STATE OF NEW YORK

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended
March 31, 2017

Office of the New York State Comptroller
Thomas P. DiNapoli, *Comptroller*

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Prepared by the Office of the New York State Comptroller

Thomas P. DiNapoli

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Introductory Section

THOMAS P. DINAPOLI
State Comptroller

THOMAS P. DINAPOLI
COMPTROLLER

110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

September 1, 2017

To the Citizens, Governor and Members of the Legislature of the State of New York:

I hereby present the Comprehensive Annual Financial Report for the State of New York, for the fiscal year ended March 31, 2017.

Under generally accepted accounting principles (GAAP), New York State reported a General Fund deficit of $2.8 billion this year, reducing its fund balance to $2.3 billion. Most of this deficit was due to the planned use of one-time prior year resources to fund current year operating expenses (including some of the $9.9 billion in monetary settlements received from major financial and other institutions over the past three fiscal years). The State's overall net position, a broader indicator of financial condition, declined to $28.9 billion, $3.9 billion less than the previous year. New York's Statement of Net Position continues to be negatively impacted by operating deficits, past borrowing for non-capital purposes, and the growing impact of unfunded other post-employment benefits (OPEB) liabilities.

The State's primary revenue sources continue to be federal grants and the personal income tax. Tax revenues across governmental funds totaled $73.2 billion, a decline of $149 million from last fiscal year. That shortfall was offset by continued growth in federal aid. Currently, leaders in Washington are considering cuts to federal aid for health care and other services. Given that the State relies on the federal government for over one-third of its revenues, the unpredictable nature of federal budget and policy discussions presents an elevated concern.

Total debt outstanding was $56.2 billion as of March 31, 2017, billions of which were issued without creating a corresponding State capital asset. Debt capacity under the State's statutory cap is projected to decline to only $88 million in fiscal year 2020-21. At a time when New York's needs for capital investment are increasing and debt capacity decreasing, effective management of debt and capital resources is especially vital.

The Office of the State Comptroller will continue to provide oversight of these important issues in an independent and impartial manner, in an effort to ensure that the public is informed and its interests are protected.

Sincerely,

Thomas P. DiNapoli
State Comptroller

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

FINANCIAL OVERVIEW

This report has been prepared by the Office of the State Comptroller, as required by Chapter 405, Laws of 1981, in accordance with generally accepted accounting principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, included within this Comprehensive Annual Financial Report rests with the Office of the State Comptroller.

The basic financial statements contained in this report have been audited by KPMG LLP. Their audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and their auditors' report precedes the basic financial statements. An independent audit provides reasonable assurance that the State's basic financial statements for the year ended March 31, 2017 are free of material misstatement. Independent audit procedures include examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall basic financial statement presentation. An audit also includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal controls over financial reporting. Accordingly, the independent auditor expressed no opinion with respect to internal controls over financial reporting. The independent auditor believed that their audit provided a reasonable basis for rendering unmodified opinions that the State's basic financial statements for the fiscal year ended March 31, 2017 are fairly presented in conformity with GAAP.

The basic financial statements include a narrative introduction, overview, and analysis that is required by GAAP and referred to as Management's Discussion and Analysis (MD&A). This transmittal letter is intended to complement the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the independent auditors' report.

Profile of New York State

New York State was one of the original 13 states, ratifying the United States Constitution and entering the Union on July 26, 1788. The State has a total area (land and water) of 54,555 square miles and a park system that is among the largest in the nation (Adirondack Park). Geographically, New York State is divided into 62 counties (five of which are boroughs of New York City). Within these counties are 62 cities (including New York City), 932 towns, 545 villages and 693 school districts. The State's major economic sectors are the industrial-commercial, service, financial and agricultural sectors.

New York's government comprises three branches—executive, legislative and judicial. The executive branch includes the Executive (including 20 authorized State departments), the Department of Audit and Control, and the Department of Law, which are headed respectively by the Governor, Comptroller and Attorney General. The departments of the State report to the Governor; however, the departments of Audit and Control and Law report to their respective elected officials, and the Education Department and the State University of New York report to the Board of Regents. The Board of Regents is elected by the State Legislature. The legislative branch comprises two houses, the Senate with 62 senators and the Assembly with 150 members. Members of the Legislature are elected to two-year terms.

The Chief Judge of the Court of Appeals, which is the highest court of the State, heads the judicial branch. The Governor, with the advice and consent of the State Senate, appoints the Chief Judge and six Associate Judges to 14-year terms. In New York State, the courts of original jurisdiction, or trial courts, hear cases in the first instance and the appellate courts hear appeals from the decisions of other courts.

Economic Condition and Outlook

Overall economic activity, employment and wages all rose in New York State in 2016, but at rates below the nation's. Growth in the nation's real Gross Domestic Product slowed in 2016, increasing by 1.6 percent. In comparison, New York's real Gross State Product grew by half this rate, an increase of 0.8 percent. Similar to the nation, this economic growth was weaker than the state's 1.2 percent gain in 2015.

Job growth at both the national and state levels decelerated in 2016. Employment increased at a stronger rate nationally, growth of 1.7 percent, compared to 1.5 percent in New York. Total employment in the state increased to nearly 9.4 million.

Similar to employment, wages, both nationally and in New York, increased at a slower rate in 2016. Gains in wages at the national level (3.9 percent) were stronger than those in New York (3.2 percent) in 2016.

The Reporting Entity and Its Services

The funds and entities included in this Comprehensive Annual Financial Report are those for which the State is accountable, based on criteria for defining the financial reporting entity prescribed by the GASB. The criteria include: legal standing, fiscal dependency and financial accountability. Based on these criteria, the various funds and entities shown in this report are considered as part of the reporting entity (see Notes 1 and 14 of the Notes to the Basic Financial Statements).

The State provides a range of governmental services in such areas as education, public health, public welfare, public safety, and transportation, among others, and also administers the New York State and Local Retirement System.

Component Units

Component units are discretely presented and reported as public benefit corporations (Corporations), which includes Public Authorities, and are legally separate entities that are not operating departments of the State. Corporations have been established for a variety of purposes such as economic development, capital construction, financing, and public transportation. The powers of the Corporations generally are vested in their governing boards. The Governor, with the approval of the State Senate, appoints a majority of the members of the Board of most major Corporations, and either the Governor or the Board selects the chairperson and chief operating officer. Corporations are not subject to the State constitutional restrictions on the incurrence of debt which apply to the State, and may issue bonds and notes within legislatively authorized amounts.

Corporations submit annual reports on their operations and finances accompanied by an independent auditors' report to the Governor, the Legislature and the State Comptroller. Corporations are generally supported by revenues derived from their activities, although the State has provided financial assistance, in some cases of a recurring nature, to certain Corporations for operating and other expenses, and in fulfillment of its commitments on moral obligation indebtedness. The Corporations have been presented in the accompanying financial statements as component units of the State. The amounts presented in this report were derived from the Corporations' most recent audited financial statements. At year-end these entities reported net position of $33.4 billion. For further information, refer to Note 14 of the Notes to the Basic Financial Statements.

Budgetary and Other Control Systems

The State Constitution requires the Governor to submit a cash basis balanced Executive Budget that contains a complete plan of expenditures for the ensuing fiscal year, and identifies the anticipated revenues sufficient to meet the proposed expenditures. Included in the proposed budget are provisions for spending authority for unanticipated revenues or unforeseen emergencies in accordance with statutory requirements. The Executive Budget also includes both cash basis and GAAP basis financial plans for the ensuing fiscal year, as well as a three-year financial projection for governmental funds and a five-year capital plan. The accounting policies used in developing the GAAP basis financial plans are generally consistent with those used in preparing the annual GAAP financial statements. Generally, the financial plans are updated quarterly. The Legislature enacts appropriation bills and revenue measures embodying those parts of the Executive Budget it has approved. Expenditures are controlled at the major account level (e.g., personal service, grants to local governments) within each program or project of each State agency in accordance with the underlying approved appropriation bills.

In developing the State's accounting system, consideration was given to the adequacy of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits derived. The State's internal accounting controls are periodically tested to ensure adherence to internal control policies and procedures.

In 1987 the Legislature passed the New York State Governmental Accountability, Audit and Internal Control Act, which commits the State to enhancing existing systems of internal controls in all State governmental entities. As a result, there is now a requirement for managers in all branches and components of government to maintain comprehensive internal control systems and to regularly evaluate the effectiveness and adequacy of these systems by internal reviews and external audits. Finally, the legislation promotes accountability by assuring that all external audits are made available to the public.

General Governmental Results

An operating deficit of $2.8 billion is reported in the General Fund for the fiscal year ended March 31, 2017. As a result, the General Fund now has an accumulated fund balance of $2.3 billion. The State completed its fiscal year ended March 31, 2017 with a combined Governmental Funds operating deficit of $3.4 billion as compared to a combined Governmental Funds operating surplus in the preceding fiscal year of $408 million. The combined operating deficit of $3.4 billion for the fiscal year ended March 31, 2017 included an operating deficit in the General Fund of $2.8 billion, an operating surplus in the Federal Special Revenue Fund of $6 million, an operating deficit in the General Debt Service Fund of $774 million and an operating surplus in Other Governmental Funds of $204 million. For further information, refer to the MD&A which immediately follows the independent auditors' report.

The State's financial position as shown in its Governmental Funds Balance Sheet as of March 31, 2017 includes a fund balance of $11.2 billion comprised of $43.6 billion of assets less liabilities of $30.6 billion and deferred inflows of resources of $1.8 billion. The Governmental Funds fund balance includes a $2.3 billion accumulated General Fund balance.

Certificate of Achievement

The Office of the State Comptroller was honored for the 28th consecutive year to receive the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the State's 2016 Comprehensive Annual Financial Report. This prestigious award represents the highest form of recognition in the area of governmental financial reporting, and reflects a commitment by the Office of the State Comptroller to communicate the State's financial results and position clearly to the taxpayers through public disclosure.

Acknowledgments

This report could not have been prepared without the cooperation of all State agencies, the Legislature, and the Judiciary. I especially appreciate the professionalism and dedication demonstrated by my staff in the preparation of this report.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

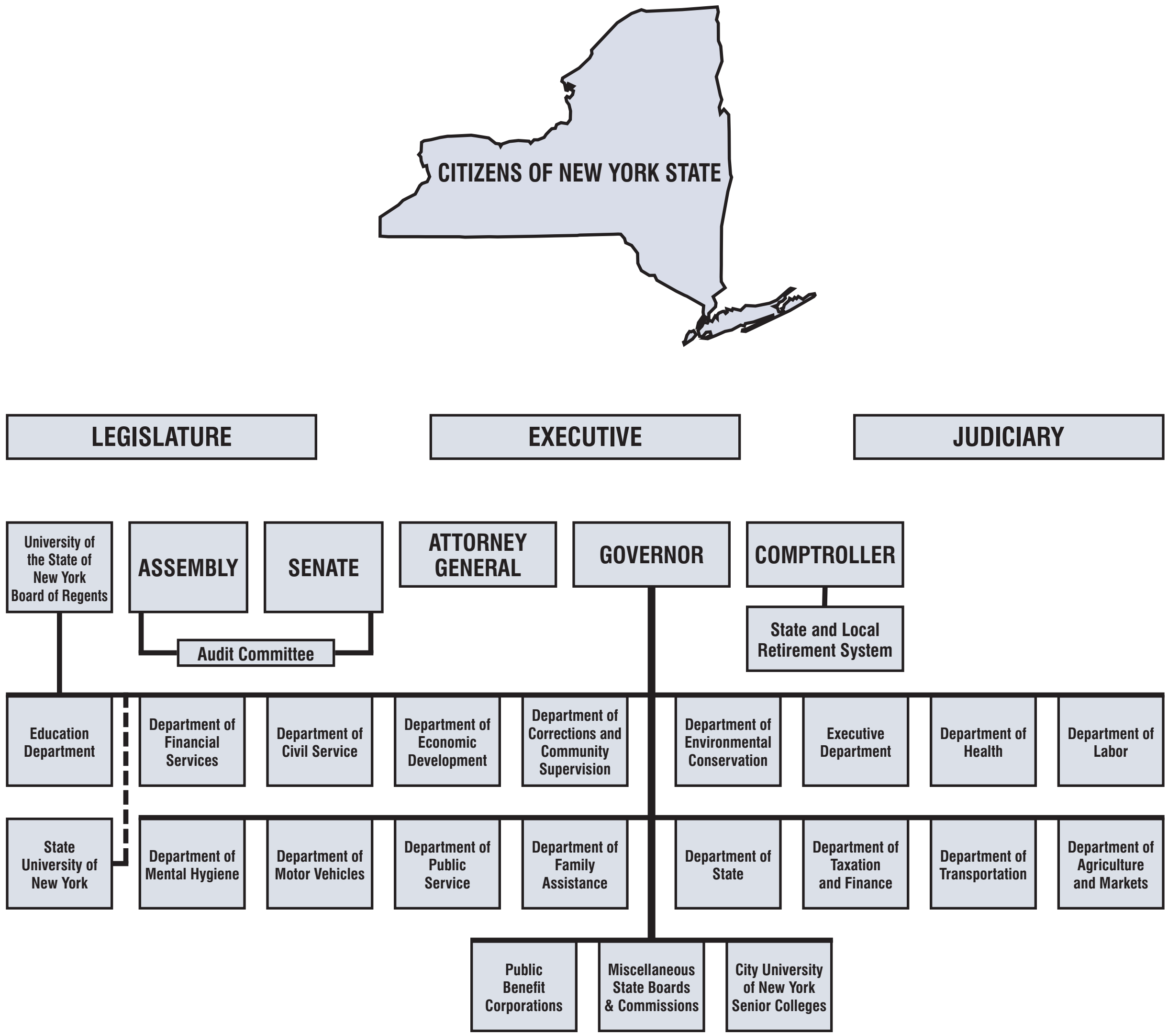
Presented to

State of New York

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

March 31, 2016

Executive Director/CEO



STATE OF NEW YORK
Selected State Officials

Executive

Andrew M. Cuomo, Governor • **Kathleen C. Hochul,** Lieutenant Governor • **Thomas P. DiNapoli,** State Comptroller
Eric T. Schneiderman, Attorney General

Judicial

Janet DiFiore, Chief Judge of the Court of Appeals of New York

Legislative

John J. Flanagan, Senate Republican Conference Leader • **Carl E. Heastie,** Speaker of the Assembly
Andrea Stewart-Cousins, Senate Democratic Conference Leader
Jeffrey D. Klein, Senate Independent Democratic Conference Leader • **Brian M. Kolb,** Assembly Minority Leader

STATE OF NEW YORK

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Financial Section

KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Audit Committee
New York State Legislature:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New York (the State) as of and for the year ended March 31, 2017, and the related notes to the basic financial statements, which collectively comprise the State'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 opinions on these financial statements based on our audit. We did not audit the financial statements of the State's Lottery enterprise fund, the New York Local Government Assistance Corporation, the Tuition Savings Program, and certain of the discretely presented component units as identified in note 14 to the basic financial statements. The State's Lottery enterprise fund represents 100 percent of the assets and revenues of the associated major fund, and 9 percent and 46 percent, respectively, of the assets and revenues of the business-type activities. The New York Local Government Assistance Corporation represents less than 1 percent of the respective assets and revenues of the governmental activities and the aggregate remaining fund information. The Tuition Savings Program represents 10 percent and 7 percent, respectively, of the assets and the revenues of the aggregate remaining fund information. The certain discretely presented component units identified in note 14 of the basic financial statements represent 56 percent and 67 percent, respectively, of the assets and the revenues of the aggregate discretely presented component units. The financial statements of these entities were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the State's Lottery enterprise fund, the New York Local Government Assistance Corporation, the Tuition Savings Program, and certain of the discretely presented component units identified in note 14 of the basic financial statements, are based solely on the reports of the other auditors.

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. The financial statements of the State's Lottery enterprise fund and of certain discretely presented component units as identified in note 14 of the basic financial statements were not audited in accordance with *Government Auditing Standards*.

KPMG

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New York as of March 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 1(t) to the basic financial statements, as of March 31, 2017, the State adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No. 77, *Tax Abatement Disclosures.* Our opinions are 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 and the information listed under Required Supplementary Information in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 this 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The other supplementary information listed in the accompanying table of contents and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2017 on our consideration of the State'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 State's internal control over financial reporting and compliance.

KPMG LLP

July 26, 2017
Albany, NY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

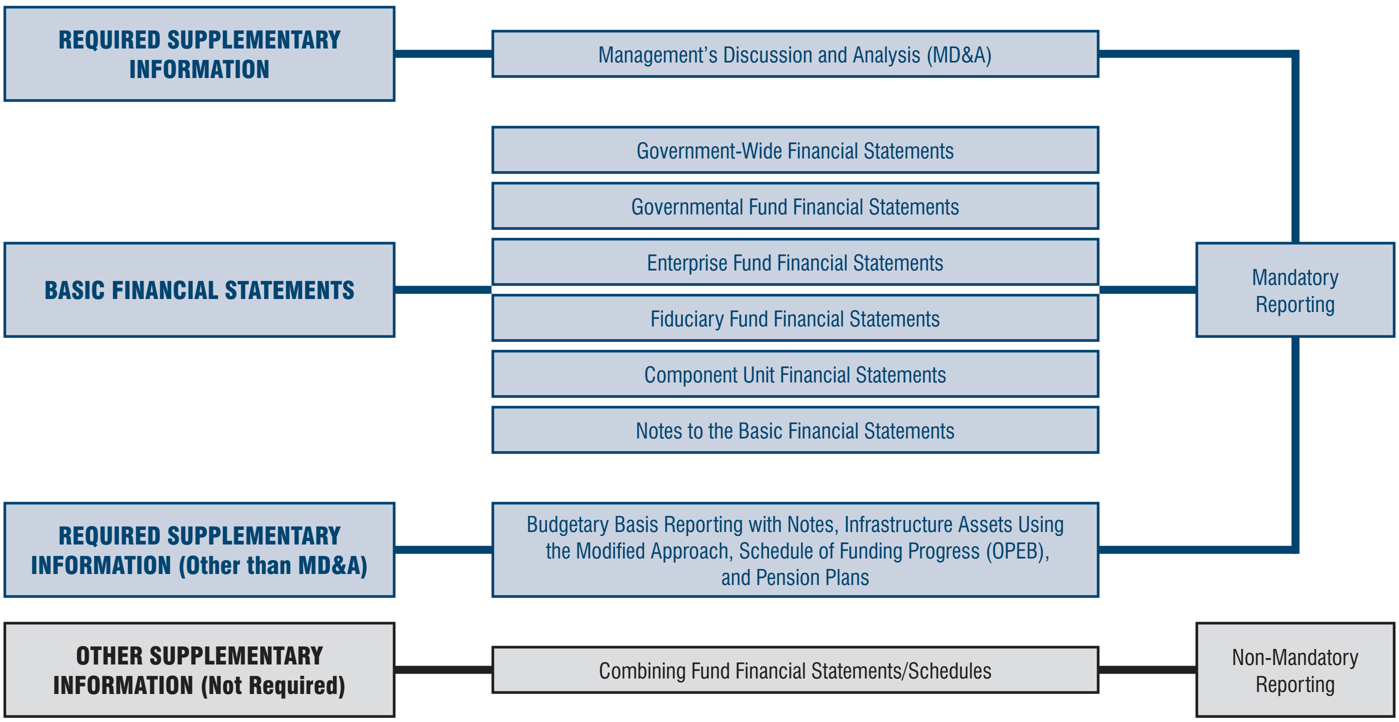
Management's discussion and analysis (MD&A) provides a narrative overview and analysis of the financial activities of the State of New York (State) for the fiscal year ended March 31, 2017. The MD&A is intended to serve as an introduction to the State's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to (a) assist the reader in focusing on significant financial matters, (b) provide an overview of the State's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund matters. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

- New York State reported net position of $28.9 billion, comprised of $160.2 billion in total assets and $9.5 billion in deferred outflows of resources, less $139.5 billion in total liabilities and $1.3 billion in deferred inflows of resources (Table 1).
- The State's net position decreased by $3.9 billion as a result of this year's operations. The net position for governmental activities decreased by $4 billion (12.2 percent) and net position for business-type activities increased by $107 million (47.6 percent) due to current year operations (Table 2).
- The State's governmental activities had total revenues of $151.8 billion, which were less than total expenses of $153.5 billion, excluding transfers to business-type activities of $2.5 billion and a special item of $250 million, by $1.7 billion (Table 2).
- The total cost of all the State's programs, which includes $23.7 billion in business-type activities, was $177.2 billion (Table 2).
- The General Fund reported a deficit this year of $2.8 billion, which decreased the accumulated fund balance to $2.3 billion.
- Total debt outstanding at year-end was $56.2 billion, comprised of $41.2 billion in governmental activities and $15 billion in business-type activities (Table 5).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and supplementary information. The Statement of Net Position and the Statement of Activities (on pages 31 and 32, respectively) provide information about the activities of the State as a whole and present a longer-term view of the State's finances. Fund financial statements start on page 34. For governmental activities, these statements show how services were financed in the short-term, as well as how much may remain for future spending. Fund financial statements also report the State's operations in more detail than the government-wide statements by providing information about the State's most significant funds. The remaining statements provide financial information about activities for which the State acts solely as a trustee for the benefit of those outside the government and about public benefit corporations for which the State is accountable. The layout and relationship of the financial statements and supplementary information is visually illustrated as follows:



Reporting the State as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the State, as a whole, begins on page 22. One of the most important questions asked about the State's finances is: "Is the State, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the State as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash was received or paid.

These two statements report the State's net position and changes in it. One can think of the State's net position—the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources—as one way to measure the State's financial health, or financial position. Over time, increases or decreases in the State's net position are one indicator of whether its financial health is improving or deteriorating. One may need to consider other non-financial factors, such as changes in the State's tax structure, population, employment, and the condition of the State's roads, bridges and buildings, in order to assess the overall health of the State.

In the Statement of Net Position and the Statement of Activities, operations of the State are divided into three kinds of activities:

- ***Governmental Activities***—Most of the State's basic services are reported here, including education, public health, public welfare, public safety, transportation, environment and recreation, support and regulation of business, general government, and interest on long-term debt. Federal grants, personal income taxes, consumption and use taxes, business and other taxes, transfer of lottery revenues, and bond proceeds finance most of these activities.

- ***Business-type Activities***—The State charges a fee to customers to help it cover all or part of the cost of certain services it provides. The State's Lottery Fund, Unemployment Insurance Benefit Fund, the State University of New York (SUNY) and the City University of New York (CUNY) Senior Colleges are reported here.
- ***Component Units***—The State includes 42 separate legal entities in its report, as disclosed in Notes 1 and 14 of the Notes to the Basic Financial Statements. Although legally separate, these "component units" are important because the State is financially accountable for them and may be affected by their financial well-being. In addition, the State blends two other component units in the governmental activities because they provide services exclusively to the State.

Reporting the State's Most Significant Funds

Fund Financial Statements

Financial statements prepared at the fund level provide additional details about the State's financial position and activities. By definition, funds are accounting entities with a self-balancing set of accounts created for the purpose of carrying on specific activities or achieving specific goals. Information presented in the fund financial statements differs from the information presented in the government-wide statements because the perspective and basis of accounting used to prepare the fund financial statements are different than the perspective and basis of accounting used to prepare the government-wide statements. The State's governmental and proprietary fund types use different perspectives and accounting bases. The funds presented in the fund financial statements are categorized as either major or non-major funds, as required by generally accepted accounting principles (GAAP). The State uses three fund types for operations—governmental, proprietary and fiduciary. The analysis of the State's major funds begins on page 24. The fund financial statements begin on page 34 and provide detailed information about the most significant funds, not the State as a whole.

- ***Governmental Funds***—Most of the State's basic services and expenditures are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Assets and liabilities that do not impact current financial resources, such as capital assets and long-term liabilities, are not recognized in the governmental funds statements. The governmental funds statements provide a detailed short-term view of the State's general government operations and the basic services the State provides. Governmental funds information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. The relationships (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are presented in the reconciliations following the fund financial statements.
- ***Proprietary Funds***—These funds are utilized when the State charges customers to recover its costs of providing services. Proprietary funds report on business-type activities, which include enterprise type funds and internal service type funds. The State has no internal service type funds on a GAAP basis and, therefore, has only one proprietary fund type—Enterprise. The State's enterprise funds are the same as the business-type activities reported in the government-wide statements. Proprietary Funds statements are prepared using the economic resources measurement focus and the accrual basis of accounting. In addition to a Statement of Net Position and a Statement of Revenues, Expenses and Changes in Fund Net Position, Proprietary Funds are also required to report a Statement of Cash Flows (page 42).

Reporting the State's Fiduciary Responsibilities

The State is the trustee, or fiduciary, for certain of its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All the State's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 44 and 45, respectively. We exclude these activities from the State's government-wide financial statements because the State cannot use these assets to finance its operations. The State is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Component Units of the State

The State has created numerous public benefit corporations—two of which provide services exclusively to the State government itself, the New York Local Government Assistance Corporation (LGAC) and the Tobacco Settlement Financing Corporation (TSFC), and the rest of which provide services directly to citizens. The financial position and activities of the LGAC and the TSFC have been blended within the Statement of Net Position and the Statement of Activities in the governmental activities column and in the governmental funds. The financial position and activities of the public benefit corporations that provide services directly to citizens have been presented in the Statement of Net Position and the Statement of Activities under the component units column and also in more detail in the component units Combining Statement of Net Position and the component units Combining Statement of Activities. These component units have been discretely presented in the State's financial statements because their nature and significance to the State cause them to have an effect on the fiscal condition of the State and the State is accountable for them.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental entities are required by GAAP to report on their net position. The Statement of Net Position presents the value of all of New York State's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of changes in a government's financial position. The State reported net position of $28.9 billion, comprised of $72.3 billion in net investment in capital assets, and $7.6 billion in restricted net position, offset by an unrestricted net position deficit of $51 billion.

Net position reported for governmental activities decreased by $4 billion, decreasing to $28.6 billion from $32.5 billion in the last fiscal year. Unrestricted net position for governmental activities—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—had a deficit of $45.6 billion at March 31, 2017. The following table (Table 1) was derived from the current and prior year government-wide Statements of Net Position:

Table 1
Net Position as of March 31, 2017 and 2016

(Amounts in millions)

	Governmental Activities		Business-type Activities*		Total Primary Government	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Assets:						
Non-capital assets:						
Cash and investments	$ 15,977	$ 17,952	$ 8,173	$ 7,314	$ 24,150	$ 25,266
Receivables, net	25,584	24,093	4,652	4,550	30,236	28,643
Other	710	325	282	331	992	656
Total non-capital assets	**42,271**	**42,370**	**13,107**	**12,195**	**55,378**	**54,565**
Capital assets	87,841	86,521	16,990	15,957	104,831	102,478
Total assets	**130,112**	**128,891**	**30,097**	**28,152**	**160,209**	**157,043**
Deferred outflows of resources	**8,306**	**2,814**	**1,246**	**275**	**9,552**	**3,089**
Liabilities:						
Liabilities due within one year	35,213	31,672	4,241	4,123	39,454	35,795
Liabilities due in more than one year	73,611	67,092	26,471	23,829	100,082	90,921
Total liabilities	**108,824**	**98,764**	**30,712**	**27,952**	**139,536**	**126,716**
Deferred inflows of resources	**1,014**	**402**	**299**	**250**	**1,313**	**652**
Net position:						
Net investment in capital assets	70,561	69,394	1,746	1,589	72,307	70,983
Restricted	3,618	4,017	4,016	3,228	7,634	7,245
Unrestricted deficits	(45,599)	(40,872)	(5,430)	(4,592)	(51,029)	(45,464)
Total net position	**$ 28,580**	**$ 32,539**	**$ 332**	**$ 225**	**$ 28,912**	**$ 32,764**

**As of June 30, 2016 and 2015 for SUNY and CUNY activities*

The net position deficit in unrestricted governmental activities, which increased by $4.7 billion in 2017, exists primarily because the State has issued debt for purposes not resulting in a capital asset related to State governmental activities and the obligation related to other postemployment benefits ($17.3 billion). Such outstanding debt included: securitizing the State's future tobacco settlement receipts ($660 million); eliminating the need for seasonal borrowing by the LGAC ($1.8 billion); and borrowing for local highway and bridge projects ($4.1 billion), local mass transit projects ($1.5 billion), and a wide variety of grants and other expenditures not resulting in State capital assets ($12.7 billion). This deficit in unrestricted net position of governmental activities can be expected to continue for as long as the State continues to have obligations outstanding for purposes other than the acquisition of State governmental capital assets.

The net position for business-type activities increased by $107 million (47.6 percent) to $332 million in 2017 as compared to $225 million in 2016. The increase in net position for business-type activities was due to employer contributions and other revenue exceeding unemployment benefit payments for the Unemployment Insurance Fund ($768 million). This was partially offset by: SUNY expenses exceeding revenues and State support ($537 million); CUNY Senior Colleges expenses exceeding revenues and State support ($88 million); and Lottery education aid transfers exceeding net income ($36 million).

The following table (Table 2) was derived from the current and prior year government-wide Statements of Activities:

Table 2
Changes in Net Position for the Fiscal Years Ended March 31, 2017 and 2016

(Amounts in millions)

	Governmental Activities		Business-type Activities*		Total Primary Government	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Revenues:						
Program revenues:						
Charges for services	$ 15,164	$ 15,171	$ 14,554	$ 14,772	$ 29,718	$ 29,943
Operating grants and contributions	59,776	56,089	5,771	6,160	65,547	62,249
Capital grants and contributions	1,766	1,629	31	65	1,797	1,694
General revenues:						
Taxes	73,350	73,322	—	—	73,350	73,322
Other	1,732	1,795	655	617	2,387	2,412
Total revenues	**151,788**	**148,006**	**21,011**	**21,614**	**172,799**	**169,620**
Expenses:						
Education	35,585	35,175	—	—	35,585	35,175
Public health	68,505	63,454	—	—	68,505	63,454
Public welfare	15,263	14,722	—	—	15,263	14,722
Public safety	8,175	7,768	—	—	8,175	7,768
Transportation	10,218	10,344	—	—	10,218	10,344
Other	15,755	14,820	—	—	15,755	14,820
Lottery	—	—	6,513	6,442	6,513	6,442
Unemployment insurance	—	—	2,294	2,403	2,294	2,403
State University of New York	—	—	11,201	10,700	11,201	10,700
City University of New York	—	—	3,659	3,265	3,659	3,265
Total expenses	**153,501**	**146,283**	**23,667**	**22,810**	**177,168**	**169,093**
Increase (decrease) in net position before transfers and special item	**(1,713)**	**1,723**	**(2,656)**	**(1,196)**	**(4,369)**	**527**
Transfers	(2,496)	(2,416)	2,763	1,962	267	(454)
Special item	250	250	—	—	250	250
Changes in net position	**(3,959)**	**(443)**	**107**	**766**	**(3,852)**	**323**
Net position, beginning of year	**32,539**	**32,982**	**225**	**(541)**	**32,764**	**32,441**
Net position, end of year	**$ 28,580**	**$ 32,539**	**$ 332**	**$ 225**	**$ 28,912**	**$ 32,764**

**As of June 30, 2016 and 2015 for SUNY and CUNY activities*

Governmental Activities

In fiscal year 2017, the State's total expenses for governmental activities of $153.5 billion exceeded its total revenues of $151.8 billion by $1.7 billion (Table 2). However, as shown in the Statement of Activities on page 32, the amount that State taxpayers ultimately financed for activities through State taxes and other State revenues was $75.1 billion. Overall, the State's governmental program revenues, including intergovernmental aid, fees for services and capital grants, were $76.7 billion in 2017. The State paid for the remaining "public benefit" portion of governmental activities with $73.4 billion in taxes and $1.7 billion in other revenues, including investment earnings. Additionally, $250 million was available as a special item from the State Insurance Fund (SIF) reserve release.

Table 3 presents the cost of State support for each of the State's five largest programs: education, public health, public welfare, public safety, and transportation, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial obligation that was placed upon the State's taxpayers by each of these functions.

Table 3
Governmental Activities for the Fiscal Years Ended March 31, 2017 and 2016

(Amounts in millions)

	2017			2016
	Total Cost of Services	Program Revenues	Net Cost of Services	Net Cost of Services
Education	$ 35,585	$ 3,726	$ 31,859	$ 30,851
Public health	68,505	49,544	18,961	20,570
Public welfare	15,263	11,082	4,181	3,174
Public safety	8,175	2,036	6,139	5,469
Transportation	10,218	3,637	6,581	6,789
All others	15,755	6,681	9,074	6,541
Totals	**$ 153,501**	**$ 76,706**	**$ 76,795**	**$ 73,394**

Business-type Activities

The cost of all business-type activities this year was $23.7 billion, an increase of $857 million as compared to $22.8 billion in 2016 (Table 2). Increases in SUNY hospitals and clinics, educational and general, and other operating and non-operating expenses, along with increases in CUNY Senior Colleges educational and general and other operating and non-operating expenses, and Lottery operating and non-operating expenses, were partially offset by decreases in unemployment benefit payments for the Unemployment Insurance Fund. As shown in the Statement of Activities on page 32, the amount reported as transfers that governmental activities ultimately financed for business-type activities was $2.8 billion after activity costs were paid by those directly benefiting from the programs ($14.6 billion), and after grants and contributions ($5.8 billion). The decrease in revenues from charges for services ($218 million) was primarily caused by a decrease in SUNY hospitals and clinics revenue. The decrease in revenues from operating grants and contributions was primarily due to the decrease in employer contributions into the Unemployment Insurance Fund.

THE STATE'S FUNDS

The State uses fund accounting to ensure and demonstrate compliance with legal and finance-related requirements. As the State completed the year, its governmental funds (as presented in the balance sheet on page 34) reported a combined fund balance of $11.2 billion. Included in this year's total change in fund balance is a deficit of $2.8 billion in the State's General Fund, resulting from expenditures exceeding revenues by $13.7 billion, which was offset by net other financing sources of $10.6 billion and a special item for the State Insurance Fund (SIF) reserve release of $250 million to the General Fund. The General Fund reported increases in personal income taxes ($390 million), consumption and use taxes ($219 million) and miscellaneous revenues ($196 million), offset by decreases in business taxes ($269 million) and other taxes ($417 million). Compared to the prior year, personal income tax revenue increased due to greater income tax withholdings and estimated tax payments. The decrease in business taxes is due to shortfalls in audit collection and cash payments associated with final tax year 2015 returns. Total General Fund revenues increased $119 million, while expenditures increased $1.7 billion. Local assistance expenditures increased by nearly $1.2 billion, due primarily to the timing of education assistance expenditures and public health. State operations expenditures increased $515 million due to increasingly higher contributions to pensions and rising health care premiums. The State ended the 2016-17 fiscal year with a General Fund accumulated fund balance of $2.3 billion.

The Enterprise Funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The change in net position of the Enterprise Funds has already been discussed in the preceding discussion of business-type activities.

General Fund Budgetary Highlights

The State's financial plan, which uses the cash basis of accounting, is updated quarterly throughout the year as required by the State Finance Law. The quarterly updates to the 2016-17 financial plan reflected revisions to the original financial plan based on actual operating results to date and an updated analysis of underlying economic, revenue, and spending trends, as well as other actions and developments. This discussion includes comparisons to estimates from two different financial plan updates in 2016-17: the original financial plan (issued May 13, 2016) and the final financial plan (issued February 16, 2017), with emphasis on the initial plan.

General Fund disbursements exceeded receipts by $1.2 billion in 2016-17, primarily reflecting the planned use of monetary settlements to support capital spending and reserves set aside for labor contracts. The General Fund ended the fiscal year with a closing cash fund balance of $7.7 billion, which consisted of approximately $1.8 billion in the State's rainy day reserve funds ($1.3 billion in the Tax Stabilization Reserve Account and $540 million in the Rainy Day Reserve Fund), $56 million in the Community Projects Fund, $21 million in the Contingency Reserve Fund, and $5.9 billion in the Refund Reserve Account. Total General Fund receipts for the year (including transfers from other funds) were approximately $66.9 billion. Total General Fund disbursements for the year (including transfers to other funds) were approximately $68.1 billion.

Net operating results were $1.7 billion more favorable than anticipated in the original financial plan, with the original plan projecting a net operating deficit of $2.9 billion. Total receipts and transfers from other funds were less than original financial plan estimates by $2.1 billion, and total disbursements and transfers to other funds were less than original financial plan estimates by $3.8 billion.

Personal Income Tax receipts were $1.3 billion below initial projections, due to underlying weakness in estimated payments and withholding growth. Business tax receipts were $989 million below initial projections, due to shortfalls in both audit collections and cash payments associated with tax year 2015 final returns. The lower receipts were partly offset by higher-than-estimated estate tax collections related to stronger-than-anticipated growth in household net worth. Miscellaneous receipts were $1 billion higher than the original projections, due almost entirely to additional monetary settlement collections not anticipated in the initial budget for fiscal year 2017.

Lower-than-projected disbursements reflected lower-than-anticipated transfers to capital projects and underspending across a number of local assistance programs. Lower-than-anticipated spending for local assistance primarily reflected the use of available fund balance from the Health Care Reform Act (HCRA) Resources Fund to finance State share Medicaid spending, a result driven primarily by strong results in HCRA surcharge and covered lives revenue collections, augmented by underspending in a number of different program areas. Transfers to capital projects funds were lower than initially planned, primarily due to significant levels of under-spending across a number of capital program areas as the progression of certain projects occurred at slower pace than initially anticipated, as well as substantial revisions to recognize the utilization of other financing sources for capital projects spending.

Net operating results were $0.5 million more favorable than anticipated in the final financial plan, with the final financial plan projecting a net operating deficit of $1.7 billion. Total receipts and disbursements were lower than the final financial plan estimates (by $1.1 billion and $1.6 billion, respectively). Lower receipts were primarily due to lower-than-expected business tax receipts related to lower corporate franchise taxes and lower transfers to other funds due to timing associated with the availability of fund balances. Lower-than-projected total disbursements occurred primarily as a result of lower-than-planned transfers to the Capital Projects Fund, as well as lower spending for local assistance and agency operations.

The State's current year General Fund GAAP deficit of $2.8 billion reported on page 36 differs from the General Fund's cash basis operating deficit of $1.2 billion reported in the reconciliation found under Budgetary Basis Reporting on page 126. This variation results from differences in basis of accounting, entity and perspective differences between budgetary reporting versus those established as GAAP and followed in preparation of this financial statement.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of 2017, the State has $104.8 billion invested in a broad range of capital assets, including equipment, buildings, construction in progress, land preparation, and infrastructure, which primarily includes roads and bridges (Table 4). This amount represents a net increase (including additions and deductions) of $2.4 billion over last year.

Table 4
Capital Assets as of March 31, 2017 and 2016
(Net of depreciation, amounts in millions)

	Governmental Activities		Business-type Activities*		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land and land improvements	$ 4,313	$ 4,218	$ 993	$ 970	$ 5,306	$ 5,188
Land preparation	3,993	3,923	—	—	3,993	3,923
Buildings	4,329	4,322	10,439	9,929	14,768	14,251
Equipment and library books	364	272	739	714	1,103	986
Construction in progress	3,212	3,085	3,831	3,607	7,043	6,692
Infrastructure	71,014	70,109	724	682	71,738	70,791
Artwork and historical treasures	—	—	40	40	40	40
Intangible assets	616	592	224	15	840	607
Totals	**$ 87,841**	**$ 86,521**	**$ 16,990**	**$ 15,957**	**$ 104,831**	**$ 102,478**

**As of June 30, 2016 and 2015 for SUNY and CUNY activities*

State-owned roads and bridges that are maintained by the Department of Transportation (DOT) are being reported using the modified approach. As allowed by the reporting provisions in the GASBS No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, infrastructure assets that meet prescribed criteria do not have to be depreciated but must be maintained at levels defined by State policy. The State currently has 42,739 lane miles of roads. The State has approximately 7,891 bridges in the inventory, of which 7,677 are highway bridges. The remainder include railroad and pedestrian structures.

Highway condition is rated using a scale of 1 (very poor) to 10 (excellent) based on the prevalence of surface-related pavement distress. For bridges, in 2016, the State transitioned to the American Association of State Highway and Transportation Officials (AASHTO) Element based rating system that utilizes a 1 (good) through 4 (severe) scale as mandated by the Federal Highway Administration (FHWA). The new bridge goal will be based on the percentage of Structurally Deficient (SD) Bridges as defined by FHWA. The percent SD calculations are based on the National Bridge Inventory (NBI) inspection data that has been collected by the DOT for more than 15 years and reported to FHWA on an annual basis. Prior to 2016 the State used a numerical inspection condition rating (CR) scale ranging from 1 (minimum) to 7 (maximum). Under this prior rating system, a rating of 6 to 7 was excellent, indicating no repairs were necessary; a rating of 3 to 5 was fair to good, indicating minor repairs were required; and a rating of 1 to 2 was deficient, indicating major repairs or replacements were necessary. Refer to the Required Supplementary Information (RSI) for additional information regarding infrastructure assets using the modified approach. Pavement condition rating parameters for the current year are between 6.7 and 7.2. Using the new criteria of Structurally Deficient, it is the State's intention to maintain the percentage of SD bridges at or below 15 percent of the State highway bridge population. Previously, it was the State's intention to maintain the bridges at an average condition rating level between 5.3 and 5.6. Capital spending for highway and bridge maintenance and preservation projects was approximately $1.4 billion in 2017.

