assessment collections transferred to NYSERDA pursuant to payment schedules approved by the PSC. Allowance proceeds decreased by \$26.9 million (21.4%) primarily due to allowances being sold at a lower average price and less allowances sold than in the prior year. Third party reimbursements decreased by \$13.3 million (68.4%), principally from a decrease in program funding for the administration of multiple gas efficiency programs. Federal grants revenue increased by \$51.7 million (431.2%), primarily due to the timing of American Recovery and Reinvestment Act (“ARRA”) and other grant expenditures. Total investment income increased by \$1.4 million (13.6%), primarily from an increase in fair market value of investments as a result of changes in market interest rates since the date the investments were purchased. Other Program Revenues increased by \$0.4 million (6.2%) primarily due to non-recurring revenues for bond closing fees NYSERDA received for refunding certain utility bonds and by an increase in recoupment revenue offset in part by a reduction in New York Energy \$mart program fees.

Total Expenses decreased 5.5% from \$497.6 million to \$470.2 million. Salaries and benefits increased \$4.6 million (13.7%). Salaries increased \$1.3 million (5.5%) primarily due to performance-based salary increases and payments made during the fiscal year and from an increase in full time equivalents due to filling vacant positions throughout the fiscal year. Fringe benefits increased \$3.3 million (32.3%) primarily due to an increase in pension expense and an increase in the cost associated with NYSERDA’s postemployment healthcare benefits.. Program Expenditures increased \$54.9 million (15.3%) primarily due to increased expenditures funded through the American Recovery and Reinvestment Act Stimulus grant funds and the Regional Greenhouse Gas Initiative program. Other Operating Costs decreased \$0.1 million (1.9%) primarily from a decrease in information technology costs associated with the implementation of NYSERDA’s financial management system. The NY State assessment increased by \$3 million (38.6%) over the prior year. NYSERDA made a \$90 million payment to New York State from RGGI allowance proceeds in fiscal year 2009-10 under the State’s deficit reduction legislation. No payment was required in fiscal year 2010-11.

FINANCIAL ANALYSIS OF FUNDS

Total fund balances for the Governmental Funds increased from \$688.8 million to \$855.3 million as further described below:

- The New York Energy \$mart fund balance, which accounts for the **New York Energy \$martSM** Program funded through the System Benefits Charge, increased from \$360.8 million to \$433.4 million due to scheduled collections including an increase in System Benefits Charge funding authorized by the State Public Service Commission (PSC) for

New York State Energy Research and Development Authority
(A Component Unit of the State of New York)
Management's Discussion and Analysis
For the Year Ended March 31, 2011
Unaudited

new programs authorized by the PSC under the Energy Efficiency Portfolio proceedings, which was received, but not yet spent.

- The Renewable Portfolio Standard fund balance increased from \$81.7 million to \$131.0 million principally as a result of funds received, but not yet spent.
- The RGGI fund balance increased from \$43.6 million to \$73.3 million principally as a net result of additional allowance proceeds collected but not yet spent. During the fiscal year \$43.7 million was transferred to the GJGNY fund towards the \$112 million funding transfer required in legislation.
- The GJGNY fund was established pursuant to legislation enacted in October 2009, to be funded by RGGI Fund proceeds in the amount of \$112 million. The fund balance increased from \$68.3 million to \$109.2 million principally from a transfer from the RGGI fund in the amount of \$43.7 million.
- The Other Programs fund balance decreased from \$134.4 million to \$108.4 million due primarily to expenditures in the Con Edison Demand Reduction and Gas Efficiency program with no corresponding program revenues since the programs are winding down.

CAPITAL ASSET AND DEBT ADMINISTRATION

NYSERDA maintains land, buildings, and furniture and equipment in various locations for its corporate purposes. Total capital assets as of March 31, 2011 were \$14.5 million, net of accumulated depreciation. Capital asset additions for the fiscal year ended March 31, 2011 were approximately \$0.6 million, primarily for technology equipment upgrades and land improvements at STEP.

Total long-term liabilities increased from \$7.0 million to \$7.1 million primarily due to an increase in compensated absences due to larger sick leave accrual balances for current employees as well as an increase in the estimated value of accumulated sick leave for retirees to cover their share of post employment healthcare costs. The increases were mostly offset by decreases in mortgage and capital lease obligation debt due to scheduled principal payments.

NYSERDA also issues tax-exempt bonds on a conduit basis on behalf of utility companies to finance certain eligible projects. As of March 31, 2011, approximately \$3.5 billion of bonds are outstanding. These bonds are non-recourse bonds and as such are not included in NYSERDA's financial statements.

ECONOMIC FACTORS

A substantial portion of NYSERDA's annual revenues are derived from sources, whose collection schedules, pursuant to Orders of the PSC, are currently scheduled to expire as follows: System Benefits Charge funds January 2014, Energy Efficiency Portfolio Standard (collected through the System Benefits Charge) January 2015, and Renewable Portfolio Standard funds October 2024.

On behalf of the State, NYSERDA manages the Western New York Nuclear Service Center (West Valley), the site of a former plant for reprocessing used nuclear fuel. Depending upon the clean-up options selected and agreement on cost sharing with the federal government, these costs could be substantial. It is anticipated that New York State's share of future costs for the West Valley site will be provided by New York State to NYSERDA and will not impact NYSERDA's current funding. As permitted by GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, no liability has been recorded in NYSERDA's financial statements for this contingency due to the expected recoveries from New York State.

NYSERDA's programs are impacted by a number of factors including, but not limited to, general economic conditions, energy prices, energy system reliability, and energy technology advancements.