The State's 2017-18 fiscal year capital budget calls for it to spend $13.8 billion for capital projects, of which $6.1 billion is for transportation projects. To pay for these capital projects, the State plans to use $990 million in general obligation bond proceeds, $6.3 billion in other financing arrangements with public authorities, $1.8 billion in Federal funds, and $4.7 billion in funds on hand or received during the year. More detailed information about the State's capitalization policy for capital assets is presented in Note 1 of the Notes to the Basic Financial Statements.

Debt Administration

The State has obtained long-term financing in the form of voter-approved General Obligation debt (voter-approved debt) and other obligations that are authorized by legislation but not approved by the voters (non-voter-approved debt), including lease-purchase and contractual obligations where the State's legal obligation to make payments is subject to and paid from annual appropriations made by the Legislature or from assignment of revenue in the case of Tobacco Settlement Revenue Bonds. Equipment capital leases and mortgage loan commitments, which represent $542 million as of March 31, 2017, do not require legislative or voter approval. Other obligations include certain bonds issued through State public authorities and certificates of participation. The State administers its long-term financing needs as a single portfolio of State-supported debt that includes general obligation bonds and other obligations of both its governmental activities and business-type activities. Most of the debt reported under business-type activities, all of which was issued for capital assets used in those activities, is supported by payments from resources generated by the State's governmental activities—thus it is not expected to be directly repaid from resources generated by business-type activities. The State Finance Law allows the bonded portion of this single combined debt portfolio, which includes debt reported in both governmental and business-type activities, to include debt instruments which result in a net variable rate exposure in an amount that does not exceed 15 percent of total outstanding State-supported debt, and interest rate exchange agreements (swaps) that do not exceed 15 percent of total outstanding State-supported debt. At March 31, 2017, the State had $173 million in State-supported net variable rate bonds outstanding and $1.7 billion in interest rate exchange agreements, in which the State issues variable rate bonds and enters into a swap agreement that effectively converts the rate to a fixed rate. Risks related to these transactions are explained in Note 7.

At March 31, 2017, variable rate bonds, net of those subject to the fixed rate swaps, were equal to 0.3 percent of the State-supported debt portfolio. Variable rate bonds that were converted to a synthetic fixed rate through swap agreements of $1.7 billion were equal to 3.4 percent of the total State-supported debt portfolio.

At March 31, 2017, the State had $56.2 billion in bonds, notes, and other financing agreements outstanding compared with $56.7 billion in the prior year, a decrease of $518 million as shown below in the table.

Table 5
Outstanding Debt as of March 31, 2017 and 2016

(Amounts in millions)

	Governmental Activities		Business-type Activities*		Total Primary Government	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
State-supported debt as defined by the State Finance Law:						
General obligation bonds (voter-approved)	$ 2,463	$ 2,727	$ —	$ —	$ 2,463	$ 2,727
Other financing arrangements	34,056	34,138	13,364	13,480	47,420	47,618
Tobacco Settlement Financing Corporation bonds	660	1,378	—	—	660	1,378
MBBA Special Purpose School Aid bonds	204	234	—	—	204	234
Capital lease obligations	14	7	461	199	475	206
Mortgage loan commitments	—	—	67	69	67	69
Unamortized bond premiums (discounts)	3,817	3,457	1,055	986	4,872	4,443
Accumulated accretion on capital appreciation bonds	13	17	—	—	13	17
Totals	**$ 41,227**	**$ 41,958**	**$ 14,947**	**$ 14,734**	**$ 56,174**	**$ 56,692**

**As of June 30, 2016 and 2015 for SUNY and CUNY activities*

In addition to the debt outlined above, the State reported $1.4 billion for collateralized borrowings ($378 million in governmental activities and $985 million in business-type activities) for which specific revenues have been pledged. In the prior year, the State reported $838 million for collateralized borrowings ($401 million in governmental activities and $437 million in business-type activities).

During the 12-month period reported, the State issued $6.1 billion in bonds, of which $2.3 billion was for refunding and $3.8 billion was for new borrowing. See Note 16 for State debt issued subsequent to the reporting period.

Table 6
New Debt Issued During Prior 12 Month Period

(Amounts in millions)

	Governmental Activities		Business-type Activities*		Total Primary Government	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Voter-approved debt:						
General obligation:						
New issues	$ —	$ —	$ —	$ —	$ —	$ —
Refunding issues	—	—	—	—	—	—
Total voter-approved debt	**—**	**—**	**—**	**—**	**—**	**—**
Non-voter-approved debt:						
Other financing arrangements:						
New issues	2,878	2,219	915	1,165	3,793	3,384
Refunding issues	1,826	3,888	527	626	2,353	4,514
Total non-voter-approved debt	**4,704**	**6,107**	**1,442**	**1,791**	**6,146**	**7,898**
Totals	**$ 4,704**	**$ 6,107**	**$ 1,442**	**$ 1,791**	**$ 6,146**	**$ 7,898**

**As of June 30, 2016 and 2015 for SUNY and CUNY activities*

The State's assigned general obligation bond ratings on March 31, 2017 were as follows: AA+ by Kroll Bond Rating Agency, Inc., AA+ by Standard & Poor's Investor Services (S&P), Aa1 by Moody's Investor Service, Inc., and AA+ by Fitch Investor Service. The State Constitution, with exceptions for emergencies, limits the amount of general obligation bonds that can be issued to that amount approved by the voters for a single work or purpose in a general election. Currently, the State has $2.7 billion in authorized but unissued bond capacity that can be used to issue bonds for specifically approved purposes. The State may issue short-term debt without voter approval in anticipation of the receipt of taxes and revenues or proceeds from duly authorized but not issued general obligation bonds.

The State Finance Law, through the Debt Reform Act of 2000 (the Act), also imposes phased-in caps on the issuance of new State-supported debt and related debt service costs. The Act also limits the use of debt to capital works and purposes, and establishes a maximum term length for repayment of 30 years. The Act applies to all State-supported debt. The Act does not apply to debt issued prior to April 1, 2000 or to other obligations issued by public authorities where the State is not the direct obligor.

ECONOMIC FACTORS AFFECTING THE STATE

In 2016, the nation's real Gross Domestic Product grew by 1.6 percent, slower than economic growth of 2.6 percent in 2015. In comparison, New York's real Gross State Product rose at half the national rate, 0.8 percent, ranking its economic growth 38th among the 50 states. Similar to the nation as a whole, this economic growth was slower than the 1.2 percent gain in 2015. New York's growth was driven by gains in sectors including information, utilities, and construction, while the finance and insurance and manufacturing sectors detracted from overall economic growth.

While employment continued to increase at both the national and State levels in 2016, it did so at a slower pace than in 2015. However, job growth at the national level was stronger, increasing by 1.7 percent, compared to 1.5 percent growth in New York. Total employment in the State increased to nearly 9.4 million. Most of the job gains were concentrated in the downstate region, with the largest growth occurring in New York City. While most of the upstate region realized job growth, employment declined in the Elmira and Watertown-Fort Drum metropolitan statistical areas.

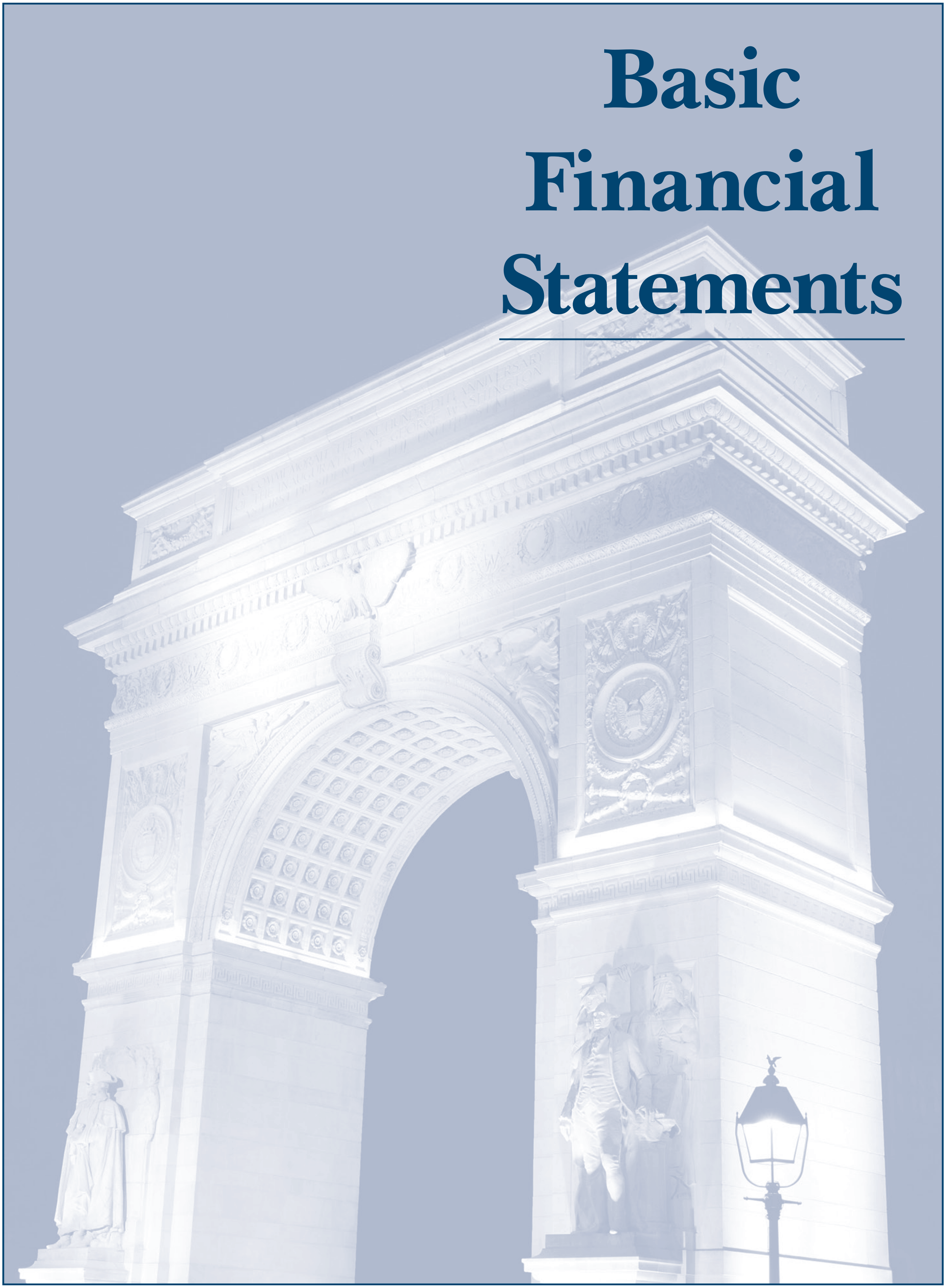
Wages at both the national and State levels increased in 2016, albeit at a slower rate than in 2015. Similar to job growth, gains in wages at the national level (3.9 percent) were stronger than those in New York (3.2 percent) in 2016. The industry sector in New York with the highest percentage wage growth was construction, while manufacturing realized a decline in total wages.

The securities industry in New York City is an important contributor to the State's revenues and has a significant impact on the downstate economy in particular, with typically high-paid jobs and large bonuses. Industrywide, profits increased by 21 percent in 2016, with the average bonus in the securities industry in New York City increasing by 1 percent. In addition, industry employment in the City continued to increase in 2016.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to show the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the State Comptroller's Communications Office at 110 State Street, 15th Floor, Albany, New York 12236 or visit our website at *www.osc.state.ny.us*.

Basic Financial Statements



STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Statement of Net Position

March 31, 2017
(Amounts in millions)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS:				
Cash and investments	$ 15,977	$ 8,173	$ 24,150	$ 49,891
Receivables, net of allowances for uncollectibles:				
Taxes	13,738	—	13,738	—
Due from Federal government	9,277	—	9,277	—
Loans, leases and notes	—	—	—	44,681
Other	3,496	3,585	7,081	4,326
Internal balances	(927)	1,067	140	—
Net pension asset	—	77	77	—
Other assets	710	205	915	4,608
Capital assets:				
Land, infrastructure and construction in progress	82,019	4,859	86,878	20,428
Buildings, equipment, land improvements and infrastructure, net of depreciation	5,206	11,907	17,113	69,208
Intangible assets, net of amortization	616	224	840	1,109
Derivative instruments	—	—	—	3
Total assets	**130,112**	**30,097**	**160,209**	**194,254**
DEFERRED OUTFLOWS OF RESOURCES	**8,306**	**1,246**	**9,552**	**4,853**
LIABILITIES:				
Tax refunds payable	11,305	—	11,305	—
Accounts payable	445	809	1,254	649
Accrued liabilities	9,653	1,637	11,290	19,704
Payable to local governments	7,019	—	7,019	—
Due to Federal government	—	5	5	—
Interest payable	264	156	420	—
Pension contributions payable	333	—	333	15
Unearned revenues	1,374	593	1,967	1,809
Derivative instruments	—	—	—	19
Long-term liabilities:				
Due within one year	4,820	1,041	5,861	8,774
Due in more than one year:				
Tax refunds payable	1,169	—	1,169	—
Accrued liabilities	5,800	1,405	7,205	430
Payable to local governments	336	—	336	—
Due to Federal government	900	—	900	—
Lottery prizes payable	—	1,203	1,203	—
Pension contributions payable	2,051	183	2,234	4
Net pension liability	6,916	1,918	8,834	9,457
Other postemployment benefits	17,302	6,236	23,538	17,391
Pollution remediation	946	—	946	71
Collateralized borrowings	356	1,061	1,417	—
Obligations under lease/purchase and other financing arrangements	35,312	14,387	49,699	—
Notes payable	—	—	—	85
Bonds payable	2,376	—	2,376	94,863
Other long-term liabilities	—	—	—	10,083
Derivative instruments	147	78	225	726
Total liabilities	**108,824**	**30,712**	**139,536**	**164,080**
DEFERRED INFLOWS OF RESOURCES	**1,014**	**299**	**1,313**	**1,607**
NET POSITION:				
Net investment in capital assets	70,561	1,746	72,307	33,257
Restricted for:				
Debt service	2,729	72	2,801	2,080
Higher education, research and patient care	—	975	975	2,739
Environmental projects and energy programs	113	—	113	7,592
Economic development, housing and transportation	298	—	298	1,795
Insurance and administrative requirements	—	—	—	2,013
Unemployment benefits	—	2,712	2,712	—
Future lottery prizes	—	184	184	—
Pensions	—	73	73	—
Other government programs	478	—	478	—
Unrestricted deficits	(45,599)	(5,430)	(51,029)	(16,056)
Total net position	**$ 28,580**	**$ 332**	**$ 28,912**	**$ 33,420**

See accompanying notes to the basic financial statements.

Statement of Activities

For the Year Ended March 31, 2017

(Amounts in millions)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental activities:				
Education	$ 35,585	$ 108	$ 3,618	$ —
Public health	68,505	6,648	42,889	7
Public welfare	15,263	562	10,520	—
Public safety	8,175	223	1,576	237
Transportation	10,218	1,382	744	1,511
Environment and recreation	1,489	324	235	11
Support and regulate business	1,732	1,872	16	—
General government	11,078	4,045	138	—
Interest on long-term debt	1,456	—	40	—
Total governmental activities	**153,501**	**15,164**	**59,776**	**1,766**
Business-type activities:				
Lottery	6,513	9,676	—	—
Unemployment insurance	2,294	—	3,023	—
State University of New York	11,201	4,212	1,767	31
City University of New York	3,659	666	981	—
Total business-type activities	**23,667**	**14,554**	**5,771**	**31**
Total primary government	**$ 177,168**	**$ 29,718**	**$ 65,547**	**$ 1,797**
Total component units	**$ 38,895**	**$ 21,602**	**$ 10,321**	**$ 2,898**

General revenues:
Taxes:
Personal income
Consumption and use
Business
Other
Grants and contributions not restricted to specific programs
Investment earnings
Miscellaneous
Total general revenues
Transfers
Special item—State Insurance Fund reserve release
Total general revenues, transfers and special item
Change in net position
Net position—beginning of year, as restated
Net position—end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (31,859)	$ —	$ (31,859)	$ —
(18,961)	—	(18,961)	—
(4,181)	—	(4,181)	—
(6,139)	—	(6,139)	—
(6,581)	—	(6,581)	—
(919)	—	(919)	—
156	—	156	—
(6,895)	—	(6,895)	—
(1,416)	—	(1,416)	—
(76,795)	**—**	**(76,795)**	**—**
—	3,163	3,163	—
—	729	729	—
—	(5,191)	(5,191)	—
—	(2,012)	(2,012)	—
—	**(3,311)**	**(3,311)**	**—**
(76,795)	**(3,311)**	**(80,106)**	**—**
			(4,074)
46,070	—	46,070	—
16,242	—	16,242	—
7,467	—	7,467	—
3,571	—	3,571	—
—	—	—	2,359
123	150	273	957
1,609	505	2,114	1,497
75,082	**655**	**75,737**	**4,813**
(2,496)	2,763	267	—
250	—	250	—
72,836	**3,418**	**76,254**	**4,813**
(3,959)	**107**	**(3,852)**	**739**
32,539	**225**	**32,764**	**32,681**
$ 28,580	**$ 332**	**$ 28,912**	**$ 33,420**

Balance Sheet

GOVERNMENTAL FUNDS

March 31, 2017
(Amounts in millions)

	Major Funds					
	General	**Federal Special Revenue**	**General Debt Service**	**Other Governmental Funds**	**Eliminations**	**Total**
ASSETS:						
Cash and investments	$ 7,605	$ 764	$ 1,130	$ 6,478	$ —	**$ 15,977**
Receivables, net of allowances for uncollectibles:						
Taxes	9,515	—	2,885	1,338	—	**13,738**
Due from Federal government	—	8,850	4	590	—	**9,444**
Other	1,003	491	326	1,676	—	**3,496**
Due from other funds	2,873	5	—	935	(3,513)	**300**
Other assets	166	527	—	17	—	**710**
Total assets	**$ 21,162**	**$ 10,637**	**$ 4,345**	**$ 11,034**	**$ (3,513)**	**$ 43,665**
LIABILITIES:						
Tax refunds payable	$ 8,249	$ —	$ 2,223	$ 833	$ —	**$ 11,305**
Accounts payable	168	35	—	242	—	**445**
Accrued liabilities	2,724	3,714	11	351	—	**6,800**
Payable to local governments	2,906	3,680	172	261	—	**7,019**
Due to other funds	3,491	1,268	346	1,710	(3,513)	**3,302**
Pension contributions payable	333	—	—	—	—	**333**
Unearned revenues	209	1,160	—	5	—	**1,374**
Total liabilities	**18,080**	**9,857**	**2,752**	**3,402**	**(3,513)**	**30,578**
DEFERRED INFLOWS OF RESOURCES	**796**	**760**	**126**	**158**	**—**	**1,840**
FUND BALANCES (DEFICITS):						
Restricted	—	20	1,446	1,204	—	**2,670**
Committed	961	—	21	4,145	—	**5,127**
Assigned	7,202	—	—	2,981	—	**10,183**
Unassigned	(5,877)	—	—	(856)	—	**(6,733)**
Total fund balances	**2,286**	**20**	**1,467**	**7,474**	**—**	**11,247**
Total liabilities, deferred inflows of resources and fund balances	**$ 21,162**	**$ 10,637**	**$ 4,345**	**$ 11,034**	**$ (3,513)**	**$ 43,665**

See accompanying notes to the basic financial statements.

Reconciliation of the Balance Sheet

GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

March 31, 2017
(Amounts in millions)

Total fund balances—governmental funds	**$**	**11,247**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		87,841
Deferred inflows of resources related to the State's revenues that will be collected after year-end, but are not available soon enough to pay for the current period's expenditures are deferred in the funds		1,735
Deferred inflows of resources related to deferred gains on refundings of bonds payable and obligations under lease/purchase and other financing arrangements are not reported in the funds		(34)
Medicaid cost recoveries are not available soon enough to reduce current period expenditures that are due to the Federal government		(167)
Deferred outflows of resources related to derivative instruments and deferred losses on refundings of bonds payable and obligations under lease/purchase and other financing arrangements are not reported in the funds		576
Some liabilities (listed below) are not due and payable in the current period and therefore are not reported in the funds:		
Interest payable		(264)
Due to business-type activities		(778)
Long-term liabilities due within one year		(4,820)
Tax refunds payable		(1,169)
Accrued liabilities		(5,800)
Payable to local governments		(336)
Due to Federal government		(900)
Pension contributions payable		(2,051)
Net pension liability, net of deferred amounts		(61)
Other postemployment benefits		(17,302)
Pollution remediation		(946)
Collateralized borrowings		(356)
Obligations under lease/purchase and other financing arrangements		(35,312)
Bonds payable		(2,376)
Derivative instruments		(147)
Total net position—governmental activities	**$**	**28,580**

See accompanying notes to the basic financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances

GOVERNMENTAL FUNDS

Year Ended March 31, 2017

(Amounts in millions)

	Major Funds					
	General	Federal Special Revenue	General Debt Service	Other Governmental Funds	Eliminations	Total
REVENUES:						
Taxes:						
Personal income	$ 30,821	$ —	$ 12,079	$ 3,110	$ —	**$ 46,010**
Consumption and use	6,770	—	3,408	6,032	—	**16,210**
Business	5,079	—	—	2,293	—	**7,372**
Other	1,063	—	—	2,568	—	**3,631**
Federal grants	—	58,782	35	2,639	—	**61,456**
Public health/patient fees	—	—	—	5,692	—	**5,692**
Tobacco settlement	—	—	324	36	—	**360**
Miscellaneous	7,060	93	11	4,638	(898)	**10,904**
Total revenues	**50,793**	**58,875**	**15,857**	**27,008**	**(898)**	**151,635**
EXPENDITURES:						
Local assistance grants:						
Education	24,746	3,384	—	6,604	—	**34,734**
Public health	16,399	40,625	—	6,238	—	**63,262**
Public welfare	3,013	9,368	—	353	—	**12,734**
Public safety	258	1,462	—	149	—	**1,869**
Transportation	106	70	—	6,457	—	**6,633**
Environment and recreation	9	3	—	387	—	**399**
Support and regulate business	266	—	—	835	—	**1,101**
General government	1,076	59	—	541	—	**1,676**
State operations:						
Personal service	9,083	614	—	195	—	**9,892**
Non-personal service	3,141	1,110	68	2,312	(47)	**6,584**
Pension contributions	2,137	73	—	35	—	**2,245**
Other fringe benefits	4,220	222	—	72	(851)	**3,663**
Capital construction	—	—	—	5,770	—	**5,770**
Debt service, including payments on financing arrangements	—	—	4,974	616	—	**5,590**
Total expenditures	**64,454**	**56,990**	**5,042**	**30,564**	**(898)**	**156,152**
Excess (deficiency) of revenues over expenditures	**(13,661)**	**1,885**	**10,815**	**(3,556)**	**—**	**(4,517)**

(Continued)

Statement of Revenues, Expenditures and Changes in Fund Balances (cont'd)

GOVERNMENTAL FUNDS

Year Ended March 31, 2017

(Amounts in millions)

	Major Funds					
	General	Federal Special Revenue	General Debt Service	Other Governmental Funds	Eliminations	Total
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	19,082	—	2,695	7,880	(26,375)	**3,282**
Transfers to other funds	(8,459)	(1,879)	(14,315)	(7,437)	26,375	**(5,715)**
Financing arrangements issued	—	—	—	2,888	—	**2,888**
Refunding debt issued	—	—	1,514	312	—	**1,826**
Payments to escrow agents for refundings	—	—	(1,762)	(349)	—	**(2,111)**
Premiums on bonds issued	—	—	279	466	—	**745**
Net other financing sources (uses)	**10,623**	**(1,879)**	**(11,589)**	**3,760**	**—**	**915**
Special item—State Insurance Fund reserve release	**250**	**—**	**—**	**—**	**—**	**250**
Net change in fund balances	**(2,788)**	**6**	**(774)**	**204**	**—**	**(3,352)**
Fund balances at April 1, 2016	**5,074**	**14**	**2,241**	**7,270**	**—**	**14,599**
Fund balances at March 31, 2017	**$ 2,286**	**$ 20**	**$ 1,467**	**$ 7,474**	**$ —**	**$ 11,247**

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances

GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2017

(Amounts in millions)

Net change in fund balances—total governmental funds		**$ (3,352)**
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds and the sale of capital assets is recorded as revenue in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Depreciation expense, net of asset disposal	$ (396)	
Disposal of assets	(265)	
Purchase of assets	1,981	
		1,320
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the net effect of proceeds and repayments:		
Repayment of principal	$ 4,134	
Long-term debt proceeds	(5,459)	
Payments to escrow agents for refundings	2,111	
		786
Increase in revenues in the statement of activities that do not reduce current financial resources and are not reported in the funds		215
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Local assistance grants	$ (35)	
State operations	(5,269)	
Capital construction	2,441	
Transfers to business-type activities	(63)	
Other	(2)	
		(2,928)
Change in net position of governmental activities		**$ (3,959)**

See accompanying notes to the basic financial statements.

Statement of Net Position

ENTERPRISE FUNDS

March 31, 2017
(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2016 SUNY	June 30, 2016 CUNY	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	$ 643	$ 987	$ 1,821	$ 652	**$ 4,103**
Investments	103	—	216	68	**387**
Deposits with trustees and DASNY	—	—	387	205	**592**
Receivables, net of allowance for uncollectibles	477	1,782	898	218	**3,375**
Due from other funds	—	—	162	552	**714**
Other assets	12	—	70	32	**114**
Total current assets	**1,235**	**2,769**	**3,554**	**1,727**	**9,285**
Noncurrent assets:					
Restricted cash and cash equivalents	—	—	127	19	**146**
Long-term investments	1,336	—	847	244	**2,427**
Deposits with trustees	—	—	327	191	**518**
Receivables, net of allowance for uncollectibles	—	—	187	23	**210**
Due from other funds	—	—	665	—	**665**
Net pension asset	—	—	77	—	**77**
Capital assets:					
Land, construction in progress and artwork	—	—	2,887	1,972	**4,859**
Buildings and equipment, net of depreciation	—	—	9,186	2,721	**11,907**
Intangible assets, net of amortization	—	—	—	224	**224**
Other assets	—	—	89	2	**91**
Total noncurrent assets	**1,336**	**—**	**14,392**	**5,396**	**21,124**
Total assets	**2,571**	**2,769**	**17,946**	**7,123**	**30,409**
DEFERRED OUTFLOWS OF RESOURCES:					
Pension activities	9	—	780	290	**1,079**
Derivative activities	—	—	—	78	**78**
Deferred loss on refunding	—	—	56	33	**89**
Total deferred outflows of resources	**9**	**—**	**836**	**401**	**1,246**
LIABILITIES:					
Current liabilities:					
Accounts payable	15	—	568	226	**809**
Accrued liabilities	552	52	664	659	**1,927**
Due to Federal government	—	5	—	—	**5**
Pension contributions payable	—	—	26	—	**26**
Lottery prizes payable	131	—	—	—	**131**
Due to other funds	293	—	16	—	**309**
Interest payable	—	—	82	74	**156**
Unearned revenues	9	—	408	176	**593**
Collateralized borrowing	—	—	34	—	**34**
Obligations under lease/purchase and other financing arrangements	—	—	356	204	**560**
Total current liabilities	**1,000**	**57**	**2,154**	**1,339**	**4,550**

(Continued)

Statement of Net Position (cont'd)

ENTERPRISE FUNDS

March 31, 2017
(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2016 SUNY	June 30, 2016 CUNY	Total
Noncurrent liabilities:					
Accrued liabilities	—	—	1,326	79	**1,405**
Pension contributions payable	2	—	181	—	**183**
Net pension liability	8	—	874	1,036	**1,918**
Other postemployment benefits	—	—	5,528	708	**6,236**
Lottery prizes payable	1,203	—	—	—	**1,203**
Due to other funds	—	—	3	—	**3**
Collateralized borrowing	—	—	1,061	—	**1,061**
Obligations under lease/purchase and other financing arrangements	—	—	9,911	4,476	**14,387**
Derivative instruments	—	—	—	78	**78**
Total noncurrent liabilities	**1,213**	**—**	**18,884**	**6,377**	**26,474**
Total liabilities	**2,213**	**57**	**21,038**	**7,716**	**31,024**
DEFERRED INFLOWS OF RESOURCES:					
Pension activities	1	—	157	131	**289**
Other	—	—	10	—	**10**
Total deferred inflows of resources	**1**	**—**	**167**	**131**	**299**
NET POSITION:					
Net investment in capital assets	—	—	1,272	474	**1,746**
Restricted for:					
Nonexpendable purposes:					
Instruction and departmental research	—	—	195	—	**195**
Scholarships, fellowships and general education support	—	—	107	—	**107**
Investments	—	—	—	49	**49**
General operations and other	—	—	138	—	**138**
Expendable purposes:					
Instruction and departmental research	—	—	104	—	**104**
Scholarships, fellowships and general education support	—	—	55	106	**161**
Loans	—	—	—	10	**10**
Debt service	—	—	—	72	**72**
General operations and other	—	—	134	77	**211**
Unemployment benefits	—	2,712	—	—	**2,712**
Future prizes	184	—	—	—	**184**
Pensions	—	—	73	—	**73**
Unrestricted (deficit)	182	—	(4,501)	(1,111)	**(5,430)**
Total net position	**$ 366**	**$ 2,712**	**$ (2,423)**	**$ (323)**	**$ 332**

See accompanying notes to the basic financial statements.

Statement of Revenues, Expenses and Changes in Fund Net Position

ENTERPRISE FUNDS

Year Ended March 31, 2017

(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2016 SUNY	June 30, 2016 CUNY	Total
OPERATING REVENUES:					
Ticket and video gaming sales	$ 9,676	$ —	$ —	$ —	$ 9,676
Employer contributions	—	3,023	—	—	3,023
Tuition and fees, net	—	—	1,637	661	2,298
Government grants and contracts	—	—	785	835	1,620
Private gifts, grants and contracts	—	—	391	105	496
Hospitals and clinics	—	—	1,909	—	1,909
Auxiliary enterprises	—	—	666	5	671
Other	—	11	188	42	241
Total operating revenues	**9,676**	**3,034**	**5,576**	**1,648**	**19,934**
OPERATING EXPENSES:					
Benefits paid	—	2,294	—	—	2,294
Prizes	4,639	—	—	—	4,639
Commissions and fees	1,573	—	—	—	1,573
Educational and general	—	—	6,497	3,254	9,751
Hospitals and clinics	—	—	2,877	—	2,877
Auxiliary enterprises	—	—	625	2	627
Instant game ticket costs	26	—	—	—	26
Depreciation and amortization	—	—	579	208	787
Other	152	—	34	—	186
Total operating expenses	**6,390**	**2,294**	**10,612**	**3,464**	**22,760**
Operating income (loss)	**3,286**	**740**	**(5,036)**	**(1,816)**	**(2,826)**
NONOPERATING REVENUES (EXPENSES):					
Investment earnings	61	28	56	5	150
Other income (expenses), net	8	—	(56)	(34)	(82)
Private gifts, grants, and contracts	—	—	130	6	136
Federal and city appropriations	—	—	18	41	59
Federal and State nonoperating grants	—	—	573	—	573
Net increase (decrease) in the fair value of investments	(66)	—	(76)	(5)	(147)
Gain on disposal of plant and equipment	—	—	87	—	87
Interest expense	(57)	—	(457)	(156)	(670)
Total nonoperating revenues (expenses)	**(54)**	**28**	**275**	**(143)**	**106**
Income (loss) before other revenues and transfers	**3,232**	**768**	**(4,761)**	**(1,959)**	**(2,720)**
TRANSFERS, CAPITAL CONTRIBUTIONS & ADDITIONS TO PERMANENT ENDOWMENTS:					
State transfers	—	—	3,265	1,453	4,718
Federal and State hospital support transfers	—	—	870	—	870
Education aid transfer	(3,268)	—	—	—	(3,268)
Capital transfers	—	—	25	418	443
Capital gifts and grants	—	—	31	—	31
Additions to permanent endowments	—	—	33	—	33
Increase (decrease) in net position	**(36)**	**768**	**(537)**	**(88)**	**107**
Net position—beginning of year	**402**	**1,944**	**(1,886)**	**(235)**	**225**
Net position—end of year	**$ 366**	**$ 2,712**	**$ (2,423)**	**$ (323)**	**$ 332**

See accompanying notes to the basic financial statements.

Statement of Cash Flows

ENTERPRISE FUNDS

Year Ended March 31, 2017
(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2016 SUNY	June 30, 2016 CUNY	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from:					
Contributions	$ —	$ 3,171	$ —	$ —	$ **3,171**
Ticket sales	9,636	—	—	—	**9,636**
Tuition and fees	—	—	1,639	664	**2,303**
Government grants and contracts	—	—	840	824	**1,664**
Private grants and contracts	—	—	464	111	**575**
Hospitals and clinics	—	—	2,034	—	**2,034**
Auxiliary enterprises	—	—	663	5	**668**
Other	8	—	177	36	**221**
Payments for:					
Claims	—	(2,303)	—	—	**(2,303)**
Prizes	(4,731)	—	—	—	**(4,731)**
Commissions and fees	(1,619)	—	—	—	**(1,619)**
Operating expenses	(131)	—	(7,420)	(2,647)	**(10,198)**
Other	—	—	(288)	(243)	**(531)**
Net cash provided (used) by operating activities	**3,163**	**868**	**(1,891)**	**(1,250)**	**890**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfer to education	(3,321)	—	—	—	**(3,321)**
Transfers from governmental activities	—	—	2,476	1,231	**3,707**
Federal and State nonoperating grants	—	—	573	—	**573**
Private gifts and grants	—	—	105	—	**105**
Gifts and grants	—	—	—	7	**7**
Proceeds from short-term loans	—	—	91	—	**91**
Repayment of short-term loans	—	—	(97)	—	**(97)**
Direct loan receipts	—	—	1,155	—	**1,155**
Direct loan disbursements	—	—	(1,155)	—	**(1,155)**
Enterprise fund transactions	—	(1)	(35)	(26)	**(62)**
Net cash provided (used) by noncapital financing activities	**(3,321)**	**(1)**	**3,113**	**1,212**	**1,003**
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Proceeds from capital debt	—	—	1,951	354	**2,305**
Capital transfers	—	—	27	418	**445**
Purchase of capital assets	—	—	(1,190)	(409)	**(1,599)**
Principal payments on capital leases	—	—	(1,346)	(198)	**(1,544)**
Principal payments on refunded bonds	—	—	—	(102)	**(102)**
Interest payments on capital leases	—	—	(506)	(163)	**(669)**
Capital gifts and grants received	—	—	32	—	**32**
Proceeds from sale of capital assets	—	—	99	—	**99**
Bond issuance cost	—	—	—	(3)	**(3)**
Deposits held by bond trustees and DASNY	—	—	(28)	124	**96**
Increase in amounts held by DASNY	—	—	—	(10)	**(10)**
Net cash provided (used) by capital financing activities	**—**	**—**	**(961)**	**11**	**(950)**

(Continued)

Statement of Cash Flows (cont'd)

ENTERPRISE FUNDS

Year Ended March 31, 2017
(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2016 SUNY	June 30, 2016 CUNY	Total
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest, dividends and realized gains on investments	28	28	41	5	102
Proceeds from sales and maturities of investments	101	—	371	180	652
Purchases of investments	(52)	—	(398)	(175)	(625)
Net cash provided (used) by investing activities	**77**	**28**	**14**	**10**	**129**
Net increase (decrease) in cash and cash equivalents	**(81)**	**895**	**275**	**(17)**	**1,072**
Cash and cash equivalents—beginning of year	724	92	1,673	688	3,177
Cash and cash equivalents—end of year	**$ 643**	**$ 987**	**$ 1,948**	**$ 671**	**$ 4,249**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ 3,286	$ 740	$ (5,036)	$ (1,816)	$ (2,826)
Adjustments to reconcile operating income (loss) to net cash provided (used) by nonoperating and noncash activities:					
Depreciation and amortization	—	—	579	208	787
Investment expense	(57)	—	—	—	(57)
Other nonoperating and noncash items	8	—	1,526	—	1,534
Change in assets and liabilities:					
Receivables, net	(21)	136	207	(42)	280
Other assets	(2)	—	32	(26)	4
Lottery prizes payable	(23)	—	—	—	(23)
Unclaimed and future prizes	(32)	—	—	—	(32)
Accrued liabilities	6	(2)	74	290	368
Pension contributions payable	(1)	—	—	—	(1)
Net pension liability	6	—	—	24	30
Other postemployment benefits	—	—	656	94	750
Unearned revenues	—	—	71	18	89
Other payables	—	(6)	—	—	(6)
Deferred outflows	(8)	—	—	—	(8)
Deferred inflows	1	—	—	—	1
Net cash provided (used) by operating activities	**$ 3,163**	**$ 868**	**$ (1,891)**	**$ (1,250)**	**$ 890**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Unrealized losses on investments	$ (66)	$ —	$ (62)	$ (5)	$ (133)
Amortization of investment discount	$ 33	$ —	$ —	$ —	$ 33
New capital leases / debt agreements	$ —	$ —	$ 2,242	$ —	$ 2,242
Fringe benefits provided by the State	$ —	$ —	$ 1,498	$ —	$ 1,498
Litigation costs provided by the State	$ —	$ —	$ 28	$ —	$ 28
Noncash gifts	$ —	$ —	$ 4	$ —	$ 4
Change in accounts payable attributable to capital assets	$ —	$ —	$ —	$ 6	$ 6

See accompanying notes to the basic financial statements.

Statement of Fiduciary Net Position

FIDUCIARY FUNDS

March 31, 2017

(Amounts in millions)

	Pension Trusts	Private Purpose Trusts	Agency Funds
ASSETS:			
Cash and investments	$ —	$ 23,763	$ 7,619
Retirement system investments:			
Short-term investments	5,653	—	—
Domestic equities	69,852	—	—
Global fixed income	44,003	—	—
International equities	33,837	—	—
Private equities	15,348	—	—
Real estate and mortgage loans	13,737	—	—
Absolute return strategy investments	7,524	—	—
Opportunistic funds	2,066	—	—
Real assets	391	—	—
Securities lending collateral, invested	4,793	—	—
Forward foreign exchange contracts	111	—	—
Receivables, net of allowances for uncollectibles:			
Employer contributions	3,799	—	—
Member contributions	4	—	—
Member loans	1,061	—	—
Accrued interest and dividends	401	—	—
Investment sales	278	—	—
Other	309	257	1,024
Due from other funds	—	2,853	—
Other assets	257	—	75
Total assets	**203,424**	**26,873**	**$ 8,718**
LIABILITIES:			
Securities lending obligations	4,801	—	$ —
Forward foreign exchange contracts	111	—	—
Accounts payable	—	—	192
Accounts payable—investments	511	—	—
Accounts payable—benefits	222	—	—
Other liabilities	177	78	6,816
Payable to local governments	—	—	1,710
Total liabilities	**5,822**	**78**	**$ 8,718**
NET POSITION:			
Restricted for pension benefits and other purposes	**$ 197,602**	**$ 26,795**	

See accompanying notes to the basic financial statements.

Statement of Changes in Fiduciary Net Position

FIDUCIARY FUNDS

Year Ended March 31, 2017
(Amounts in millions)

	Pension Trusts	Private Purpose Trusts
Additions:		
Investment earnings:		
Interest income	$ 1,350	$ 42
Dividend income	1,612	471
Securities lending income	74	—
Other income	949	519
Net increase in the fair value of investments	16,923	1,072
Total investment earnings	**20,908**	**2,104**
Less:		
Securities lending expenses	(18)	—
Investment expenses	(665)	(50)
Net investment earnings	**20,225**	**2,054**
Contributions:		
College savings	—	2,707
Employers	4,787	—
Members	329	—
Interest on accounts receivable	140	—
Other	96	—
Total contributions	**5,352**	**2,707**
Total additions	**25,577**	**4,761**
Deductions:		
College aid redemptions	—	1,658
Benefits paid:		
Retirement allowances	11,232	—
Death benefits	216	—
Other benefits	60	—
Administrative expenses	107	1
Claims paid	—	418
Total deductions	**11,615**	**2,077**
Net increase (decrease) in net position	**13,962**	**2,684**
Net position restricted for pension benefits and other purposes at April 1, 2016	**183,640**	**24,111**
Net position restricted for pension benefits and other purposes at March 31, 2017	**$ 197,602**	**$ 26,795**

See accompanying notes to the basic financial statements.

Combining Statement of Net Position

DISCRETELY PRESENTED COMPONENT UNITS

March 31, 2017
(Amounts in millions)

	Major Component Units				
	Power Authority	Housing Finance Agency	Thruway Authority	Metropolitan Transportation Authority	Dormitory Authority
ASSETS:					
Cash and investments	$ 2,695	$ 2,584	$ 1,490	$ 6,964	$ 4,473
Receivables, net of allowances for uncollectibles:					
Loans, leases, and notes	215	14,134	—	—	44,913
Other	152	66	124	1,571	641
Other assets	1,549	—	23	733	—
Capital assets:					
Construction in progress	348	—	3,268	16,256	—
Land, buildings and equipment, net of depreciation	4,477	2	4,071	48,262	36
Intangible assets	—	—	—	—	—
Derivative instruments	—	—	—	—	—
Total assets	**9,436**	**16,786**	**8,976**	**73,786**	**50,063**
DEFERRED OUTFLOWS OF RESOURCES:					
Pension activities	107	4	112	2,425	29
Derivative activities	—	27	—	439	—
Deferred loss on refunding	—	—	13	968	—
Total deferred outflows of resources	**107**	**31**	**125**	**3,832**	**29**
LIABILITIES:					
Accounts payable	—	11	—	526	—
Accrued liabilities	328	156	415	2,887	1,282
Pension contributions payable	—	—	—	15	—
Unearned revenues	—	302	92	571	209
Notes payable	517	—	—	—	—
Bonds payable	57	339	131	1,977	4,081
Current portion of other long-term liabilities	1,529	—	1	27	4
Derivative instruments	8	—	—	—	—
Due in more than one year:					
Accrued liabilities	—	—	—	—	316
Pension contributions payable	—	—	—	—	—
Net pension liability	96	4	99	8,983	24
Other postemployment benefits	—	47	505	15,156	124
Pollution remediation	—	—	—	65	—
Unearned revenues	270	56	—	—	—
Notes payable	26	—	—	—	—
Bonds payable	784	15,109	6,037	36,945	43,776
Other long-term liabilities	1,492	—	10	4,081	71
Derivative instruments	—	27	—	454	—
Total liabilities	**5,107**	**16,051**	**7,290**	**71,687**	**49,887**
DEFERRED INFLOWS OF RESOURCES:					
Pension activities	12	1	12	295	3
Derivative activities	30	—	—	—	—
Deferred gain on refunding	—	1	—	29	—
Other	313	—	—	—	—
Total deferred inflows of resources	**355**	**2**	**12**	**324**	**3**
NET POSITION:					
Net investment in capital assets	2,278	—	1,775	25,756	10
Restricted for:					
Debt service	—	574	252	352	113
Higher education, research and patient care	—	—	—	—	—
Environmental projects and energy programs	23	—	—	—	—
Economic development, housing and transportation	—	—	99	935	—
Insurance and administrative requirements	—	—	—	178	—
Unrestricted	1,780	190	(327)	(21,614)	79
Total net position	**$ 4,081**	**$ 764**	**$ 1,799**	**$ 5,607**	**$ 202**

See accompanying notes to the basic financial statements.

Major Component Units							
Long Island Power Authority	Urban Development Corporation	State Insurance Fund	SONY Mortgage Agency	Environmental Facilities Corporation	Non-Major Component Units	Eliminations	Total
$ 1,548	$ 2,482	$ 16,176	$ 2,415	$ 2,585	$ 7,662	$ (1,183)	$ **49,891**
—	12,291	—	2,710	9,760	964	(40,306)	**44,681**
637	109	360	20	116	645	(115)	**4,326**
1,757	246	13	17	—	296	(26)	**4,608**
357	—	—	—	—	199	—	**20,428**
7,411	2,005	—	—	—	2,944	—	**69,208**
1,101	—	—	1	—	7	—	**1,109**
3	—	—	—	—	—	—	**3**
12,814	**17,133**	**16,549**	**5,163**	**12,461**	**12,717**	**(41,630)**	**194,254**
1	16	—	5	6	216	—	**2,921**
12	70	—	14	—	35	(28)	**569**
274	1	—	5	—	102	—	**1,363**
287	**87**	**—**	**24**	**6**	**353**	**(28)**	**4,853**
—	—	—	—	—	112	—	**649**
554	163	12,336	188	187	1,350	(142)	**19,704**
—	—	—	—	—	—	—	**15**
—	—	478	—	—	157	—	**1,809**
406	223	—	—	—	6	—	**1,152**
190	970	—	105	361	138	(2,616)	**5,733**
196	92	—	—	—	40	—	**1,889**
11	—	—	—	—	—	—	**19**
42	—	—	—	—	72	—	**430**
—	—	—	—	—	4	—	**4**
2	14	—	5	5	225	—	**9,457**
26	39	386	49	27	1,032	—	**17,391**
—	5	—	—	—	1	—	**71**
—	—	—	—	7	818	(1)	**1,150**
—	6	—	—	—	53	—	**85**
7,757	13,077	—	2,419	5,557	2,438	(39,036)	**94,863**
2,792	261	—	—	—	226	—	**8,933**
152	—	—	27	—	94	(28)	**726**
12,128	**14,850**	**13,200**	**2,793**	**6,144**	**6,766**	**(41,823)**	**164,080**
1	2	—	1	1	37	—	**365**
3	70	—	—	—	—	—	**103**
—	—	—	—	—	—	(1)	**29**
514	271	—	—	—	12	—	**1,110**
518	**343**	**—**	**1**	**1**	**49**	**(1)**	**1,607**
(116)	1,782	—	—	—	1,772	—	**33,257**
74	—	—	631	—	78	6	**2,080**
—	—	—	—	—	2,739	—	**2,739**
—	—	—	—	6,315	1,254	—	**7,592**
—	245	—	—	—	516	—	**1,795**
—	—	—	1,785	—	50	—	**2,013**
497	—	3,349	(23)	7	(154)	160	**(16,056)**
$ 455	**$ 2,027**	**$ 3,349**	**$ 2,393**	**$ 6,322**	**$ 6,255**	**$ 166**	**$ 33,420**

Combining Statement of Activities

DISCRETELY PRESENTED COMPONENT UNITS

Year Ended March 31, 2017

(Amounts in millions)

	Major Component Units				
	Power Authority	Housing Finance Agency	Thruway Authority	Metropolitan Transportation Authority	Dormitory Authority
EXPENSES:					
Program operations	$ 1,894	$ 86	$ 479	$ 13,712	$ 108
Interest on long-term debt	29	168	161	1,463	2,161
Other interest	117	—	—	—	—
Depreciation and amortization	231	—	545	2,447	—
Other expenses	153	1	10	27	130
Total expenses	**2,424**	**255**	**1,195**	**17,649**	**2,399**
PROGRAM REVENUES:					
Charges for services	2,421	265	752	7,899	2,282
Operating grants and contributions	—	5	43	4,715	—
Capital grants and contributions	—	—	389	2,168	—
Total program revenues	**2,421**	**270**	**1,184**	**14,782**	**2,282**
Net program revenue (expenses)	**(3)**	**15**	**(11)**	**(2,867)**	**(117)**
GENERAL REVENUES:					
Non-State grants and contributions not restricted to specific programs	—	—	—	2,042	—
Investment earnings:					
Restricted	—	8	—	—	15
Unrestricted	15	—	2	—	—
Miscellaneous	10	55	—	621	93
Total general revenues	**25**	**63**	**2**	**2,663**	**108**
Change in net position	**22**	**78**	**(9)**	**(204)**	**(9)**
Net position—beginning of year, as restated	**4,059**	**686**	**1,808**	**5,811**	**211**
Net position—end of year	**$ 4,081**	**$ 764**	**$ 1,799**	**$ 5,607**	**$ 202**

See accompanying notes to the basic financial statements.

Major Component Units

Long Island Power Authority	Urban Development Corporation	State Insurance Fund	SONY Mortgage Agency	Environmental Facilities Corporation	Non-Major Component Units	Eliminations	Total
$ 2,900	$ 1,218	$ 2,355	$ 58	$ 230	$ 7,928	$ (16)	$ 30,952
328	553	—	82	268	62	(1,948)	3,327
22	—	—	—	—	8	—	147
263	37	—	—	—	182	—	3,705
—	41	3	111	—	331	(43)	764
3,513	**1,849**	**2,358**	**251**	**498**	**8,511**	**(2,007)**	**38,895**
3,399	11	2,499	131	340	2,992	(1,389)	21,602
—	1,699	—	1	39	4,431	(612)	10,321
—	—	—	—	223	118	—	2,898
3,399	**1,710**	**2,499**	**132**	**602**	**7,541**	**(2,001)**	**34,821**
(114)	**(139)**	**141**	**(119)**	**104**	**(970)**	**6**	**(4,074)**
44	—	—	—	—	273	—	2,359
—	—	718	43	56	35	—	875
9	6	—	—	—	56	(6)	82
35	162	19	140	1	378	(17)	1,497
88	**168**	**737**	**183**	**57**	**742**	**(23)**	**4,813**
(26)	**29**	**878**	**64**	**161**	**(228)**	**(17)**	**739**
481	**1,998**	**2,471**	**2,329**	**6,161**	**6,483**	**183**	**32,681**
$ 455	**$ 2,027**	**$ 3,349**	**$ 2,393**	**$ 6,322**	**$ 6,255**	**$ 166**	**$ 33,420**

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

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NOTES TO THE BASIC FINANCIAL STATEMENTS

March 31, 2017

Note 1 Summary of Significant Accounting Policies

The accompanying basic financial statements of the State of New York (State) have been prepared in conformity with generally accepted accounting principles (GAAP) for governments. Such principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America.

The basic financial statements have been prepared primarily from accounts maintained by the State Comptroller. Additional data has been derived from reports prescribed by the State Comptroller and prepared by State departments, agencies, public benefit corporations and other entities based on independent or subsidiary accounting systems maintained by them.

a. Reporting Entity

The basic financial statements include all funds of the primary government, which is the State, as well as the component units and other organizational entities determined to be included in the State's financial reporting entity.

The decision to include a component unit in the State's reporting entity is based on several criteria, including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the State's reporting entity.

Blended Component Units

The New York Local Government Assistance Corporation (LGAC) was created by Chapter 220 of the Laws of 1990. LGAC is administered by seven directors consisting of the State Comptroller and the Director of the Division of the Budget, serving ex-officio, and five directors appointed by the Governor. LGAC was created to issue long-term debt on behalf of the State to finance certain local assistance aid payments plus amounts necessary to fund a capital reserve fund and other issuance costs. LGAC is legally separate but provides services exclusively to the State, and therefore is reported as part of the primary government as a blended component unit.

The Tobacco Settlement Financing Corporation (TSFC) was created by Part D3 of Chapter 62 of the Laws of 2003. TSFC was created as a subsidiary of the State of New York Municipal Bond Bank Agency (MBBA). The directors of the MBBA are members of TSFC. TSFC is governed by a seven member board, consisting of: the Chairman of the MBBA, the Secretary of State, the Director of the Budget, the State Comptroller or his appointee, and three directors appointed by the Governor. TSFC was created to issue long-term debt on behalf of the State to finance State operations plus amounts necessary to fund a capital reserve fund and other issuance costs. TSFC is legally separate but provides services exclusively to the State, and therefore is reported as part of the primary government as a blended component unit.

Discretely Presented Component Units

The public benefit corporations (Corporations) listed in Note 14 were established by State statute with full corporate powers. The Governor, with the approval of the State Senate, appoints most members of the board of directors of most Corporations and either the Governor or the board of directors selects the chairman and chief executive officer. Corporations generally submit annual reports to the Governor, the Legislature and the State Comptroller on their operations and finances, accompanied by an independent auditors' report thereon. Corporations also submit to the Governor and the Legislature annual budget information on operations and capital construction. The State Comptroller is empowered to conduct financial and management audits of the Corporations. Financial assistance was provided in the fiscal year ended March 31, 2017 to certain Corporations and such assistance is expected to be required in future years. Accordingly, the fiscal condition of the State is related to the fiscal stability of the Corporations. Since the Corporations are legally separate organizations for which the Governor and Legislature are financially accountable, they are discretely presented as component units of the State.

Related Organizations and Joint Ventures

The State's officials are also responsible for appointing the members of the boards of various related organizations (e.g., the Nassau County Interim Finance Authority), but the State's accountability for these organizations does not extend beyond making the appointments. As discussed in more detail in Note 15, the State participates in several joint ventures but only reports on one due to materiality.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity within governmental and business-type activities has been eliminated from these statements.

However, balances due and resource flows between governmental and business-type activities have not been eliminated. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been allocated and are reported as direct program expenses of individual functions or programs. Program revenues include: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; grants and contributions that are restricted to meeting the operational requirements of a particular function or segment; and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Taxes and other items not included as program revenues are reported as general revenues, as required.

Separate financial statements are provided for Governmental Funds, Enterprise Funds and Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the Enterprise Funds, Component Units and the Fiduciary Funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year in which they are earned. Grants, entitlements and donations are recognized as revenues as soon as all eligibility requirements have been met.

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collected within the current period or collectible within 12 months of the end of the current fiscal period. Tax revenues are recorded by the State as taxpayers earn income (personal income, general business and other taxes), as sales are made (consumption and use taxes), and as the taxable event occurs (miscellaneous taxes), net of estimated overpayments (refunds). Receivables not expected to be collected within the next 12 months are recorded as deferred inflows of resources. Expenditures and related liabilities are generally recorded in the accounting period the liability is incurred to the extent it is expected to be paid within the next 12 months, with the exception of items covered by GASB Interpretation 6 (GASBI 6), *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. GASBI 6 modified the recognition criteria of certain expenditures and liabilities. GASBI 6 requires that expenditures and liabilities such as debt service, compensated absences, and claims and judgments be recorded in the governmental fund statements only when they mature or become due for payment within the period. Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met and amounts are considered available. Other nonexchange grants and subsidies, such as local assistance grants and public benefit corporation subsidies, are recognized as expenditures when all requirements of the grant and/or subsidy have been satisfied.

The State reports the following major and other governmental funds:

General Fund—is the primary operating fund of the State and is used to account for all financial transactions not required to be accounted for in another fund.

Federal Special Revenue Fund—accounts for Federal grants received by the State that are earmarked for specific programs. In order to comply with Federal accounting and reporting requirements, certain Federal grants are accounted for in a number of accounts that are combined and reported as the Federal Special Revenue Fund. Accounts that are combined include the Federal USDA-Food and Nutrition Services Account (Federal USDA-FNS), the Federal Health and Human Services Account (Federal DHHS), the Federal Education Account, the Federal Operating Grants Account, the Unemployment Insurance Administration Account, the Unemployment Insurance Occupational Training Account and the Federal Employment and Training Grants Account.

General Debt Service Fund—accounts for the payment of principal and interest on the State's general debt, the payments on certain lease/purchase or other contractual obligations, and transactions related to the Tobacco Settlement Financing Corporation.

Other Governmental Funds—is a summarization of all the non-major governmental funds.

The governmental fund financial statements include a reconciliation between the fund statements and the government-wide statements. Differences that make a reconciliation necessary include the differences in measurement focus and basis of accounting between the statements. The Statement of Activities reflects the net costs of each major function of State operations, which differs from the presentation of expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds, which matches the State's budgetary (financial plan) presentation.

The State reports the following major Enterprise Funds:

Lottery Fund—accounts for lottery revenues that are earmarked for education assistance to local school districts, lottery administrative costs of the New York State Gaming Commission and payment of lottery prizes.

Unemployment Insurance Benefit Fund—accounts for employer unemployment contributions utilized for the payment of unemployment compensation benefits.

SUNY Fund—accounts for the operation of the State University of New York (SUNY). Information reported in this fund is obtained from the audited financial statements prepared by SUNY for the fiscal year ended June 30, 2016.

CUNY Fund—accounts for the operation of the City University of New York (CUNY) Senior Colleges. Information reported in this fund is obtained from the audited financial statements of the Senior Colleges prepared by CUNY for the fiscal year ended June 30, 2016.

Enterprise Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an Enterprise Fund's principal ongoing operations. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The Fiduciary Fund types of the State consist of the following:

Pension Trust Fund—accounts for the activities of the New York State and Local Retirement System, which accumulates resources for pension benefit payments to qualified public employees.

Private Purpose Trust Funds—are used to account for resources legally held in trust as escheat property and resources held in trust to facilitate savings for higher education expenses, pursuant to the New York State tuition savings program. There is no requirement that any portion of these resources be preserved as capital. Information reported for the tuition savings program is obtained from the audited financial statements prepared by the program for the fiscal year ended December 31, 2016.

Agency Funds—report those resources held by the State in a purely custodial capacity (assets equal liabilities).

Additionally, the State includes discretely presented component units:

Component Units—the public benefit corporations' financial statements, except for the State Insurance Fund and the Aggregate Trust Fund, are prepared using the economic resources measurement focus and are accounted for on the accrual basis of accounting. The State Insurance Fund and the Aggregate Trust Fund prepares financial statements in conformity with accounting practices prescribed or permitted by the New York State Department of Financial Services. The Department of Financial Services recognizes only New York Statutory Accounting Practices for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under New York State Insurance Law. The impact of variances from GAAP is not material to the Corporations in total.

d. Cash and Investments

Cash balances of funds held in the State Treasury are commingled in a general checking account and several special purpose bank accounts. The available cash balance in the general checking account beyond immediate need is pooled for short-term investment purposes. The balances pooled are limited to legally stipulated investments, which are reported at cost, including accrued interest, which approximates fair value. Non-interest-bearing compensating balances of $4.7 billion are included in cash and investments at March 31, 2017. At various times during the year, compensating balances could be substantially higher. Cash balances not held in the State Treasury and controlled by various State officials are generally deposited in interest-bearing accounts or other legally stipulated investments. Additional information about the State's cash and investments is provided in Note 2.

Generally, for purposes of reporting cash flows, cash includes cash and cash equivalents. Cash equivalents are composed of liquid assets with maturities of 90 days or less. The Enterprise Funds Statement of Cash Flows uses the direct method of reporting cash flows.

All investments with a maturity of more than one year are recorded on the Statement of Net Position and the balance sheet at fair value and all investment income, including changes in the fair value of investments, is reported as revenue. Fair values were determined using market values at the applicable entities' year-end. Investments of the short-term investment pool have a maturity of one year or less and are recorded at cost.

e. Receivables

Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience and current economic conditions. Due from Federal government represents amounts owed to the State to reimburse it for expenditures incurred pursuant to federally funded programs. Other receivables represent amounts owed to the State, including Medicaid drug rebates, financial service settlements, tobacco settlements, patient fees of SUNY and Health Department hospitals and various mental hygiene facilities, student loans and lottery ticket sales. Additional information about receivables is provided in Note 4.

f. Internal Balances

All outstanding balances between funds at the end of the fiscal year are referred to as "due to/from other funds" on the fund financial statements. Generally, the effect of interfund activity within the governmental funds has been removed. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." For the most part, the remaining difference is a result of different year-ends between the State and SUNY and CUNY.

g. Other Assets

Other assets in governmental activities and business-type activities include payments for costs applicable to future accounting periods, and other types of assets not reported on other lines. Inventories reported by the governmental funds are recorded as expenditures when they are purchased. Inventories reported by the Enterprise Funds are valued at cost using the first-in/first-out (FIFO) method.

h. Capital Assets

Capital assets are reported in the Statement of Net Position for government-wide and enterprise funds and further disclosed in Note 5. Capital assets include: land in urban centers, rural areas and forest preserves; land improvements; land preparation-roads; buildings which house State offices, correctional facilities, hospitals and educational facilities; equipment used in construction work, hospitals, offices, etc.; construction in progress; intangible assets (i.e., easements and internally generated software); and infrastructure assets such as roads and bridges. Capital assets are reported at historical cost or estimated historical cost and donated capital assets are valued at their acquisition value at the date of donation.

For governmental activities, equipment that has a cost in excess of $40 thousand at the date of acquisition and has an expected useful life of two or more years is capitalized. All initial building costs and building improvements and land and land improvements in excess of $100 thousand are capitalized. Infrastructure assets in excess of $1 million are also capitalized. Software is capitalized when the costs exceed $1 million.

The costs of normal repairs and maintenance that do not add to the value or extend lives of assets materially are not capitalized, but are reported as expenses in the year incurred. All maintenance and preservation costs relating to roads and bridges are expensed in the year incurred and not capitalized. Expenses relating to roads and bridges that add to the capacity and efficiency of the road and bridge networks are capitalized rather than expensed.

Capital assets in business-type activities and Enterprise Funds are from SUNY and CUNY. These capital assets are stated at cost, or in the case of gifts, acquisition value at the date of receipt. SUNY capitalizes building renovations and additions costing over $100 thousand, equipment items with a unit cost of $5 thousand or more, and intangible assets, including internally generated computer software, costing $1 million or more. CUNY capitalizes renovations and improvements that significantly increase the value or extends the useful lives of the structures and equipment with a cost of more than $5 thousand and useful lives of two or more years.

Buildings, land improvements, equipment and intangible assets of the primary government are depreciated or amortized using the straight-line method over the following estimated useful lives:

Assets	Governmental Activities (Years)	Business-type Activities (Years)
Buildings and building improvements	12-60	2-50
Equipment and vehicles	4-30	2-50
Land improvements	12-30	2-50
Intangibles—easements	20	2-50
Intangibles—computer software	10-12	2-50

Land preparation reflects the costs of preparing the land for the construction of roads. Since land preparation has an indefinite life, associated costs are not depreciated.

The State has elected to use the modified approach for reporting and accounting for its highways and bridges reported by DOT. The modified approach requires the State to commit to preserving and maintaining these infrastructure assets at levels established by DOT. No depreciation expense is reported for these assets and no amounts are capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their capacity or efficiency. DOT maintains an inventory of these assets and performs periodic condition assessments to ensure that the predetermined condition level is maintained. The Required Supplementary Information (RSI) contains additional information regarding infrastructure reported using the modified approach.

Capital asset reporting does not include historical artifacts, artwork and collections that are maintained by various State agencies, the State Archives, the State Museum and the State Library with the exception of SUNY and CUNY. These items are protected and preserved, held for public exhibition and educational purposes, and the proceeds from the sale of items are used to acquire new items for the collection. SUNY reports all artwork, historical treasures and library books. CUNY reports intangible assets, artwork, historical treasures and library books with a unit cost of more than $5 thousand.

i. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

The components of the deferred outflows of resources and deferred inflows of resources related to the primary government at March 31, 2017 are as follows (amounts in millions):

	Governmental Activities	Business-type Activities	Primary Government
Deferred outflows of resources:			
Loss on refunding of debt	$ 508	$ 89	**$ 597**
Derivative activities	68	78	**146**
Pension activities	7,730	1,079	**8,809**
Total deferred outflows of resources	**$ 8,306**	**$ 1,246**	**$ 9,552**
Deferred inflows of resources:			
Pension activities	$ 875	$ 289	**$ 1,164**
Gain on refunding of debt	34	—	**34**
Federal grants	105	—	**105**
Other	—	10	**10**
Total deferred inflows of resources	**$ 1,014**	**$ 299**	**$ 1,313**

The components of the deferred inflows of resources related to the governmental funds at March 31, 2017 are as follows (amounts in millions):

	General	Federal Special Revenue	General Debt Service	Other Governmental Funds	Total Governmental Funds
Governmental Funds:					
Deferred inflows of resources:					
Public health/patient fees	$ —	$ —	$ —	$ 3	**$ 3**
Taxes considered unavailable	708	—	126	53	**887**
Medicaid	60	655	—	—	**715**
Oil spill	—	—	—	72	**72**
Miscellaneous agency	28	—	—	23	**51**
Federal grants	—	105	—	—	**105**
ENCON collections	—	—	—	7	**7**
Total	**$ 796**	**$ 760**	**$ 126**	**$ 158**	**$ 1,840**

j. Long-Term Obligations

In the government-wide financial statements and Enterprise Funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities' or business-type activities' Statement of Net Position. For governmental activities, bond premiums and discounts are reported as a component of the related bonds payable, and gains and losses on refunding are reported as deferred inflows of resources or deferred outflows of resources. Both are amortized over the life of the bonds using the straight-line method. In business-type activities, SUNY losses on refunding are reported as deferred outflows of resources and amortized over the life of the related debt. CUNY bond premiums and discounts are reported as a component of the related bonds payable, and gains and losses on refunding are reported as deferred inflows of resources or deferred outflows of resources. Both are amortized over the life of the bonds using the straight-line method. Issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as non-personal service expenditures in the period incurred.

k. Compensated Absences

The estimated vacation leave liability for State employees at March 31, 2017 is $897 million and represents an increase of $20 million over the prior year. State employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 25 days per year, but may accumulate no more than a maximum of 40 days.

SUNY employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 21 days per year and may accumulate no more than a maximum of 40 days. CUNY employees accrue vacation leave based upon the number of years employed, with the maximum accumulation generally ranging from 45 to 50 days. The liability for vacation leave approximated $287 million and $82 million for SUNY and CUNY, respectively, at June 30, 2016.

CUNY employees may receive payments of up to 50 percent of the value of their accumulated sick leave as of the date of retirement from CUNY. CUNY reported a liability of $31 million for sick leave credits in accrued liabilities.

Lottery's employees, upon termination, may receive vacation pay benefits up to a maximum of 30 days. Lottery recognizes employees' compensated absence benefits when earned. The liability for employees' compensated absences was approximately $1 million as of March 31, 2017.

l. Accounting for Lease/Purchase and Other Financing Arrangements

The construction of certain State office buildings, campus facilities and other public facilities has been financed through bonds and notes issued by public benefit corporations pursuant to lease/purchase and other financing arrangements with the State. The State has also entered into financing arrangements with public benefit corporations that have issued bonds to finance past State budgetary deficits and grants to local governments for both capital and operating purposes (Note 7).

These lease/purchase and other financing arrangements, which the State will repay over the duration of the agreements, constitute long-term liabilities. The amount included in obligations under lease/purchase and other financing arrangements consists of total future principal payments and equals the outstanding balance of the related bonds and notes.

m. State Lottery

The State Lottery is accounted for as an Enterprise Fund. The revenues, administrative costs, aid to education and expenses for amounts allocated to prizes are reported, and uncollected ticket sales at March 31, 2017 are accrued. Prize monies to meet long-term prize payments are invested in United States government-backed obligations, New York City Transitional Finance Authority municipal bonds and Agency for International Development (AID) bonds, and are recorded at fair value. Lottery prize liabilities are recorded at a discounted value equivalent to the related investments. At March 31, 2017, the prize liabilities of approximately $1.9 billion were reported at a discounted value of approximately $1.3 billion (at interest rates ranging from 0.29 percent to 7.78 percent).

n. Net Position

The difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources is "Net Position" on government-wide, enterprise fund, component units and fiduciary fund financial statements.

Net position is reported as restricted when constraints placed on net position use are either:

a. Externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments; or

b. Imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the State to assess, levy, charge or otherwise mandate payment of resources (from resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups or the judiciary) can compel the government to honor. When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

At March 31, 2017, the Governmental Activities reported restricted net position of $3.6 billion due to restrictions externally imposed by creditors or enabling legislation. This included $2.7 billion restricted for debt service payments from various capital reserve funds, and $889 million restricted for other purposes (details of fund balance classification are available in Note 1.o.).

The following terms are used in the reporting of net position:

Net Investment in Capital Assets
Net investment in capital assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Debt Service
Net position restricted for the payment of future debt service payments from various capital reserve funds.

Higher Education, Research and Patient Care
Net position restricted for funding of various higher education instruction, research, scholarships, and operations, as well as medical research and patient care.

Environmental Projects and Energy Programs
Net position restricted for funding of various environmental projects and energy programs.

Economic Development, Housing and Transportation
Net position restricted for funding of various economic development, housing-related and transportation-related programs.

Insurance and Administrative Requirements
Net position restricted for funding certain insurance payments and administrative costs.

Unemployment Benefits
Net position restricted for the payment of unemployment benefits.

Future Lottery Prizes
Net position restricted for future lottery prize payments.

Pensions
Net position restricted for pension payments.

Other Government Programs
Net position restricted for the funding of legal and law enforcement programs, various gifts, grants or bequests received by the State, and other legally restricted programs.

Unrestricted
Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position described above.

o. Fund Balance

The difference between fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources is "Fund Balance" on governmental fund financial statements.

Fund Balance Hierarchy
Fund balance for governmental funds is reported in the following classifications which describe the relative strength of the constraints that control how specific amounts in the funds can be spent:

> Nonspendable fund balance includes amounts that cannot be spent because (a) they are either not in spendable form or (b) are legally or contractually required to remain intact.
>
> Restricted fund balances have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
>
> Committed fund balances can only be used for specific purposes pursuant to constraints imposed by formal action of the State's highest level of decision-making authority, which includes establishment of laws of the State, and by bills passed by the Legislature and approved by the Governor of the State of New York, or any contracts approved by authorized State officials that are known to have their liability satisfied with the current fund balance. Commitments may be changed or lifted only by the State's highest level of decision-making authority taking the same formal action that originally imposed the constraint.
>
> Assigned fund balances are constrained by the intent to use amounts for specific purposes, but are neither restricted nor committed. The Director of the Budget is authorized to assign amounts to a specific purpose through the approval of budget certificates as required by statute.

Unassigned fund balance is the residual classification for the General Fund. Other governmental funds cannot report a positive unassigned fund balance but can report negative unassigned fund balance if expenditures incurred for specific purposes exceed the amounts restricted or committed to those purposes.

For classification of governmental fund balances, the State considers expenditures to be made from restricted resources first, then in the following order: committed, assigned, and unassigned resources.

Reserve Accounts

Tax Stabilization Reserve Account

The authority for establishing the Tax Stabilization Reserve Account is in State Finance Law Section 92. The account was established in 1984.

At the close of each fiscal year, any surplus funds up to 0.2 percent of 1 percent of the "norm" shall be transferred to the Tax Stabilization Reserve Account, up to 2 percent of the "norm". The norm is the aggregate amount disbursed from the State Purposes Account during the fiscal year.

In any given fiscal year, when receipts fall below the norm, funds shall be transferred from the Tax Stabilization Reserve Account to the State Purposes Account, in an amount equal to the difference between the norm and the receipts, to the extent that funds are available in the Tax Stabilization Reserve Account. Money in the Tax Stabilization Reserve Account may be temporarily loaned to the State Purposes Account during the year in anticipation of the receipt of revenues, but these funds must be repaid within the same fiscal year.

The balance in the Tax Stabilization Reserve Account at March 31, 2017 is $1.3 billion, and is included in the unassigned fund balance of the General Fund.

Rainy Day Reserve Account

The authority for establishing the Rainy Day Reserve Account is in State Finance Law Section 92-cc. The account was established in 2007.

Funds deposited to this account are transferred from the State Purposes Account. The maximum balance in this account will not exceed 3 percent of the aggregate amount projected to be disbursed from the State Purposes Account during the fiscal year immediately following the current fiscal year.

The amounts in this account can be spent for two reasons:

a. In the event of an economic downturn, as evidenced by a composite index of business cycle indicators prepared by the Commissioner of Labor. If the index declines for five consecutive months, the Commissioner of Labor shall notify the Governor, the Speaker of the Assembly, the Temporary President of the Senate and the minority leaders of the Assembly and the Senate. Upon such notification, the Director of Budget may authorize the Comptroller to transfer funds from the Rainy Day Reserve Account.

b. A catastrophic event, i.e., the need to repel invasion, suppress insurrection, defend the State in war, or to respond to any other emergency resulting from a disaster, including but not limited to a disaster caused by an act of terrorism.

The balance in the Rainy Day Reserve Account at March 31, 2017 is $540 million, and is included in the committed fund balance of the General Fund.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. These amounts generally will become liabilities in future periods.

Significant encumbrances at March 31, 2017 include (in millions):

Fund Type	Amount
General	$ 774
Federal Special Revenue	1,085
Other Special Revenue	104
Other Capital Projects	7,763

Fund Balances

Fund balances at March 31, 2017 are as follows (amounts in millions):

	Major Funds			
	General Fund	Federal Special Revenue	General Debt Service	Other Governmental Funds
Restricted for:				
Education	$ —	$ —	$ —	$ 4
Public health	—	20	—	41
Environment and recreation	—	—	—	10
Transportation	—	—	—	295
General administration	—	—	—	102
Debt service	—	—	1,446	592
Capital purposes	—	—	—	160
Committed to:				
Education	7	—	—	62
Public health	—	—	—	120
Mental hygiene	6	—	—	—
Health care initiatives	—	—	—	674
Environment and recreation	—	—	—	146
Public safety	—	—	—	249
Transportation	—	—	—	617
Economic development	—	—	—	12
General administration	—	—	—	89
Debt service	—	—	21	667
Capital purposes	—	—	—	1,509
Fund reserves	948	—	—	—
Assigned to:				
Education	136	—	—	3
Public health	1,035	—	—	—
Mental hygiene	5	—	—	—
Public welfare	682	—	—	—
Environment and recreation	51	—	—	16
Public safety	700	—	—	—
Transportation	1,964	—	—	76
Economic development	1,523	—	—	—
Employee benefits	703	—	—	—
Workers' Compensation	—	—	—	2,883
General administration	403	—	—	—
Debt service	—	—	—	3
Unassigned	(5,877)	—	—	(856)
Total fund balance	**$ 2,286**	**$ 20**	**$ 1,467**	**$ 7,474**

p. Post-Retirement Benefits

Other postemployment costs are measured and disclosed using the accrual basis of accounting in the government-wide and enterprise funds financial statements (Note 13). In addition to providing pension benefits, the State is statutorily required to provide health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the State's employees may become eligible for these benefits if they reach normal retirement age while working for the State. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the State and the retired employee. The State, including the Lottery, recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the respective fund in the year paid. Additionally, the survivor's benefit program provides for a death benefit to be paid by the State to a retiree's designated beneficiary. During the year, approximately $12.1 million was paid on behalf of 4,025 retirees for this benefit and recorded as an expenditure in the General Fund.

q. Deficit Fund Balances

As of March 31, 2017, fund deficits were reported in the following Capital Projects Funds: the Correctional Facilities Capital Improvement Fund ($220 million), the Hazardous Waste Remedial Fund ($166 million), the Housing Program Fund ($125 million), the Mental Hygiene Facilities Capital Improvement Fund ($90 million) and the Miscellaneous Capital Project Funds ($90 million). The deficits related to the Capital Projects Funds are the result of differences in cash flow timing relating to the reimbursement of capital project costs and contractual commitments from bond proceeds, and are routinely resolved during subsequent fiscal years. The ENCON Special Revenue Fund also has a fund deficit ($24 million). The deficit is the result of timing differences between the receipt of cash and the transfer of funds to finance operating expenditures.

r. Special Items

Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence are reported as special items in the government-wide and the fund financial statements. In 2017, a special item of $250 million is reported in the governmental activities and the General Fund related to the release of State Insurance Fund reserves to the State. These reserves were originally recorded by the State Insurance Fund for estimated future assessments and other charges payable to the Workers' Compensation Board associated with expected losses on claims. Reforms to the Workers' Compensation Law effective January 1, 2014, changed the basis for determining such assessments and charges, resulting in the elimination of such reserves. Chapter 57 of the Laws of 2013 requires the amount of the eliminated reserves to be transferred by the State Insurance Fund to the Workers' Compensation Board for distribution to the General Fund in specified amounts over a series of fiscal years. The State Insurance Fund transferred $1.75 billion to the Workers' Compensation Board. Subsequently, the full $1.75 billion has been released to the General Fund for debt management or fiscal uncertainties in accordance with Chapter 57 of the Laws of 2013, with the final $250 million released to the General Fund in the current fiscal year.

s. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

t. Adoption of New Accounting Pronouncements

During the fiscal year ended March 31, 2017, the State adopted the following new accounting standards issued by the GASB:

GASBS No. 72, *Fair Value Measurement and Application*, (GASBS 72) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The effect of GASBS 72 requirements can be found in Notes 2 and 7.

GASBS No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, (GASBS 73) establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The implementation of GASBS 73 did not have an impact on the State's financial statements, however, the beginning net position of a nonmajor component unit was restated for implementation of GASBS 73. See Note 1.u below.

GASBS No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, (GASBS 76) reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, T*he Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The implementation of GASBS 76 did not have an impact on the financial statements.

GASBS No. 77, *Tax Abatement Disclosures*, (GASBS 77) defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The new disclosures resulting from implementation of this statement can be found in Note 3.

GASBS No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, (GASBS 78) amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The implementation of GASBS 78 did not have an impact on the financial statements.

GASBS No. 79, *Certain External Investment Pools and Pool Participants*, (GASBS 79) establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. The implementation of GASBS 79 did not have an impact on the financial statements.

u. Restatements

Beginning net position (before eliminations) on the Combining Statement of Activities for Discretely Presented Component Units decreased by $405 million as follows:

	State Insurance Fund	Metropolitan Transportation Authority	Non-Major Component Units	Total Component Units
Net position at March 31, 2016	$ 2,828	$ 5,833	$ 6,509	$ 33,086
Restatement	(357)	(22)	(26)	(405)
Net position at April 1, 2016	**$ 2,471**	**$ 5,811**	**$ 6,483**	**$ 32,681**

The restatement of the State Insurance Fund is the result of a prior period adjustment associated with the reporting of the liability for other postemployment benefits. The restatement of the Metropolitan Transportation Authority is the result of several prior period adjustments. The restatement of the non-major component units is the result of a $25 million restatement for the Niagara Frontier Transportation Authority from adoption of GASBS 73 and a $1 million restatement of Roswell Park Cancer Institute related to a correction of the prior year implementation of GASBS 68 and GASBS 71.

Note 2 Cash and Investments

Governmental Activities, Private Purpose and Agency Funds

Deposits

The State maintains approximately 3,000 bank accounts for various purposes at locations throughout the State. Cash deposits in the State Treasury are under the joint custody of the State Comptroller and the Commissioner of Taxation and Finance. Cash balances not required for immediate use are invested in a short-term investment pool (STIP) administered by the State Comptroller or by the fund custodian to maximize interest earnings. Cash is invested in repurchase agreements involving United States Treasury obligations, United States Treasury bills, commercial paper, government sponsored agencies, and certificates of deposit. Cash deposits not held in the State Treasury are under the sole custody of a specified State official and are generally held in interest-bearing accounts. Both the State Comptroller and the Commissioner of Taxation and Finance are sole custodians of certain accounts.

The custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the State will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

For demand accounts, checking accounts and certificates of deposit, the State requires that its depository banks pledge collateral or provide a surety bond based on actual and average daily available bank balances. All securities pledged as collateral are held by the State's fiscal agent in the name of the State and are valued on a monthly basis. Surety bonds will be accepted only from companies with the highest ratings issued by nationally recognized statistical rating organizations (NRSROs). The use of average daily available balances to determine collateral requirements may result in the available balances being under-collateralized at various times during the fiscal year. The State's cash management policy is to invest all major revenues as soon as the monies are available within the banking system, which limits under-collateralization. The State's cash deposits with financial institutions had a book and bank balance of $13.5 billion and were fully collateralized at fiscal year-end. Included in these balances were certificates of deposit held in the STIP with a book and bank balance of $6.3 billion. Also included are deposits, with a book and bank balance of $468 million that were held by the State's fiscal agent and were fully collateralized except for $465 million in deposits that were exposed to custodial credit risk because they were uninsured and uncollateralized.

For the fiscal year ended March 31, 2017, the average daily balance of the STIP was $12.5 billion, with an average yield of 0.6 percent and total investment income of $75 million.

Investments

The State holds investments both for its own benefit and as an agent for other parties. Major investment programs conducted for the direct benefit of the State include STIP, which is used for the temporary investment of funds not required for immediate payments, and sole custody funds administered by the Department of Taxation and Finance.

Investments are made in accordance with State Finance Law and vary by fund but generally include: obligations of, or guaranteed by, the United States; obligations of New York State and its political subdivisions; certificates of deposit; savings bank trust company notes; bankers' acceptances; repurchase agreements; corporate bonds; and commercial paper.