New York State Energy Research and Development Authority
(A Component Unit of the State of New York)
Management's Discussion and Analysis
For the Year Ended March 31, 2011
Unaudited

BUDGETARY INFORMATION

The following table summarizes actual revenues and expenses, as reported in the Statement of Activities, for the fiscal year ended March 31, 2011, 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>
Revenues:			
State appropriations	\$31,915	49,923	(18,008)
System Benefits Charge	289,913	335,165	(45,252)
Renewable Portfolio Standard	126,012	126,012	-
Allowance Proceeds	98,958	112,612	(13,654)
Third-party contributions	3,200	3,200	-
Third-party reimbursements	6,133	8,812	(2,679)
Federal grants	63,744	88,131	(24,387)
Project repayments	972	806	166
Rentals from leases	1,238	1,289	(51)
Fees and other income	1,232	473	759
Interest income	8,545	11,086	(2,541)
Net change in fair value of investments	3,487	-	3,487
Total Revenues	635,349	737,509	(102,160)
Expenses:			
Salaries and benefits	38,381	37,563	818
Program expenditures	413,871	671,234	(257,363)
Other operating costs	5,376	6,586	(1,210)
Depreciation	1,795	1,662	133
NY State Assessments	10,763	7,762	3,001
Total Expenses	470,186	724,807	(254,621)
Excess Revenues/(Expenses)	165,163	12,702	152,461
Net Assets, beginning of year	697,501	697,501	-
Net Assets, end of year			
Invested in capital assets, net of debt	13,327	13,649	(322)
Restricted for specific programs	846,121	694,538	151,583
Unrestricted	3,216	2,016	1,201
Total Net Assets, end of year	<u>\$862,664</u>	<u>710,203</u>	<u>152,461</u>

Total revenues were approximately \$102.2 million, or 13.9%, lower than the approved Budget. State appropriation revenues were less than budgeted principally due to the timing of reimbursable expenditures for certain non-recurring programs funded through State appropriations. The unspent funds have been re-appropriated in the FY 2011-12 State Budget. System Benefits Charge collections were lower than the approved Budget primarily due to a December 2010 PSC Order which deferred collections from the previously ordered schedule into fiscal year 2011-12. Allowance proceeds were less than budget by \$13.7 million due to a decrease in the RGGI auction allowances sold and the selling price, both of which were less than budgeted. Third-party reimbursements were lower than budget primarily due to lower than anticipated expenditures relating to the Research and Development program. Federal grants revenue was lower than budget due to the timing of reimbursable expenditures, principally under several ARRA grants. Fees and other income were higher than budget due to bond closing fees received for refunding certain utility bonds which were not anticipated when the budget was approved. Interest income was lower than budget due to declines in overall market interest rates.

Total expenses were approximately \$254.6 million, or 35.1%, below the approved Budget. Salaries and benefits were higher than anticipated principally due to an increase in pension expense associated with the early retirement incentive, and an increase in the cost associated with NYSERDA's postemployment healthcare benefits. Program expenditures were less than budgeted primarily due to timing of anticipated expenditures for the New York Energy Smart, Regional Greenhouse Gas Initiative, Energy Efficiency Deployment, Con Edison System Wide Demand Reduction, GJGNY, CAIR, Energy Research and Development, and West Valley programs. Other Operating Costs were less than budgeted primarily due to lower than

**New York State Energy Research and Development Authority
(A Component Unit of the State of New York)
Management's Discussion and Analysis
For the Year Ended March 31, 2011
Unaudited**

expected costs incurred for travel and other general operating expenses. The NY State assessment increased by \$3 million over the prior year.

CONTACT FOR AUTHORITY'S FINANCIAL MANAGEMENT

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

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
(A Component Unit of the State of New York)
Statement of Net Assets
March 31, 2011
(with comparative totals for March 31, 2010)
(Amounts in thousands)

	March 31, 2011	March 31, 2010
<u>ASSETS:</u>		
Current assets:		
Cash and investments	\$925,858	754,322
New York State receivable	13,912	13,676
Third-party billings receivable	15,825	13,817
Interest receivable on loans	2	-
Loans receivable due within one year	90	-
Prepaid expense	227	272
Total current assets	955,914	782,087
Noncurrent assets:		
Loans receivable- long term	1,051	-
Capital assets, net of depreciation	14,495	15,732
Total noncurrent assets	15,546	15,732
Total assets	971,460	797,819
<u>LIABILITIES:</u>		
Current liabilities:		
Long-term liabilities due within one year	3,246	3,176
Accounts payable	30,196	29,232
Con Edison payable	17,380	10,141
Accrued liabilities	50,137	50,810
Deferred revenue	3,992	3,126
Total current liabilities	104,951	96,485
Noncurrent liabilities:		
Other long-term liabilities	3,845	3,833
Total liabilities	108,796	100,318
<u>NET ASSETS:</u>		
Invested in capital assets, net of related debt	13,327	13,890
Restricted for specific programs	846,121	682,473
Unrestricted	3,216	1,138
Total net assets	\$862,664	697,501

See accompanying notes to the basic financial statements.

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
(A Component Unit of the State of New York)
Statement of Activities
For the year ended March 31, 2011
(with summarized comparative totals for March 31, 2010)
(Amounts in thousands)

	Functions/Programs												Total March 31, 2011	Total March 31, 2010
	New York Energy Smart	Renewable Portfolio Standard	Energy Research & Development	Energy Efficiency Deployment	Con Edison System Wide Demand Reduction	RGGI	GJGNY	CAIR	Energy Analysis	West Valley	STEP	Bond Financing		
EXPENSES:														
Salaries and benefits	\$17,803	2,513	2,932	5,093	15	2,028	1,587	500	3,399	2,077	399	35	38,381	33,750
Program expenditures	201,026	74,328	13,970	73,872	12,001	23,407	2,370	470	40	12,387	-	-	413,871	358,957
Other operating costs	1,909	286	385	569	207	289	195	68	619	345	500	4	5,376	5,480
Depreciation	728	102	120	201	1	83	65	21	139	96	238	1	1,795	1,699
NY State Assessments	5,594	1,969	407	487	143	587	99	24	107	379	30	937	10,763	7,763
Payment to NYS	-	-	-	-	-	-	-	-	-	-	-	-	-	90,000
Total expenses	227,060	79,198	17,814	80,222	12,367	26,394	4,316	1,083	4,304	15,284	1,167	977	470,186	497,649
PROGRAM REVENUES:														
<i>Operating grants and contributions</i>														
State appropriations	-	-	11,543	407	-	-	-	-	4,681	15,284	-	-	31,915	49,583
System Benefits Charge	289,913	-	-	-	-	-	-	-	-	-	-	-	289,913	271,095
Renewable Portfolio Standard	-	126,012	-	-	-	-	-	-	-	-	-	-	126,012	87,171
Allowance proceeds	-	-	-	-	-	98,958	-	-	-	-	-	-	98,958	125,904
Third-party contributions	-	-	3,200	-	-	-	-	-	-	-	-	-	3,200	3,200
Third-party reimbursements	1,874	-	265	3,870	124	-	-	-	-	-	-	-	6,133	19,434
Federal Grants	-	-	-	62,589	-	-	1,155	-	-	-	-	-	63,744	11,999
<i>Charges for Services</i>														
Project repayments	-	-	972	-	-	-	-	-	-	-	-	-	972	797
Rentals from leases	-	-	-	-	-	-	-	-	-	-	238	1,000	1,238	1,145
Fees and other income	127	65	10	-	-	-	-	-	-	-	-	1,030	1,232	1,110
Restricted interest	5,161	1,489	-	90	115	579	280	352	-	-	-	-	8,066	10,286
Net change in fair value of investments	1,938	818	-	-	55	207	25	372	-	-	-	-	3,415	(181)
Total program revenues	299,013	128,384	15,990	66,956	294	99,744	1,460	724	4,681	15,284	238	2,030	634,798	581,543
Excess Revenues / (Expenses)	\$71,953	49,186	(1,824)	(13,266)	(12,073)	73,350	(2,856)	(359)	377	-	(929)	1,053	164,612	83,894
GENERAL REVENUES:														
Unrestricted Interest													479	590
Net change in fair value of investments													72	(29)
Change in net assets													165,163	84,455
Net assets-beginning of period													697,501	613,046
Net assets-end of period													\$862,664	697,501

See accompanying notes to the basic financial statements.

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
(A Component Unit of the State of New York)
Balance Sheet - Governmental Funds
March 31, 2011
(with summarized comparative totals for March 31, 2010)
(Amounts in thousands)

	New York Energy <u>Smart</u>	Renewable Portfolio <u>Standard</u>	<u>RGGI</u>	<u>GJGNY</u>	Other <u>Programs</u>	Total March 31, 2011	Total March 31, 2010
ASSETS:							
Cash and investments	\$462,973	142,257	83,633	110,943	126,052	925,858	754,322
Receivables:							
New York State	-	-	-	-	13,912	13,912	13,676
Third-party billings	7,991	-	-	-	7,834	15,825	13,817
Interest on loans	-	-	-	2	-	2	-
Loans	-	-	-	1,141	-	1,141	-
Prepaid expense	-	-	-	-	227	227	272
Due from other funds	-	-	-	1,155	1,420	2,575	10,137
Total assets	<u>470,964</u>	<u>142,257</u>	<u>83,633</u>	<u>113,241</u>	<u>149,445</u>	<u>959,540</u>	<u>792,224</u>
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	10,270	1,477	432	100	17,917	30,196	29,232
Con Edison payable	-	-	6,707	-	10,673	17,380	10,141
Accrued liabilities	25,882	9,716	2,935	301	11,303	50,137	50,810
Due to other funds	1,418	99	232	826	-	2,575	10,137
Deferred revenue	40	-	-	2,826	1,126	3,992	3,126
Total liabilities	<u>37,610</u>	<u>11,292</u>	<u>10,306</u>	<u>4,053</u>	<u>41,019</u>	<u>104,280</u>	<u>103,446</u>
Fund Balances:							
Reserved for contractual obligations	307,891	130,965	12,478	9,058	108,427	568,819	509,302
Unreserved	125,463	-	60,849	100,129	-	286,441	179,476
Total fund balances	<u>433,354</u>	<u>130,965</u>	<u>73,327</u>	<u>109,187</u>	<u>108,427</u>	<u>855,260</u>	<u>688,778</u>
Total liabilities and fund balances	<u>\$470,964</u>	<u>142,257</u>	<u>83,633</u>	<u>113,241</u>	<u>149,445</u>	<u>959,540</u>	<u>792,224</u>

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

Total fund balances	855,260	688,778
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	14,495	15,732
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(7,091)	(7,009)
Net assets of governmental activities	<u>\$862,664</u>	<u>697,501</u>

See accompanying notes to the basic financial statements.

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
(A Component Unit of the State of New York)
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the year ended March 31, 2011
(with summarized comparative totals for March 31, 2010)
(Amounts in thousands)

	New York Energy <u>Smart</u>	Renewable Portfolio <u>Standard</u>	<u>RGGI</u>	<u>GJGNY</u>	Other <u>Programs</u>	Total March 31, <u>2011</u>	Total March 31, <u>2010</u>
REVENUES:							
State appropriations	\$ -	-	-	-	31,915	31,915	49,583
System Benefits Charge	289,913	-	-	-	-	289,913	271,095
Renewable Portfolio Standard	-	126,012	-	-	-	126,012	87,171
Allowance proceeds	-	-	98,958	-	-	98,958	125,904
Third-party contributions	-	-	-	-	3,200	3,200	3,200
Third-party reimbursements	1,875	-	-	-	4,258	6,133	19,434
Project repayments	-	-	-	-	972	972	797
Federal grants	-	-	-	1,155	62,589	63,744	11,999
Rentals from leases	-	-	-	-	1,238	1,238	1,145
Interest	5,161	1,489	579	280	1,036	8,545	10,876
Net change in fair value of investments	1,938	818	207	25	499	3,487	(210)
Fees and other income	126	65	-	-	1,041	1,232	1,109
Total revenue	<u>299,013</u>	<u>128,384</u>	<u>99,744</u>	<u>1,460</u>	<u>106,748</u>	<u>635,349</u>	<u>582,103</u>

EXPENDITURES:

Current:

New York Energy Smart	226,307	-	-	-	-	226,307	217,814
Renewable Portfolio Standard	-	79,092	-	-	-	79,092	76,077
Energy Research and Development	-	-	-	-	17,646	17,646	24,202
Energy Efficiency Deployment	-	-	-	-	80,014	80,014	29,053
Con Edison System Wide Demand Reduction	-	-	-	-	12,366	12,366	15,314
RGGI	-	-	26,308	-	-	26,308	11,991
GJGNY	-	-	-	4,248	-	4,248	25
CAIR	-	-	-	-	1,062	1,062	652
Energy Analysis	-	-	-	-	4,160	4,160	5,223
West Valley	-	-	-	-	15,186	15,186	15,720
STEP & Economic Development	-	-	-	-	905	905	15,197
Bond Financing	-	-	-	-	976	976	975
Payment to NYS	-	-	-	-	-	-	90,000
Capital outlay	122	17	14	11	433	597	1,587
Total expenditures	<u>226,429</u>	<u>79,109</u>	<u>26,322</u>	<u>4,259</u>	<u>132,748</u>	<u>468,867</u>	<u>503,830</u>

OTHER FINANCING SOURCES (USES):

Operating transfers, net	-	-	(43,678)	43,678	-	-	-
Net change in fund balances	72,584	49,275	29,744	40,879	(26,000)	166,482	78,273
Fund balances, beginning of year	<u>360,770</u>	<u>81,690</u>	<u>43,583</u>	<u>68,308</u>	<u>134,427</u>	<u>688,778</u>	<u>610,505</u>
Fund balances, end of year	<u>\$433,354</u>	<u>130,965</u>	<u>73,327</u>	<u>109,187</u>	<u>108,427</u>	<u>855,260</u>	<u>688,778</u>

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

Net change in fund balances	166,482	78,273
Capitalization and depreciation of capital outlays, rather than recording as an expenditure	(1,237)	(961)
Expenses for compensated absences in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	(757)	(524)
Payment to Trust account for prior years' OPEB liability is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	-	7,059
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	675	608
Change in net assets of governmental activities	<u>\$165,163</u>	<u>84,455</u>

See accompanying notes to the basic financial statements.