As of March 31, 2017 (except for the Tuition Savings Program, which is as of December 31, 2016), the State had the following investments and maturities (amounts in millions):

		Investment Maturities (in Years)			
Investment Type	**Carrying Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Commercial paper	$ 4,931	$ 4,931	$ —	$ —	$ —
U.S. Treasury notes/bonds	1,433	1,351	82	—	—
Municipal bonds	1,324	858	417	49	—
U.S. Treasury bills	981	981	—	—	—
Government sponsored agencies	858	783	39	36	—
Repurchase agreements	355	355	—	—	—
U.S. Treasury strips	205	205	—	—	—
Forward purchase agreements	57	—	—	—	57
Other	9	9	—	—	—
Subtotal	**10,153**	**$ 9,473**	**$ 538**	**$ 85**	**$ 57**
Investments held in an agent or trust capacity	23,910				
Total	**$ 34,063**				

Included in the table are securities which either were not acquired for investment purposes or cannot be classified or categorized, and are being held by the State in an agent or trust capacity. Parents, grandparents and other parties wishing to save for a child's college education may deposit money into the Tuition Savings Program. The State administers the program on behalf of the parents and holds the investment portfolio in a trust. The fair market value of the mutual fund portfolio was $23.6 billion at December 31, 2016. Employers seeking self-insurer status for workers' compensation purposes may deposit securities specified by Section 235 of the New York State Banking Law with the Chairman of the Workers' Compensation Board. Acting as an agent for the employers, the State holds these securities (carrying amount $222 million, which approximates fair value) only as an agent for the employers. Securities that are unclaimed at financial institutions are transferred periodically to the State and are held temporarily by the State until they can be liquidated. The securities or proceeds can be claimed by the owners under established procedures. These securities had a carrying amount and fair value of $44 million at March 31, 2017. The State holds cash and securities deposited by contractors in lieu of retainage on contract payments (carrying amount and fair value of $3 million).

In addition to the securities held by the Workers' Compensation Board noted above, the State holds $3.1 billion in surety bonds and letters of credit that are not included in the table above.

Credit Risk

State law limits investments in commercial paper, repurchase agreements, government sponsored agencies and municipal bonds to the highest ratings issued by two nationally recognized statistical rating organizations (NRSROs). Investments in commercial paper and repurchase agreements are limited to a rating of A-1 by Standard & Poor's Corporation (S&P) and P-1 by Moody's Investors Service, Inc. (Moody's). Investments in government sponsored agencies and municipal bonds are limited to AAA by S&P and Aaa by Moody's. If an investment in commercial paper drops in rating below the legal requirements during the year, the State investment staff would consult with appropriate advisors to determine what action, if any, should be taken. Repurchase agreements are collateralized with U.S. Treasury obligations.

The portfolios of the Tuition Savings Program, a Private Purpose Trust Fund, have underlying fixed income mutual funds which are not rated by any NRSRO.

Custodial Credit Risk

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held either by: (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name. The risk is that the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. The State's policy is to hold all of its investments in the State's name; however, the investments listed below are exposed to custodial credit risk because they are not held by the State but are held by a public benefit corporation in the public benefit corporation's name or administered by a fiscal agent on behalf of New York State. The following table presents the fair value of investments by type (amounts in millions):

Investment Type	Fair Value
U.S. Treasury notes	$ 1,339
Government sponsored agencies	772
U.S. Treasury bills	673
U.S. Treasury strips	101
Forward purchase agreements	57
Repurchase agreements	17
Total	**$ 2,959**

Interest Rate Risk

The fair values of the State's fixed-maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of those instruments. Fair values of interest rate-sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument and other general market conditions.

The State manages its interest rate risk by limiting the majority of its investments to a maturity structure of one year or less. Additionally, the State holds its investments to maturity, which minimizes the occurrence of a loss on an investment.

The State's investments in mutual funds and equity securities have no stated maturity and have not been allocated to a time period on the preceding table.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the State's investment in a single issuer (five percent or more of total investments). To mitigate this risk, it is the policy of the State to maintain a diversified portfolio among a variety of investment instruments in which it is legally permitted to invest.

Foreign Currency Risk

The State Finance Law, Section 98-a, does not expressly permit investment in foreign currency and there is no formal policy related to foreign currency; however, the Tuition Savings Plan has certain underlying mutual funds which invest in foreign securities. There are certain additional risks involved when investing in foreign securities that are not inherent with investments in domestic securities. These risks may involve foreign currency exchange rate fluctuations, adverse political and economic developments and the possible prevention of currency exchange or other foreign governmental laws or restrictions. In addition, the liquidity of foreign securities may be more limited than that of domestic securities.

Fair Value

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), establishes a three-level valuation hierarchy of fair value measurements. This valuation hierarchy is based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions and other inputs subject to management judgment. These inputs are incorporated in the following fair value hierarchy:

- **Level 1** inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- **Level 2** inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- **Level 3** inputs are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority.

The State's investments in mutual funds and equity and debt securities are reported at fair value using prices quoted in active markets for those securities. Treasury investments, municipal bonds and government sponsored agencies are reported at fair value using quoted prices for similar assets and quoted prices for identical items that are not actively traded.

As of March 31, 2017, the State's composition of investments by levels within the fair value hierarchy were as follows (amounts in millions):

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Mutual funds	$ 23,642	$ 23,642	$ —
Municipal bonds	592	—	592
U.S. Treasury notes	174	—	174
Government sponsored agencies	75	—	75
U.S. Treasury strips	50	—	50
Equity securities	36	36	—
Debt securities	7	1	6
Total	**$ 24,576**	**$ 23,679**	**$ 897**

Business-type Activities

Deposits

SUNY does not have a formal policy for collateral requirements for cash deposits. At June 30, 2016, SUNY had $2 billion in deposits held by the State Treasury, invested in the STIP, and $105 million held by other local depositories. Deposits not held in the State Treasury that are not covered by depository insurance are: uncollateralized ($7 million) and collateralized with securities held by a pledging financial institution ($10 million). SUNY also has $127 million in cash and cash equivalents deposited with trustees, which are registered in SUNY's name and held by an agent or in trust accounts in SUNY's name.

CUNY's cash and cash equivalents were held by depositories and amounted to $680 million, of which $165 million was insured and $515 million was uninsured and uncollateralized, or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in CUNY's name.

Lottery deposits are made in accordance with State Finance Law and State Tax Law. At March 31, 2017, Lottery had $643 million in deposits held by the State Treasury, which were invested in the STIP.

The Unemployment Insurance Benefit Fund has a total of $987 million in a sole custody bank account, which is on deposit with the State Comptroller and invested in the STIP, and is subject to the same collateralization requirements as the State.

Investments

Generally, SUNY and CUNY are allowed to invest in a diverse investment portfolio. Permitted investments include, but are not limited to, obligations of the U.S. Government and its agencies, municipal debt securities, repurchase agreements, corporate bonds, commercial paper, equity securities, mutual funds, asset-backed securities, money market funds and security lending transactions.

The Lottery is authorized by State statute to invest in U.S. Government-backed obligations and New York City Transitional Finance Authority municipal bonds that provide for payment of prizes payable.

As of June 30, 2016 (except for the State Lottery which is as of March 31, 2017), the business-type activities had the following investments and maturities (amounts in millions):

Investment Type	Carrying Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasury strips	$ 723	$ 130	$ 166	$ 155	$ 272
Municipal bonds	506	32	133	124	217
AID bonds	300	19	79	73	129
Government sponsored agencies	294	253	41	—	—
U.S. Treasury notes/bonds	259	259	—	—	—
U.S. Treasury bills	232	232	—	—	—
Mutual fund non-equities	23	—	2	21	—
Corporate bonds	13	8	5	—	—
Certificates of deposit	3	3	—	—	—
Subtotal	**2,353**	**$ 936**	**$ 426**	**$ 373**	**$ 618**
External investment pools	836				
Cash equivalents	258				
U.S. equities	65				
Multi-strategy funds	53				
Equity mutual funds	53				
Global equities	44				
Hedge funds (equities)	39				
U.S. fixed income	18				
Private equity	13				
Variable annuity	11				
Privately offered partnership	9				
Credit securities	7				
Limited partnership	4				
U.S. money market funds	4				
Foreign equities	5				
Other	25				
Total	**$ 3,797**				

Credit Risk

Generally, SUNY individual fixed income investment securities must be of investment grade. SUNY maintains a portfolio that possesses an overall weighted average rating by Moody's and S&P of at least A. Private placement securities must be rated A3 or higher by Moody's or A- or higher by S&P. Parameters exist that allow some limited investments in non-investment grade securities; however, investments rated below B3 by Moody's or B- by S&P are prohibited.

CUNY's investment policy for the CUNY Investment Pool includes specific guidelines for investment managers with a target allocation to fixed income of 20 percent and is invested in commingled funds. The Pool contains securities with an Average Quality Rating of AA to AA2. CUNY'S investment policy does not otherwise place formal limitations on credit risk.

As of June 30, 2016 (except for the State Lottery, which is as of March 31, 2017), the business-type activities had the following investments with ratings (amounts in millions):

Investment Type	Total	AAA	AA	A	BBB	Not Rated
External investment pool	$ 836	$ —	$ 817	$ —	$ —	$ 19
Municipal bonds	506	506	—	—	—	—
AID bonds	300	—	300	—	—	—
Government sponsored agencies	294	168	125	—	1	—
Mutual fund non-equities	23	22	—	1	—	—
Corporate bonds	13	—	2	6	5	—
Total	**$ 1,972**	**$ 696**	**$ 1,244**	**$ 7**	**$ 6**	**$ 19**

Custodial Credit Risk

At June 30, 2016, SUNY had $714 million in cash and investments held by the Dormitory Authority of the State of New York (DASNY), which represents bond proceeds needed to finance capital projects and to establish required building and equipment replacement and debt service reserves. These cash and investments are registered in SUNY's name and held by an agent or in a trust in SUNY's name. SUNY's investment policy does not formally address custodial credit risk.

At June 30, 2016, CUNY had $396 million in investments held by DASNY or the bond trustee, not in CUNY's name. CUNY's policy for deposits of the CUNY Investment Pool does not allow for participation in programs that have uninsured investments held by counterparties and uses specific monitor initiatives for investments as a means of limiting custodial credit risk. CUNY's investment policy does not formally address custodial credit risk for investments not included in the Investment Pool.

Interest Rate Risk

SUNY has policies in place that limit fixed income investment duration within certain benchmarks, and a highly diversified portfolio is maintained which limits interest rate exposure. SUNY does not formally address any interest rate risk related to its investment pools. CUNY's investment policy for the CUNY Investment Pool specifies that its fixed income investments are made in long-term, non-callable, or call-protected high quality bonds. CUNY's investment policy does not otherwise formally limit investment maturities as a means of managing exposure to fair market value losses arising from increased interest rates. The Lottery's policy for managing interest rate risk is to hold investment securities to maturity, at which time the fair value of the investment is equal to the stated maturity value.

Investment Pool

SUNY has certain assets included in its financial statements that are attributable to the statutory colleges at Cornell University and are held as a portfolio of investments in external investment pools. The fair value of the investments is primarily based on the unit value of the pools and the number of shares owned in each pool. The unit value of the pools, as well as their fair values (amounts in millions) at June 30, 2016 are presented in the table below:

Pool Type	Unit Value	Fair Value
Endowments:		
Long-term Investment Pool	$ 52.32	$ 771
Long-term Investment Pool (Alfred)	6.21	20
Charitable Gift Annuities:		
Master Trust Units	1.47	11
Charitable Trusts:		
Endowment Strategy	51.97	23
Common Trust Fund—Growth	32.81	6
Common Trust Fund—Income	13.22	2
Common Trust Fund—Premier	8.37	1
Pooled Life Income Funds (PLIF):		
PLIF A	1.32	1
PLIF B	2.43	1
Total External Investment Pools		**$ 836**

CUNY has certain assets included with investments in their financial statements, which are pooled on a fair value basis, with each individual fund subscribing to or disposing of units on the basis of the fair value per unit determined quarterly. At June 30, 2016, the investment pool had a fair value of $251 million.

Fair Value

Except for investments reported at net asset value (NAV) or its equivalent as described below, SUNY reports its investments at fair value. For investments in mutual funds and exchange traded funds, fair value is determined based on quoted market prices as of year-end. Investments in limited liability partnerships and corporations represent investments measured at NAV or its equivalent and include hedge funds, real estate, domestic and foreign equity funds, fixed income securities and private equity funds in various investment vehicles. These investments, which are not exchange traded and for which fair values are not readily determinable, are typically redeemable at NAV under the terms of the investment agreements.

CUNYs investments in debt and equity securities and certain other investments with readily determinable fair values are reported at fair value, which is based upon values provided by CUNY's custodian or current market quotations. Investments in hedge funds, private equity funds, and limited partnerships are reported at NAV determined by the fund managers, without adjustment when assessed as reasonable, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2016, CUNY had no plans or intentions to sell such investments at amounts different from NAV.

Lottery investments are measured based upon quoted prices for the security in active markets or based upon quoted prices for identical or similar assets in markets that are not active or other observable inputs such as interest rates and yield curves observable at commonly quoted intervals.

As of June 30, 2016 (except for the State Lottery which is as of March 31, 2017), the business-type activities composition of investments by levels within the fair value hierarchy were as follows (amounts in millions):

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury strips	$ 723	$ 719	$ 4	$ —
Municipal bonds	506	—	506	—
AID bonds	300	—	300	—
Government sponsored agencies	294	3	291	—
U.S. Treasury notes/bonds	259	259	—	—
U.S. Treasury bills	232	232	—	—
U.S. equities	65	65	—	—
Equity mutual funds	53	53	—	—
Cash equivalents	34	34	—	—
Mutual fund non-equities	23	22	1	—
U.S. fixed income	18	18	—	—
Corporate bonds	13	—	13	—
Foreign equities	5	5	—	—
U.S. money market funds	4	4	—	—
Certificates of deposit	3	3	—	—
Global equity	1	1	—	—
Other	20	18	—	2
Total	**$ 2,553**	**$ 1,436**	**$ 1,115**	**$ 2**

SUNY investments at June 30, 2016, measured at the NAV were as follows (amounts in millions):

Investment Type	Fair Value	Redemption Frequency (If currently eligible)	Redemption Notice Period
External investment pools	$ 836	Monthly	Two Months
Multi-strategy funds	30	Quarterly	45-95 days
Hedge funds (equities)	30	Quarterly	95 days
Global equities	25	Monthly, Quarterly, Annually	30-90 days
Private equity	13	N/A—See below	N/A
Credit securities	7	Quarterly	30-45 days
Other	5	N/A	N/A
Total	**$ 946**		

External investment pools represents ownership in Cornell University's and Alfred University's long-term investment pools (LTIP) or other split interest agreement pools. The objective of the LTIP investment policy is to maximize total return within a reasonable risk parameter; specifically, to achieve a total return, net of investment expenses, of at least 5 percent in excess of inflation as measured by a rolling average of the Consumer Price Index.

Private equity fund investments include non-controlling shares or interests in funds where the controlling general partner serves as the investment's manager. Such investments are generally not eligible for redemption from the fund or general partner, but can potentially be sold to third-party buyers in private transactions. It is the intent to hold these investments until the fund has fully distributed all proceeds to the investors. SUNY has unfunded commitments to private equity investments as of June 30, 2016 of approximately $10.9 million.

CUNY investments at June 30, 2016, measured at the NAV were as follows (amounts in millions):

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Multi-strategy funds	$ 23	$ —	Monthly, Quarterly	T-10, 60-90 days
Global equity	18	—	Twice monthly, Quarterly	45 days, N/A
Variable annuity	11	—	Monthly	30 Days
Hedge funds (equities)	9	—	Quarterly, Annually	45-65 days
Privately offered partnership	9	—	Daily	T-10
Limited partnership	4	5	Illiquid, Quarterly	90 days, N/A
Private investments	—	2	Illiquid	N/A
Total	**$ 74**	**$ 7**		

Event driven hedge funds include investments in three hedge fund limited partnerships that focus on event driven situations that attempt to extract value by using multiple strategies, including distressed and other credit investing, merger arbitrage, long/short-term equity investments and convertible securities globally. Global equity are invested in non-U.S. emerging and frontier markets and in global developed markets. Limited partnership invests in private real assets funds in metal and mining companies with a focus in the post-discovery phases of the life cycle of 4 commodities (gold, copper, potash and coking coal) and upstream oil and gas operating companies of varying stages primarily in North America. Multi-strategy funds includes investments in: (1) Hedge funds that invest in a diversified group of investment strategies utilizing both long and short positions in an unlimited range of financial instruments throughout the world; (2) Hedge funds that invest in providing consistent long-term appreciation of assets through active investment in a diversified portfolio of underlying Funds; and (3) A multiple common trust fund, which is a master fund of multiple strategically weighted global portfolios, that tied to different underlying asset classes including global equities, commodities, inflation-linked and other types of fixed income securities. The weights, however, may vary on a tactical basis according to top-down views by utilizing cash or derivatives in an overlay portfolio. Private investments includes two private investments: (1) A fund that invests primarily in a portfolio of venture capital firms that are diversified by geography, sector (information technology, communications, healthcare and life sciences), and stage (from early to late stage companies) as both direct investments and investments managed by other firms and (2) Floating rate residential mortgage-backed securities rated CA by Moody's and CCC by S&P. Private equity includes a global fixed income fund which invests primarily in the global debt instruments in a private partnership. Variable annuity includes investments via a life insurance contract/group variable annuity invested in a public limited partnership that invests in Master Limited Partnerships (MLP). The returns on the variable annuity match the returns on the underlying investment less the annuity expenses.

Retirement System—New York State and Local Retirement System

The financial statements of the New York State and Local Retirement System (System) are prepared using the accrual basis of accounting. Investments are reported at fair value. Stocks traded on a national or international exchange are valued at quoted market value. Investments that do not have an established market are reported at estimated fair value as determined by the general partner or by the investment manager. The System trades in foreign exchange contracts in the normal course of its investing activities in order to manage exposure to market risks. Such contracts, which are generally for a period of less than one year, are used to purchase and sell foreign currency at a guaranteed future price. These contracts are recorded at market value using foreign currency exchange rates. The System is exposed to various investment risks as follows:

Custodial Credit Risk

Equity and fixed income investments owned directly by the System which trade in the United States (U.S.) markets are generally held at the System's custodian, in separate accounts, in the name of the Comptroller of the State of New York in Trust for the Common Retirement Fund. These securities are typically held in electronic form by the Depository Trust Company (DTC) and its subsidiaries, acting as an agent of the System's custodian bank. Securities held directly by the System which trade in markets outside the U.S. are held by a subsidiary of the System's custodian bank in the local market, a bank performing custodial services in the local market acting as an agent for the System's custodian bank, or, in some foreign markets, the securities are held in electronic format by a DTC subsidiary or an organization similar to DTC. Directly held investments include short-term and long-term fixed income, and domestic and international equity separately managed accounts. The aforementioned investments have the lowest custodial risk. Indirectly held fixed income investments are held by third party administrators in trust for the fund. Equity investments held indirectly by the System via limited partnerships, commingled investment funds, joint ventures and other similar vehicles are held in custody by an organization contracted with by the general partner and/or the investment management firm responsible for the management of each investment organization. Title to real property invested in by the System is either held by a real estate holding company or a real estate investment fund. Ownership of mortgage assets is documented by the System's holding of original mortgage and note documents by the Division of Pension Investment and Cash Management in the Office of the State Comptroller.

Credit Risk

New York State statutes and the System's investment policies provide investment guidance on credit risk. Approximately $24 billion or 54.40 percent of the System's $44 billion long-term bond portfolio is rated AAA by Moody's. For the balance of the portfolio: 22.04 percent is rated A or AA, 15.54 percent is rated BA to BAA, 0.19 percent is rated B to BB, 0.10 percent is rated C to CAA and 0.08 percent is not rated. Externally managed funds account for 7.65 percent and are rated in a range from AAA to CAA or not rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the System's fixed income securities. The price volatility of the System's fixed income holdings are measured by duration. The System attempts to mitigate price volatility by matching the duration of the assets with the duration of the retired lives liabilities so that any change in the market value of the assets resulting from a change in interest rates will result in a similar change in the value of the liabilities. The average duration of the System's core fixed income portfolio is 5.12 years.

Concentration of Credit Risk

Issuer limits for investments held by the System are established for each investment area by New York State Retirement and Social Security Law (RSSL), Article 2, Section 13 and Article 4A, Sections 176, 177, and 313, and policy guidelines adopted by the Comptroller.

Restrictions are placed on short-term fixed income investments such that any one issuer of commercial paper must have the highest rating by two NRSROs and a maximum of $1 billion of the short-term portfolio can be invested in any one issuer. In addition, simultaneous purchase and sales of U.S. Treasury obligations may be executed with primary government dealers; however, a maximum of $200 million may be invested with any one primary dealer.

Restrictions are placed on fixed income investments with maturities longer than one year such that obligations payable in U.S. dollars of any one department, agency or political subdivision of the U.S. Government or issued by any corporation, company or other issuer of any kind or description created or existing under the laws of the United States, any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico and obligations of Canada or any province or city of Canada, provided each obligation is rated investment grade by two NRSROs and does not exceed 2 percent of the assets of the System or 5 percent of the direct liabilities of the issuer. In addition, the aggregate amount invested in interest-bearing obligations payable in U.S. dollars (which at the time of investment are rated one of the three highest grades by each NRSRO) may not exceed 1 percent of the assets of the System, and bonds issued or guaranteed by the State of Israel, payable in U.S. dollars, may not exceed 5 percent of the assets of the System. As of March 31, 2017, the System did not hold any investments in one issuer that totaled 5 percent or more of fiduciary net position. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded.

Securities Lending

Section 177-d of the RSSL authorizes the System to enter into security loan agreements with broker/dealers and New York State or national banks. The System has designated its master custodian bank (Custodian) to manage a securities lending program. This program is subject to a written contract between the System and the Custodian, who acts as security lending agent for the System. The Custodian is authorized to lend securities within the borrower limits and guidelines established by the System. Types of collateral received from borrowers for securities loaned are cash, government securities and Federal agency obligations. The Custodian is authorized to invest the cash collateral in short-term investments that are legal for the System. These include domestic corporate and bank notes, U.S. Treasury obligations, obligations of Federal agencies, repurchase agreements and specific asset-backed securities. All rights of ownership to securities pledged as collateral remain with the borrower except in the event of default. The System has not experienced any losses resulting from the default of a borrower or lending agent during the year ended March 31, 2017 or in the history of the program.

The System lends fixed income, domestic equity, and international equity securities to approved broker/dealers. Collateral for securities loaned equals 102 percent of fair market value for domestic securities and 105 percent for international securities. Credit risk associated with the investment of cash collateral pledged by borrowers is mitigated by the maturity restrictions, percentage limitations, and rating requirements for individual asset classes included in the System's reinvestment guidelines. The Custodian acknowledges responsibility to reimburse the System for any losses that might arise from managing the program in a manner inconsistent with the contract. The System manages its market rate risk by recording investments at market value daily and maintaining the value of the collateral held by the System in excess of the value of the securities loaned.

As of March 31, 2017, the fair value of securities on loan was $5.5 billion. The associated collateral was $5.6 billion, of which $4.8 billion was cash collateral and $800 million was securities held as collateral. The fair value of the invested cash collateral, as of March 31, 2017, was $4.8 billion and the securities lending obligations were $4.8 billion. The unrealized loss in invested cash collateral on March 31, 2017 was $7.8 million, which is included in the Statement of Changes in Fiduciary Net Position as part of "Net decrease in fair value of investments."

All open security loans can be terminated on demand by either the System or the borrower. To provide sufficient liquidity, the policy of the System is to maintain a minimum of 10 percent of collateral in overnight investments. While the Securities Lending Investment Guidelines allow investments up to a maximum of three years for U.S. Treasury and Federal agency obligations and one full year for all other investments, the average term of open security loans at March 31, 2017 was 21 days. All loans were open loans. There were no direct matching loans. The collateral pool is valued at market value obtained from independent pricing services.

Foreign Currency Risk

As of March 31, 2017, the System's current position in publicly traded international equity securities, invested directly in and through commingled funds, is approximately $29.2 billion. The System also has foreign investments held in U.S. dollars of $10.1 billion, a net forward foreign currency contracts position of $0.3 million, $8.5 billion in private equities, opportunistic and absolute return strategy funds, $4 billion in fixed income investments, and $2.4 billion in real property owned, made, or located outside the United States. The approximate total market value of investments made outside of the United States is $54.2 billion.

Fair Value

The System categories its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the nature of valuation inputs used to measure the fair value of the investment.

Investments classified in Level 1 of the fair value hierarchy are valued from predetermined external pricing vendors or primary dealers who source quoted prices in active markets which are readily attainable exit values of these securities. Investments classified in Level 2 are subject to alternative pricing sources, including a combination of price sources, descriptive data and pricing models based on attributes such as spread data, sector, quality, duration, and prepayment characteristics. Investments classified as Level 3 are valued using best available sources such as property appraisals, discounted cash flow models and public market comparable of similar assets where applicable. The values are supplied by advisors or general partners who hold those or similar assets in investment vehicles they oversee. These pricing sources may or may not be indicative of realizable exit value attainable for the assets.

The System's composition of investments by levels within the fair value hierarchy as of March 31, 2017 were as follows (amounts in billions):

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic equities	$ 70	$ 70	$ —	$ —
Global fixed income securities	41	—	41	—
International equities	27	27	—	—
Direct equity real estate investments	8	—	—	8
Short-term instruments	5	—	5	—
Securities lending collateral, invested	5	—	5	—
Mortgages	1	—	—	1
Total	**$ 157**	**$ 97**	**$ 51**	**$ 9**

The System's investments at March 31, 2017, measured at the NAV were as follows (amounts in billions):

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Private equity	$ 15	$ 12	N/A	N/A
Hedge funds	8	—	Monthly, Quarterly, Annually, Semi-Annual	5-120 Days
Commingled international equity funds	6	—	Daily, Monthly, Quarterly	2-120 Days
Real estate private equity	5	3	N/A	N/A
Global fixed income funds	3	—	Daily	0-30 Days
Opportunistic	2	2	N/A	N/A
Real assets	1	1	N/A	N/A
Total	**$ 40**	**$ 18**		

Global fixed income funds consist of two funds for which the System is the only limited partner. These funds invest primarily in both privately and publicly issued global fixed income securities. The investments are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

Commingled international equity funds consist of seven commingled investment vehicles which invest primarily in publicly traded global equity securities. The funds are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

Alternative investments include private equity, hedge funds, opportunistic, real assets and real estate private equity funds through limited partnership structures. Private equity (7.8 percent at March 31, 2017) consists of buyout, coinvestments, distressed debt and turnaround funds, fund of funds, growth capital, and venture capital. Hedge funds (3.8 percent at March 31, 2017) consist of investments in strategies including hedged equity, credit, global macro, managed futures, distressed debt, and emerging markets. Opportunistic (1 percent at March 31, 2017) consists of investments in both public and private companies, property, and real assets. Real assets (0.2 percent at March 31, 2017) consist of commodities, farmland, inflation-linked bonds, infrastructure, and renewables. The real estate private equity funds (2.6 percent at March 31, 2017) consist of investments in closed-end, open-end, and fund of funds. The fair values of the alternative investments have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partner's capital. The private equity, opportunistic, real assets, and real estate private equity funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over a span of 5-10 years.

Note 3 Taxes Receivable, Tax Refunds Payable and Tax Abatements

Taxes Receivable

Taxes receivable represent amounts owed by taxpayers for the 2016 calendar year and the first quarter of the 2017 calendar year, including prior year assessments for underpayments, penalties and interest. Taxes receivable are recognized as revenue when they become both measurable and available, based on actual collections or estimates of amounts to be collected during the next 12 months.

Personal income tax (PIT) revenues are reported as income when earned by the taxpayers. The primary components of the PIT receivable are the estimated and withholding payments that relate to the first quarter of the 2017 calendar year, payments with final returns which relate to the 2016 calendar year, and assessments which relate to prior tax periods.

Consumption and use tax revenues are reported in the fiscal period when the sale is made. The principal component of this receivable is sales tax receivables, which include sales tax due through March 31, 2017 and assessments which relate to prior tax periods.

General business tax revenues are reported as businesses earn income. General business tax receivables are comprised of estimated tax payments, payments remitted with final returns, and assessments.

Other taxes receivable are comprised of estate and gift taxes, real property gains taxes, real estate transfer taxes, metropolitan commuter transportation mobility taxes and assessments.

Net taxes receivable at March 31, 2017 for the governmental funds totaled $13.7 billion. The following table summarizes taxes receivable by major tax type for the governmental funds (amounts in millions):

	General	General Debt Service	Other Governmental Funds	Total Governmental Funds
Current taxes receivable:				
Personal income	$ 6,927	$ 2,580	$ 682	$ 10,189
Consumption and use	459	210	386	1,055
Business	511	—	107	618
Other	1,016	—	129	1,145
Subtotal	**8,913**	**2,790**	**1,304**	**13,007**
Long-term taxes receivable:				
Personal income	285	104	27	416
Consumption and use	43	22	24	89
Business	153	—	2	155
Other	227	—	—	227
Subtotal	**708**	**126**	**53**	**887**
Allowance for uncollectibles	(106)	(31)	(19)	(156)
Total	**$ 9,515**	**$ 2,885**	**$ 1,338**	**$ 13,738**

Tax Refunds Payable

Tax refunds payable primarily represent amounts owed to taxpayers because of overpayments of their 2016 calendar year and first quarter 2017 calendar year tax liabilities. Tax refunds payable, which reduce respective tax revenues, are accrued to the extent they are measurable based on payments and estimates. The amount of PIT refunds payable are comprised of estimates of overpayments of the first calendar quarter (2017) tax liability and payments of 2016 calendar and prior year refunds. The remaining portion of tax refunds payable are comprised of payments made subsequent to the end of the fiscal year and estimates of a remaining refund liability. Tax refunds payable at March 31, 2017 are summarized as follows (amounts in millions):

	Current			Total	
	General	General Debt Service	Other Governmental Funds	Current	Long-term
Governmental Activities:					
Personal income	$ 6,172	$ 2,191	$ 579	$ 8,942	$ 412
Consumption and use	64	32	54	150	336
Business	1,941	—	185	2,126	391
Other	72	—	15	87	30
Total	**$ 8,249**	**$ 2,223**	**$ 833**	**$ 11,305**	**$ 1,169**

Tax Abatements

For financial reporting purposes, a tax abatement is defined as an agreement between the government and an individual or entity through which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to the economic development or otherwise benefit the government or its citizens.

As of March 31, 2017, the State provided tax abatements through the following programs:

Program Name	Film and Commercial Production Credit	Brownfields
Program Purpose	The program is designed to increase the film production and post-production industry presence and overall positive impact on the State's economy.	The program encourages cleanup and development of brownfield sites across the State to revitalize economically blighted communities.
Taxes being abated	Personal income tax and Corporate franchise tax.	Personal income tax, Corporate franchise tax, Insurance tax, and Corporate tax.
Authority under which abatements are entered into	State tax law: Article 22, Section 606(gg), 606(jj) and 606(qq) Article 9-A, Section 210-B; Article 1, Sections 24, 28 and 31	State tax law: Article 22, Section 606(dd), 606(ee) and 606(ff) Article 9-A, Section 210-B(17), 210-B(18) and 210-B(19) Article 33, Section 1511(u), 1511(v) 1511(w) Article 9, Sections 187-G, 187-H and 187-I
Criteria to be eligible to receive abatements and commitment of the taxpayer	The program is limited to feature films, television series, relocated television series, television pilots, and films for television. The filming must be substantially in the State or the post-production work be completed by a State company.	The program requires an application with the project description, purpose, and start and end date of remediation. The applicant commits to undertake remedial activities under the direction of the Department of Environmental Conservation.
How taxes are reduced	Allowance of credit against taxes. Taxpayer receives the full amount of the credit regardless of their tax liability (Refundable credit).	Allowance of credit against taxes. Refundable credit.
How amount of abatement is determined	The credit is 30 percent of qualified production and post-production costs. It increases by 5 percent if post-production costs are incurred in upstate, and increases an additional 10 percent of qualified labor expenses that are incurred in specific counties.	Credits result from various percentages of costs associated with three components of cleanup and development: site preparation, tangible property, and on-site groundwater remediation.
Provisions for recapturing abated taxes	N/A	N/A
Type of commitments other than taxes	N/A	N/A
Total revenue estimated to be reduced for calendar year 2016 (amounts in millions)	$621	$130

Program Name	Empire Zones (EZ)	Qualified Empire Zones Enterprise (QEZE)
Program Purpose	The program is designed to bring new businesses and jobs to the State in areas that need revitalization.	This program creates and prevents loss of employment in the Empire Zone and enhances economic climate in the areas.
Taxes being abated	Personal income tax, Corporate franchise tax, Bank and Insurance taxes, and Corporate tax.	Personal income tax, Sales and use tax, Corporate franchise tax, Bank and Insurance taxes, and Corporate tax.
Authority under which abatements are entered into	State tax law: Article 22, Section 606(j), 606(j-1), 606(k), 606(l), and 606(cc) Article 9-A, Section 210-B(3 & 4), 210-B(46) and 210-B(6) Article 33, Section 1511(g), 1511(h) and 1511(s) Article 9, Sections 187-K, 187-L, 187-M	State tax law: Article 22, Section 606(bb) Article 28, Section 1119(d) Article 9-A, Section 210-B(5) Article 9, Section 187-J Article 33, Section 1511(r)
Criteria to be eligible to receive abatements and commitment of the taxpayer	An agreement is made between the State and localities to designate an area as an EZ. Businesses will apply to be certified, i.e., will conduct business and make investments in the EZ to create new, or prevent loss of, employment.	Businesses in the EZ apply to be certified as QEZE. QEZE are certified businesses that meets the employment test (increase level of employment between tax year and base year).
How taxes are reduced	Allowance of credit against taxes. Taxpayer receives the amount of the credit only up to the amount of their liability (Non-refundable credit) and can carry forward the credit against future tax liability. Refundable credit available for new businesses.	Allowance of credit against taxes. Refundable credit.
How amount of abatement is determined	The Investment Tax Credit and Employment Incentive Credit is equal to a percentage of the cost or other federal basis of tangible personal property, including buildings and structural components of buildings located within a designated EZ. The Wage Tax Credit is calculated on the average number of newly hired employees. It is $3,000 per targeted and $1,500 per non-targeted employee. The Capital Credit equals 25 percent of the sum of each type of investment.	A portion of tax paid on tangible personal property and certain services purchased by a QEZE and used or consumed in an EZ. The Real Property Tax Credit equals 25 percent of the wages plus health and retirement benefits of net new employees. The Tax Reduction Credit is factored based on benefit period, employment increase, zone allocation, and tax factors.
Provisions for recapturing abated taxes	N/A	N/A
Type of commitments other than taxes	N/A	N/A
Total revenue estimated to be reduced for calendar year 2016 (amounts in millions)	$23	$132

Program Name	Industrial Development Agencies (IDA)	START-UP NY
Program Purpose	The program fosters economic development in specific localities.	The program is designed to create new businesses around colleges, universities, and correctional facilities to help the economies in these areas labeled as tax-free areas.
Taxes being abated	Sales and use tax.	Personal income tax, Corporate franchise tax, Sales and use tax, and Excise tax.
Authority under which abatements are entered into	State tax law: Article 28, Section 1116(a)(1) General municipal law: Article 18-A	State tax law: Article 22, Section 606(ww) and 612(c)(40) Article 9-A, Section 210-B(41) Article 28, Section 1119(d) Article 22, Section 606(yy) Article 9-A, Section 210-B(44)
Criteria to be eligible to receive abatements and commitment of the taxpayer	The IDA is an exempt government organization and receives all the benefits of that status. To extend sales tax exemption benefit, the IDA can appoint an agent or project operator to make purchases for its project.	The business should be relocating or expanding to the State from in or out-of-state or internationally, to a college or university campus that aligns with business specialty, and be able to create new jobs for the local community.
How taxes are reduced	Sales tax exemption on purchases.	Allowance of credit against taxes (refundable credit), refund of taxes paid and tax exemptions.
How amount of abatement is determined	Purchases to acquire, build, and equip the project are exempt from sales tax, including the 3/8 percent sales tax in the MCTD, to the extent provided by the terms of the IDA project agreement.	Personal income tax—First $200,000-$300,000 of wages excluded from federal adjusted gross income. Corporate franchise tax—reduction in the tax factor. Sales and use tax—equals the excise tax assessed by the telecommunication service providers.
Provisions for recapturing abated taxes	N/A	N/A
Type of commitments other than taxes	N/A	N/A
Total revenue estimated to be reduced for calendar year 2016 (amounts in millions)	$81	$105

Program Name	Excelsior Tax Incentives	Urban Youth (Youth Works)
Program Purpose	The program encourages businesses to expand in and relocate to the State while maintaining a guarantee to deliver on job and investment commitments to better the economy in the regions. It includes three programs: Job Tax Credit, Investment Tax Credit, and Research and Development Tax Credit.	The program is designed to provide employment for at-risk youth in full-time and part-time positions.
Taxes being abated	Personal income tax, Corporate franchise tax, Bank and Insurance taxes.	Personal income tax and Corporate franchise tax.
Authority under which abatements are entered into	State tax law: Article 22, Section 606(qq) Article 9-A, Section 210-B(31) Article 33, Section 1511(y)	State tax law: Article 22, Section 606(tt) Article 9-A, Section 210-B(36)
Criteria to be eligible to receive abatements and commitment of the taxpayer	The taxpayer applies and is approved to receive credit and is issued a certificate entitling them to the credit. The taxpayer in return creates jobs or invests in the region as specified in the application submitted.	The taxpayer applies and is approved as a qualified employer and receives a certificate of eligibility indicating the maximum amount of credit allowed to be claimed. The employer is required to hire high school students on a part-time or full-time basis and retain those students for a period of time.
How taxes are reduced	Allowance of credit against taxes. Refundable credit.	Allowance of credit against taxes. Refundable credit.
How amount of abatement is determined	The Job Credit is 6.85 percent of wages per net new job. The Investment Tax Credit is 2 percent of the qualified investments. The Research and Development Tax Credit is 50 percent of federal research and development credit and up to 6 percent of research expenditures in the State.	The credit is $250-$1,000 per qualified employee, either part-time or full-time high school student and additional amounts can be received if the employee is retained for additional time.
Provisions for recapturing abated taxes	N/A	N/A
Type of commitments other than taxes	N/A	N/A
Total revenue estimated to be reduced for calendar year 2016 (amounts in millions)	$74	$20

Program Name	Low Income Housing Credit
Program Purpose	The program is designed to promote the development and facilitate the investment in low-income housing.
Taxes being abated	Personal income tax, Corporate franchise tax and Insurance tax.
Authority under which abatements are entered into	State tax law: Article 22, Section 606(x) Article 9-A, Section 210-B(15) Article 33, Section 1511(n)
Criteria to be eligible to receive abatements and commitment of the taxpayer	The participant makes a long-term commitment to offer low-income housing where the buildings must serve households whose incomes are at or below 90 percent of the area median income.
How taxes are reduced	Allowance of credit against taxes. Non-refundable credit, can be carried forward.
How amount of abatement is determined	The credit is determined by Division of Housing and Community Renewal and depends on the applicable percentage of the qualified basis of each low-income building. The credit amount allocated is allowed as a credit for the next 10 tax years.
Provisions for recapturing abated taxes	N/A
Type of commitments other than taxes	N/A
Total revenue estimated to be reduced for calendar year 2016 (amounts in millions)	$35

The State had additional tax abatement programs each amounting to $10 million or less in revenue estimated to be reduced in calendar year 2016. In total, these programs resulted in $15.5 million in estimated tax abatements. These include the Workers with Disabilities Tax Credits, the Employee Training Incentive Program, the Musical and Theatrical Production Credit, and the Historical Homeowners Rehabilitation Tax Credit.

Note 4 Other Receivables

Other receivables at March 31, 2017 are summarized as follows (amounts in millions):

	General	Federal Special Revenue	General Debt Service	Other Governmental Funds	Total Governmental Activities
Governmental Activities:					
Other current receivables:					
Public health/patient fees	$ 4	$ —	$ —	$ 720	$ 724
Medicaid	757	456	—	—	1,213
Tobacco settlement	—	—	326	—	326
Miscellaneous agency	112	—	—	235	347
Oil spill	—	—	—	10	10
Public authorities	52	—	—	669	721
Other	138	18	—	21	177
Subtotal	**1,063**	**474**	**326**	**1,655**	**3,518**
Other long-term receivables:					
Medicaid	60	168	—	—	228
Appropriated loans	11	—	—	202	213
Miscellaneous agency	53	—	—	29	82
Oil spill	—	—	—	125	125
Other	—	—	—	38	38
Subtotal	**124**	**168**	**—**	**394**	**686**
Gross receivables	**1,187**	**642**	**326**	**2,049**	**4,204**
Allowance for uncollectibles	(184)	(151)	—	(373)	(708)
Total other receivables	**$ 1,003**	**$ 491**	**$ 326**	**$ 1,676**	**$ 3,496**

	Lottery	Unemployment Insurance Benefits	June 30, 2016 SUNY	June 30, 2016 CUNY	Total
Enterprise Funds:					
Other current receivables:					
Ticket sales	$ 472	$ —	$ —	$ —	$ 472
Public health/patient fees	—	—	872	—	872
Student loans	—	—	163	16	179
Contributions	—	2,796	—	—	2,796
Benefit overpayments	—	353	—	—	353
State agencies/municipalities	—	30	—	—	30
Other	6	23	281	288	598
Subtotal	**478**	**3,202**	**1,316**	**304**	**5,300**
Allowance for uncollectibles	(1)	(1,420)	(418)	(86)	(1,925)
Net current receivables	**477**	**1,782**	**898**	**218**	**3,375**
Other long-term receivables:					
Accounts, notes and loans	—	—	148	25	173
Contributions	—	—	63	—	63
Subtotal	**—**	**—**	**211**	**25**	**236**
Allowance for uncollectibles	—	—	(24)	(2)	(26)
Net long-term receivables	**—**	**—**	**187**	**23**	**210**
Total other receivables	**$ 477**	**$ 1,782**	**$ 1,085**	**$ 241**	**$ 3,585**

Note 5 Capital Assets

Capital asset activity for the year ended March 31, 2017 was as follows (amounts in millions):

	Balance April 1, 2016	Additions	Retirements	Balance March 31, 2017
Governmental Activities:				
Depreciable and amortizable assets:				
Buildings and building improvements	$ 11,259	$ 338	$ 26	$ 11,571
Land improvements	637	31	4	664
Infrastructure	355	46	2	399
Equipment	846	231	149	928
Intangible assets—easements	194	—	—	194
Intangible assets—computer software	614	100	5	709
Total depreciable and amortizable assets	**13,905**	**746**	**186**	**14,465**
Less accumulated depreciation and amortization:				
Buildings and building improvements	(6,937)	(322)	(17)	(7,242)
Land improvements	(433)	(20)	(3)	(450)
Infrastructure	(87)	(14)	(1)	(100)
Equipment	(574)	(87)	(97)	(564)
Intangible assets—easements	(55)	(8)	—	(63)
Intangible assets—computer software	(161)	(63)	—	(224)
Total accumulated depreciation and amortization	**(8,247)**	**(514)**	**(118)**	**(8,643)**
Total depreciable and amortizable assets, net	**5,658**	**232**	**68**	**5,822**
Non-depreciable and non-amortizable assets:				
Land	4,014	87	2	4,099
Land preparation	3,923	70	—	3,993
Construction in progress (buildings)	1,037	350	232	1,155
Construction in progress (roads and bridges)	2,048	918	909	2,057
Infrastructure (roads and bridges)	69,841	951	77	70,715
Total non-depreciable and non-amortizable assets	**80,863**	**2,376**	**1,220**	**82,019**
Governmental activities, capital assets, net	**$ 86,521**	**$ 2,608**	**$ 1,288**	**$ 87,841**

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Business-type Activities:				
SUNY:				
Depreciable assets:				
Infrastructure and land improvements	$ 1,092	$ 105	$ 12	$ 1,185
Buildings	11,305	1,029	141	12,193
Equipment and library books	3,098	211	142	3,167
Total depreciable assets	**15,495**	**1,345**	**295**	**16,545**
Less accumulated depreciation:				
Infrastructure and land improvements	(488)	(61)	(10)	(539)
Buildings	(4,032)	(384)	(87)	(4,329)
Equipment and library books	(2,447)	(180)	(136)	(2,491)
Total accumulated depreciation	**(6,967)**	**(625)**	**(233)**	**(7,359)**
Total depreciable assets, net	**8,528**	**720**	**62**	**9,186**
Non-depreciable assets:				
Land	643	26	2	667
Construction in progress	2,046	1,043	899	2,190
Artwork	30	—	—	30
Total non-depreciable assets	**2,719**	**1,069**	**901**	**2,887**
SUNY capital assets, net	**11,247**	**1,789**	**963**	**12,073**
CUNY:				
Depreciable and amortizable assets:				
Buildings and building improvements	5,177	65	—	5,242
Land improvements	56	—	—	56
Equipment	425	41	17	449
Infrastructure	138	7	—	145
Intangible assets	21	225	—	246
Total depreciable and amortizable assets	**5,817**	**338**	**17**	**6,138**
Less accumulated depreciation and amortization:				
Buildings and building improvements	(2,521)	(146)	—	(2,667)
Land improvements	(50)	(1)	—	(51)
Equipment	(362)	(38)	(14)	(386)
Infrastructure	(60)	(7)	—	(67)
Intangible assets	(6)	(16)	—	(22)
Total accumulated depreciation and amortization	**(2,999)**	**(208)**	**(14)**	**(3,193)**
Total depreciable and amortizable assets, net	**2,818**	**130**	**3**	**2,945**
Non-depreciable assets:				
Land	321	—	—	321
Construction in progress	1,561	311	231	1,641
Artwork and historical treasures	10	—	—	10
Total non-depreciable assets	**1,892**	**311**	**231**	**1,972**
CUNY capital assets, net	**4,710**	**441**	**234**	**4,917**
Business-type activities, capital assets, net	**$ 15,957**	**$ 2,230**	**$ 1,197**	**$ 16,990**

For the year ended March 31, 2017, depreciation and amortization expense was charged to the following governmental functions (amounts in millions):

	Governmental Activities
Allocation of depreciation and amortization:	
Education	$ 4
Public health	146
Public welfare	19
Public safety	146
Transportation	51
Environment and recreation	25
Support and regulate business	2
General government	121
Total depreciation and amortization expense	**$ 514**

For the year ended June 30, 2016, depreciation and amortization expense was charged to the following business-type functions (amounts in millions):

	Business-type Activities
Allocation of depreciation and amortization:	
SUNY	$ 579
CUNY	208
Total depreciation and amortization expense	**$ 787**

Note 6 Bonds Payable

General obligation bonds are backed by the full faith and credit of the State and constitutionally must be repaid in equal annual principal installments or substantially level or declining debt service payments beginning not more than one year after issuance of such bonds and must mature within 40 years after issuance. The Debt Reform Act of 2000 further limits the maximum term of new State-supported debt issued on and after April 1, 2000, including general obligation bonds, to a maximum term of 30 years. Refer to Note 7 for further discussion of the Debt Reform Act of 2000. Changes for the year in bonds payable were as follows (amounts in millions):

Purpose	Outstanding April 1, 2016	Issued	Redeemed	Outstanding March 31, 2017
Accelerated capacity and transportation improvements of the 1990s	$ 107	$ —	$ 44	$ 63
Clean water/clean air	522	—	48	474
Environmental quality (1986):				
Land acquisition, development, restoration, and forests	15	—	3	12
Solid waste management	179	—	37	142
Environmental quality (1972):				
Land and wetlands	7	—	3	4
Water	30	—	8	22
Housing:				
Low income	16	—	3	13
Middle income	14	—	3	11
Pure waters	31	—	6	25
Transportation capital facilities:				
Aviation	6	—	2	4
Energy conservation through improved transportation	3	—	1	2
Rebuild New York transportation infrastructure renewal:				
Highways, parkways, and bridges	1	—	—	1
Rapid transit, rail, and aviation	6	—	1	5
Rebuild and Renew New York transportation:				
Highway facilities	802	—	55	747
Canals and waterways	15	—	3	12
Aviation	49	—	3	46
Mass transit—DOT	6	—	2	4
Mass transit—MTA	838	—	39	799
Rail and port	80	—	3	77
Total	**$ 2,727**	**$ —**	**$ 264**	**$ 2,463**

Debt service expenditures (principal and interest) related to the above general obligation bonds during the year were approximately $380 million. Federal subsidies related to the interest payments made during the year on Build America Bonds were $3.6 million. The total amount of general obligation bonds authorized but not issued at March 31, 2017 was $2.7 billion.

Debt service requirements for general obligation bonds in future years, which are financed by transfers from the General Fund to the General Debt Service Fund, are as follows (amounts in millions):

Fiscal Year	Principal	Interest	Total
2018	$ 230	$ 105	$ 335
2019	187	96	283
2020	167	88	255
2021	149	82	231
2022	143	75	218
2023-2027	599	292	891
2028-2032	485	168	653
2033-2037	289	85	374
2038-2042	201	25	226
2043-2047	13	1	14
Total	**$ 2,463**	**$ 1,017**	**$ 3,480**

Debt service requirements on approximately $73 million in general obligation variable rate bonds were calculated using the variable rate of 1.37 percent in effect as of March 31, 2017. Debt service requirements for fixed rate issues were calculated based upon actual rates ranging from zero percent to 6.02 percent.

Note 7 Obligations Under Lease/Purchase and Other Financing Arrangements

Governmental Activities Debt

The State has entered into contractual financing arrangements with certain public benefit corporations and other entities for various capital assets, local assistance payments and deficit financing. Under these agreements, generally, construction costs are initially paid by the State from appropriations (reported as capital construction expenditures in the governmental funds). These appropriations are then repaid to the State from the proceeds of bonds issued by the public benefit corporations or other entities (reported as financing arrangements in the governmental funds). The State becomes the tenant of the facility under a lease/purchase agreement, which provides for the payment of rentals sufficient to cover the related bond debt service and for the passage of title to the State after the bonds have been repaid.

The State has also entered into contractual obligation financing arrangements (also referred to as "service contract bonds") with certain public benefit corporations that have issued bonds to finance past State budgetary deficits, grants to local governments and various special project initiatives undertaken in partnership with private entities, including commercial enterprises, for both capital and operating purposes. The terms of these arrangements require the State to fund the debt service requirements of the specific debt issued by these entities.

Chapter 59 of the Laws of 2000 enacted the Debt Reform Act (Act) which applies to all new State-supported debt issued on and after April 1, 2000. The Act imposes statutory limitations which restrict the issuance of State-supported debt to capital purposes only and establishes a maximum term of 30 years for such debt. The Act also imposes phased-in caps that ultimately limit the amount of new State-supported debt (issued on and after April 1, 2000) to 4 percent of State personal income, and new State-supported debt service (on debt issued on and after April 1, 2000) to 5 percent of total governmental funds receipts. The Act requires the limitations be calculated by October 31st of each year using the new State-supported debt outstanding and new State-supported debt service from the previous fiscal year. For the fiscal year ended March 31, 2016, the cumulative debt outstanding and debt service caps were fully phased in at 4 and 5 percent. There was $40.8 billion of new State-supported debt outstanding applicable to the debt reform cap, which was about $5.6 billion below the statutory debt outstanding limitation. The debt service cost on this new debt was $4.1 billion, about $3.5 billion below the statutory debt service limitation. The Act does not apply to debt that is not considered State-supported and therefore does not encompass State-guaranteed debt, moral obligation debt, and contingent-contractual obligation financing such as the bonds issued by the Tobacco Settlement Financing Corporation (TSFC).

The State and some of its public authorities which issue debt on behalf of the State have purchased letters of credit and standby purchase agreements from various providers to ensure that the liquidity needs of variable rate demand bonds can be met. As of March 31, 2017, these agreements covered $1.76 billion of variable rate demand bonds outstanding, with costs ranging from 42.5 to 55 basis points of the amount of credit provided and expiration dates ranging from September 8, 2017 to January 8, 2020.

In 2003, the State enacted legislation creating the TSFC to finance a portion of its future revenues expected to be received under the 1998 Master Settlement Agreement (MSA) with the settling cigarette manufacturers. The future MSA revenues are to compensate the State for all claims for past, present, and future health care costs originating from health care expenses incurred by the State from the effects of cigarette smoking by its citizens. In accordance with the legislation, TSFC issued $4.6 billion in bonds to finance a payment of $4.2 billion to the State's General Fund, enabling it to finance a portion of the budget deficits occurring in fiscal years ending March 31, 2003 through March 31, 2005, to establish $449 million in debt service reserves, and to provide $129 million to finance a portion of the first debt service payments due on TSFC bonds. In accordance with the legislation, all future revenues from the 1998 MSA will be used to repay the debt until it is fully retired, after which all funds of TSFC will revert to the State. At March 31, 2017, the remaining amount pledged is approximately $754 million ($660 million principal and $94 million future interest payments) to cover the outstanding debt scheduled to fully mature on June 1, 2022. During the fiscal year, pledged MSA revenues recognized were $324 million and debt service paid was $768 million. The State has agreed to make additional payments for TSFC debt service, subject to annual appropriation, from other sources if the future revenues prove insufficient to meet TSFC debt service requirements of the State. No such payments were required during the fiscal year.

Prior to 1996, certain payments due to the State's local government units in the first quarter of the State's fiscal year exceeded available State funds. To meet these payments in the past, the State issued short-term tax and revenue anticipation notes called the annual "Spring Borrowing." The New York Local Government Assistance Corporation (LGAC) was established in 1990 to issue up to $4.7 billion in long-term debt to finance certain local assistance aid payments plus amounts necessary to fund a capital reserve fund and other issuance costs. Issuance of the entire $4.7 billion bond authorization as of March 31, 1996 eliminated the need for the State's annual Spring Borrowing. Pursuant to the legislation establishing LGAC, the State deposits an amount equal to a 1 percent rate of taxation of the total State sales and use tax collected into Other Governmental Funds (Local Government Assistance Tax Fund) to make payments to LGAC for debt service on its bonds and other expenses of LGAC. Amounts in excess of LGAC's needs are subsequently transferred to the General Fund. Payments to LGAC are subject to annual appropriations by the Legislature. LGAC's bondholders do not have a lien on monies deposited in the Local Government Assistance Tax Fund. Under current State statute, any issuance of bonds by LGAC in the future will be for refunding purposes only.

Chapter 62 and Chapter 63 of the Laws of 2003 enacted, among other provisions, the Municipal Assistance Refinancing Act (Refinancing Act), effective July 1, 2003 and deemed repealed July 1, 2034. The Refinancing Act created an incentive for the State to seek an appropriation to provide $170 million per year, from Other Governmental Funds (Local Government Assistance Tax Fund (Fund)) to the City of New York (City) for each of the City's fiscal years beginning July 1, 2003 and ending June 30, 2034. The Refinancing Act requires LGAC to annually certify $170 million so that the State, subject to annual State appropriation by the Legislature, can provide for a series of payments to the City or the Mayor's assignee in each City fiscal year, beginning July 1, 2003 and ending June 30, 2034, totaling $5.3 billion. Based on current law, until the Legislature enacts an appropriation of $170 million, LGAC certifies the release of the funds, the $170 million State payment is made, and LGAC receives the amount it has certified for its needs, no excess sales tax receipts can be transferred from the Fund to the State's General Fund. During the fiscal year ended March 31, 2017, LGAC certified the release for the State payment of $170 million to the City. Pursuant to Chapter 54 of the Laws of 2016, the State will receive $16.7 million monthly, not to exceed $200 million annually, from City sales tax collected from April 1, 2016 through March 31, 2019. This amount represents a portion of the savings the City realized from a 2014 refunding of Sales Tax Asset Receivable Corporation (STARC) bonds for which the City assigned the $170 million State payment.

Chapter 56 of the Laws of 1993 authorized the New York State Thruway Authority to issue up to $2.93 billion in bonds for State highway and bridge projects (the amount of authorized bonds has been raised three times, most recently in 2005, up to $16.5 billion). The bonds are secured and funded by a dedication of portions of the State's petroleum business tax, motor fuel tax, highway and fuel use tax, motor vehicle registration fees, auto rental tax, transmission and transportation tax and certain miscellaneous revenues.

In 2001, the State enacted legislation providing for the issuance of State Personal Income Tax Revenue Bonds (PIT) to be issued by several State public benefit corporations. The legislation provides that 25 percent of personal income tax receipts, excluding refunds owed to taxpayers, be deposited to the Revenue Bond Tax Fund which is an account of the General Debt Service Fund. These deposits are used to make debt service payments on PIT bonds, with excess amounts returned to the General Fund. In the event that the State Legislature fails to appropriate amounts required to make debt service payments on the PIT bonds, or if required payments have not been made when due, the legislation requires that deposits continue to be made to the Revenue Bond Tax Fund until amounts on deposit equal the greater of 25 percent of personal income tax receipts or $6 billion. Amounts in excess of that needed for current debt service are subsequently transferred to the General Fund. The first PIT bonds were issued on May 9, 2002 and approximately $31.8 billion issued for both governmental and business-type activities were outstanding as of March 31, 2017.

In 2013, the State enacted legislation providing for the issuance of State Sales Tax Revenue Bonds to be issued by certain State public benefit corporations. The legislation created the Sales Tax Revenue Bond Tax Fund, an account of the General Debt Service Fund, to provide for the debt service payments on these bonds. The bonds are secured by the pledge of payments from this fund, which will receive 25 percent of the State's sales and use tax receipts. Upon the satisfaction of all of the obligations and liabilities of LGAC, this will increase to 50 percent of the State's sales tax receipts. Amounts in excess of that needed for current debt service will be transferred to the General Fund. The first sales tax bonds were issued on October 24, 2013 and approximately $5 billion issued for both governmental and business-type activities were outstanding as of March 31, 2017.

Changes in lease/purchase and other financing arrangements for the year were as follows (amounts in millions):

Issuer	Outstanding April 1, 2016	Issued	Redeemed	Outstanding March 31, 2017
Public Benefit Corporations:				
Dormitory Authority	$ 14,071	$ 2,861	$ 2,235	$ 14,697
Environmental Facilities Corporation	324	—	210	114
Housing Finance Agency	366	—	146	220
Local Government Assistance Corporation	2,058	—	300	1,758
Municipal Bond Bank Agency	234	—	30	204
Metropolitan Transportation Authority	182	—	75	107
Tobacco Settlement Financing Corporation	1,378	—	718	660
Thruway Authority	4,785	—	464	4,321
Urban Development Corporation	12,352	1,843	1,356	12,839
Total	**$ 35,750**	**$ 4,704**	**$ 5,534**	**$ 34,920**

Debt service expenditures (principal and interest) for the aforementioned obligations during the fiscal year were $5.2 billion. These expenditures were financed primarily by the revenues reported in the governmental funds. Federal subsidies related to the interest payments made during the year on Build America Bonds and Qualified School Construction Bonds were $74.8 million ($36.3 million related to governmental activities and $38.5 million for business-type activities related to SUNY and CUNY).

Certain of the underlying bond indentures require the maintenance of various reserves. Such amounts totaled $728 million at March 31, 2017 and are reported as cash and investments in the General Debt Service Fund and appropriate Other Governmental Funds, with a corresponding restriction of fund balance.

Following is a summary of the future minimum rental payments for lease/purchase and contractual obligation financing arrangements, including fixed rate interest at rates ranging from 0.8 percent to 6.8 percent and variable rate interest at rates ranging from 0.9 percent to 1.6 percent (amounts in millions):

Fiscal Year	Principal	Interest	Net Swap Amount	Total
2018	$ 3,028	$ 1,606	$ 34	$ 4,668
2019	3,053	1,475	32	4,560
2020	2,809	1,341	29	4,179
2021	3,283	1,205	25	4,513
2022	2,472	1,067	21	3,560
2023-2027	9,840	3,811	64	13,715
2028-2032	6,405	1,801	23	8,229
2033-2037	2,889	629	1	3,519
2038-2042	918	172	—	1,090
2043-2047	223	19	—	242
Total	**$ 34,920**	**$ 13,126**	**$ 229**	**$ 48,275**

Future debt service is calculated using rates in effect at March 31, 2017 for variable rate bonds. The net swap payment amounts were calculated by subtracting the future variable rate interest payment subject to swap agreements based on rates in effect at March 31, 2017 from the synthetic fixed rate amount intended to be achieved by the swap agreements.

The actual amounts of future interest to be paid are affected by changes in variable interest rates. The actual amounts of future net swap payments are also affected by changes in published indexes—the London Interbank Offered Rate (LIBOR) and the Securities Industry and Financial Markets Association (SIFMA), which are floating rates.

The State is also committed under numerous capital leases for computer network and telecommunications equipment. Debt service expenditures for capital lease obligations during the year were $3 million. Following is a summary of the debt service payments for the remaining lease periods of these capital leases (amounts in millions):

Fiscal Year	Principal	Interest	Total
2018	$ 3	$ —	$ 3
2019	2	—	2
2020	2	—	2
2021	2	—	2
2022	2	—	2
2023-2027	3	—	3
Total	**$ 14**	**$ —**	**$ 14**

Refunding

During the fiscal year ended March 31, 2017, the State, acting through its public authorities, refunded $2 billion in existing fixed rate bonds related to lease/purchase and other financing arrangements by issuing refunding bonds in a par amount of $1.8 billion at a $325 million premium and releasing a net amount of $580 thousand from reserves and debt service accounts. The result will produce an estimated gain of $235 million in future cash flow, with an estimated present value gain of $227 million. The differences between the reacquisition prices and the net carrying values of the refunded bonds generated deferred accounting gains and losses, resulting in deferred inflows and outflows of resources. The deferred accounting gain was $3.2 million, all of which will be amortized as an adjustment to interest expense in future years. The deferred accounting loss was $58.8 million, of which $57.1 million will be amortized into interest expense in future years. The impact of the refunding issues is presented in the following table (amounts in millions):

Issue Description	Refunding Amount	Refunded Amount	Cash Flow Gain	Present Value Gain
Dormitory Authority Department of Health Bond Series 2016A	$ 145	$ 163	$ 30	$ 27
Dormitory Authority PIT General Purpose Bond Series 2016D	1,113	1,235	153	150
Urban Development Corporation PIT General Purpose Bond Series 2017A-2	471	506	42	42
Urban Development Corporation PIT General Purpose Bond Series 2017B-2	97	92	10	8
Total	**$ 1,826**	**$ 1,996**	**$ 235**	**$ 227**

In prior years, the State defeased certain of its obligations under lease/purchase and other financing arrangements, whereby proceeds of new obligations were placed in an irrevocable trust to provide for all future debt service payments on the defeased obligations. At March 31, 2017, approximately $2.8 billion of such defeased obligations were outstanding. The assets and liabilities related to these obligations are not reported in the accompanying basic financial statements.

Business-type Activities Debt

The State has issued bonds for educational facilities for SUNY and CUNY Senior Colleges through DASNY. Such debt, totaling $13.6 billion, is funded by payments from the State's General Fund. The remainder of the debt of SUNY and CUNY ($1.3 billion) is funded from student fees and other operating aid provided by the State.

The following represents year-end principal balances (June 30, 2016 for SUNY and CUNY) for lease/purchase and other financing arrangements for business-type activities (amounts in millions):

	Beginning Outstanding	Issued	Redeemed	Ending Outstanding
Dormitory Authority:				
SUNY educational facilities	$ 7,992	$ 1,138	$ 770	$ 8,360
Unamortized premium	630	134	76	688
SUNY dormitory facilities	1,164	—	482	682
Unamortized premium	73	—	12	61
CUNY educational facilities	4,238	304	289	4,253
Unamortized premium	283	46	23	306
Total Dormitory Authority	**14,380**	**1,622**	**1,652**	**14,350**
SUNY capital lease commitments	160	331	74	417
SUNY certificates of participation	16	—	5	11
SUNY other State-supported debt	54	—	6	48
CUNY capital lease commitments	39	5	—	44
CUNY mortgage loan commitments	69	—	2	67
CUNY certificates of participation	16	—	6	10
Total (See Note 8)	**$ 14,734**	**$ 1,958**	**$ 1,745**	**$ 14,947**

The following represents a year-end summary at June 30, 2016 of future minimum debt service payments on the bonds issued by DASNY for SUNY, including interest rates ranging from 0.7 percent to 5.88 percent (amounts in millions):

Fiscal Year	Principal	Interest	Total
2017	$ 259	$ 450	$ 709
2018	388	434	822
2019	312	417	729
2020	252	404	656
2021	261	393	654
2022-2026	2,075	1,698	3,773
2027-2031	1,781	1,194	2,975
2032-2036	1,716	765	2,481
2037-2041	1,522	334	1,856
2042-2046	476	45	521
Total	**$ 9,042**	**$ 6,134**	**$ 15,176**

The following represents a year-end summary at June 30, 2016 of future minimum debt service payments on the bonds issued by DASNY for CUNY Senior Colleges, including interest rates ranging from 2 percent to 6.1 percent (amounts in millions):

Fiscal Year	Principal	Interest	Net Swap Amount	Total
2017	$ 181	$ 206	$ 13	$ 400
2018	161	198	12	371
2019	182	191	11	384
2020	207	182	11	400
2021	255	170	9	434
2022-2026	786	733	34	1,553
2027-2031	824	532	9	1,365
2032-2036	848	334	—	1,182
2037-2041	625	135	—	760
2042-2046	184	18	—	202
Total	**$ 4,253**	**$ 2,699**	**$ 99**	**$ 7,051**

Future debt service on the bonds issued by DASNY for CUNY Senior Colleges, together with the net swap amount, is calculated assuming current interest rates remain the same. The actual amounts of future interest to be paid are affected by changes in variable interest rates. The actual amounts of future net swap payments are also affected by changes in published indexes—LIBOR and SIFMA floating rates.

The following represents a year-end summary at June 30, 2016 for SUNY and CUNY of future minimum debt service payments on capital lease commitments, mortgage loans payable, certificates of participation and other State-supported debt for business-type activities (amounts in millions):

	SUNY		CUNY		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 59	$ 26	$ 3	$ 1	$ 62	$ 27
2018	51	24	4	1	55	25
2019	49	22	3	2	52	24
2020	41	21	3	1	44	22
2021	35	19	4	1	39	20
2022-2026	154	63	62	9	216	72
2027-2031	86	10	2	12	88	22
2032-2036	1	—	12	7	13	7
2037-2041	—	—	20	4	20	4
2042-2046	—	—	8	—	8	—
Total	**$ 476**	**$ 185**	**$ 121**	**$ 38**	**$ 597**	**$ 223**

The liabilities for lease/purchase debt, certificates of participation, mortgage loans, capital leases and other State-supported debt are reported as obligations under lease/purchase and other financing arrangements in the Enterprise Funds.

Debt service expenditures (principal and interest) for all of the aforementioned obligations during the year ended June 30, 2016 totaled $1.3 billion.

During SUNY's fiscal year ending June 30, 2016, Personal Income Tax (PIT) Revenue Bonds were issued with a par amount of $704.1 million at a premium of $88 million for the purpose of financing capital construction and major rehabilitation for educational facilities. PIT bonds were also issued with a par amount of $21 million in order to refund $19.4 million of existing educational facilities obligations. The result will produce an estimated savings of $8.9 million in future cash flow, with an estimated present value gain of $3.6 million. In addition, PIT bonds were issued with a par amount of $408.6 million at a premium of $46.5 million in order to refund $416.2 million of existing educational facilities obligations. The result will produce an estimated savings of $25.5 million in future cash flow, with an estimated present value gain of $37.8 million.

In prior years, SUNY defeased various obligations, whereby proceeds of new obligations were placed in an irrevocable trust to provide for all future debt service payments on the defeased obligations. Accordingly, the trust account assets and liabilities for the defeased obligations are not included in SUNY's financial statements. As of March 31, 2017, $730.7 million of outstanding educational facility obligations and $265.2 million of dormitory facility obligations were considered defeased.

During CUNY's fiscal year ending June 30, 2016, DASNY issued bonds for new construction with a par value of $206.7 million and original issue premium of $35.5 million, and issued refunding bonds with a par value of $96.5 million and original issue premium of $10.8 million on behalf of CUNY Senior Colleges. Bond proceeds of $106 million were used to defease $102 million of existing debt. Under the terms of the resolutions for the defeased bonds, bond proceeds were paid directly to the bondholders of the defeased bonds. As a result, the refunded debt is considered defeased. The economic gain related to the defeased bonds amounted to $11.9 million. The excess of the bond proceeds over the amount of debt defeased of $4.1 million and the remaining unamortized premium and discount of $4.3 million are deferred and amortized in a systematic and rational manner over the remaining life of the old debt or new debt, whichever is shorter. There were no remaining unamortized bond issue costs, underwriter discounts, or any other related costs affiliated with the refunded debt.

At June 30, 2016, $233.2 million of CUNY's bonds outstanding were considered defeased for CUNY Senior Colleges.

Interest Rate Exchange Agreements (Swaps)

Article 5-D of the State Finance Law authorized the use of a limited amount of swaps equal to 15 percent of statutorily defined State-supported debt. Starting in November 2002, the State began to enter into swap agreements to "synthetically" change the interest cost associated with bonds it issued from either variable rate to fixed rate or from fixed rate to variable rate. The intention of each of the swaps was to lower the cost of borrowing to the State below what could have been achieved on bonds without the use of the associated swap agreements and to reduce the risks associated with the variability of cash flows or fair values of the underlying debt.

The statutory authorization for the use of swaps also requires that each of the swaps entered into meet the following requirements:

- Counterparties have a credit rating from at least one NRSRO that is within the two highest investment grade categories;
- An independent financial advisor certifies that the terms and conditions of all swaps reflect a fair value;
- A standardized interest rate exchange agreement is utilized;
- Monthly reports are issued by the public benefit corporations to provide monitoring and swap performance assessment; and
- Compliance with uniform interest rate exchange guidelines.

The State manages the swaps as a single portfolio, although they relate to debt reported under both governmental activities and business-type activities.

Swap Activity and Terms

The State has approximately $1.7 billion notional amount of swaps outstanding ($1.25 billion of which related to governmental activities and $417 million related to business-type activities) that were issued to synthetically create fixed rate debt from variable rate debt. The $1.7 billion portfolio includes 36 separate pay-fixed, receive-variable interest rate swap agreements with seven counterparties. The maturity of the synthetic fixed rate swaps are coterminous with the underlying debt.

The table below summarizes fair value balances and notional amounts of derivative instruments outstanding on March 31, 2017 for governmental activities and on June 30, 2016 for business-type activities, and the changes in fair value of those derivatives for the years then ended as reported in the State's 2017 financial statements (amounts in millions):

		Changes in Fair Value		Fair Value	
Issuer/Type	**Notional**	**Classification**	**Amount**	**Classification**	**Amount**
Governmental Activities:					
Cash Flow Hedges:					
Dormitory Authority Pay-fixed interest rate swaps	$ 177	Deferred Outflow	$ 9	Derivative Instruments	$ (18)
Urban Development Corporation Pay-fixed interest rate swaps	406	Deferred Outflow	29	Derivative Instruments	(68)
Housing Finance Agency Pay-fixed interest rate swaps	93	Deferred Outflow	5	Derivative Instruments	(5)
Local Government Assistance Corporation Pay-fixed interest rate swaps	492	Deferred Outflow	22	Derivative Instruments	(42)
Subtotal	**1,168**		**65**		**(133)**
Investment Derivatives:					
Housing Finance Agency Pay-fixed interest rate swaps	80	Investment Earnings	6	Derivative Instruments	(14)
Subtotal	**1,248**		**71**		**(147)**
Business-type Activities (as of June 30, 2016):					
Cash Flow Hedges:					
Dormitory Authority—CUNY Pay-fixed interest rate swaps	417	Deferred Outflow	(14)	Derivative Instruments	(78)
Total	**$ 1,665**		**$ 57**		**$ (225)**

The fair values were calculated utilizing an income approach based on Level 2 (observable) inputs. These inputs include mid-market valuation and then incorporates the credit risk of the State and the bid/offer spread that would be charged to the State in order to transact. The mid-market values of the swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement date.

The table below summarizes the terms of the State's derivative instruments outstanding at March 31, 2017 for governmental activities and at June 30, 2016 for business-type activities (amounts in millions):

Issuer/Type	Underlying Debt	Notional Amount	Effective Date	Final Maturity Date	Terms
Governmental Activities:					
Dormitory Authority:					
Pay-fixed interest rate swaps	CUNY 5th Res Series 2008C, D Bonds	$ 23	4/10/2003	1/1/2025-7/1/2031	Pay 3.36%; Receive 65% LIBOR
Pay-fixed interest rate swaps	Mental Health Series 2003D-2 Bonds	154	7/15/2003	2/15/2031	Pay 3.044%; Receive 65% LIBOR
Urban Development Corporation:					
Pay-fixed interest rate swaps	Correctional/ Youth Series 2008A Bonds	182	11/26/2002	1/1/2030	Pay 3.578%; Receive 65% LIBOR
Pay-fixed interest rate swaps	PIT (State Fac & Equip) Series 2004A-3 Bonds	224	12/22/2004	3/15/2033	Pay 3.49%; Receive 65% LIBOR
Housing Finance Agency:					
Pay-fixed interest rate swaps	Service Contract Revenue Series 2003L, M Bonds	93	8/28/2003	9/15/2021	Pay 3.66%; Receive 65% LIBOR
Pay-fixed interest rate swaps	PIT (Eco Dev & Housing) Series 2005C Bonds	80	3/10/2005	3/15/2033	Pay 3.336%; Receive 65% LIBOR
Local Government Assistance Corporation:					
Pay-fixed interest rate swaps	Series 2003A, 2008B Bonds	393	2/20/2003	4/1/2022-4/1/2024	Pay 3.15% to 3.26%; Receive 65% LIBOR
Pay-fixed interest rate swaps	Series 2008B Bonds	99	2/26/2004	4/1/2021	Pay 3.194%; Receive 65% LIBOR
Subtotal		**1,248**			
Business-type Activities (as of June 30, 2016):					
Dormitory Authority—CUNY:					
Pay-fixed interest rate swaps	CUNY 5th Res Series 2008C, D Bonds	417	4/10/2003	1/1/2025-7/1/2031	Pay 3.36%; Receive 65% LIBOR
Total		**$ 1,665**			

Risks

Credit Risk

The State is exposed to credit risk on interest rate swap agreements in asset positions (positive fair values). To minimize its exposure to loss related to credit risk, it is the State's policy to require each counterparty to have credit ratings from at least one NRSRO within the two highest investment grade categories and ratings from any other NRSRO within the three highest investment grade categories, or the counterparty's payment obligations shall be unconditionally guaranteed by an entity with such credit ratings. The swap agreements and Article 5-D of the State Finance Law also require that should the credit rating of a counterparty or an entity unconditionally guaranteeing the counterparty's payment obligations, if so secured, fall below the rating required, that the obligations of such counterparty shall be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by, the United States of America, with a net market value of at least 102 percent of the net market value of the contract to the issuer and such collateral shall be deposited with the issuer or its agent.

The following table presents the counterparty credit ratings as of March 31, 2017 and includes a scheduled notional reduction to the CUNY business-type activity swap that occurred after June 30, 2016 (amounts in millions):

Counterparty	Notional Amount	Credit Ratings Moody's	S&P	Fitch
Citibank	$ 344	A1	A+	A+
Goldman	302	Aa2	AA–	—*
JP Morgan	275	Aa3	A+	AA–
Merrill Lynch	116	Baa1	BBB+	A
Morgan Stanley	242	A3	BBB+	A
Societe Generale	94	A2	A	A
UBS	285	A1	A+	A+
Total	**$ 1,658**			

Not rated

Certain of the State's swap agreements contain set-off provisions. Under the terms of the agreements, should an agreement terminate, close-out set-off provisions permit all outstanding transactions with the related counterparty to terminate and net the transaction's fair values so that a single sum will be owed by, or owed to, the State.

There were no interest rate swap agreements in asset positions; therefore, the State was not exposed to credit risk and no collateral was required to be posted by counterparties at March 31, 2017. However, should interest rates change and the fair values of interest rate swap agreements become positive, the State would be exposed to credit risk in the amount of those swaps' fair value.

Basis Risk

The State is exposed to basis risk on its pay-fixed interest rate swaps, which is the possibility that the variable rate payments received by the State in the swap are less than the variable rate payments made by the State on the underlying bonds issued. Because the swaps are based on a percentage of LIBOR there is a possibility that this floating rate will not match the actual interest rates set in the tax-exempt market on the underlying bonds. Times when the mismatch may be out of favor to the State are in very low interest rate environments or if major changes in the tax code were to be enacted causing tax-exempt floating-rate bonds to trade less favorably in comparison to taxable floating rate bonds. Should the relationship between LIBOR and the actual variable rate payments converge, the expected cost savings may not materialize.

Termination Risk

The swap contracts use the International Swap Dealers Association Master Agreement (Master Agreement), which includes standard termination events, such as failure to pay and bankruptcy. The schedule to the Master Agreement includes "additional termination events," providing that the swaps may be terminated if either the State or a counterparty's credit quality rating falls below certain levels. The State or the counterparties may terminate the swap agreements if the other party fails to perform under the terms of the contract. The State may also terminate the swaps at its option. If a swap agreement is terminated, the synthetically created fixed or variable interest rate will cease to exist and the State's interest payment will be based solely upon the rate required by the related bonds as issued. When a termination occurs, a mark-to-market (or fair market value) calculation is performed to determine whether the State is owed money or must pay money to close out a swap position. A negative fair market value means the State would incur a loss and need to make a termination payment to settle the swap position. A positive fair market value means the State would realize a gain and receive a termination payment to settle the swap position.

Rollover Risk

The State is exposed to rollover risk on interest rate swap agreements that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these swap agreements terminate, or in the case of a termination option, when the option is exercised, the State will be re-exposed to the risks being hedged by the swap agreement. Currently, the maturity dates of the State's interest rate swap agreements and hedged debt are coterminous.

Operating Leases

The State is also committed under numerous operating leases covering real property and equipment. Rental expenditures, reported for the year ended March 31, 2017 under such operating leases, totaled $301 million and were financed primarily from the General Fund.

The following is a summary of future minimum rental commitments under real property and equipment leases with terms exceeding one year (amounts in millions):

Fiscal Year	Governmental Activities
2018	$ 262
2019	224
2020	197
2021	175
2022	152
2023-2027	588
2028-2032	270
2033-2037	32
2038-2042	8
2043-2047	9
2048-2052	10
2053-2057	11
2058-2062	2
2063-2067	1
Total	**$ 1,941**

Business-type activities reported rental expenditures of $120 million and the following future minimum rental commitments under real property and equipment leases with terms exceeding one year at year-end (June 30, 2016 for SUNY and CUNY and March 31, 2017 for Lottery) (amounts in millions):

Fiscal Year	Business-type Activities
2017	$ 108
2018	104
2019	101
2020	98
2021	93
2022-2026	383
2027-2031	310
2032-2036	149
2037-2041	61
2042-2046	92
Total	**$ 1,499**

Governmental Activities Collateralized Borrowings

In December 2010, $102 million of Pledged Assessment Revenue Bonds, Series 2010A, were issued by DASNY. These bonds are special revenue obligations of DASNY. Principal and interest on the Series 2010A Bonds are payable from the pledged assessments to be assessed and collected by the Chair of the Workers' Compensation Board. At March 31, 2017, principal and interest outstanding were $36 million and $5 million, respectively. Annual principal and interest payments will be continuing through December 1, 2020.

In December 2013, $370 million of Employer Assessment Revenue Bonds, Series 2013A, were issued by DASNY. These bonds are special revenue obligations of DASNY. Principal and interest on the Series 2013A Bonds are payable from employer assessments to be assessed and collected by the Chair of the Workers' Compensation Board. At March 31, 2017, principal and interest outstanding were $342 million and $161 million, respectively. Annual principal and interest payments will continue through December 1, 2034.

The State determined that these transactions meet the criteria for collateralized borrowings under GASBS No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, since the pledged revenues are formally committed to directly collateralize or secure debt of a component unit. These Pledged and Employer Assessment Revenue Bonds are reported as collateralized borrowings in the State's financial statements (amounts in millions):

Fiscal Year	Principal	Interest	Total
2018	$ 22	$ 16	$ 38
2019	23	15	38
2020	24	14	38
2021	25	13	38
2022	15	13	28
2023-2027	86	54	140
2028-2032	106	34	140
2033-2037	77	7	84
Total	**$ 378**	**$ 166**	**$ 544**

Business-type Activities Collateralized Borrowings

In March 2013, the State enacted legislation that authorized SUNY to assign all its rights, title and interest in dormitory facilities revenues of certain dormitory facilities to DASNY, and authorized DASNY to issue SUNY Dormitory Facilities Revenue Bonds payable from and secured by the dormitory facilities revenues assigned to it by SUNY. The legislation also created a special fund to be held by the State's Commissioner of Taxation and Finance on behalf of DASNY. All dormitory facilities revenues collected by SUNY are required to be deposited in this special fund.