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
(A Component Unit of the State of New York)
Statement of Fiduciary Net Assets - Agency Fund
March 31, 2011
(with comparative totals for March 31, 2010)
(Amounts in thousands)

	<u>March 31,</u> <u>2011</u>	<u>March 31,</u> <u>2010</u>
<u>ASSETS:</u>		
Cash and investments	\$31,411	31,842
LLRW assessment billings receivable	2,995	2,460
Total assets	<u>\$34,406</u>	<u>34,302</u>
 <u>LIABILITIES:</u>		
Payable to New York State	\$840	1,219
LLRW escrow funds	5,323	4,884
Perpetual care of nuclear wastes	28,243	28,199
Total liabilities	<u>\$34,406</u>	<u>34,302</u>

See accompanying notes to the basic financial statements.

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

**Notes to Basic Financial Statements
March 31, 2011**

(1) GENERAL

The New York State Energy Research and Development Authority (NYSERDA) is a public benefit corporation established in 1975 pursuant to Title 9 of Article 8 of the Public Authorities Law of the State of New York (the State). NYSERDA is included in the State's basic financial statements as a discretely presented component unit. NYSERDA's major functions and programs are summarized below. All programs are considered to be special revenue funds.

New York Energy \$martSM program

Pursuant to Orders of the State Public Service Commission (PSC), NYSERDA administers public benefit programs funded by a System Benefits Charge (SBC) on consumers of electricity sold in the State through 2011. The program, named the **New York Energy \$martSM** program, is designed to support certain public benefit programs, including energy efficiency, research and development, environmental protection, and low-income programs.

Pursuant to a June 2008 and subsequent Orders, the PSC expanded the **New York Energy \$martSM** program through its Energy Efficiency Portfolio Standard proceeding, which provided additional funding for certain energy efficiency programs through January 31, 2015.

Renewable Portfolio Standard

Pursuant to a September 2004 and subsequent Orders, the PSC adopted a policy of increasing the percentage of electricity used by retail consumers in New York State, that is derived from renewable resources to at least 30 percent by 2015. The Commission adopted a Renewable Portfolio Standard (RPS) that sets annual, incremental, renewable energy targets for the years 2006 through 2015; requires the use of financial incentives to encourage the development and operation of renewable generation facilities; and adopts a central procurement model to be administered by NYSERDA. It is funded with a non-bypassable wires charge on certain customers of each of the State's investor-owned utilities.

Energy Research & Development

The goals of this program are to promote energy efficiency, encourage economic development, expand the use of New York State's indigenous and renewable energy resources, and reduce or mitigate adverse environmental effects associated with energy production and use. Base funding for the program comes from State appropriations that are financed by an assessment on the intrastate gas and electricity sales of the State's investor-owned utilities and from other sources, including annual contributions from the New York Power Authority (NYPA) and the Long Island Power Authority (LIPA).

Energy Efficiency Deployment

NYSERDA provides financial and technical assistance to help businesses and institutions assess and implement cost-saving energy efficiency measures; help public and private fleets convert to alternative-fuel vehicles, and provides technical training to public and private building owners, helping them improve energy and environmental efficiency. These programs also strive to provide affordable energy and a cleaner environment for all New Yorkers, including low-income residents, by increasing public awareness of energy efficiency's multiple benefits, providing residential building performance services, and making energy-efficient appliances and other products more widely available to consumers. These activities are primarily funded through various third party reimbursements and federal energy grants, including six awards under the American Recovery and Reinvestment Act, or ARRA. Grant funding is received on a reimbursement basis, requires funds to be expended within three years of award, and include requirements for compliance with a number of federal regulations and reporting requirements.

Con Edison System-Wide Demand Reduction

This program, administered by NYSERDA pursuant to a March 2005 and subsequent Orders of the PSC, provided funding of up to \$122.1 million for NYSERDA to implement electric energy demand reductions in Con Edison's service territory over a four-year period ending March 2009, with a goal of achieving 150 megawatts of demand reductions. The terms of the Orders require NYSERDA to return to Con Edison any monies no longer

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

**Notes to Basic Financial Statements
March 31, 2011**

committed, until such time as all retained funds are fully expended. As of March 31, 2011 NYSERDA has recorded \$8.0 million of unencumbered funds as a refund payable to Con Edison, which will be paid during the fiscal year beginning April 1, 2011.

Regional Greenhouse Gas Initiative (RGGI)

The Regional Greenhouse Gas Initiative, or RGGI, is an agreement among ten Northeastern and Mid-Atlantic States to reduce greenhouse gas emissions from power plants. The RGGI states (Participating States) have committed to cap and then reduce the amount of carbon dioxide that certain power plants are allowed to emit, limiting the region's total contribution to atmospheric greenhouse gas levels. The Participating States have agreed to implement RGGI through a regional cap-and-trade program whereby the Participating States have agreed to auction annual regional emissions. Rules and regulations promulgated by the NYS Department of Environmental Conservation (DEC) call for NYSERDA to administer periodic auctions for annual emissions. Pursuant to these regulations, the proceeds will be used by NYSERDA to administer energy efficiency, renewable energy, and/or innovative carbon abatement programs, and to cover the costs to administer such programs.

Green Jobs-Green New York (GJGNY)

GJGNY is a Statewide program created by legislation enacted in October 2009 to promote energy efficiency retrofits in residential, multifamily, small business and not-for-profit buildings, and authorizes NYSERDA to establish innovative financing approaches through revolving loan funds to finance such projects. The program will also support sustainable community development and create opportunities for green jobs. The legislation funded the program with \$112 million from RGGI auction proceeds.

Clean Air Interstate Rule (CAIR)

The Clean Air Interstate Rule, or CAIR, is an environmental program administered by DEC, designed to reduce NO_x and SO_x emissions through an emissions allowance cap-and-trade regime. NYSERDA sold allowances allocated by DEC to the Energy Efficiency and Renewable Energy Technology Account and is applying the proceeds to support programs that encourage and foster energy efficiency measures and renewable energy technologies, specifically multi-year support for the New York Battery and Energy Storage Technology Consortium (NY-BEST™), an industry-focused coalition working to build a vibrant, world-class, advanced battery, and energy storage sector in New York.

Energy Analysis

Through this program, NYSERDA provides objective and credible analyses of energy issues to various stakeholders. The program also includes activities for energy related emergency planning and response, and support for State energy planning. These program activities are funded primarily by a State assessment on the intrastate gas and electricity sales of the State's investor-owned utilities.

Furthermore, Energy Analysis staff provide oversight activities pursuant to the State Low-Level Radioactive Waste (LLRW) Management Act of 1986, whereby NYSERDA is responsible for ultimately constructing and operating the State's LLRW disposal facilities, collecting information, and providing regular reports to the Governor and Legislature on LLRW generation in the State. These activities are funded annually by State Appropriations through a sub-allocation from the New York State Department of Health.

NYSERDA is also responsible for coordination of nuclear material matters, including serving as the State liaison with the Nuclear Regulatory Commission.

West Valley

NYSERDA manages, on behalf of the State, the Western New York Nuclear Service Center (West Valley), the site of a former plant for reprocessing used nuclear fuel. Through 1972, the former plant operator, Nuclear Fuel Services, Inc., generated as a by-product of its reprocessing operations, more than 600,000 gallons of liquid, high-level radioactive waste, which were stored at the site. In 1980, Congress enacted the West Valley Demonstration Project Act (West Valley Act). Pursuant to the West Valley Act, the U.S. Department of Energy (DOE) is carrying out a demonstration project to: (1) solidify the liquid high-level radioactive waste at West Valley; (2)

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

**Notes to Basic Financial Statements
March 31, 2011**

transport the solidified waste to a permanent federal repository; and (3) decontaminate and decommission the reprocessing plant and the facilities, materials, and hardware used in the project.

NYSERDA also maintains, on behalf of the State, the State-Licensed Disposal Area (SDA), a shut-down commercial low-level radioactive waste disposal facility at West Valley. NYSERDA is evaluating how to remediate and close this facility in accordance with regulatory requirements.

STEP (Saratoga Technology + Energy Park)

NYSERDA owns, on behalf of the State, a 280 acre parcel of land in Malta (Saratoga County), New York. The site, once used for rocket and weapons-testing programs and space-research activities, and later subject to certain remediation measures under a March 1998 Consent Decree as a “Superfund” site, was designated in 2001 as a business park devoted to the development of new, clean energy technologies. NYSERDA owns and operates a building on the site which is leased to various private company tenants.

Bond Financing

As part of its Bond Financing Program, NYSERDA issues bonds and notes for participating gas and electric utility companies and other private purpose users to finance certain energy-related projects. This program permits a private enterprise to obtain the benefits of tax-exempt financing for projects that qualify under NYSERDA's enabling statute and under relevant provisions of the Internal Revenue Code.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The basic financial statements include government-wide financial statements and governmental fund financial statements. The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities, and report overall information on NYSERDA without displaying individual funds. These statements exclude information about fiduciary activities where NYSERDA holds assets in a trustee or agency capacity for others since such assets cannot be used to support NYSERDA's own programs.

The Fund financial statements consist of a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances and report information concerning major funds:

New York Energy Smart - this fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditure for the **New York Energy SmartSM** program.

Renewable Portfolio Standard - this fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditure for the Renewable Portfolio Standard program.

RGGI – this fund accounts for the specific auction proceeds that are legally restricted to expenditure for the Regional Greenhouse Gas Initiative program.

GJGNY – this fund accounts for the Green Jobs-Green New York Statewide program, funded by a transfer from the RGGI fund.

Other Programs - these funds account for all of NYSERDA's activities, except those reported in one of the other funds.

Assets held by NYSERDA in a fiduciary capacity for others are reported in the Statement of Fiduciary Net Assets. NYSERDA's fiduciary funds include: (1) funds held for reimbursement to the State for costs associated with the Low-Level Radioactive Waste Management Act of 1986; and (2) funds that, pursuant to a Cooperative Agreement, must be turned over to the U.S. Department of Energy upon delivery of the solidified high level radioactive waste from West Valley to a permanent federal disposal repository to provide for perpetual care and management of the waste.

The basic financial statements include certain prior-year summarized comparative information in total, but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should

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

**Notes to Basic Financial Statements
March 31, 2011**

be read in conjunction with NYSERDA's financial statements for the year ended March 31, 2010, from which the summarized information was derived.

(b) Basis of accounting

The Statement of Net Assets, Statement of Activities, and Statement of Fiduciary Net Assets - Agency Fund, are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues resulting from exchange transactions are recognized when the exchange takes place. Revenues resulting from non-exchange transactions, such as program funding received in the form of grants, contributions and State appropriations, are recognized when all eligibility requirements (if any) have been met.

NYSERDA's administrative overhead charges are included as program direct expenses in the Statement of Activities.

Financial statements for governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available (expected to be collected in the next twelve months).

(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

Generally, assets with a cost of more than \$2,500 and an estimated useful life in excess of two years are capitalized and reported at historical cost in the government-wide financial statements. Depreciation is calculated using the straight line method over the estimated useful life of the capital assets ranging from three to 50 years and reported in the Statement of Activities. Capital asset purchases are recorded as expenditures in the governmental funds financial statements.

(e) Deferred Revenue

Deferred Revenue consists of funds received in advance of revenue recognition conditions having been met.

(f) Compensated Absences

NYSERDA employees are granted vacation and sick leave in varying amounts. In the event of termination or retirement, an employee is reimbursed for accumulated vacation leave up to the equivalent of 45 days, and sick leave up to a maximum of five days. Retired employees may use additional accumulated sick leave to pay for the employee share of health insurance premiums.

NYSERDA's accrual for compensated absences, included in the Statement of Net Assets amount for long-term liabilities, includes fringe benefits on compensated absences and estimated costs to use employee sick leave for post-retirement health benefits. Compensated absences are not accrued in the governmental funds financial statements.

(g) New York State Assessments

New York State Assessments for the year ended March 31, 2011 consisted of \$9,850,000 and \$913,000, respectively in fees paid or payable to the State under Section 2975 of the Public Authorities Law (Governmental Cost Recovery System) for general governmental services, and under a budget bill pursuant to Article VII of the New York State Constitution.