The outstanding obligations under these bonds are reported as a collateralized borrowing since these bonds are not payable from any money of SUNY or the State and neither SUNY nor the State has any obligation to make any payments with respect to the debt service on the bonds. The pledged revenues recognized during SUNY's fiscal year ended June 30, 2016 amounted to $536.8 million. There were principal payments of $6.8 million and interest payments of $29.6 million during the fiscal year ending June 30, 2016. During 2016, bonds with a par amount of $555 million at a premium of $84.1 million were issued for purpose of financing capital construction as well as to refinance $428.9 million of the State University's existing residential facility obligations. The result will produce an estimated savings of $54 million in future cash flow, with an estimated present value gain of $42.5 million. These bonds are special obligations of DASNY payable solely from the dormitory facilities revenues collected by SUNY as agent for DASNY. At June 30, 2016, total principal and interest outstanding on the bonds were $985.4 million and $534.7 million, respectively. Annual principal and interest payments will continue through July 1, 2045 (amounts in millions):

Fiscal Year	Principal	Interest	Total
2017	$ 29	$ 48	$ 77
2018	38	46	84
2019	44	44	88
2020	48	42	90
2021	53	40	93
2022-2026	263	158	421
2027-2031	258	92	350
2032-2036	142	41	183
2037-2041	63	19	82
2042-2046	47	5	52
Total	**$ 985**	**$ 535**	**$ 1,520**

Note 8 Liabilities

Changes in Long-Term Liabilities

The following table summarizes changes in long-term liabilities for both governmental activities and business-type activities (amounts in millions):

CHANGES IN LONG-TERM LIABILITIES—GOVERNMENTAL ACTIVITIES

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Tax refunds payable	**$ 1,273**	**$ —**	**$ 104**	**$ 1,169**	**$ —**
Accrued liabilities:					
Payroll and fringe benefits	$ 177	$ 3	$ 20	$ 160	—
Compensated absences	877	73	53	897	43
Medicaid	782	94	128	748	177
Health insurance	192	—	—	192	—
Litigation	200	99	87	212	202
Workers' compensation reserve	3,780	973	499	4,254	529
Arbitrage rebate	13	1	4	10	4
Secured hospitals	61	43	30	74	20
Due to component unit	279	—	21	258	43
Miscellaneous	17	15	18	14	1
Total	**$ 6,378**	**$ 1,301**	**$ 860**	**$ 6,819**	**1,019**
Payable to local governments:					
Education aid	$ 235	$ 74	$ —	$ 309	—
Miscellaneous	18	25	16	27	—
Total	**$ 253**	**$ 99**	**$ 16**	**$ 336**	**—**
Due to Federal government	**$ 1,100**	**$ —**	**$ 100**	**$ 1,000**	**100**
Pension contributions payable	**$ 2,365**	**$ 1**	**$ 315**	**$ 2,051**	**—**
Net pension liability	**$ 1,371**	**$ 5,545**	**$ —**	**$ 6,916**	**—**
Other postemployment benefits	**$ 15,507**	**$ 3,242**	**$ 1,447**	**$ 17,302**	**—**
Pollution remediation	**$ 1,041**	**$ 191**	**$ 146**	**$ 1,086**	**140**
Collateralized borrowings	**$ 401**	**$ —**	**$ 23**	**$ 378**	**22**
General obligation bonds payable:					
General obligation bonds payable	$ 2,727	$ —	$ 264	$ 2,463	230
Deferred amounts:					
Unamortized premiums	160	—	9	151	8
Total	**$ 2,887**	**$ —**	**$ 273**	**$ 2,614**	**238**
Other financing arrangements:					
Capital leases	$ 7	$ 10	$ 3	$ 14	3
Other financing arrangements	35,750	4,704	5,534	34,920	3,028
Deferred amounts:					
Unamortized premiums	3,303	745	377	3,671	271
Unamortized discounts	(6)	—	(1)	(5)	(1)
Accreted discount on bonds	17	1	5	13	—
Total	**$ 39,071**	**$ 5,460**	**$ 5,918**	**$ 38,613**	**3,301**
Derivative instruments	**$ 218**	**$ —**	**$ 71**	**$ 147**	**—**
Total due within one year					**$ 4,820**

CHANGES IN LONG-TERM LIABILITIES—BUSINESS-TYPE ACTIVITIES

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Accrued liabilities:					
Compensated absences	$ 366	$ 193	$ 158	$ 401	$ 251
Litigation	593	129	24	698	35
Miscellaneous	615	4	23	596	4
Total	**$ 1,574**	**$ 326**	**$ 205**	**$ 1,695**	**290**
Lottery prizes payable	**$ 1,357**	**$ 101**	**$ 124**	**$ 1,334**	**131**
Pension contributions payable:					
SUNY (June 30, 2016)	$ 237	$ 25	$ 55	$ 207	26
Lottery	3	—	1	2	—
Total	**$ 240**	**$ 25**	**$ 56**	**$ 209**	**26**
Net pension liability:					
SUNY (June 30, 2016)	$ 188	$ 931	$ 245	$ 874	—
CUNY (June 30, 2016)	775	261	—	1,036	—
Lottery	2	6	—	8	—
Total	**$ 965**	**$ 1,198**	**$ 245**	**$ 1,918**	**—**
Other postemployment benefits:					
SUNY (June 30, 2016)	$ 4,871	$ 963	$ 306	$ 5,528	—
CUNY (June 30, 2016)	615	93	—	708	—
Total	**$ 5,486**	**$ 1,056**	**$ 306**	**$ 6,236**	**—**
Collateralized borrowings:					
SUNY (June 30, 2016)	$ 437	$ 555	$ 7	$ 985	29
Unamortized premiums	30	84	4	110	5
Total	**$ 467**	**$ 639**	**$ 11**	**$ 1,095**	**34**
Other financing arrangements:					
SUNY (June 30, 2016)	$ 9,386	$ 1,469	$ 1,337	$ 9,518	318
CUNY (June 30, 2016)	4,362	309	297	4,374	184
Unamortized premiums:					
SUNY (June 30, 2016)	703	134	88	749	38
CUNY (June 30, 2016)	283	46	23	306	20
Total	**$ 14,734**	**$ 1,958**	**$ 1,745**	**$ 14,947**	**560**
Derivative instruments	**$ 64**	**$ 14**	**$ —**	**$ 78**	**—**
Total due within one year					**$ 1,041**

Litigation and workers' compensation liabilities will be liquidated by the General Fund. Medicaid accrued liabilities and payable to local governments will be liquidated by the General Fund and the Federal Special Revenue Fund. Payroll and related fringe benefits, compensated absences, health insurance, pension contributions, other postemployment benefits, pollution remediation, secured hospitals and miscellaneous accrued liabilities will be liquidated by the General Fund, Federal Special Revenue Fund, General Debt Service Fund and Other Governmental Funds.

Accrued Liabilities—Governmental Activities

The following table summarizes accrued liabilities at March 31, 2017 for governmental activities (amounts in millions):

Description	General	Federal Special Revenue	General Debt Service	Other Governmental Funds	Total Governmental Activities
Payroll	$ 522	$ 39	$ —	$ 83	$ 644
Fringe benefits	90	10	—	4	104
Medicaid	1,541	3,659	—	—	5,200
Health programs	46	—	—	—	46
Miscellaneous	525	6	11	264	806
Total governmental funds	**$ 2,724**	**$ 3,714**	**$ 11**	**$ 351**	**6,800**
Payable to fiduciary funds					2,853
Total					**$ 9,653**

Payable to Local Governments—Governmental Funds

The following table summarizes amounts payable to local governments at March 31, 2017 for governmental funds (amounts in millions):

Description	General	Federal Special Revenue	General Debt Service	Other Governmental Funds	Total
Education programs	$ 1,505	$ 33	$ —	$ 4	$ 1,542
Temporary and disability assistance	553	1,211	—	—	1,764
Local health programs	386	587	—	11	984
Mental hygiene programs	12	—	—	—	12
Criminal justice programs	55	—	—	—	55
Children and family services programs	269	—	—	—	269
Litigation	2	—	—	—	2
Local share of tax revenues	—	—	172	—	172
Public safety	—	4	—	—	4
Emergency management	—	1,800	—	—	1,800
Miscellaneous	124	45	—	246	415
Total	**$ 2,906**	**$ 3,680**	**$ 172**	**$ 261**	**$ 7,019**

Accrued Liabilities—Business-type Activities

The following table summarizes current accrued liabilities at March 31, 2017 for business-type activities (June 30, 2016 for SUNY and CUNY) (amounts in millions):

Description	Lottery	Unemployment Insurance Benefit	SUNY	CUNY	Total
Payroll	$ —	$ —	$ 237	$ 383	$ 620
Fringe benefits	—	—	78	103	181
Employer overpayments	—	43	—	—	43
Benefits due claimants	—	9	—	—	9
Unclaimed and future prizes	551	—	—	—	551
Miscellaneous	—	—	139	94	233
Total	**$ 551**	**$ 52**	**$ 454**	**$ 580**	**1,637**
Long-term accrued liabilities— due within one year					290
Total					**$ 1,927**

Note 9 Interfund Transactions and Other Transfers

Interfund Transfers

Interfund transfers for the year ended March 31, 2017 consisted of the following (amounts in millions):

	Transfers To							
Transfers From	General	General Debt Service	Other Governmental	Elimination	Total Governmental Funds	SUNY	CUNY	Total
General	$ —	$ 956	$ 3,251	$ —	**$ 4,207**	$ 3,072	$ 1,180	**$ 8,459**
Federal Special Revenue	217	—	1,323	—	**1,540**	339	—	**1,879**
General Debt Service	13,289	—	—	—	**13,289**	641	385	**14,315**
Other Governmental	5,562	1,739	38	—	**7,339**	98	—	**7,437**
Elimination	—	—	—	(26,375)	**(26,375)**	—	—	**(26,375)**
Total Governmental Funds	**19,068**	**2,695**	**4,612**	**(26,375)**	**—**	**4,150**	**1,565**	**5,715**
SUNY	14	—	—	—	**14**	—	—	**14**
Lottery	—	—	3,268	—	**3,268**	—	—	**3,268**
Non-current	—	—	—	—	**—**	63	—	**63**
Total	**$ 19,082**	**$ 2,695**	**$ 7,880**	**$ (26,375)**	**$ 3,282**	**$ 4,213**	**$ 1,565**	**$ 9,060**

Transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. Significant transfers include transfers to the General Fund from other funds representing excess revenues not needed in those funds. Transfers to the General Fund from the General Debt Service Fund for excess funds not needed for debt service on revenue bonds backed by personal income and sales tax revenues totaled $12.9 billion. Transfers to the General Fund from Other Governmental Funds are primarily due to: mental health patient fees in excess of debt service and rental reserve requirements of $1.1 billion; excess sales tax receipts not needed for LGAC debt service requirements of $2.7 billion; and excess real property transfer tax receipts from clean water and clean air programs of $940 million. Transfers from the General Fund to the General Debt Service Fund and Other Governmental Funds include State debt service payments ($924 million) and State capital projects ($1.2 billion). Transfers from the General Fund to the Enterprise Funds are State support to the SUNY and CUNY Funds ($4.2 billion). Transfers from the Federal Special Revenue Fund and Other Governmental Funds comprise the Federal share of Medicaid payments for a variety of purposes, including transfers to the Mental Health Services Fund for recipients residing in State-operated facilities ($1.2 billion). Transfers from the Lottery to Other Governmental Funds represent Lottery support for school aid payments ($3.3 billion). The eliminations of $26.4 billion represent transfers made between the governmental funds.

Transfers from the governmental funds to the SUNY and CUNY Funds are reported as transfers to other funds by the governmental funds and as State appropriations by the SUNY and CUNY Funds. As explained in Note 1, the amounts reported for the SUNY and CUNY Funds are derived from their annual financial statements for the fiscal year ended June 30, 2016. Therefore, because of the different fiscal year-end for the SUNY and CUNY Funds, total transfers from other funds exceed total transfers to other funds by $267 million. The following is a reconciliation of transfers resulting from different year-ends (amounts in millions):

Governmental Activities transfers:	
SUNY	$ (4,199)
CUNY	(1,565)
Lottery (Education aid)	3,268
Total Governmental Activities transfers	(2,496)
Business-type Activities transfers:	
State	4,718
Federal and State hospital support transfers	870
Education aid	(3,268)
Capital	443
Total Business-type Activities transfers	2,763
Total transfers	**$ 267**

Due To/From Other Funds

The following is a summary of the amounts due to other funds and due from other funds at March 31, 2017 (amounts in millions):

	Due To Other Funds								
Due From Other Funds	General	Federal Special Revenue	General Debt Service	Other Governmental	Elimination	Total Governmental Funds	Business-type Activities	Non-current	Total
General	$ —	$ 885	$ 346	$ 1,636	$ —	**$ 2,867**	$ 6	$ —	**$ 2,873**
Federal Special Revenue	3	—	—	1	—	**4**	1	—	**5**
Other Governmental	262	380	—	—	—	**642**	293	—	**935**
Elimination	—	—	—	—	(3,513)	**(3,513)**	—	—	**(3,513)**
Total Governmental Funds	**265**	**1,265**	**346**	**1,637**	**(3,513)**	**—**	**300**	**—**	**300**
Business-type Activities	373	3	—	73	—	**449**	—	778	**1,227**
Fiduciary	2,853	—	—	—	—	**2,853**	—	—	**2,853**
Total	**$ 3,491**	**$ 1,268**	**$ 346**	**$ 1,710**	**$ (3,513)**	**$ 3,302**	**$ 300**	**$ 778**	**$ 4,380**

The more significant balances in due to/from other funds include $1.5 billion due to the General Fund to cover cash overdrafts in the short-term investment pool. These temporary interfund loans include $186.4 million to the Federal Special Revenue Fund and $1.3 billion to Other Governmental Funds. Due from the General Fund to the Fiduciary Funds related to escheat property that is estimated to be reclaimed and paid to claimants is $2.9 billion. Due to other funds in the General Debt Service Fund includes $346 million for amounts owed to the General Fund for excess personal income revenues. Due from Non-current to Business-type Activities includes $712 million related to SUNY litigation for incurred but not reported claims and $66 million for accrued interest for SUNY related debt.

As explained in Note 1, the amounts reported for the SUNY and CUNY Funds are derived from their annual financial statements for the fiscal year ended June 30, 2016. Therefore, because the fiscal year-end of the SUNY and CUNY Funds differs from the State's fiscal year-end, the total amount reported as due from other funds exceeds the total amount reported as due to other funds by $140 million.

Note 10 Commitments and Contingencies

The State receives significant financial assistance from the Federal government in the form of grants and entitlements. Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of resources for eligible purposes. Substantially all Federal grants are either subject to the Federal Single Audit Act or to financial and compliance audits by grantor agencies of the Federal government or their designees. Disallowances by Federal program officials as a result of these audits may become liabilities of the State.

Pursuant to legislation enacted in 1985, the State entered into service contracts establishing a contingent-contractual obligation with respect to financings related to the DASNY Secured Hospital Program for the purpose of enabling certain financially distressed not-for-profit hospitals to gain access to the capital markets. The State service contracts obligate the State to pay debt service, subject to annual appropriations, on bonds in the event of shortfalls in hospital resources. The bonds mature annually through February 15, 2028, with semiannual interest payments. As of March 31, 2017, there are $220 million of outstanding bonds in the program with a scheduled annual debt service requirement of $38 million. Authorization to issue bonds under this program expired on March 1, 1998.

Three of the four remaining hospitals in the State's Secured Hospital Program are in poor financial condition and are included in the liability recognized by the State. During the fiscal year, the State paid $30 million, resulting in cumulative payments under the obligation of $85 million since fiscal year 2014 when the State's contingent contractual obligation was first invoked. Of the $85 million paid, $50 million is related to those obligations outstanding at March 31, 2017. The State has recognized a liability under the guarantee of approximately $74 million based on the present value of expected debt service payments required through fiscal year 2028 net of the present value of anticipated revenues from a lease agreement on one of the properties and the estimated market value of other properties assumed by affiliates of DASNY through bankruptcy proceedings that will be used to offset the debt service payments. This amount would cover the debt service costs for one hospital whose debt service obligation was discharged in bankruptcy, a second hospital which closed in 2010 and a third hospital that is currently delinquent in its payments. The State has estimated an additional exposure of $9 million annually if all hospitals fail to meet their terms and available reserve funds are depleted.

The New York State Constitution provides that the State may guarantee repayment of certain borrowings of the Job Development Authority (JDA) to carry out designated projects. The State has never been called upon to make any direct payments pursuant to such guarantees. However, in 1996, the State entered into an agreement with JDA and the New York State Urban Development Corporation (UDC) whereby UDC would provide funding needed by JDA to meet its debt service obligations. JDA required no financial assistance to meet debt service obligations during the State fiscal year ended March 31, 2017. As of March 31, 2017, JDA had $3 million of State-guaranteed bonds and notes outstanding (with an additional $708 million authorized but not issued).

In order to provide additional inducement to investors to purchase the obligations of certain public benefit corporations, the legislation creating these corporations authorizes the State to make up any deficiencies in their debt service reserve funds, subject to legislative appropriation (effectively, a "moral obligation" debt to back the corporations' credit). Such "moral obligation" debt does not constitute full faith and credit obligations of the State. As of March 31, 2017, approximately $1.4 million in moral obligation bonds were outstanding. During the year, the State was not called on to make any payments.

Health care providers have a right to appeal Medicaid reimbursement rates. Based on an analysis of appeals, a liability of $650 million has been recognized in the government-wide Statement of Net Position. Settlements were reached between the State and the majority of nursing home providers in 2016 for $850 million in rate appeals. The settlements will be paid in five annual payments of approximately $170 million each starting in fiscal year ended March 31, 2016. To date $335 million has been paid. Accordingly, the State has reported the remaining liability of $515 million which is reflected in the $650 million amount noted above.

The Centers for Medicare and Medicaid Services (CMS) disallowed Medicaid claims for services provided by the New York State Office for Persons with Developmental Disabilities in fiscal years 2011, 2012 and 2013. The State and CMS reached a settlement agreement on March 20, 2015 on this matter, whereby the State agreed to pay a total of $1.95 billion to CMS. The State adjusted the Federal and State shares of Medicaid costs for $850 million in fiscal year 2016 and $100 million in fiscal year 2017. The State will adjust the Federal and State shares of future Medicaid costs to reimburse the Federal government $100 million annually for each of the next 10 years. Accordingly, the State has reported the remaining liabilities of $1 billion in the governmental activities.

In 1977-78, the State required that reserve funds held by insurance companies that underwrite the State employee health insurance programs be paid to the General Fund. The State is liable to replenish these reserve funds if needed to pay insured benefits or if the contracts with the insurance companies are terminated. Accordingly, based on actuarial calculations, the State has recorded a liability of $192 million, which is reported as accrued liabilities due in more than one year on the government-wide Statement of Net Position.

Generally, the State does not insure its buildings, contents or related risks and does not insure its State-owned automobiles for bodily injury and property damages, but the State does have fidelity insurance on State employees. A liability is estimated for unpaid automobile claims based on an analysis of property loss and claim settlement trends. Routine uninsured losses are recorded as expenditures in the General Fund as paid, while significant uninsured losses usually are the result of litigation that is discussed further in Note 11. Insured losses incurred by the State did not exceed coverage for any of the three preceding fiscal years. Litigation losses are estimated based on an assessment of pending cases conducted by the Office of the Attorney General.

Workers' compensation is provided with the State Insurance Fund acting as the State's administrator and claims processing agent. Under an agreement with the State Insurance Fund, the State pays only what is necessary to fund claims. Based on actuarial calculations, discounted at 0.33 percent as of March 31, 2017, the State is liable for unfunded claims and incurred but not reported claims totaling $4.3 billion, which are reported as accrued liabilities in the government-wide Statement of Net Position.

Changes in the State's liability relating to workers' compensation claims, litigation and incurred but not reported loss estimates related to medical malpractice claims (Note 11), and auto claims in fiscal years 2016 and 2017 were (amounts in millions):

Fiscal Year	Claim Liability Beginning of Year	Increase in Liability Estimate	Payments and Decrease in Liability Estimate	Claim Liability End of Year
2015-2016	$ 3,833	$ 1,372	$ 568	$ 4,637
2016-2017	$ 4,637	$ 1,093	$ 552	$ 5,178

The State Finance Law requires the Abandoned Property Fund, a Private Purpose Trust Fund, to have a maximum cash balance of $750 thousand at fiscal year-end. All Abandoned Property receipts are recorded in the General Fund and receipts recorded in the Abandoned Property Fund are for payment upon approval of a claim. At March 31, 2017, the Abandoned Property Fund included $44 million of securities not yet liquidated and not subject to the State Finance Law's cash provisions. Net collections from inception (1942) to March 31, 2017 of approximately $14.9 billion, excluding interest, represent a contingent liability to the State since the owners of such property may file claims for refunds.

Restricted net position, representing the probable amount of escheat property that will be reclaimed and paid to claimants, is reported in the Abandoned Property Fund (Fund). To the extent that assets in the Fund are less than the claimant liability, a receivable (due from other funds) is reported in that Fund and an equal liability (due to other funds) is reported in the General Fund. At March 31, 2017, the amount reported in the Fund for claimant liability is $3.1 billion and the amount reported in the General Fund as due to the Fund is $2.9 billion. Since receipts in the Fund are expected to be adequate to pay current claims, it is not expected that General Fund support for that purpose will be required. Claims paid from the Fund during the year totaled $418 million.

The State is liable for costs relating to the closure and post-closure of landfills totaling $12 million, which is recorded in accrued liabilities. Closure and post-closure requirements are generally governed by Title 6, Part 360 of the New York Code of Rules and Regulations. Since most landfills are inactive, the liability reflects the total estimated closure and post-closure cost at year-end. Liability estimates are based on engineering studies or on estimates by agency officials that are updated annually.

GASBS No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, provides guidance for state and local governments in estimating and reporting the potential costs of pollution remediation. While GASBS 49 does not require the State to search for pollution, it does require the State to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and the State is compelled to take action;
- The State is in violation of a pollution-related permit or license;
- The State is named or has evidence that it will be named as responsible party by a regulator;
- The State is named or has evidence that it will be named in a lawsuit to enforce a cleanup; or
- The State commences or legally obligates itself to conduct remediation activities.

Site investigation, planning and design, cleanup and site monitoring are typical remediation activities underway across the State. Several State agencies have dedicated programs, rules and regulations that routinely deal with remediation-related issues; others become aware of pollution conditions in the fulfillment of their missions. The State has the knowledge and expertise to estimate the remediation obligations presented herein based upon prior experience in identifying and funding similar remediation activities. The standard requires the State to calculate pollution remediation liabilities using the expected cash flow technique. Where the State cannot reasonably estimate a pollution remediation obligation, it does not report a liability; however, the State has not identified any such situation.

The remediation obligation estimates that appear in this report are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the State's obligation. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

During the fiscal year, the State recognized estimated additional liabilities of $191 million, spent $136 million in pollution remediation obligation-related activities and recognized adjustments decreasing the liability by $10 million. The State recovered $37 million from other responsible parties. At March 31, 2017, the State had an outstanding pollution remediation liability of $1.1 billion, with an estimated potential recovery of $90 million from other responsible parties.

Legislation enacted in 2003 authorized the State to securitize all of its tobacco settlement payments to the Tobacco Settlement Financing Corporation (TSFC) through an asset-backed securitization transaction. To lower costs, the legislation authorized the State to enter into contingency contracts obligating the State to pay debt service, subject to annual appropriations, on the TSFC bonds in the event that tobacco receipts and bond reserves are insufficient. To ensure that State contractual payments will not be required and that tobacco receipts and bond reserves are sufficient to pay debt service, the TSFC bonds were structured to meet or exceed all rating agency tobacco bonds stress tests. The bonds carry a final nominal maturity of 19 years and an expected final maturity of 13 years, based on optional redemptions. The expected final maturity may deviate due to the optional nature of the redemptions and adjustments to tobacco settlement payments due from Participating Manufacturers. A lawsuit was filed in 2006 by the Attorney General of New York to recover the settlement payments that were withheld from the State. In addition, Participating Manufacturers brought a nationwide arbitration against the settling states, including New York, asserting that those states failed to diligently enforce their respective escrow statutes in 2003 as required to maintain the base settlement payments per the Master Settlement Agreement. This was settled in 2003. On September 11, 2013, New York was found to have diligently enforced its qualifying statute in 2003 and, thus, is not subject to the adjustment for 2003. The same claim for the 2004-2012 years has been raised, but none of those years is yet in arbitration. The Participating Manufacturers had indicated their intent to bring a nationwide NPM Adjustment Arbitration for sales year 2004 against New York and the other states that rejected the term sheet. On October 20, 2015, New York and the Participating Manufacturers announced a settlement of all outstanding disputes between them concerning non-participating manufacturers adjustments and related disputed payment account deposits relating to all prior sales years under the Master Settlement Agreement (MSA). The settlement released to New York 90 percent of the funds currently held in the deposit payment account for past adjustment claims. Future MSA annual payments will be discounted based on a fixed amount per pack but modified based on overall volume. Beyond the stipulated discount, New York will not be at risk of losing any of its future annual payments as a result of extended arbitration proceedings. Under the settlement, there will be no future non-participating manufacturer adjustment arbitrations involving New York and New York will no longer risk losing its entire annual MSA payment.

Several unions have not reached labor settlement agreements with the State at this time. Settlements may result in added costs to the State. The Enacted Budget assumes spending related to these settlements, but the actual settlements could exceed the amounts in the budget.

Note 11 Litigation

The State is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of State and Federal laws.

Included in the State's outstanding litigation are a number of cases challenging the legality or the adequacy of a variety of significant social welfare programs, primarily involving the State's Medicaid and mental health programs. Adverse judgments in these matters generally could result in injunctive relief coupled with prospective changes in patient care that could require substantial increased financing of the litigated programs in the future.

With respect to pending and threatened litigation, the State has reported, in the governmental activities, liabilities of $924 million, of which $712 million pertains to SUNY, for awarded claims, anticipated unfavorable judgments, and incurred but not reported loss estimates related to medical malpractice claims. In addition, the State is party to other claims and litigation that its legal counsel has advised may result in possible adverse court decisions with estimated potential losses of approximately $116 million.

Note 12 Retirement Systems

New York State and Local Retirement System

The Office of the New York State Comptroller administers the following plans: the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS), which are collectively referred to as the New York State and Local Retirement System (the System). The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. ERS and PFRS are cost-sharing, multiple-employer, defined benefit pension plans. The Public Employees' Group Life Insurance Plan (GLIP) provides death benefits in the form of life insurance. For financial reporting purposes, GLIP amounts are apportioned to and included as part of either ERS or PFRS.

The System issues a publicly available financial report that includes financial statements, expanded disclosures, and required supplementary information for the System. The report may be obtained by writing to the New York State and Local Retirement System, Office of the State Comptroller, 110 State Street, Albany, New York, 12244-0001 or at *www.osc.state.ny.us/pension/cafr.htm*.

Plan Benefits

The System provides retirement benefits as well as death and disability benefits. Retirement benefits are established by the RSSL and are dependent upon the point in time at which the employees last joined the System. The RSSL has established distinct classes of membership. The System uses a tier concept within ERS and PFRS to distinguish these groups, as follows:

ERS

Tier 1	Those persons who last became members before July 1, 1973.
Tier 2	Those persons who last became members on or after July 1, 1973, but before July 27, 1976.
Tier 3	Generally, those persons who are State correction officers who last became members on or after July 27, 1976, but before January 1, 2010, and all others who last became members on or after July 27, 1976, but before September 1, 1983.
Tier 4	Generally, except for correction officers, those persons who last became members on or after September 1, 1983, but before January 1, 2010.
Tier 5	Those persons who last became members on or after January 1, 2010, but before April 1, 2012.
Tier 6	Those persons who first became members on or after April 1, 2012.

PFRS

Tier 1	Those persons who last became members before July 31, 1973.
Tier 2	Those persons who last became members on or after July 31, 1973, but before July 1, 2009.
Tier 3	Those persons who last became members on or after July 1, 2009, but before January 9, 2010.
Tier 4	N/A
Tier 5	Those persons who last became members on or after January 9, 2010, but before April 1, 2012, or who were previously PFRS Tier 3 members who elected to become Tier 5.
Tier 6	Those persons who first became members on or after April 1, 2012.

Generally, members of ERS and PFRS must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Full benefits may be collected at age 55 for Tier 1 members. Members of Tiers 2, 3 and 4 must generally have five years of service to be eligible to collect a retirement benefit. The full benefit age for members of Tiers 2, 3 and 4 is 62. Tier 5 members must have ten years of service to be eligible to collect a retirement benefit. The full benefit age for Tier 5 members is 62. Tier 6 members must have ten years of service to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS member and 62 for PFRS members. A member with less than five years of service may withdraw and obtain a refund, including interest, of the accumulated employee contributions. Members who joined the System prior to January 1, 2010 generally need five years of service to be 100 percent vested. Members who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) need 10 years of service credit to be 100 percent vested.

Typically, the benefit for members in all Tiers within ERS and PFRS is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a Tier 1 or 2 member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. If a Tier 3, 4 or 5 member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a Tier 3, 4 or 5 member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Final average salary for Tiers 1 through 5 is the average of the wages earned in the three highest consecutive years of employment. Each year used in the final average salary calculation is limited to no more than 20 percent of the previous year (Tier 1) or no more than 20 percent of the average of the previous two years (Tier 2). For Tier 3, 4 and 5 members, each year used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous two years. The benefit for Tier 6 members who retire with 20 years of service is 1.75 percent of final average salary for each year of service. If a Tier 6 member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. The final average salary for a Tier 6 member is computed as the average of the wages earned in the five highest consecutive years. Each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

An automatic post-employment benefit is provided annually to pensioners who have attained age 62 and have been retired for five years; to pensioners who have attained age 55 and have been retired for 10 years; to all disability pensioners, regardless of age, who have been retired for five years; to ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed $18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or greater than 3 percent.

Contributions

Employee contribution requirements depend upon the point in time at which an employee last joined the System. Most Tier 1 and Tier 2 members of ERS, and most members of PFRS are not required to make employee contributions. Employees in Tiers 3, 4 and 5 are required to contribute 3 percent of their salary however, as a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees who have ten or more years of membership or credited service within the System are not required to contribute. The Tier 6 contribution rate varies from 3 percent to 6 percent depending on salary. Tiers 5 and 6 members are required to contribute for all years of service. Members cannot be required to begin contributing or to make increased contributions beyond what was required when their memberships began. The State's contributions for the year ended March 31, 2017 were $1.6 billion for ERS and $152 million for PFRS.

Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for ERS for the fiscal year ended March 31, 2017 was approximately 15.5 percent of payroll. The average contribution rate for PFRS for the fiscal year ended March 31, 2017 was approximately 24.3 percent of payroll.

RSSL Chapter 57 of the Laws of 2010 authorized the State and local employers to amortize over ten years, at 5 percent interest, the portion of their annual bill for fiscal year ended 2011 that exceeded 9.5 percent of payroll for ERS and 17.5 percent of payroll for PFRS. The amortized amount receivable due to the System as of March 31, 2017 from the State is $111 million and from participating employers is $14.1 million. The thresholds for the fiscal year ended 2012 were 10.5 percent of payroll for ERS and 18.5 percent for PFRS. The interest rate was 3.75 percent. The amortized amount receivable due to the System as of March 31, 2017 from the State is $307.9 million and from participating employers is $101.4 million. The thresholds for the fiscal year ended 2013 were 11.5 percent of payroll for ERS and 19.5 percent for PFRS. The interest rate was 3 percent. The amortized amount receivable due to the System as of March 31, 2017 from the State is $495.2 million and from participating employers is $218.4 million. The thresholds for the fiscal year ended 2014 were 12.5 percent of payroll for ERS and 20.5 percent for PFRS. The interest rate was 3.67 percent. The amortized amount receivable due to the System as of March 31, 2017 from the State is $691.9 million and from participating employers is $140.3 million. The thresholds for the fiscal year ended 2015 were 13.5 percent of payroll for ERS and 21.5 percent for PFRS. The interest rate was 3.15 percent. The amortized amount receivable due to the System as of March 31, 2017 from the State is $588.7 million and from participating employers is $114.8 million. The thresholds for the fiscal year ended 2016 were 14.5 percent of payroll for ERS and 22.5 percent for PFRS. The interest rate was 3.21 percent. The amortized amount receivable due to the System as of March 31, 2017 from the State is $325.9 million and from participating employers is $61.5 million. The thresholds for the fiscal year ended 2017 are 15.1 percent of payroll for ERS and 23.5 percent for PFRS. The interest rate is 2.3 percent. The amortized amount receivable due to the System as of March 31, 2017 from the State is zero and from participating employers is $6.1 million. Amounts owed by the State under these programs have been allocated among the governmental activities, and the SUNY and Lottery enterprise funds.

The fiscal year 2014 Enacted Budget included an alternate contribution program (the Alternate Contribution Stabilization Program) that provided certain participating employers with a one-time election to amortize slightly more of their required contributions than would be available for amortization under the 2010 legislation. In addition, the maximum payment period was increased from ten years to twelve years. The election was available to counties, cities, towns, villages, BOCES, school districts and the four public health care centers operated in the counties of Nassau, Westchester and Erie. The State was not eligible to participate in the Alternate Contribution Stabilization Program. The thresholds for the fiscal year ended 2014 were 12 percent of payroll for ERS and 20 percent for PFRS. The interest rate was 3.8 percent. The amortized amount receivable due to the System as of March 31, 2017 from participating employers is $197.5 million. The thresholds for the fiscal year ended 2015 were 12 percent of payroll for ERS and 20 percent for PFRS. The interest rate was 3.5 percent. The amortized amount receivable due to the System as of March 31, 2017 from participating employers is $168.9 million. The thresholds for the fiscal year ended 2016 were 12.5 percent of payroll for ERS and 20.5 percent for PFRS. The interest rate was 3.3 percent. The amortized amount receivable due to the System as of March 31, 2017 from participating employers is $124.8 million. The thresholds for the fiscal year ended 2017 is 13 percent of payroll for ERS and 21 percent for PFRS. The interest rate is 2.6 percent. The amortized amount receivable due to the System as of March 31, 2017 from participating employers is $93 million.

Net Pension Liabilities and Other Pension-Related Amounts

For purposes of determining net pension liability and other pension-related amounts, information about the fiduciary net position of ERS and PFRS and additions to and deductions from the ERS and PFRS fiduciary net position have been determined on the same basis reported by the System. Benefits are recognized when due and payable. Investments are recorded at fair value as further described in Note 2.

The State's proportionate share of the collective net pension liability for ERS and PFRS reported at March 31, 2017, was measured as of March 31, 2016, and was determined using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The State's proportion of the ERS and PFRS net pension liability measured at March 31, 2016, was 42.5 percent for ERS and 19.1 percent for PFRS, as compared to 41.9 percent for ERS and 19 percent for PFRS at March 31, 2015. The State's proportions related to each plan were determined consistently with the manner in which contributions to the pension plan are determined. The State's total projected long-term contribution effort to ERS and PFRS was compared to the total projected long-term contribution effort from all employers to ERS and PFRS in order to determine the State's proportion of the respective plan's net pension liability.

State employees related to governmental activities, as well as the SUNY and Lottery enterprise funds are members of ERS. The Statewide proportion of the ERS collective net pension liability measured at March 31, 2016 of 42.5 percent was allocated 39.6 percent to governmental activities, 2.8 percent to the SUNY enterprise fund, and 0.05 percent to the Lottery enterprise fund, as compared to the March 31, 2015 proportion being allocated 39.1 to governmental activities, 2.7 percent to the SUNY enterprise fund, and .05 percent to the Lottery enterprise fund. In addition to its allocation of the Statewide proportion, SUNY recognized a proportion of the ERS collective net pension liability of 2.6 percent associated with specific related entities excluded from the Statewide proportion. Only State employees related to governmental activities are members of PFRS. Therefore, the entire Statewide proportion of the PFRS collective net pension liability is allocated to the governmental activities.

The State recognized net pension liability of $6.3 billion and $566 million in the governmental activities for its respective proportionate shares of the ERS and PFRS collective net pension liabilities. Pension expense recognized by the State in the governmental activities was $2.3 billion for ERS and $205 million for PFRS for the year ended March 31, 2017. The State reported the following deferred outflows of resources and deferred inflows of resources in the governmental activities for ERS and PFRS at March 31, 2017 (amounts in millions):

	ERS		PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 32	$ 753	$ 5	$ 86
Net difference between projected and actual investment earnings on pension plan investments	3,768	—	318	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	41	22	—	14
Changes in assumptions	1,693	—	244	—
Contributions made subsequent to measurement date	1,477	—	152	—
Total	**$ 7,011**	**$ 775**	**$ 719**	**$ 100**

The amounts of deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2018. The remaining cumulative net amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the governmental activities will be recognized in future pension expense as follows (amounts in millions):

Fiscal Year	ERS	PFRS
2018	$ 1,209	$ 110
2019	1,209	110
2020	1,209	110
2021	1,132	106
2022	—	31
Total	**$ 4,759**	**$ 467**

SUNY recognized a net pension liability of $859.3 million for its proportionate share of the ERS net pension liability. The Lottery recognized a net pension liability of $8.3 million for its proportionate share of the ERS net pension liability. For the years ended June 30, 2016 and March 31, 2017, SUNY and Lottery recognized pension expense of $300 million and $3 million, respectively, related to ERS, and deferred outflows of resources and deferred inflows of resources related to ERS from the following sources (amounts in millions):

	SUNY		Lottery	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 4	$ 102	$ —	$ 1
Net difference between projected and actual investment earnings on pension plan investments	510	—	5	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	3	27	—	—
Changes in assumptions	229	—	2	—
Contributions made subsequent to measurement date	—	—	2	—
Total	**$ 746**	**$ 129**	**$ 9**	**$ 1**

The amounts of deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for SUNY will be recognized in pension expense in the amount of $155.7 million each year over the next three fiscal years and $149.9 million in the fourth year. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for Lottery will be recognized in pension expense in the amount of $2 million each year over the next four fiscal years.

Actuarial Assumptions

The total pension liability for the March 31, 2016 measurement date was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation for both ERS and PFRS used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.5 percent
Salary scale	3.8 percent in ERS; 4.5 percent in PFRS, indexed by service
Investment rate of return, including inflation	7 percent compounded annually, net of investment expenses
Cost of living adjustments	1.3 percent annually
Decrements	Developed from each Plan's 2015 experience study for period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014

The total pension liability for the March 31, 2015 measurement date was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. Actuarial methods and assumptions for ERS and PFRS for the prior year net pension liability measured at March 31, 2015 were:

Actuarial cost method	Entry age normal
Inflation	2.7 percent
Salary scale	4.9 percent in ERS; 6 percent in PFRS, indexed by service
Investment rate of return, including inflation	7.5 percent compounded annually, net of investment expenses
Cost of living adjustments	1.4 percent annually
Decrements	Developed from each Plan's 2010 experience study for period April 1, 2005 through March 31, 2010
Mortality improvement	Society of Actuaries Scale MP-2014

Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for each plan as of April 1, 2015 are summarized below:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Domestic equity	38%	7.30%
International equity	13%	8.55%
Private equity	10%	11%
Real estate	8%	8.25%
Absolute return strategies	3%	6.75%
Opportunistic portfolio	3%	8.60%
Real assets	3%	8.65%
Bonds and mortgages	18%	4%
Cash	2%	2.25%
Inflation-indexed bonds	2%	4%
Total	**100%**	

Discount Rate

The discount rate used to measure the ERS and PFRS total pension liabilities as of March 31, 2016 was 7 percent, as compared to 7.5 percent for the March 31, 2015 measurement date. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon these assumptions, the ERS and PFRS fiduciary net positions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the current period net pension liability of the State governmental activities, SUNY and Lottery calculated using the current period discount rate assumption of 7 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6 percent) or 1 percentage-point higher (8 percent) than the current assumption (in millions):

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
Governmental activities ERS net pension liability (asset)	$ 14,319	$ 6,350	$ (383)
Governmental activities PFRS net pension liability (asset)	$ 1,265	$ 566	$ (19)
SUNY net pension liability (asset)	$ 1,938	$ 859	$ (52)
Lottery net pension liability (asset)	$ 19	$ 8	$ (1)

Voluntary Defined Contribution Plan

The Voluntary Defined Contribution Benefit Plan (VDCP) is offered though the Teachers Insurance and Annuity Association—College Retirement Equities Fund (TIAA-CREF). TIAA-CREF is an Optional Retirement Program (ORP) and provides retirement and death benefits through annuity contracts to those employees who elected to participate in the ORP. The VDCP is a defined contribution pension plan. The State University of New York ORP is the administrator of the VDCP.