(h) Net Assets Restricted for Specific Programs

NYSERDA administers certain programs on behalf of the State Public Service Commission and others whereby funds are provided at program inception or on a fixed payment schedule over the program duration, but the terms of the program sponsor or enabling legislation limit the use of funds to certain program purposes. Frequently, the collection and recording of revenues does not occur in the same accounting period as the expenditure of such

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

**Notes to Basic Financial Statements
March 31, 2011**

funds, and the difference is reported as Net Assets Restricted for Specific Programs on the Statement of Net Assets.

Following is a summary of Restricted Net Assets and related outstanding contractual commitments (less accrued expenses) as of March 31, 2011:

<u>FUNCTION/PROGRAM</u>	<i>(Amounts in thousands)</i> <u>Restricted</u> <u>Net</u> <u>Assets</u>	<u>Outstanding</u> <u>Contractual</u> <u>Obligations</u>
New York Energy Smart	\$434,771	\$307,891
Renewable Portfolio Standard	131,064	597,280
Energy Research and Development	22,807	31,478
Energy Efficiency Deployment	23,334	141,796
Con Edison System-Wide Demand Reduction	27,275	26,491
Regional Greenhouse Gas Initiative (RGGI)	73,261	12,478
Green Jobs-Green New York (GJGNY)	109,157	9,058
Clean Air Intrastate Rule (CAIR)	23,423	8,306
Energy Analysis	<u>1,029</u>	<u>84</u>
Total	<u>\$846,121</u>	<u>\$1,134,862</u>

The outstanding contractual commitments in excess of Restricted Net Assets under certain Functions/Programs will be funded from future scheduled collections and reimbursements.

(i) 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 expenditures/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 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 following schedule presents cash and investments as of March 31, 2011

	<i>(Amounts in thousands)</i> <u>NYSERDA Funds</u>			<u>Fiduciary Funds</u>		
	<u>Fair Value</u>	<u>% of</u> <u>Total</u>	<u>Weighted</u> <u>Average</u> <u>Maturity</u> <u>(months)</u>	<u>Fair Value</u>	<u>% of</u> <u>Total</u>	<u>Weighted</u> <u>Average</u> <u>Maturity</u> <u>(months)</u>
Cash and money market	\$14,166	1.5	n/a	\$257	.8	n/a
Certificates of deposit	145,776	15.8	1.3	-	-	-
U.S. Treasury Bills	98,500	10.6	10.7	2,912	9.3	1.2
U.S. Treasury Strips	<u>667,416</u>	<u>72.1</u>	<u>21.6</u>	<u>28,242</u>	<u>89.9</u>	<u>16.8</u>
Total	<u>\$925,858</u>	<u>100.0%</u>	<u>13.5</u>	<u>\$31,411</u>	<u>100.0%</u>	<u>15.3</u>

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

**Notes to Basic Financial Statements
March 31, 2011**

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.

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

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, 2011, NYSERDA's investments with institutions that were individually in excess of 5% of total investments included investments in certificates of deposit with one bank, which represented 15.5% of NYSERDA's total investments.

(4) RECEIVABLE FROM NEW YORK STATE

As of March 31, 2011, the amount due from New York State is \$13,912,184, which represents grant receivables and other contractual provisions.

(5) LOANS RECEIVABLE

Loans receivable exist under the Green Jobs-Green New York program to finance energy efficiency retrofits in residential, multifamily, small business and not-for-profit buildings. The residential component offers unsecured loans originated by a lender using pre-established loan underwriting criteria, which are then purchased by NYSERDA and serviced by a third-party loan servicer. As of March 31, 2011, 142 loans are outstanding and all borrowers are current on payment requirements.

Loans receivable at March 31, 2011 mature as follows:

(Amounts in thousands)

Fiscal year ending <u>March 31,</u>	
2012	\$90
2013	93
2014	97
2015	100
2016	101
2017-2021	419
2022-2025	<u>241</u>
Total	<u>\$1,141</u>

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

**Notes to Basic Financial Statements
March 31, 2011**

(6) CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2011 was as follows:

(Amounts in thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Land	\$685	-	-	685
Land improvements	4,363	131	(20)	4,474
Buildings	9,364	22	(5)	9,381
Machinery and equipment	9,739	446	(101)	10,084
Leasehold improvements	<u>555</u>	<u>-</u>	<u>-</u>	<u>555</u>
	24,706	599	(126)	25,179
Less accumulated depreciation for:				
Land Improvements	(246)	(155)	-	(401)
Buildings	(3,382)	(283)	-	(3,665)
Machinery and equipment	(5,008)	(1,304)	85	(6,227)
Leasehold improvements	<u>(338)</u>	<u>(53)</u>	<u>-</u>	<u>(391)</u>
Capital assets, net	<u>\$15,732</u>	<u>(1,196)</u>	<u>(41)</u>	<u>14,495</u>

(7) LONG-TERM LIABILITIES

Long-term liability activity for the year ended March 31, 2011 was as follows:

(Amounts in thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	Amounts Due within <u>One Year</u>
Mortgage note payable	\$1,404	-	(573)	831	600
Capital lease obligations	439	-	(102)	337	107
Compensated absences	5,166	3,478	(2,721)	5,923	2,539
Post-employment benefits (see note 10)	<u>-</u>	<u>3,840</u>	<u>(3,840)</u>	<u>-</u>	<u>-</u>
Long-term liabilities	<u>\$7,009</u>	<u>7,318</u>	<u>(7,236)</u>	<u>7,091</u>	<u>3,246</u>

Mortgage note payable reflects a Bank Qualified Mortgage Note (Mortgage Note) dated July 18, 2002, maturing August 1, 2012, at an annual interest rate of 4.65%. The Mortgage Note is secured by a Mortgage of NYSERDA's main corporate offices at 17 Columbia Circle, Albany, New York. The Mortgage Note is payable in monthly installments of approximately \$52,182 consisting of principal and interest.

Capital lease obligations reflects two capital leases. The first is a capital lease with a bank, dated October 27, 2004 and maturing October 29, 2014 at an annual interest rate of 5.90%, used to finance certain building improvements at Saratoga Technology + Energy Park. The lease is payable in monthly installments of approximately \$6,631 consisting of principal and interest.

The second capital lease is with a vendor, dated February 28, 2010 and maturing February 28, 2013 at an annual interest rate of 4.48%, used to finance the purchase of a network storage device. The lease is payable in monthly installments of approximately \$3,662 consisting of principal and interest.