Prior to March 16, 2012, a limited number of employees, most notably employees of the SUNY and CUNY Senior Colleges, had the option of enrolling in this plan. Legislation signed into law on March 16, 2012, made the existing VDCP available to all eligible State employees who choose the plan as their retirement selection. The VDCP is available to unrepresented employees of New York State public employers hired on or after July 1, 2013 and who earn $75,000 or more on an annual basis. The VDCP includes a 366-day vesting period, after which a participant has full and immediate vesting in all retirement benefits provided by the annuities purchased through the employee and employer contributions. The employer and employee contributions are not deposited into accounts until the completion of the 366-day vesting period. Until that time, the funds are held in escrow by the Office of the State Comptroller. A participant who does not complete the vesting period is entitled to a refund of contributions, plus interest, upon request. The VDCP is the employees' personal retirement account, and is supported by employer and employee contributions plus any applicable earnings. Employee's income is determined by the account balance. The employee has the opportunity for higher or lower retirement income based on the investment decision and the performance of the investment options selected by the employee. The retirement income benefit will depend on several factors including salary, duration of contributions, investment earnings and age at retirement. Income is not guaranteed.

Contribution rates are established by legislation passed by the State. Currently, the employer contribution of 8 percent of compensable salary is made to participants' accounts while enrolled in this plan. For the first three years of membership, the employee contribution rate is based on the reported annual wage. After the first three years of membership, the employee contribution will be based on actual wages earned during the prior two years. Legislation signed into law on March 16, 2012 established the contribution rates. Employee contributions increase in a progressive fashion based on salary:

Annual Wage	Employee Contribution Rate
$45,000 or less	3%
$45,000 to $55,000	3.5%
$55,000 to $75,000	4.5%
$75,000 to $100,000	5.75%
More than $100,000	6%

Employer and employee contributions for governmental activities were $2 million and $1.5 million, respectively for March 31, 2017.

Other SUNY-related Pension Plans

New York State Teachers' Retirement System

SUNY participates in the New York State Teachers' Retirement System (TRS). TRS was created and exists pursuant to Article 11 of the New York State Education Law. TRS is a cost-sharing, multiple-employer, defined-benefit public plan separately administered by a ten-member board to provide pension and ancillary benefits to teachers employed by participating employers in the State of New York, excluding New York City. The System issues a publicly available financial report that includes financial statements, expanded disclosures, and required supplementary information for the System. The report may be obtained at *www.nystrs.org/Library/Publications/Annual-Report*.

Plan Benefits

Plan benefits for TRS are similar to that of ERS. Benefits vary based on the date of membership, years of credited service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments.

The RSSL has established distinct classes of membership. The System uses a Tier concept within TRS to distinguish these groups, as follows:

Tier 1	Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.
Tier 2	Members who last joined on or after July 1, 1973, and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the RSSL.
Tier 3	Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the RSSL.
Tier 4	Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the RSSL.
Tier 5	Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the RSSL.
Tier 6	Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2 percent per year of credited service times final average salary. Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service or a reduced benefit for retirement at ages 55 through 61 with less than 30 years of service and (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at ages 55 and 56 regardless of service credit, or ages 57 through 61 with less than 30 years of service. Tier 6 members are eligible for a service retirement allowance of 1.75 percent per year of credited service for the first 20 years of service plus 2 percent per year for years of service in excess of 20 years of final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63 and receive a reduced benefit at ages 55 through 62 regardless of service credit. Plan benefits vest after five years of credited service for members of Tiers 1 through 4 who joined prior to January 1, 2010. For members of Tiers 5 and 6, benefits generally vest after 10 years of service. Obligations of employers and employees to contribute, and related benefits, are governed by the RSSL and Education Law and may only be amended by the Legislature with the Governor's approval.

Permanent cost of living adjustment (COLA) benefits for both current and future retired members are provided in Section 532-a of the Education Law. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for five years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for five years, regardless of age, to be eligible. The annual COLA percentage is equal to 50 percent of the increase in the consumer price index, not to exceed 3 percent nor be lower than 1 percent. It is applied to the first $18,000 of the annual benefit.

Contributions

Tier 3 and Tier 4 members who have less than 10 years of service or membership are required by law to contribute 3 percent of salary to the System. Tier 5 members are required by law to contribute 3.5 percent of salary throughout their active membership. Tier 6 members are required by law to contribute between 3 percent and 6 percent of salary throughout their active membership in accordance with a schedule based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5 percent per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

Employers are required to contribute at an actuarially determined rate adopted annually by the Retirement Board, pursuant to Article 11 of the New York State Education Law. The actuarially determined contribution rate applicable to 2015-16 salaries was 13.3 percent. For the fiscal year ended June 30, 2016, SUNY employer contributions were $19.6 million.

Net Pension Asset and Pension-Related Amounts

SUNY's proportionate share of the collective TRS net pension asset reported at June 30, 2016 of $77.2 million was measured at June 30, 2015. SUNY's proportion of the collective TRS net pension asset was based on the ratio of the SUNY's employer contribution to the total TRS contractually required employer contributions for the year ended June 30, 2015. SUNY's proportion of the collective TRS net pension asset measured at June 30, 2015 was 0.74 percent, compared to 0.71 percent at June 30, 2014.

For purposes of determining net pension liability and other pension-related amounts, information about the fiduciary net position of TRS and additions to and deductions from the TRS fiduciary net position have been determined on the same basis reported by the System. Plan benefits are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

For the year ended June 30, 2016, SUNY recognized pension expense of ($5.2) million related to TRS. At June 30, 2016, SUNY reported deferred outflows of resources and deferred inflows of resources related to TRS from the following sources (amounts in millions):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 2
Net difference between projected and actual investment earnings on pension plan investments	—	25
Changes in employer proportion and differences between employer contributions and proportionate share of contributions	—	1
Employer contributions subsequent to measurement date	24	—
Total	**$ 24**	**$ 28**

The employer contributions subsequent to the measurement date of $24 million will be recognized as a reduction of net pension liability in the year ended June 30, 2017. Remaining amounts reported as deferred inflows of resources related to TRS will be recognized in pension expense as follows (amounts in millions):

Fiscal Year		
2017	$	(10)
2018		(10)
2019		(10)
2020		4
2021		(1)
Thereafter		(1)
Total	**$**	**(28)**

Actuarial Assumptions

The total pension asset for the June 30, 2015 measurement date was determined by using an actuarial valuation as of June 30, 2014, with update procedures used to roll forward the total pension liability to June 30, 2015. The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the actuarial experience study for the period July 1, 2005 through June 30, 2010. The actuarial valuation used the following actuarial assumptions:

Inflation	3 percent
Investment rate of return, including inflation	8 percent compounded annually, net of investment expenses
Cost of living adjustments	1.625 percent compounded annually

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvement based on Society of Actuaries Scale AA. Rates of projected salary increases are based on age and gender and have been calculated based on recent TRS member experience and are as follows:

Age	Female	Male
25	10.35%	10.91%
35	6.26%	6.27%
45	5.39%	5.04%
55	4.42%	4.01%

Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standards of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*, (ASOP No. 27), which provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to the expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of the valuation date of June 30, 2015 are as follows:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Domestic equities	37%	6.5%
International equities	18%	7.7%
Real estate	10%	4.6%
Alternative investments	7%	9.9%
Domestic fixed income securities	17%	2.1%
Global fixed income securities	2%	1.9%
Mortgages	8%	3.4%
Short-term	1%	1.2%
Total	**100%**	

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2015 was 8 percent, which is consistent with the June 30, 2014 measurement date. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from members will be made at statutorily required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability (asset) of SUNY, calculated using the discount rate of 8 percent as well as what SUNY's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) and 1 percentage point higher (9 percent) than the current year rate (in millions):

	1% Decrease (7%)	Current Assumption (8%)	1% Increase (9%)
Net pension liability (asset)	$ 5.3	$ (77.2)	$ (147.5)

Upstate Medical University Plan for Former Employees of Community General Hospital

SUNY administers a single-employer defined-benefit plan, "the Upstate Medical University Retirement Plan for Former Employees of Community General Hospital (CGH)" (Upstate Plan). This plan provides for retirement benefits for former employees of CGH, and can be amended subject to applicable collective bargaining and employment agreements. For those who opted out of this plan, benefit accruals were frozen. No new participants can enter this plan. SUNY established a Pension Oversight Committee (Committee) which has the primary fiduciary responsibility oversight of the Upstate Plan. The Committee is permitted to invest plan assets pursuant to various provisions of State law, including the RSSL.

The Upstate Plan provides retirement, disability, termination and death benefits to plan participants and their beneficiaries. Pension benefits are generally based on the highest five year average compensation of the final ten years of employment, and years of credited service as outlined in the plan. Covered employees with five or more years of service are entitled to a pension benefit beginning at normal retirement age (65). Participants become fully vested after five years of service. Participants with less than five years of service are not vested. The funding policy is to contribute enough to the Upstate Plan to satisfy the annual required contribution. Employer contributions for 2016 were $2 million. Employees do not contribute to the plan. At December 31, 2015, membership of the Upstate Plan totaled 1,607 members, comprising 465 active members, 439 inactive vested members, and 703 retirees and beneficiaries currently receiving benefits.

The Upstate Plan issues a stand-alone financial report on a calendar year basis that includes disclosure about the elements of the plan's basic financial statements. These financial statements are prepared on the accrual basis of accounting in accordance with GAAP, with investments reported at fair value and benefits recognized when due and payable in accordance with the terms of the Upstate Plan. The Upstate Plan's fiduciary net position for purposes of determining net pension liability has been determined on the same basis used by the Upstate Plan. The pension plan financial statements may be requested at *FOIL@upstate.edu*.

Net Pension Liability and Other Pension-Related Amounts

SUNY recognized a net pension liability related to the Upstate Plan of $14.4 million as of June 30, 2016, based on the net pension liability as reported by the plan as of December 31, 2015, as follows (in millions):

Total pension liability	$ 104.6
Plan fiduciary net position	90.2
Net pension liability	**$ 14.4**

At June 30, 2016, $2.8 million was reported as deferred outflows of resources related to pensions resulting from SUNY contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Pension expense for the year was $5.9 million. At June 30, 2016, SUNY reported deferred outflows of resources related to the Upstate Plan from the following sources (amounts in millions):

	Deferred Outflows of Resources
Difference between expected and actual experience	$ 1
Net difference between projected and actual investment earnings on pension plan investments	5
Changes in assumptions	1
Employer contributions subsequent to measurement date	3
Total	**$ 10**

The employer contributions subsequent to the measurement date of $3 million will be recognized as a reduction of net pension liability in the year ended June 30, 2017. Remaining amounts reported as deferred outflows of resources related to the Upstate Plan will be recognized in pension expense as follows (amounts in millions):

Fiscal Year	
2017	$ 3
2018	2
2019	1
2020	1
Total	**$ 7**

Actuarial Assumptions

The total pension liability at December 31, 2015 was determined by using an actuarial valuation as of December 31, 2015. The actuarial assumptions included in the December 31, 2015 measurement included an inflation factor of 3 percent, projected salary increases of 3.5 percent and an investment rate of return of 6.5 percent. Mortality rates were based on the RP-2014 Mortality Tables with full generational projections using Scale MP-2014.

Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined in accordance with ASOP No. 27 which provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to the expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major class as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in the Upstate Plan's target asset allocation as of December 31, 2015 is as follows:

Asset Class	Target Allocation	Long-term Expected Rate of Return
U.S. equities	50%	5.10%
Non-U.S. equities	15%	5%
Fixed income	30%	0.75%
Alternatives (Real assets)	5%	3.75%
Total	**100%**	

Discount Rate

The discount rate used to measure the total pension liability was 6.5 percent, which is consistent with the December 31, 2014 measurement date. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from members will be made at statutorily required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability calculated using the discount rate of 6.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.5 percent) or 1 percentage point higher (7.5 percent) than the current rate (in millions):

	1% Decrease (5.5%)	Current Assumption (6.5%)	1% Increase (7.5%)
Net pension liability	$ 27	$ 14	$ 4

Optional Retirement Program

SUNY employees may also participate in an Optional Retirement Program (ORP) under IRS Section 401 (a), which is a multiple-employer, defined contribution plan administered by separate vendors—TIAA-CREF, Fidelity, Metropolitan Life, VALIC, and VOYA. ORP employer and employee contributions are dictated by State law. The ORP provides benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in an ORP. 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. Employer contributions are not remitted to an ORP plan until an employee is fully vested. As such, there are no forfeitures reported by these plans if an employee is terminated prior to vesting. Employees who joined an ORP after July 27, 1976, and have less than ten years of service or membership are required to contribute 3 percent of their salary. Those joining on or after April 1, 2012 are required to contribute between 3 percent and 6 percent, dependent upon their salary, for their entire working career. Employer contributions range from 8 percent to 15 percent depending upon when the employee was hired. Employee contributions are deducted from their salaries and remitted on a current basis to the respective ORP. For the year ended June 30, 2016, SUNY recognized a pension expense of $242.3 million.

The Research Foundation

The Research Foundation for SUNY is a separate, private, nonprofit educational corporation that administers the majority of SUNY's sponsored programs. These programs are for the exclusive benefit of SUNY. The Research Foundation maintains a separate noncontributory plan through TIAA-CREF for substantially all nonstudent employees. Contributions are based on a percentage of earnings and range from 8 percent to 15 percent, depending on date of hire. Employees become fully vested after completing one year of service. Contributions are allocated to individual employee accounts. The Research Foundation pension contributions, which represents pension expense, were $31 million for 2016, which is 100 percent of the required contribution.

CUNY Senior Colleges Pension Plans

NYCERS and NYCTRS

CUNY Senior Colleges participate in the New York City Employees' Retirement System (NYCERS) and the Teachers' Retirement System of the City of New York Qualified Pension Plan (NYCTRS). NYCERS and NYCTRS are cost-sharing, multiple-employer defined benefit plans administered by the City of New York. NYCERS and NYCTRS provide retirement benefits, as well as death and disability benefits.

NYCERS and NYCTRS provide benefits to members who are in different Tiers. The members' Tier is determined by the date of membership. Subject to certain conditions, members generally become fully vested as to benefits upon the completion of five years of service. Annual pension benefits are calculated as a percentage of final average salary multiplied by the number of years of service, and changes with the number of years of membership within the plan. Benefits for members can be amended under the RSSL.

Contribution requirements of the active employees and the participating New York City agencies are established and may be amended by the NYCERS and NYCTRS Board. Employees' contributions are determined by their Tier and number of years of service. They may range between zero and 9.1 percent of their annual pay. Statutorily-required contributions to NYCERS and NYCTRS are actuarially determined in accordance with State statues and City laws and are funded by the employer within the appropriate fiscal year. CUNY made its contractually required contributions to both NYCERS and NYCTRS for the year ended June 30, 2016 in the amounts of $42 million and $102.9 million, respectively.

Each of these retirement plans issue publicly available financial reports that include financial statements and required supplementary information. Please refer to *www.nycers.org* and *www.trsnyc.org* for additional information about NYCERS and NYCTRS, respectively.

Net Pension Liability and Other Pension-Related Amounts

At June 30, 2016, CUNY reported liabilities of $303 million and $732.9 million for NYCERS and NYCTRS, respectively, for its proportionate share of each plan's net pension liability, measured as of June 30, 2016. CUNY's proportion of the respective net pension liability at June 30, 2016 was based on CUNY's actual contributions to NYCERS and NYCTRS relative to the total contributions of participating employers for each plan for fiscal year 2016, which was 1.2 percent and 2.8 percent for NYCERS and NYCTRS, respectively. CUNY's proportion of the net pension liabilities of NYCERS and NYCTRS were 1.2 percent and 2.5 percent for fiscal year 2015, respectively.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net positions of NYCERS and NYCTRS and additions to and deductions from NYCERS' and NYCTRS' respective fiduciary net positions have been determined on the same basis as they are reported by NYCERS and NYCTRS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CUNY's annual pension expense for NYCERS and NYCTRS for the fiscal year ended June 30, 2016 was approximately $45.4 million and $125.2 million, respectively. The following presents a summary of the deferred outflows of resources and deferred inflows of resources at June 30, 2016 (in millions):

	NYCERS		NYCTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ —	$ 9	$ 46	$ —
Net difference between projected and actual investment earnings on pension plan investments	45	29	65	89
Changes in proportion and differences between employer contributions and proportionate share of contributions	11	—	50	4
Changes in assumptions	23	—	50	—
Total	**$ 79**	**$ 38**	**$ 211**	**$ 93**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in millions):

Fiscal Year	NYCERS	NYCTRS
2016	$ 8	$ 20
2017	10	35
2018	16	53
2019	7	10
Total	**$ 41**	**$ 118**

Actuarial Assumptions

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 and rolled forward to CUNY's measurement date of June 30, 2016 for both NYCERS and NYCTRS. The total pension liability in the June 30, 2014 actuarial valuation for both NYCERS and NYCTRS was determined using the following actuarial assumptions:

Inflation	2.5 percent
Salary increases	Generally 3 percent per year and increases for merit and promotional
Investment rate of return including inflation	7 percent net of investment expenses and actual return for variable funds
Cost of living adjustments	1.5 percent and 2.5 percent for various Tiers

Mortality rates and methods used in determination of the total pension liability for both NYCERS and NYCTRS were adopted by the New York City Retirement System (NYCRS) Boards of Trustees during fiscal year 2016. Pursuant to Section 96 of the New York City Charter, studies of the actuarial assumptions used to value liabilities of the five actuarially funded NYCRS are conducted every two years.

Mortality tables for service and disability pensioners were developed from an experience study of the Plan. The mortality tables for beneficiaries were developed from an experience review.

Expected Rate of Return

The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for both NYCERS and NYCTRS are summarized in the following tables:

	NYCERS		
Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-term Expected Rate of Return
U.S. public market equities	32.6%	6.6%	2.15%
International public market equities	10%	7%	0.7%
Emerging public market equities	6.9%	7.9%	0.55%
Private market equities	7%	9.9%	0.69%
U.S. fixed income	33.5%	2.7%	0.9%
Alternatives	10%	4%	0.4%
Total	**100%**		**5.39%**

	NYCTRS		
Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-term Expected Rate of Return
U.S. public market equities	34%	6.6%	2.24%
International public market equities	9%	7%	0.63%
Emerging public market equities	8%	7.9%	0.63%
Private market equities	6%	9.9%	0.59%
U.S. fixed income	37%	2.7%	1%
Alternatives	6%	4%	0.24%
Total	**100%**		**5.33%**

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2016 for both NYCERS and NYCTRS was 7 percent. The projection of cash flow used to determine the discount rate assumed that employee contributions will be made at the rates applicable to the current Tier for each member and that the employer contributions will be made based on rates determined by the Actuary. Based on those assumptions, the NYCERS and NYCTRS respective fiduciary net positions was projected to be available to make all projected future benefit payments of current active and non-active NYCERS and NYCTRS members. Therefore, the long-term expected rate of return on NYCERS and NYCTRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents CUNY's proportionate share of the net pension liabilities calculated using the discount rate of 7 percent, as well as what CUNY's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate (in millions):

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
NYCERS	$ 415.4	$ 303	$ 208.8
NYCTRS	$ 936.6	$ 732.9	$ 562.6

TIAA-CREF

The University also provides pension plans for its employees in Teachers' Insurance and Annuity Association—College Retirement Equities Fund (TIAA-CREF). TIAA-CREF provides retirement and death benefits for or on behalf of those full-time professional employees and faculty members electing to participate in this optional retirement program.

TIAA-CREF is a privately operated, multi-employer defined contribution retirement plan. TIAA-CREF obligations of employers and employees to contribute and of employees to receive benefits are governed by the New York State Education Law and City laws.

Employer and employee contribution requirements to TIAA-CREF are determined by the RSSL. Participating employees in Tiers 1 through 4 contribute 1.5 percent of salary on an after-tax basis. Participating employees in Tier 5 contribute 3 percent of salary on an after-tax basis. Employer contributions range from 10.5 percent to 13.5 percent for Tiers 1 through 4, depending upon the employee's compensation, and 8 percent to 10 percent of salary for Tier 5, depending upon the employee's years of service. Employee contributions for fiscal year 2016 amounted to approximately $54.7 million. The employer contributions recognized as pension expense for the year ended June 30, 2016 were $79.6 million.

Note 13 Other Postemployment Benefits (OPEB)

Governmental Activities

The New York State Health Insurance Program (NYSHIP) was established by the State Legislature in 1957 to provide health insurance to New York State employees, retirees and their eligible dependents. Public authorities, public benefit corporations, and other quasi-public entities that choose to participate in NYSHIP are participating employers (PEs). Local government units that choose to participate in NYSHIP are called participating agencies (PAs). At present, there are approximately 307 New York State agencies, 97 PEs, and 811 PAs in NYSHIP. NYSHIP currently covers approximately 603 thousand New York State, PA and PE employees and retirees. Eligible covered dependents bring the total number of covered individuals to approximately 1.2 million. SUNY participates in NYSHIP, but CUNY does not. Of the State's 42 discretely presented component units, which are considered PEs, a majority participate in NYSHIP. NYSHIP does not issue a stand-alone financial report, but NYSHIP's activities are included within the State's financial statements. NYSHIP is classified as an agent multiple-employer plan and financial information is reported in an agency fund and accounted for on the accrual basis of accounting. Information related to investment valuations is presented in Note 2.

Enrollment	NYS*	PEs	PAs	Total
Current active participants**	182,762	38,048	104,290	325,100
Vestee participants	330	207	244	781
COBRA participants	761	535	277	1,573
Other inactive participants***	159,242	19,109	97,408	275,759
Total participants	**343,095**	**57,899**	**202,219**	**603,213**

**Includes State and SUNY participants.*

***Excludes active employees (6,117 NYS and 144 Roswell Park (PE employees) who have opted out of NYSHIP in return for a biweekly reimbursement—for NYS, equal to $1,000 and $3,000 annually for opting out of Individual only coverage and Family coverage, respectively).*

****Includes retirees, dependent survivors, long-term disability enrollees, young adult program enrollees and preferred list enrollees.*

During the fiscal year ended March 31, 2017, NYSHIP provided health insurance coverage through: the Empire Plan, an indemnity health insurance plan with managed care components; eight Health Maintenance Organizations (HMOs); and the Student Employee Health Plan (SEHP). Generally, these include hospital, medical, mental health and substance abuse benefits, and prescription drug benefits.

The benefit design of the Empire Plan is the result of collective bargaining between the State and the various unions representing its employees. Therefore, the benefit design is subject to periodic change. Benefits are administratively extended to non-represented State employees, employees of PAs and PEs, and retirees. Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

Substantially all of the State's employees may become eligible for postemployment benefits if they reach retirement age while working for the State. The costs of providing postemployment benefits are shared between the State and the retired employee.

Contributions

The authority under which the obligations of the plan members, employers and other contributing entities to contribute to the plan are established or may be amended can be found in Article XI, Section 167 of Civil Service Law. Contributions are determined in accordance with Civil Service Law—Article XI, Sections 165, 165-a and 167, which assigns the authority to NYSHIP to establish and amend the benefit provisions of the plans and to establish maximum obligations of the plan members to contribute. The costs of administering the plan are charged as part of the health insurance premium to all payors under the authority of Section 163.2 of Civil Service Law. A retiree is generally required to pay on a monthly basis either 12 percent or 27 percent of the health insurance premium for enrollee or dependent coverage, respectively, which is reduced by the amount of sick leave credits available at the time of retirement factored by the employee's retirement age. Required employer contribution rates, depending upon enrollee or dependent coverage, are presented in the following table:

EMPLOYER CONTRIBUTIONS
(As Percentages of Premium Rates)

Enrollee Group	Enrollee Coverage	Dependent Coverage
Active GSEU	88%	73%
Active (Union and MC)—Below Grade 10	88%	73%
Active (Union and MC)—Grade 10 and above	84%	69%
Preferred list	90%	75%
Retired before January 1, 1983	100%	75%
Retired on/after January 1, 1983 but before January 1, 2012	88%	73%
Retired on/after January 1, 2012—Below Grade 10	88%	73%
Retired on/after January 1, 2012—Grade 10 and above	84%	69%
Amended dependent survivors(1)	75%	75%
Full share dependent survivors/long term disability	0%	0%
Dependent survivors	90%	75%
Attica dependent survivors	100%	100%
Vestees	0%	0%
COBRA	0%	0%
Young Adult Option enrollees	0%	n/a
Participating employers and participating agencies(2)	50%	35%

(1)State contribution for enrollee and dependent coverage is 75 percent of dependent coverage.
(2)Values reported are minimum employer share. Employers can pay greater percentages of premiums for their retirees.

The State reimburses Medicare eligible enrollees 100 percent of the cost of the monthly Medicare Part B premium. However, the funding of the cost of the Medicare reimbursements is not the sole responsibility of the employer. A Medicare Part B component has been incorporated into the NYSHIP Premium Rates. It is just one component of the NYSHIP premiums in which the above listed employer contribution percentages are applicable. The premium generated from the Medicare Part B NYSHIP rate component is utilized to make the Medicare Part B reimbursement payments to Medicare Primary NYSHIP enrollees.

In addition, the State reduces the retiree health insurance contributions for the value of a retiree's unused sick leave credit at retirement (converted to a monthly fixed value). The cost is paid by the State.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State Legislature. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to retirees. For the fiscal year ended March 31, 2017, the State paid $1.4

billion on behalf of the plan. The RSI contains a schedule of funding progress that presents multi-year trend information for actuarial values of plan assets and accrued liabilities.

Annual OPEB Cost and Net OPEB Obligation

The annual required contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. Amounts "required" but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation, after adjusting for amounts previously "required." The State's annual OPEB cost for the year, the amount actually paid on behalf of the plan, and changes in the State's net OPEB obligation to the plan for the year ended March 31, 2017 are as follows (amounts in millions):

Governmental Activities:	
Annual required contribution	$ 3,298
Interest on net OPEB obligation at beginning of year	489
Adjustment to annual required contribution	(545)
Annual OPEB cost	**3,242**
Contributions made	(1,447)
Increase in OPEB obligation	1,795
Net obligation at beginning of year	15,507
Net obligation at end of year	**$ 17,302**
Actuarial accrued liability (AAL) April 1, 2016	$ 72,830
Funded OPEB plan assets	—
Unfunded actuarial accrued liability (UAAL) April 1, 2016	**$ 72,830**
Funded ratio	— %
Covered payroll	$ 8,676
UAAL as percentage of covered payroll	839.4%

In accordance with GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the actuarial valuation of OPEB also includes the value of sick leave that will be converted to reduce the retiree's share of health insurance premiums.

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three most recent fiscal years ended March 31 were as follows (amounts in millions):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
03/31/17	$ 3,242	44.63%	$ 17,302
03/31/16	$ 3,246	41.31%	$ 15,507
03/31/15	$ 2,287	55.01%	$ 13,602

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The State's $3.2 billion annual OPEB cost, determined using the April 1, 2014 actuarial valuation with results projected to April 1, 2016 for the fiscal year ended March 31, 2017, was determined using the frozen entry age actuarial cost method, allocating costs on a level basis over earnings.

The State's April 1, 2014 actuarial valuation used the frozen entry age actuarial cost method with amortization of the unfunded actuarial accrued liability over an open period of 30 years using the level percentage of projected payroll amortization method. Health care trends were split to reflect separate trends for pre and post-65 (age) claims given that current standards suggest post-65 claims grow at a smaller rate than do pre-65 claims. The pre-65 trend assumption begins at 8.25 percent and decreases to a 4.75 percent long-term trend rate for all health care benefits after nine years. The trend assumption for post-65 benefits begins at 5.5 percent and decreases to a 4.75 percent long-term trend rate after nine years. The drug benefits assumption begins at 6.75 percent and decreases to a 4.75 percent long-term trend rate. Additionally, a trend starting at 5 percent per year and decreasing to 4.75 percent after nine years was assumed for the Employer Group Waiver Plan (EGWP) benefits. Other actuarial assumptions include a salary growth rate of 3 percent, an inflation rate of 2.75 percent and a discount rate of 3.155 percent that was the average short-term investment pool rate for the past 20 years at the time of the valuation.

The State's $72.8 billion unfunded actuarial accrued liability was calculated in the April 1, 2016 actuarial valuation using the frozen entry age actuarial cost method and was amortized over an open period of 30 years using the level percentage of projected payroll amortization method. Health care trends were split to reflect separate trends for pre and post-65 (age) claims given that current standards suggest post-65 claims grow at a smaller rate than do pre-65 claims. The pre-65 trend assumption begins at 6.75 percent and decreases to a 4.75 percent long-term trend rate for all health care benefits after seven years. The trend assumption for post-65 benefits begins at 5.3 percent and decreases to a 4.75 percent long-term trend rate after seven years. The drug benefits assumption begins at 10 percent and decreases to a 4.75 percent long-term trend rate after seven years. Additionally, a trend starting at 5 percent per year and decreasing to 4.75 percent after six years was assumed for the Employer Group Waiver Plan (EGWP) benefits. Other actuarial assumptions include a salary growth rate of 3 percent, an inflation rate of 2.5 percent and a discount rate of 2.637 percent that was the average short-term investment pool rate for the past 20 years at the time of the valuation.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about employment, mortality and healthcare cost trends. Actuarial valuations are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Business-type Activities

The State, on behalf of SUNY, provides health insurance coverage for eligible retired SUNY employees and their spouses as part of the New York State Health Insurance Plan (NYSHIP). Employee contribution rates for NYSHIP are established by the State and are generally 12 percent (ranging from 12 to 16 percent) for enrollee coverage, and 27 percent (ranging from 27 to 31 percent) for dependent coverage. The frozen entry age actuarial cost method is used to determine the annual required contribution amounts and the annual net OPEB obligation. The actuarial assumptions include a 3.2 percent discount rate, salary growth rate of 3 percent, an inflation rate of 2.75 percent, and an annual healthcare cost trend rate for medical coverage of 8.25 percent initially, reduced by decrements to a rate of 4.75 percent after 7 years.

SUNY's annual OPEB costs and changes in net OPEB obligations for the year ended June 30, 2016 are as follows (amounts in millions):

Annual required contribution	$ 939
Interest on net OPEB obligation at beginning of year	148
Adjustment to annual required contribution	(164)
Annual OPEB cost	**923**
Contributions made	(284)
Increase in OPEB obligation	639
Net obligation at beginning of year	4,680
Net obligation at end of year	**$ 5,319**
Actuarial accrued liability (AAL) April 1, 2014	$ 14,427
Funded OPEB plan assets	—
Unfunded actuarial accrued liability (UAAL) April 1, 2014	**$ 14,427**
Funded ratio	— %
Covered payroll	$ 3,601
UAAL as percentage of covered payroll	400.6%

The SUNY Research Foundation, a blended component unit of SUNY, is not included in the numbers reported above. The SUNY Research Foundation reports other postemployment benefits in accordance with the Accounting Standards Codification (ASC) Topic 715, *Compensation—Retirement Benefits*. SUNY's other postemployment benefits liability reported in the Statement of Net Position, Enterprise Funds ($5.5 billion), includes SUNY's net obligation above ($5.3 billion), and the net obligation of the SUNY Research Foundation's plan as of June 30, 2016 ($209 million).

SUNY's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for SUNY's three most recent fiscal years were as follows (amounts in millions):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
06/30/16	$ 923	30.77%	$ 5,319
06/30/15	$ 926	28.51%	$ 4,680
06/30/14	$ 719	35.05%	$ 4,018

CUNY retirees receive retiree healthcare benefits through the New York City Health Benefits Program, which is a single-employer defined benefit healthcare plan. The program covers individuals who receive pensions from one of the following three pension plans within the New York City Retirement System (NYCRS): New York City Employees' Retirement System; New York City Teachers' Retirement System; and New York City Board of Education Retirement System. New York City pays for the coverage (Basic Coverage and Welfare Fund contributions) for retirees in NYCRS who retired from community colleges. The entry age actuarial cost method is used to determine the annual required contribution amounts and the annual net OPEB obligation. The actuarial assumptions include a 4 percent discount rate, payroll growth rate of 3 percent, and an annual healthcare cost trend rate for medical coverage of 8 percent initially, reduced to a rate of 5 percent by 2023.

CUNY's annual OPEB costs and changes in net OPEB obligations for the year ended June 30, 2016 are as follows (amounts in millions):

Annual required contribution	$ 123
Interest on net OPEB obligation at beginning of year	24
Adjustment to annual required contribution	(24)
Annual OPEB cost	**123**
Contributions made	(29)
Increase in OPEB obligation	94
Net obligation at beginning of year	614
Net obligation at end of year	**$ 708**
Actuarial accrued liability (AAL) June 30, 2015	$ 1,186
Funded OPEB plan assets	—
Unfunded actuarial accrued liability (UAAL) June 30, 2015	**$ 1,186**
Funded ratio	— %
Covered payroll	$ 1,026
UAAL as percentage of covered payroll	115.7%

The CUNY Research Foundation, a blended component unit of the CUNY Senior Colleges, reports other postemployment benefits in accordance with ASC Topic 715, *Compensation—Retirement Benefits*. CUNY Senior Colleges' other postemployment benefits liability reported in the Statement of Net Position, Enterprise Funds ($708 million), includes the CUNY Senior Colleges' net obligation above ($708 million), and the funded status of the CUNY Research Foundation's plan as of June 30, 2016 ($0.6 million).

CUNY's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for CUNY's three most recent fiscal years were as follows (amounts in millions):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
06/30/16	$ 123	23.58%	$ 708
06/30/15	$ 120	24.17%	$ 614
06/30/14	$ 100	33.00%	$ 523

Note 14 Discretely Presented Component Units—Public Benefit Corporations

Discretely presented component units—public benefit corporations (Corporations), as defined in Note 1, are legally separate entities that are not operating departments of the State. The Corporations are managed independently, outside the appropriated budget process, and their powers generally are vested in a governing board. Corporations are established for the benefit of the State's citizenry for a variety of purposes such as economic development, financing, and public transportation. They are not subject to State constitutional restrictions on the incurrence of debt, which apply to the State itself, and may issue bonds and notes within legislatively authorized amounts.

Corporations are generally supported by revenues derived from their activities, although the State has provided financial assistance, in some cases of a recurring nature, to certain Corporations for operating and other expenses. Financial assistance in the form of appropriated loans, contributed capital or operating subsidies for certain Corporations, principally the Metropolitan Transportation Authority, the Roswell Park Cancer Institute, and the Urban Development Corporation, was provided in the fiscal year ended March 31, 2017 and such assistance is expected to be required in future years. Accordingly, the fiscal condition of the State is related to the fiscal stability of the Corporations.

Thirty-six of the 42 entities listed below are discretely presented component units of the State because the Governor, with the approval of the State Senate, appoints the voting majority of the boards of directors of these corporations, and the State is able to impose its will on the corporations and/or has a financial benefit or burden relationship with the corporations. The Governor does not have substantive appointment authority over the board of directors of the Rochester-Genesee Regional Transportation Authority. However, it is a discretely presented component unit because it is fiscally dependent upon, and has a financial benefit or burden relationship with the State. Health Research, Inc., Metropolitan Transportation Authority, Research Foundation for Mental Hygiene, Inc., State University of New York Foundations and Auxiliary Corporations, and City University of New York–Senior College Supporting Organizations are included as component units of the State because the nature and significance of their relationships with the State are such that it would be misleading to exclude them.

The amounts presented in the accompanying basic financial statements for the Corporations include the following entities for the fiscal years indicated:

Entities Audited by KPMG LLP:	Fiscal Year-End
City University of New York—Senior College Supporting Organizations	June 30, 2016***
Dormitory Authority of the State of New York	March 31, 2017*
Long Island Power Authority	December 31, 2016*
New York Racing Association, Inc	December 31, 2016*
New York State Energy Research and Development Authority	March 31, 2017*
New York State Environmental Facilities Corporation	March 31, 2017*
New York State Higher Education Services Corporation	March 31, 2017*
Power Authority of the State of New York	December 31, 2016*
State University of New York Foundations and Auxiliary Corporations	June 30, 2016**

Entities Audited by Other Auditors:	Fiscal Year-End
Aggregate Trust Fund	December 31, 2016
Agriculture and New York State Horse Breeding Development Fund Corporation	December 31, 2016*
Albany Convention Center Authority	December 31, 2016*
Capital District Transportation Authority	March 31, 2017*
Central New York Regional Transportation Authority	March 31, 2017*
Health Research, Inc.	March 31, 2017
Homeless Housing and Assistance Corporation	March 31, 2017*
Housing Trust Fund Corporation	March 31, 2017*
Hudson River-Black River Regulating District	June 30, 2016*

Entities Audited by Other Auditors (cont'd):	Fiscal Year-End
Hugh L. Carey Battery Park City Authority	October 31, 2016*
Metropolitan Transportation Authority (MTA)	December 31, 2016*
Metro-North Commuter Railroad Company	December 31, 2016
The Long Island Rail Road Company	December 31, 2016
Triborough Bridge and Tunnel Authority	December 31, 2016
New York City Transit Authority	December 31, 2016
Staten Island Rapid Transit Operating Authority	December 31, 2016
MTA Capital Construction Company	December 31, 2016
MTA Bus Company	December 31, 2016
First Mutual Transportation Assurance Company	December 31, 2016
Municipal Bond Bank Agency	October 31, 2016*
Natural Heritage Trust	March 31, 2017*
Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation	March 31, 2017*
New York Convention Center Operating Corporation	March 31, 2017
New York State Affordable Housing Corporation	March 31, 2017*
New York State Bridge Authority	December 31, 2016*
New York State Health Foundation	December 31, 2016
New York State Housing Finance Agency	October 31, 2016*
New York State Job Development Authority	March 31, 2017*
New York State Olympic Regional Development Authority	March 31, 2017*
New York State Thoroughbred Breeding and Development Fund Corporation	December 31, 2016*
New York State Thruway Authority	December 31, 2016*
Niagara Frontier Transportation Authority	March 31, 2017*
Ogdensburg Bridge and Port Authority	March 31, 2017*
Port of Oswego Authority	March 31, 2017*
Research Foundation for Mental Hygiene, Inc.	March 31, 2017*
Rochester-Genesee Regional Transportation Authority	March 31, 2017*
Roosevelt Island Operating Corporation	March 31, 2017*
Roswell Park Cancer Institute	March 31, 2017*
State Insurance Fund	December 31, 2016
State of New York Mortgage Agency	October 31, 2016*
Urban Development Corporation	March 31, 2017*

Audit conducted in accordance with Government Auditing Standards as promulgated by the Comptroller General of the United States.

***KPMG LLP audited 36 percent of the total assets and 18 percent of the total revenues of the State University of New York Foundations and Auxiliary Corporations. The remaining balances were audited by other auditors.*

****KPMG LLP audited 3 percent of the total assets and 26 percent of the total revenues of the City University of New York—Senior College Supporting Organizations. The remaining balances were audited by other auditors.*

Financial Information

Substantially all of the financial data for the Corporations was derived from audited annual financial statements and summarized into the combining statement format in the basic financial statements. Ten of the 42 discrete entities presented comprise 95 percent of the combined assets and 80 percent of the combined program revenues (before eliminations). The remaining portion of this note contains a brief description of the operations of the ten major discretely presented component units. A presentation of their accounts is included in the Combining Statement of Net Position and the Combining Statement of Activities. Additional information about each of the Corporations can be obtained by contacting the Corporations directly and requesting a copy of their annual financial reports, or by visiting their websites.

Certain Corporations issue revenue bonds for independent third-party entities to provide funding for the projects of those third parties. These bonds are considered conduit debt and are secured by payments made by third party entities and in some cases certain other pledged funds. These bonds do not constitute a debt or pledge of the faith and credit of the Corporations or the State. DASNY, the New York State Housing Finance Agency (HFA), the Environmental Facilities Corporation (EFC), the New York State Energy Research and Development Authority (NYSERDA) and the New York Job Development Authority (JDA) have issued conduit debt and have elected different, but permissible, methods of accounting for it under GAAP. DASNY has elected to report conduit debt and related assets on its Statement of Net Position. At March 31, 2017, the liability DASNY reported for such debt was approximately $19.6 billion. HFA reports conduit debt and related assets on its Statement of Net Position. At October 31, 2016, the liability HFA reported for such debt was approximately $12.8 billion. At March 31, 2017, EFC's Statement of Net Position did not include $145 million in bonds it issued for certain private companies. NYSERDA has issued conduit debt for participating gas and electric utility companies and other private purpose users, the principal of which totaled approximately $2.5 billion at March 31, 2017, which is not included on NYSERDA's Statement of Net Position. Local Development Corporations that are blended component units of JDA have issued conduit debt which is not included on JDA's combined Statement of Net Position. At March 31, 2017, the principal on these bonds totaled approximately $10.3 billion.

Power Authority

The Power Authority of the State of New York (NYPA) was created in 1931 to help provide a continuous adequate supply of dependable electric power and energy to the people of the State. NYPA generates, transmits, and sells electric power and energy principally at wholesale to various customers including private and municipal utilities. Three of NYPA's largest facilities are the Niagara Power Project at Lewiston, the Blenheim-Gilboa Pumped Storage Power Project at Blenheim and Gilboa and the St. Lawrence-Franklin D. Roosevelt Power Project at Massena. These hydroelectric facilities have the capability of producing 2,704,500, 1,163,500 and 823,500 kilowatts, respectively.