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

**Notes to Basic Financial Statements
March 31, 2011**

As of March 31, 2011, future debt service requirements on the Mortgage note and Capital lease obligations are:

(Amounts in thousands)

Fiscal year ending <u>March 31,</u>	<u>Mortgage note payable</u>		<u>Capital lease obligations</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$600	26	107	16	749
2013	231	2	110	10	353
2014	-	-	74	5	79
2015	=	=	46	1	47
Total	<u>\$831</u>	<u>28</u>	<u>337</u>	<u>32</u>	<u>1,228</u>

(8) DEFINED BENEFIT PENSION PLAN

Nearly all employees of NYSERDA are members of the New York State and Local Employees' Retirement System (System), a cost-sharing, multiple-employer public employee retirement system. The State Comptroller is sole trustee and administrative head of the System. The System issues a publicly available financial report 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. Personnel who joined the System after July 27, 1976 through January 1, 2010 and who have less than ten 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 after January 1, 2010 contribute three percent of their gross salary during the full term of employment. Retirement benefits vest after five to ten years of accredited service, depending on the applicable tier.

NYSERDA's contributions to the System, expressed in dollars and as a percentage of salary, for each of the years ended March 31, 2009 through March 31, 2011 were:

(Amounts in thousands)

Fiscal year ended <u>March 31,</u>	<u>Contributions</u>	<u>Contribution Rate</u>
2011	\$2,948	11.3 – 15.3%
2010	1,529	7.0 – 9.3%
2009	1,506	8.0 – 10.8%

NYSERDA made 100% of the required contribution for each of the years displayed above.

(9) LEASES

In addition to the capital leases recorded as assets and capital lease obligations within Long-Term Liabilities, NYSERDA has multi-year operating leases expiring May 31, 2016, June 30, 2012, March 31, 2013, September 14, 2013, and September 30, 2013 for office space in West Valley, NY; Buffalo; 15 Columbia Circle, Albany; 210 Washington Ave Ext., Albany; and New York City, respectively. For the year ended March 31, 2011, rental expense for all office facilities was \$799,774.

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

**Notes to Basic Financial Statements
March 31, 2011**

The following is a schedule by year of future minimum rental payments for NYSERDA's office space as of March 31, 2011:

(Amounts in thousands)

Fiscal year ending	
<u>March 31,</u>	
2012	\$845
2013	815
2014	379
2015	98
2016	100
Thereafter	<u>8</u>
Total	<u>\$2,245</u>

NYSERDA is also the lessor of certain equipment comprising a cooling water structure at the Indian Point Nuclear Power Plant in Buchanan, New York under a lease that expires on March 31, 2017 with annual future minimum lease rental payments of \$999,600 for the fiscal years ending March 31, 2012-2017.

(10) CONTINGENCIES

(a) Western New York Nuclear Service Center

Under the federal West Valley Demonstration Project Act and an implementing Cooperative Agreement between DOE and NYSERDA, the federal government pays 90 percent of the West Valley Demonstration Project (WVDP) costs, and NYSERDA, on behalf of the State of New York, pays the remaining 10 percent. In addition, in 2010, the U.S. District Court for the Western District of New York approved an agreement between New York State and the federal government that resolved most of the claims asserted in a 2006 lawsuit filed by NYSERDA and New York State against the federal government and DOE regarding the financial responsibility for cleaning up certain facilities at West Valley. The agreement defines a specific cost share for the cleanup of a number of facilities that had long been in dispute between NYSERDA and DOE. For example, under this agreement, the federal government will pay a 30 percent share of costs associated with the State Licensed Disposal Area (SDA), and NYSERDA, on behalf of the State, will pay the remaining 70 percent. Remediation costs for the North Plateau Groundwater Plume will be split equally between the State and federal government, and costs for remediating the NRC-Licensed Disposal Area will also be a 50/50 split. The two governments agreed that other facilities are covered by the WVDP Act, such as the Main Process Plant building, and thus the federal government will pay 90% of the cleanup costs.

In January 2010, NYSERDA and DOE issued a final Environmental Impact Statement, which identifies and assesses the potential environmental impacts of a range of reasonable alternatives proposed to meet DOE's responsibilities under the WVDP Act and options for the State of New York, acting through NYSERDA, for management of West Valley. In April and May 2010, respectively, DOE and NYSERDA issued decision documents that formally selected the Phased Decision making alternative for continuing the cleanup. Under Phased Decision making, decommissioning work will be conducted in two phases. During Phase 1, which will take approximately 10 years, the Main Process Plant building and several other highly contaminated facilities will be removed at an estimated cost of approximately \$1 billion. As the Phase 1 cleanup work is proceeding, DOE and NYSERDA will conduct additional scientific studies to reduce uncertainties in the decisions for the Phase 2 portion of the cleanup. The Phase 2 decisions, which will be made within 10 years of the Phase 1 decisions- i.e. by May 2020- will address the remaining facilities, including the High-Level Waste Tanks, State-Licensed Disposal Area, NRC-Licensed Disposal Area, and the main body of a groundwater contamination plume. Total costs for completing the Phase 2 work range from \$500 million to \$8.2 billion, and are dependent on the alternative selected for the remaining facilities. It should be noted that the 10 year, \$1 billion estimate for completing Phase 1 work is from the 2010 EIS which assumed that the West Valley Demonstration Project would receive an annual federal appropriation of \$75 million for the clean-up work.

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

**Notes to Basic Financial Statements
March 31, 2011**

In accordance with Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, no liability has been included in NYSERDA's financial statements as of March 31, 2011 or 2010 for this contingency because NYSERDA expects to continue to be reimbursed from State appropriations for the State's share of the costs of the Demonstration Project, any costs NYSERDA may incur in relation to the SDA, and any other costs allocated to NYSERDA under the agreement resolving the lawsuit referenced above.

(b) Low-Level Radioactive Waste

Pursuant to the Low-Level Radioactive Waste (LLRW) Management Act of 1986, NYSERDA annually assesses licensees of operating nuclear power plants an amount sufficient to reimburse the State for the LLRW disposal facilities development activities of the Departments of Health and Environmental Conservation, and must provide nuclear power plant licensees with a user-fee reduction, when the disposal facilities are operational, equal to the statutory assessments collected plus interest at a fair market rate. During the year ended March 31, 2011, NYSERDA paid, from the agency fund, a total of \$3,404,734 to reimburse the State for such costs pursuant to Public Authorities Law Section 1854-d(2)(a).

(c) Bond Financing Program

The principal and interest on obligations issued for participating gas and electric utility companies and other private purpose users are payable solely from payments made by participating companies. They are not general obligations of NYSERDA nor do they constitute an indebtedness of or a charge against the general credit of NYSERDA, or cause any monetary liability to NYSERDA. These bonds and notes are not a debt of the State of New York.

The bonds and notes issued bear the name of NYSERDA and the participating company. NYSERDA assigns most of its rights and obligations to a trustee who is responsible for, among other things, disbursing bond and note proceeds and handling principal and interest payments. As of March 31, 2011, all participating companies were current in their debt service payments for these bonds and notes, the principal of which totaled approximately \$3.5 billion.

(d) Risk Management

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

(e) Renewable Portfolio Standard (RPS) Program

Pursuant to Orders of the PSC, NYSERDA is the central procurement administrator to manage an incentive-based procurement mechanism to support the development of additional renewable energy resources. The Orders directed each of the State's six investor-owned electric utility companies to collect an RPS surcharge to fund the program through a volumetric charge applied to the delivery portion of customer bills, commencing October 1, 2005. Each utility was directed to establish RPS collection rates sufficient to collect certain amounts specified in the Order for each of the years 2005 through 2024, with any over or under collections being trued up on an annual basis. In the aggregate, future scheduled collections total approximately \$2.63 billion over the remaining 14 year collection period.

Pursuant to requirements of the Order, each utility has entered into a contractual agreement with NYSERDA to make quarterly payments to NYSERDA, continuing through October 31, 2024, based on the annual collection amounts prescribed in the Order. Each utility's payment obligation is fixed and is not adjusted for actual RPS surcharge collections. Procurement contracts entered into by NYSERDA and funded with RPS funds become general obligations of NYSERDA, payable pursuant to such contract terms. NYSERDA intends to ensure that procurement contracts entered into shall not cause amounts payable under such contracts to exceed at any time the amounts due and payable under the funding agreements with the utility companies. As of March 31, 2011, NYSERDA has contractual obligations totaling approximately \$597.3 million payable at varying dates upon

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

**Notes to Basic Financial Statements
March 31, 2011**

successful operation of the renewable generation facilities, which will be funded in part from RPS surcharge collections to be received in the future pursuant to Order of the PSC.

(f) Regional Greenhouse Gas Initiative

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

NYSEERDA has paid Con Edison approximately \$5.6 million to date related to this settlement. For the fiscal year ended March 31, 2011, NYSEERDA accrued additional program expenditures of \$4.7 million to recognize a total obligation, as recorded in the financial statements under Con Edison payable at March 31, 2011, of \$6.7 million, which represents all estimated remaining payments due Con Edison.

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

The terms of the Orders for these programs require NYSEERDA to return to Con Edison any monies no longer committed, until such time as all retained funds are fully expended. As of March 31, 2011 retained funds subject to possible refund, not including the amount already recorded in the financial statements as Con Edison payable at that date, are \$26.8 and \$7.5 million, respectively for the Demand Reduction and Gas Efficiency Programs. Any future refunds due would be recognized as Program expenditures in the fiscal year the related commitments are disencumbered.

(11) 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. NYSEERDA 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 employees. Plan members presently contribute 10% of the premium for individual coverage and 25% of the incremental premium for family coverage.

NYSEERDA is billed by the New York State Department of Civil Service monthly for pay-as-you-go funding requirements. In March 2010 an irrevocable Trust account (OPEB Trust) was established for the accumulation of funds to pay future benefit costs, which is held by a third-party trustee. As of March 31, 2011, the Authority has contributed \$14.1 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, 2011, the value of the OPEB Trust investments totals \$15.2 million.

The Authority's OPEB Trust issues annual audited financial statements which are available on NYSEERDA's website.

NYSEERDA's annual other postemployment benefit (OPEB) expense for the year ended March 31, 2011 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.

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

**Notes to Basic Financial Statements
March 31, 2011**

The following table summarizes NYSERDA's annual OPEB expense for the year ended March 31, 2011, the amount contributed to the Plan, and changes in NYSERDA's OPEB obligation:

(Amounts in thousands)

Annual required contribution	
Normal cost	\$2,140
Amortization of unfunded actuarial accrued liability	<u>1,700</u>
Total annual OPEB cost	3,840
Contributions made	<u>(3,840)</u>
Change in net OPEB obligation	-
Net OPEB obligation- beginning of year	<u>-</u>
Net OPEB obligation- end of year	<u>\$ -</u>

NYSERDA's annual OPEB cost amounted to \$3,839,700, 3,666,000, and \$4,594,800 for the years ended March 31, 2011, 2010, and 2009, the percentage of annual OPEB cost contributed to the Plan was 100%, 292%, and 8.2%, respectively, and the net OPEB obligation was \$0, \$0, and \$7,058,542, respectively, for each of the years ended March 31, 2011, 2010, and 2009.

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

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

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

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

Marital status – Assumed 80% 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 ten years and age thereafter as the basis for assigning active members a probability of remaining employed until the assumed retirement age.

Healthcare cost trend rate – The expected rate of increase in healthcare premiums was based on projections developed by the actuary's healthcare specialists. A rate of 8.1% initially, reduced to an ultimate rate of 4.7% after fifty-two years was used.

Health insurance premiums – 2010 health insurance premiums were used as the basis for calculation of the present value of total benefits to be paid.

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

**Notes to Basic Financial Statements
March 31, 2011**

Investment return – As of March 2011, 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, 2011 was 26 years.

As of March 31, 2011, there were 64 retirees and dependent survivors actively receiving benefits under the plan.

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 "Other long-term liabilities" in accordance with the requirements of GASB Statement No. 16.

(12) INTERFUND BALANCES AND TRANSFERS

The balances reflected in Due to Other Funds and Due from Other Funds reflect the timing difference of when expenditures are incurred and when interfund reimbursement occurs. These balances are expected to be liquidated within a year.

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

**Required Supplementary Information (Unaudited)
March 31, 2011**

Schedule of Funding Progress for Other Postemployment Benefits

(Amounts in thousands)

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Fiscal Year</u> <u>Ending</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(b)</u>	<u>Unfunded</u> <u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage of</u> <u>Covered</u> <u>Payroll</u> <u>(b-a)/c)</u>
4/1/2010	3/31/2011	\$10,285	\$33,921	\$23,636	30%	\$24,244	97.5%
4/1/2009	3/31/2010	\$0	\$29,131	\$29,131	0%	\$23,404	124.5%
4/1/2008	3/31/2009	\$0	\$34,449	\$34,449	0%	\$20,406	168.9%

See accompanying independent auditors' report.