NYPA has an outstanding receivable of approximately $258 million representing loaned reserves to the State treasury. The State has recorded a corresponding liability in its financial statements.

In accordance with legislation enacted on April 4, 2016, the Canal Corporation, formerly a subsidiary of the New York Thruway Authority, became a subsidiary of NYPA, effective January 1, 2017. The Canal Corporation exists primarily to operate, improve, maintain, repair and promote the NYS Canal System.

The individual financial statements of NYPA are available on the web at *www.nypa.gov*.

Housing Finance Agency

Housing Finance Agency (HFA) was created as a public benefit corporation in 1960 under Article III of the Private Housing Finance Law. HFA is empowered to finance or contract for the financing of the construction, acquisition, or refinancing of loans for: low-to-moderate income housing; municipal health facilities; non-profit health care facilities; community related facilities; and to provide funds to repay the State for amounts advanced to finance the cost of various housing assistance programs. HFA, through its Capital Grant Low Rent Assistance Program, rents housing to low and middle income persons and families. HFA also participates in Federal housing assistance programs which provide interest reduction and rental assistance subsidies to eligible projects and tenants. HFA administers the State's Housing Project Repair and Infrastructure Trust Fund Programs.

To finance low income housing, HFA raises funds through the issuance of municipal securities and the making of mortgage loans to eligible borrowers. HFA is authorized to issue bonds in the amount of approximately $24.3 billion to finance housing projects, and approximately $4.7 billion in Service Contract Obligation Revenue Bonds, Service Contract Revenue Bonds and Personal Income Tax Revenue Bonds. Total bond indebtedness reported as of October 31, 2016 is approximately $15.4 billion. Individual financial statements can be obtained by contacting HFA at *www.nyshcr.org*.

Thruway Authority

The New York State Thruway Authority (NYSTA) was created as a public benefit corporation by the State Legislature in 1950 with powers to construct, operate and maintain a Thruway system. In August 1992, the Legislature created the New York State Canal

Corporation (NYSCC) as a subsidiary corporation of NYSTA to accept jurisdiction and control over the State Canal System from the State. The State's 2016-2017 enacted budget included legislation establishing the NYSCC as a subsidiary of the Power Authority of the State of New York. The Power Authority assumed financial responsibility for the NYSCC on April 1, 2016, and the assets and liabilities of the NYSCC were transferred effective January 1, 2017. During 2016, the Power Authority contributed $61.1 million to fund Canal Corporation and Canal System costs.

In 1991, the Legislature empowered NYSTA to issue Local Highway and Bridge Service Contract (LHB) Bonds to provide funds to municipalities throughout the State for qualifying capital expenditures under State programs. In 1993, the Legislature authorized NYSTA to issue Highway and Bridge Trust Fund (HBTF) Bonds to reimburse the State for expenditures made by the State's Department of Transportation in connection with the State's multi-year Highway and Bridge Capital Program. In 2001, the Legislature authorized NYSTA to issue Personal Income Tax (PIT) Revenue Bonds to provide funds to municipalities and other project sponsors throughout the State for qualifying local highway, bridge and multi-modal capital project expenditures under established State programs.

The financial position of and activities relating to the special bond programs (LHB, HBTF and PIT) are reported within the funds of the State, rather than under the NYSTA, because these special bond programs are not separate legal entities but are considered funds of the State. Columns headed "Thruway Authority" reflect the operations of the Thruway system and the NYSCC.

In 2016 the State approved an additional $700 million for the Thruway Stabilization Program, bringing the State's total commitment to $1.99 billion. Since 2015, the State has contributed $897 million to the New NY Bridge and other Thruway capital projects.

Individual financial statements can be obtained by contacting NYSTA at *www.thruway.ny.gov*.

Metropolitan Transportation Authority

The Metropolitan Transportation Authority (MTA) was created in 1965 to continue, develop and improve public transportation and to develop and implement a unified public transportation policy in the New York City metropolitan area. The accounts presented as the MTA are the combined accounts of its headquarters and eight affiliates and subsidiaries. The MTA operates the largest transit and commuter rail transportation system in North America and one of the largest in the world. The MTA is dependent upon the State for a portion of its revenues. During the MTA fiscal year ended December 31, 2016, the MTA reported $4.5 billion in payments from the State. A significant portion of that aid was in payments from the State's Mass Transportation Operating Assistance Fund, a Special Revenue Fund, which derives a major portion of its receipts from taxes imposed in the Metropolitan Transportation District for this purpose. Another significant portion of that aid came from the Metropolitan Commuter Transportation Mobility Tax enacted in 2009, which is a tax imposed on certain employers and self-employed individuals engaging in business within the Metropolitan Transportation District. The State also provides funding to pay the debt service on State Service Contract bonds issued by the MTA for its capital projects. At December 31, 2016, $145 million of MTA State Service Contract bonds remain outstanding. Capital assets acquired prior to April 1982 for the New York City Transit Authority (NYCTA) were funded primarily by New York City through capital grants. New York City has title to a substantial portion of such assets, which are not included among the assets reported under MTA. In certain instances, title to MTA Bridges and Tunnels' real property may revert to New York City in the event the MTA determines it is unnecessary for corporate purposes. The Federal government has a contingent equity interest in assets acquired by the MTA with Federal funds, and upon disposal of such assets, the Federal government may have a right to its share of the proceeds from the sale. MTA's financial statements can be found at *www.mta.info*.

Dormitory Authority

The Dormitory Authority of the State of New York (DASNY) is a public benefit corporation established in 1944. DASNY's purpose is to finance, design, construct, purchase, reconstruct and/or rehabilitate buildings (projects) for use by public and private educational, healthcare, and other not-for-profit institutions (institutions) located within the State, certain State agencies, local school districts, and cities and counties with respect to certain court and municipal facilities.

DASNY's outstanding bonds and notes of $47.9 billion consist mainly of debt issued for New York State agency projects ($13.8 billion), SUNY projects ($10.6 billion), independent institutions ($11.1 billion), health care facilities ($4.2 billion) and CUNY projects ($4.8 billion). The remaining debt was issued for projects for municipal facilities. The financial statements of DASNY can be obtained at *www.dasny.org*.

Long Island Power Authority

The Long Island Power Authority (LIPA) was established in 1985 as a corporate municipal instrumentality of the State. On May 28, 1998, the LIPA Acquisition Corporation, a wholly-owned subsidiary of LIPA, was merged with and into the Long Island Lighting Company (LILCO) pursuant to an Agreement and Plan of Merger dated as of June 26, 1997. LIPA financed the cost of the merger and the refinancing of certain of LILCO's outstanding debt by the issuance of $6.7 billion aggregate principal amount of Electric System General Revenue Bonds and Electric System Subordinated Revenue Bonds. In addition, LIPA assumed $1.2 billion of LILCO's General and Refunding Bonds which were defeased immediately upon the closing of the merger. The excess of the acquisition costs over the fair value of net position acquired ($3.5 billion) has been reported as an "intangible asset," which is being amortized through 2026.

Chapter 173 of the Laws of 2013 established the Utility Debt Securitization Authority (UDSA) for the sole purpose of retiring certain outstanding indebtedness of LIPA through the issuance of restructuring bonds by UDSA. In accordance with GASBS No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, UDSA is considered a blended component unit of LIPA. On March 30, 2015, the Securitization Law was amended allowing for a total issuance of up to $4.5 billion of UDSA restructuring bonds, inclusive of the $2 billion of restructuring bonds issued in December 2013. On October 15, 2015, the UDSA issued $1 billion Series 2015 Restructuring Bonds, thereby creating $128 million of net present value savings. Series 2016A Restructuring Bonds totaling $636.8 million and 2016B Restructuring Bonds totaling $469.3 million produced a net present value saving of $186.8 million.

LIPA, as owner of the transmission and distribution (T&D) system located in Nassau, Suffolk and a small portion of Queens counties, is responsible for supplying electricity to customers in the service area. Under a contract starting January 1, 2014, responsibility for major operational and policy-making services for the T&D system effectively shifted from LIPA to PSEG Long Island LLC for a period of twelve years. Individual financial statements can be obtained by contacting LIPA at *www.lipower.org*.

Urban Development Corporation

The New York State Urban Development Corporation (UDC) was established by legislative act in 1968 as a corporate governmental agency of the State. UDC conducts business as Empire State Development Corporation. UDC is engaged in various activities for the State, three of which are: promoting economic development and job creation; financing special projects throughout the State with revenue bonds; and marketing the State as a great place to do business and as a vacation destination.

UDC is the State's primary agent for economic development and works in partnership with the public and private sectors to create an environment that spurs innovation and economic development while enhancing the State's competitive advantage as the world capital for many industries, ranging from finance and media to technology and agriculture.

UDC continues its efforts to foster economic development through the State. Its mission is to promote a vigorous and growing State economy, encourage business investment and job creation, and support diverse, prosperous local economies across the State through efficient use of loans, grants, tax credits, real estate development, marketing and other forms of financial assistance. Financial assistance is provided primarily through State appropriated funds received by the UDC and State supported bonds issued by UDC which are disbursed to projects.

UDC continues to administer and manage a robust communications, marketing and tourism campaign. The campaign is committed to growing the tourism industry, creating jobs, increasing the number of visitors to the State and demonstrating to businesses that New York is the place to invest and grow. UDC is also the administrative agency for the New York State Film Tax Credit Program, which is designed to increase the film production and post-production industry presence in and overall economic benefits to the State. The financial statements of the UDC are available at *www.esd.ny.gov*.

State Insurance Fund

The State Insurance Fund (SIF) was created in 1914 and comprises the Workers' Compensation Fund and the Disability Benefits Fund and is primarily engaged in providing workers' compensation and disability benefit insurance for employers in the State of New York.

During previous fiscal years, the SIF transferred approximately $1.3 billion to the State's General Fund and Other Governmental Funds. The statutes authorizing these transfers required that the State appropriate amounts annually for the potential repayment of the transfers. Such repayment is required only to maintain the solvency, as defined, of the Workers' Compensation Fund. The entire receivable and equity related to these transfers were eliminated from the presentation of the SIF, resulting in a fund balance of approximately $3.3 billion.

The SIF's financial statements are prepared in conformity with the accounting practices prescribed by the New York State Department of Financial Services, which is a comprehensive basis of accounting other than the accounting principles generally accepted in the United States of America. A complete list of departures from GAAP is disclosed in the SIF's financial statements, which may be obtained from *ww3.nysif.com*.

State of New York Mortgage Agency

The State of New York Mortgage Agency (SONYMA) was established in 1970 and makes mortgages available to first-time and other qualifying home buyers through its Low Interest Rate Program and other specialized home ownership programs. To accomplish this purpose, SONYMA issues tax-exempt and taxable mortgage revenue bonds for direct issuance of forward commitments for new mortgage loans through participating financial institutions. SONYMA also provides mortgage insurance for qualifying real property loans through its Mortgage Insurance Program. By statute, all costs of providing mortgage insurance are recovered from a State mortgage recording tax surcharge, which is a dedicated tax revenue stream received directly by SONYMA. In April 2009, SONYMA's statutory authority to purchase education loans was updated and expanded in order to permit the Agency to work with the New York State Higher Education Services Corporation in developing a new program to offer education loans to eligible students attending colleges and universities in New York State. Financial statements can be obtained by contacting SONYMA at *www.nyshcr.org*.

Environmental Facilities Corporation

The New York State Environmental Facilities Corporation (EFC) is a public benefit corporation, formed in 1970 pursuant to the New York State Environmental Facilities Corporation Act. The mission of EFC is to assist communities throughout New York State to undertake critical water quality infrastructure projects by providing access to low cost capital, grants, and expert technical assistance. A primary goal is to ensure that these projects remain affordable while safeguarding essential water resources. EFC supports this mission by consistently using an innovative approach to developing and advancing new financing strategies to maximize the funding that can be made available to its clients, aiding compliance with Federal and State requirements, and promoting green infrastructure practices. EFC is governed by a board of directors, which consists of seven members.

The Corporation is empowered by State law to: administer and finance the Clean Water and Drinking Water State Revolving Funds, established by the State as set forth in the EFC Act pursuant to the federal Water Quality Act of 1987 and the federal Safe Drinking Water Act Amendments of 1996; finance certain State Contributions to the State Revolving Fund programs and for certain environmental infrastructure projects; finance, through the issuance of special obligation revenue bonds under its Industrial Finance Program, water management, solid waste disposal, sewage treatment and pollution control projects undertaken by or on behalf of private entities; and to provide technical advice and assistance to private entities, state agencies and local government units on sewage treatment and collection, pollution control, recycling, hazardous waste abatement, solid waste disposal, and other related subjects. The complete audited financial statements and related notes as well as additional information regarding EFC can be obtained by visiting EFC at *www.efc.ny.gov*.

Eliminations

Eliminations are made primarily to avoid duplicate reporting. As explained in Note 7, the State services a significant portion of the bonds and notes payable of certain Corporations.

Note 15 Joint Ventures

A joint venture is an entity that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility. The only material joint venture in which the State has an interest is the Port Authority of New York and New Jersey (Port Authority).

The Port Authority is a municipal corporate instrumentality of the States of New York and New Jersey created by compact between the two states in 1921 with the consent of the Congress of the United States. The Port Authority is authorized and directed to plan, develop, and operate terminals and other facilities of transportation and commerce, and to advance projects in the general fields of transportation, economic development, and world trade that contribute to promoting and protecting the commerce and economy of the port district, defined in the compact, which comprises an area of about 1,500 square miles in both states, centering around New York Harbor.

The Governor of each state appoints six of the twelve members of the governing Board of Commissioners, subject to confirmation by the respective state senate. Governors have from time to time exercised their statutory power to veto the actions of the commissioners from their states.

The commissioners serve six-year overlapping terms as public officials without compensation. They establish Port Authority policy, appoint an Executive Director to implement it, and appoint a General Counsel to act as legal advisor to the Board and to the Executive Director.

The compact envisions the Port Authority as being financially self-sustaining and, as such, it must obtain the funds necessary for the construction or acquisition of facilities upon the basis of its own credit. The Port Authority has the power neither to pledge the credit of either state or any municipality nor the authority to levy taxes or assessments.

The liabilities of the Port Authority include $21.3 billion of consolidated bonds. Consolidated bonds and notes are equally and ratably secured by a pledge of the net revenues of all existing facilities and any additional facilities which may be financed in whole or in part through the medium of consolidated bonds and notes.

The Port Authority's Comprehensive Annual Financial Report is available from the Marketing and Comptroller's Departments of the Port Authority of New York and New Jersey, 4 World Trade Center, 150 Greenwich Street—23rd Floor, New York, NY 10007, or the Port Authority website at *www.panynj.gov*.

Consolidated financial statements of the Port Authority for the fiscal year ended December 31, 2016 disclosed the following (amounts in millions):

Financial Position

Total assets	$ 45,261
Total deferred outflows of resources	635
Total liabilities	(29,214)
Total deferred inflows of resources	(107)
Net position	**$ 16,575**

Operating Results

Operating revenues	$ 5,167
Operating expenses	(3,013)
Depreciation and amortization	(1,238)
Income from operations	**916**
Passenger facility charges	264
Financial income (expense), net	(863)
Contribution in aid of construction and grants	728
Increase in net position	**$ 1,045**

Changes in Net Position

Balance at January 1, 2016	$ 15,530
Increase in net position	1,045
Balance at December 31, 2016	**$ 16,575**

Note 16 Subsequent Events

Financing Arrangements Issued

The Statement of Net Position presents bonds and other financing arrangements and collateralized borrowings outstanding as of the statement date of March 31, 2017 (except for business-type activities related to the SUNY and CUNY Enterprise Funds, which are reported as of June 30, 2016). Subsequent to those dates, the following bonds and other financing arrangements and collateralized borrowings were issued (amounts in millions):

BONDS AND OTHER FINANCING ARRANGEMENTS ISSUED SUBSEQUENT TO DATE OF THE STATEMENT OF NET POSITION

Issuer	Purpose	Date	Series	Par Amount
Dormitory Authority	CUNY Senior Colleges	9/16/2016	Personal Income Tax, Series 2016A	$ 186
Dormitory Authority	CUNY Senior Colleges, Refunding	10/20/2016	Personal Income Tax, Series 2016D	$ 6
Dormitory Authority	General Purposes, Refunding	7/13/2017	Personal Income Tax, Series 2017A	$1,750

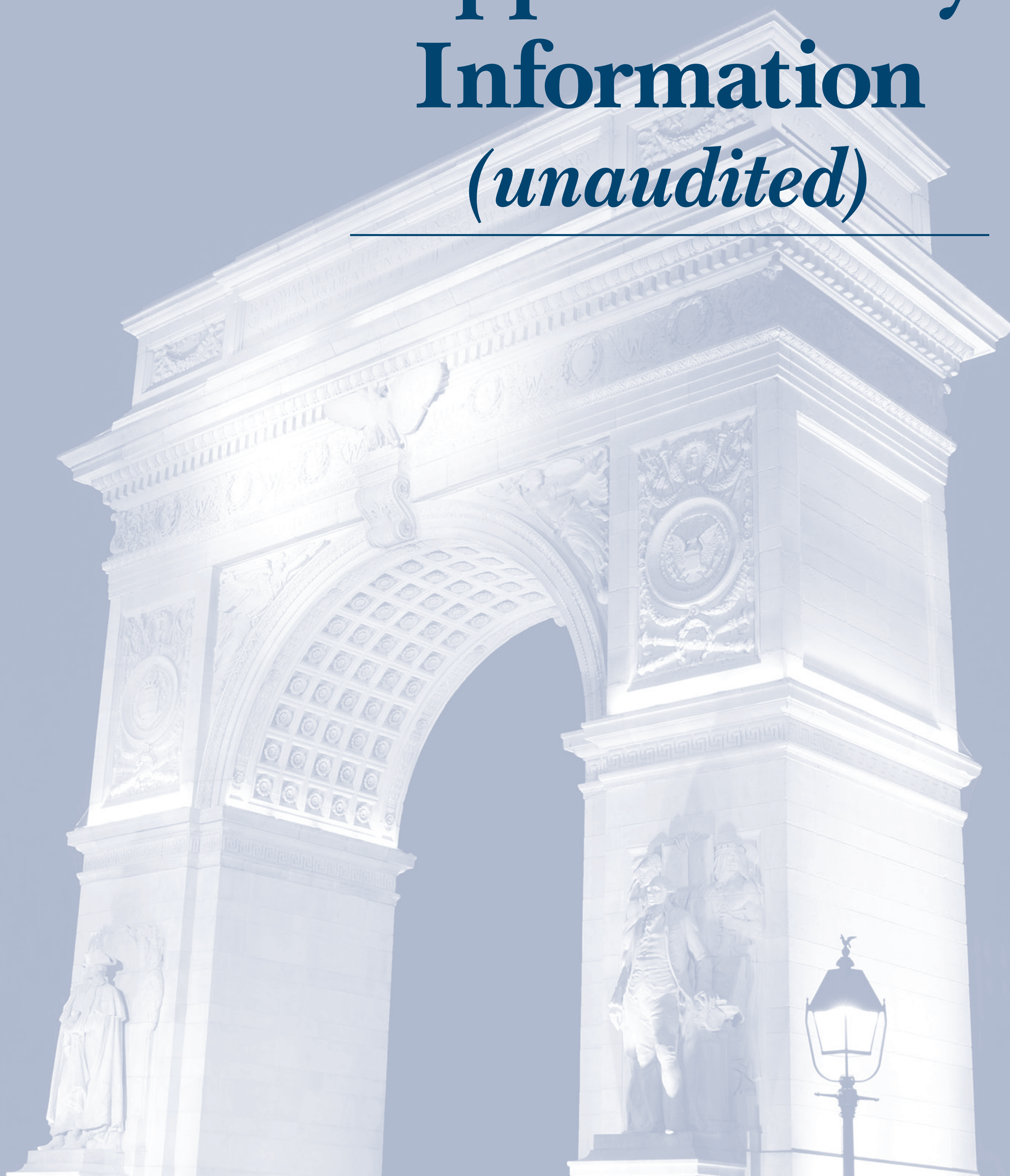
COLLATERALIZED BORROWINGS SUBSEQUENT TO DATE OF THE STATEMENT OF NET POSITION

Issuer	Purpose	Date	Series	Par Amount
Dormitory Authority	SUNY Dormitory Facilities	4/27/2017	Revenue Bonds, Series 2017A	$ 133
Dormitory Authority	SUNY Dormitory Facilities, Refunding	4/27/2017	Revenue Bonds, Series 2017A	$ 212

On June 1, 2017, bonds issued in 2003 that were secured by annual payments under the Master Settlement Agreement (MSA) with tobacco manufacturers were fully retired.

Required Supplementary Information

(unaudited)



Budgetary Basis—Financial Plan and Actual—Combined Schedule of Cash Receipts and Disbursements

MAJOR FUNDS—GENERAL FUND AND FEDERAL SPECIAL REVENUE FUND

Year Ended March 31, 2017

(Amounts in millions) (Unaudited)

	General			
	Financial Plan Amounts		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		
RECEIPTS:				
Taxes	$ 47,752	$ 46,061	$ 45,507	$ (554)
Miscellaneous	2,813	3,799	3,813	14
Federal grants	—	—	—	—
Total receipts	**50,565**	**49,860**	**49,320**	**(540)**
DISBURSEMENTS:				
Local assistance grants[1]	45,957	44,826	44,440	386
State operations	8,299	8,253	8,086	167
General State charges	5,425	5,491	5,462	29
Total disbursements	**59,681**	**58,570**	**57,988**	**582**
Excess (deficiency) of receipts over disbursements	**(9,116)**	**(8,710)**	**(8,668)**	**42**
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	18,411	18,130	17,575	(555)
Transfers to other funds	(12,160)	(11,122)	(10,093)	1,029
Net other financing sources (uses)	**6,251**	**7,008**	**7,482**	**474**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ (2,865)**	**$ (1,702)**	**$ (1,186)**	**$ 516**

Note:

(1) Spending authority has not been exceeded by $1.666 billion in the Federal Special Revenue Fund. The Final Financial Plan (published approximately six weeks before fiscal year-end) does not reflect an increase in spending authority approved for local assistance grants through March 31, 2017.

See notes to required supplementary information.

See independent auditors' report.

Federal Special Revenue

Financial Plan Amounts		Actual (Budgetary Basis)	Variance with Final Budget
Original	Final		
$ —	$ —	$ —	$ —
216	235	199	(36)
49,415	50,650	52,726	2,076
49,631	**50,885**	**52,925**	**2,040**
45,805	46,698	48,364	(1,666)
1,881	2,061	2,002	59
319	303	293	10
48,005	**49,062**	**50,659**	**(1,597)**
1,626	**1,823**	**2,266**	**443**
—	—	—	—
(1,719)	(1,824)	(1,786)	38
(1,719)	**(1,824)**	**(1,786)**	**38**
$ (93)	**$ (1)**	**$ 480**	**$ 481**

NOTES TO BUDGETARY BASIS REPORTING

(unaudited)

Budgetary Basis Reporting

The State Constitution requires the Governor to submit annually to the Legislature an Executive Budget, which contains plans for all funds of expenditures and disbursements for the ensuing fiscal year, as well as all monies and revenues estimated to be available. Bills containing all recommended appropriations or reappropriations and any proposed legislation necessary to provide monies and revenues sufficient to meet such proposed expenditures and disbursements accompany the Executive Budget. Reappropriations are commonly used for federally funded programs and capital projects, where the funding amount is intended to support activities that may span several fiscal years. Budgets are prepared and enacted for all funds. Included in the proposed appropriation bills is a provision for spending authority for unanticipated revenues or unforeseen emergencies in accordance with statutory requirements. The Executive Budget also includes a cash basis financial plan that must be in balance, i.e., disbursements must not exceed available receipts.

The Legislature enacts appropriation bills and revenue measures containing those parts of the Executive Budget it has approved or modified. The Legislature may also enact supplemental appropriation or special appropriation bills after it completes action on the Executive Budget. Further, when the Legislature convenes in January, it may enact deficiency appropriations to meet actual or anticipated obligations not foreseen when the annual budget and any supplemental budgets were enacted and for which the costs would exceed available spending authorizations. It might add to a previously authorized appropriation anticipated to be inadequate, or provide a new appropriation to finance an existing or anticipated liability for which no appropriation exists. A deficiency appropriation usually applies to the fiscal year during which it is made. Pursuant to State law, once the Legislature has completed action on the appropriation and revenue bills and they are approved by the Governor, the cash basis and the GAAP basis financial plans must be revised by the Governor to reflect the impact resulting from changes in appropriations and revenue bills. The cash basis financial plan, which serves as the basis for the administration of the State's finances during the fiscal year, provides a summary of projected receipts, disbursements and fiscal year-end balances. Such plans are updated quarterly throughout the fiscal year by the Governor, and include a comparison of the actual year-to-date results with the latest revised plans, providing an explanation of any major deviations and any significant changes to the financial plans. Projected disbursements are based on agency staffing levels, program caseloads, levels of service needs, formulas contained in State and Federal law, inflation and other factors. All projections account for the timing of payments, since not all the amounts appropriated in the Budget are disbursed in the same fiscal year.

The Statewide Financial System includes controls over expenditures to ensure that the maximum spending authority is not exceeded during the life of the appropriation. Expenditures are controlled at the major account level within each program or project of each State agency in accordance with the underlying appropriation purpose. Encumbrances are not considered a disbursement in the financial plan or an expenditure and expense in the basic financial statements. Generally, appropriations are available for liabilities incurred during the fiscal year. Following the end of the fiscal year, a 'lapse period' is provided to liquidate prior year liabilities. Unless reappropriated, most state operations appropriations cease on June 30th and local assistance, debt service, capital projects and federal funds appropriations cease on September 15th following the end of the fiscal year. Disbursements made during the lapse period from prior year appropriations are included, together with disbursements from new year appropriations, in the subsequent fiscal year's financial plan. Many appropriations enacted are not intended to be used, although required by law. These types of appropriations will generally cause total appropriation authorizations to exceed cash basis financial plan disbursement amounts. Actual disbursements for certain spending categories may exceed financial plan estimates (as reported in the Budgetary Basis—Financial Plan and Actual—Combined Schedule of Cash Receipts and Disbursements) but do not exceed total enacted appropriations authority. Most capital projects, federal funds and many state operations appropriations are reappropriated each year by the Legislature and therefore the life of such appropriations may be many years. If the budget is not enacted by April 1st, the Legislature enacts special emergency appropriations to continue government functions, as was last done in April 2010.

The following presents a reconciliation of the budgetary cash basis operating results as shown in the preceding Budgetary Basis—Financial Plan and Actual Combined Schedule of Cash Receipts and Disbursements (Schedule) with the GAAP-basis operating results reported in the Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds (Statement) (amounts in millions):

	General	Federal Special Revenue
Receipts and other financing sources over / (under) disbursements and other financing uses per Schedule	$ (1,186)	$ 480
Entity differences:		
Receipts and other financing sources over / (under) disbursements and other financing uses for funds and accounts not included in the cash basis financial plan	(417)	(22)
Perspective differences:		
Receipts and other financing sources over disbursements and other financing uses for funds treated as Special Revenue Funds in the financial plan and part of the General Fund for GAAP reporting	106	—
Temporary interfund cash loans	(36)	(153)
Basis of accounting differences:		
Revenue accrual adjustments	(894)	1,335
Expenditure accrual adjustments	(361)	(1,634)
Net Change in Fund Balances	**$ (2,788)**	**$ 6**

The entity differences relate to the inclusion of certain funds considered to be Proprietary Funds for purposes of the cash basis financial plan. Perspective differences relate to variations in the presentation of the cash basis financial plan fund structure versus GAAP fund structure. A perspective difference for temporary interfund loans occurs when a fund temporarily overdraws its share of the pooled investment funds. These temporary loans are covered by the General Fund's share of the pool. A perspective difference relating to the Infrastructure Trust Fund and Miscellaneous Special Revenue Accounts occurs because these funds are included in the Special Revenue Funds cash basis financial plan while the GAAP basis presentation includes them in the General Fund.

INFRASTRUCTURE ASSETS USING THE MODIFIED APPROACH
(unaudited)

In accordance with GAAP, the State has adopted an alternative method for recording depreciation expense for the State's network of roads and bridges maintained by the Department of Transportation (DOT). Under this method, referred to as the modified approach, the State will not report depreciation expense for roads and bridges but will capitalize all costs that add to the capacity and efficiency of State owned roads and bridges. Generally, all maintenance and preservation costs will be expensed and not capitalized.

In order to adopt the modified approach, the State is required to meet the following criteria:

1. Maintain an asset management system that includes a current inventory of eligible infrastructure assets.
2. Conduct condition assessments of eligible assets and summarize the results using a measurement scale.
3. Estimate each year the annual amount necessary to maintain and preserve the eligible assets at the condition level established and disclosed by the State.
4. Document that the assets are being preserved approximately at, or above, the established condition level.

Roads

The State Department of Transportation maintains the Pavement Management System (PMS) which supports a construction program that preserves the State's investment in its roads. The PMS contains locational, operational and historical condition data. The PMS is used to determine the appropriate program for improving the asset condition and to determine future funding levels necessary to meet condition goals. The overall goal is for the State to provide a management system for the State's infrastructure assets in order to provide long-term benefits to the State's citizens.

The State annually conducts an assessment of the pavement condition of the State's road network. Trained technicians rate the condition of the pavement based on surface condition and dominant distress (e.g., cracking, faulting) using a scale of 1 (very poor) to 10 (excellent) based on the prevalence of a surface-related pavement distress. A pavement condition rating (PCR) is assigned to each surface section. The State currently has 42,739 lane miles of roads.

It is the State's intention to maintain the roads at an average PCR between 6.7 and 7.2.

Bridges

The State Department of Transportation maintains the Bridge Management System (BMS) which supports a construction program that preserves the State's investment in its bridges. The BMS is used in planning construction programs and estimating construction costs. The overall goal is for the State to provide a management system for the State's infrastructure assets in order to provide long-term benefits to the State's citizens.

The State conducts biennial inspections of all bridges in the State. During each general inspection, various components or elements of each bridge span are rated by the inspector as to the extent of deterioration, as well as the component's ability to function structurally relative to when it was newly designed and constructed. The State previously used a numerical inspection condition rating (CR) scale ranging from 1 (minimum) to 7 (maximum). Bridges with CR greater than 5.8 are in good condition that generally require preventive and corrective maintenance actions such as bridge washing, deck sealing and bearing lubrication. CR between 4.9 (inclusive) and 5.8 (inclusive) bridges are in fair-protective condition that generally require relatively minor preventive and corrective maintenance actions, such as, bearing repairs, joint repairs, zone and spot painting and girder end repairs. CR between 4.4 (inclusive) and 4.9 bridges are in fair-corrective condition that generally require moderate preventive and corrective maintenance actions, such as, bearing replacement, deck replacement, and major substructure repairs. Bridges with CR less than 4.4 are considered to be in poor condition that generally require major rehabilitation or replacement. The State has approximately 7,891 bridges in the inventory, of which 7,677 are highway bridges. The remainder include railroad and pedestrian structures.

Through 2015, using this rating scale, it was the State's intention to maintain the bridges at an average condition rating level between 5.3 and 5.6. In 2016, the State transitioned to the American Association of State Highway and Transportation Officials (AASHTO) Element based rating system that utilizes a 1 (good) through 4 (severe) scale as mandated by the Federal Highway Administration (FHWA). The new bridge goal will be based on the percentage of

Structurally Deficient (SD) Bridges as defined by FHWA. The percent SD calculations are based on the National Bridge Inventory (NBI) inspection data that has been collected by the DOT for more than 15 years and reported to FHWA on an annual basis. Using the new criteria of Structurally Deficient, it is the State's intention to maintain the percent SD at or below 15 percent of the state highway bridge population.

Pavement and Bridge Assessment Summary as of December 31:

Year	Pavement Average Surface Rating	Bridges Average Condition Rating	Percentage of Highway Bridges Assessed Structurally Deficient
2016	6.93	N/A	7.9
2015	6.92	5.30	N/A
2014	6.99	5.32	N/A
2013	6.99	5.34	N/A
2012	6.98	5.34	N/A
2011	6.87	5.35	N/A
2010	6.92	5.37	N/A
2009	6.95	5.38	N/A
2008	6.93	5.39	N/A
2007	6.86	5.41	N/A

Comparison of Estimated-to-Actual Maintenance/Preservation Costs

Preservation of the roads and bridges is accomplished through construction programs managed by the PMS and BMS. The following presents the State's estimate of costs necessary to preserve and maintain the network of roads and bridges at, or above, the established condition level, compared to the actual costs incurred during fiscal year 2016-2017 (amounts in millions):

Actual Preservation/Maintenance Costs as of March 31:

(Amounts in millions)

	2017	2016	2015	2014	2013
Total roads	$ 1,106	$ 1,100	$ 1,256	$ 1,069	$ 1,131
Total bridges	305	250	289	255	201
Total	**$ 1,411**	**$ 1,350**	**$ 1,545**	**$ 1,324**	**$ 1,332**

Estimated Preservation/Maintenance Costs as of March 31:

(Amounts in millions)

	2017	2016	2015	2014	2013
Total roads	$ 936	$ 950	$ 836	$ 764	$ 727
Total bridges	534	414	345	228	146
Total	**$ 1,470**	**$ 1,364**	**$ 1,181**	**$ 992**	**$ 873**

See independent auditors' report.

SCHEDULE OF FUNDING PROGRESS
(unaudited)

Other Postemployment Benefits
(Amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Covered Payroll ((b-a)/c)
Governmental Activities:						
April 1, 2016[1]	$ —	$ 72,830	$ 72,830	—%	$ 8,676	839.4%
April 1, 2014[2]	$ —	$ 63,426	$ 63,426	—%	$ 8,463	749.5%
April 1, 2012[3]	$ —	$ 54,279	$ 54,279	—%	$ 8,597	631.4%
Business-type Activities:						
SUNY						
April 1, 2014	$ —	$ 14,427	$ 14,427	—%	$ 3,601	400.6%
April 1, 2012	$ —	$ 13,933	$ 13,933	—%	$ 3,201	435.3%
April 1, 2010	$ —	$ 12,200	$ 12,200	—%	$ 3,037	401.7%
CUNY						
June 30, 2015	$ —	$ 1,186	$ 1,186	—%	$ 1,026	115.7%
June 30, 2014	$ —	$ 1,124	$ 1,124	—%	$ 1,020	110.2%
June 30, 2013	$ —	$ 1,368	$ 1,368	—%	$ 975	140.3%

[1] AAL and UAAL as of 4/1/2016 reflects changes in medical trend and excise tax assumptions and a decrease in the discount rate of 52 basis points.

[2] AAL and UAAL as of 4/1/2014 was determined using the Society of Actuaries' MP-2014 longevity scale.

[3] AAL and UAAL as of 4/1/2012 reflect the State's decision to implement an Employer Group Waiver Plan.

See independent auditors' report.

PENSION PLANS
(unaudited)

Schedule of Proportionate Share of the Net Pension Liability for the New York State and Local Employees' Retirement System March 31, 2017
(Amounts in millions)

	2017	2016
State's proportion of the net pension liability	45.1%	44.5%
State's proportionate share of the net pension liability	$ 7,217	$ 1,501
Covered payroll	$ 10,188	$ 10,236
State's proportionate share of the net pension liability as a percentage of covered payroll	70.8%	14.7%
Plan's fiduciary net position as a percentage of the total pension liability	90.7%	98%

Schedule of Proportionate Share of the Net Pension Liability for the New York State and Local Police and Fire Retirement System March 31, 2017
(Amounts in millions)

	2017	2016
State's proportion of the net pension liability	19.1%	19%
State's proportionate share of the net pension liability	$ 566	$ 52
Covered payroll	$ 615	$ 620
State's proportionate share of the net pension liability as a percentage of covered payroll	92%	8.5%
Plan's fiduciary net position as a percentage of the total pension liability	90.2%	99%

See independent auditors' report.

Schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Schedule of Employer Contributions for the New York State and Local Employees' Retirement System March 31, 2017

(Amounts in millions)

	2017	2016
Contractually determined contribution	$ 1,585	$ 1,816
Contributions in relation to the contractually determined contribution	$ 1,585	$ 1,478
Contribution deficiency	$ —	$ 338
Covered payroll	$ 11,112	$ 10,188
Contributions as a percentage of covered payroll	14.3%	14.5%

Schedule of Employer Contributions for the New York State and Local Police and Fire Retirement System March 31, 2017

(Amounts in millions)

	2017	2016
Contractually determined contribution	$ 152	$ 142
Contributions in relation to the contractually determined contribution	$ 152	$ 124
Contribution deficiency	$ —	$ 18
Covered payroll	$ 695	$ 615
Contributions as a percentage of covered payroll	21.9%	20.2%

See independent auditors' report.

Schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Other SUNY-Related Pension Plans
New York State Teachers' Retirement System (TRS)

Schedule of the Proportionate Share of the TRS Net Pension Liability (Asset)
June 30, 2016
(Amounts in millions)

	2016	2015
SUNY's proportion of the net pension liability (asset)	0.74%	0.71%
SUNY's proportionate share of the net pension liability (asset)	$ (77.2)	$ (79.6)
Covered payroll	$ 145.2	$ 140.7
SUNY's proportionate share of the net pension liability (asset) as a percentage of covered payroll	(53.2%)	(56.6%)
Plan's fiduciary net position as a percentage of the total pension liability	110%	111%

Schedule of Employer Contributions for the TRS Plan
June 30, 2016
(Amounts in millions)

	2016	2015
Contractually determined contribution	$ 19.6	$ 17.2
Contributions in relation to the contractually determined contribution	$ 19.6	$ 17.2
Contribution deficiency	$ —	$ —
Covered payroll	$ 141.9	$ 145.2
Contributions as a percentage of covered payroll	13.81%	11.8%

See independent auditors' report.

Schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Upstate Plan

Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2016
(Amounts in millions)

	2016	2015
Total pension liability:		
Service cost	$ 0.8	$ 0.9
Interest	6.5	6
Changes of assumptions	—	5.8
Difference between expected and actual experience	1	.4
Benefit payments	(7)	(3.8)
Net change in total pension liability	1.3	9.3
Total pension liability, beginning	103.3	94
Total pension liability, ending (a)	104.6	103.3
Plan fiduciary net position:		
Employer contributions	2	3.5
Net investment income	(0.7)	5.9
Benefit payments	(7)	(3.8)
Administrative expenses	(0.2)	(0.1)
Net change in fiduciary net position	(5.9)	5.5
Fiduciary net position, beginning	96.1	90.6
Fiduciary net position, ending (b)	90.2	96.1
Net pension liability, ending (a)–(b)	$ 14.4	$ 7.2
Ratio of fiduciary net position to total pension liability	86.3%	93%
Covered payroll	$ 29.9	$ 33.6
Net pension liability as a percentage of covered payroll	48%	21.3%

See independent auditors' report.

Schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Upstate Plan

Schedule of Employer Contributions
June 30, 2016

(Amounts in millions)

	2015	2014	2013	2012	2011*
Actuarially determined contribution	$ 1.9	$ 1.5	$ 2.6	$ 3	$ 1.2
Contributions in relation to the actuarially determined contribution	$ 2	$ 3	$ 2.6	$ 3	$ 1.2
Contribution deficiency (excess)	$ (0.1)	$ (1.5)	$ —	$ —	$ —
Covered payroll	$ 29.9	$ 33.6	$ 36	$ 16	$ 21.9
Contribution as a percentage of covered payroll	6.76%	9%	7.1%	18.6%	5.4%

**Period from July 7, 2011 through December 31, 2011*

See independent auditors' report.

Schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Changes in Assumptions

The actuarial assumptions for the mortality basis used for the January 1, 2016 actuarial valuation were changed from the RP-2014 Mortality Tables for Males and Females, with fully generational mortality improvements using scale MP-2015 to sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted back to 2006 using Scale MP-2014, and then projected with mortality improvements using Scale MP-2015 on a fully generational basis.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The January 1, 2016 actuarial valuation determines the employer rates for contributions payable in 2016. The following actuarial methods and assumptions were used:

Investment rate of return	6.5 percent
Mortality basis	Sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted back to 2006 using Scale MP-2014, and then projected with mortality improvements using Scale MP-2015 on a fully generational basis.
Amortization method	Level dollar, 20 year closed
Remaining amortization period	16.5 years
Asset valuation method	Market value
Inflation	3 percent
Compensation	3.5 percent increases, limited to a maximum of $265,000
Termination	1992 Vaughn Select and Ultimate Table

See independent auditors' report.

CUNY Senior College Plans

Schedule of Proportionate Share of the Net Pension Liabilities for the New York City Employees' Retirement System (NYCERS)
June 30, 2016

(Amounts in millions)

	2016	2015
CUNY's proportion of the net pension liability	1.2%	1.2%
CUNY's proportionate share of the net pension liability	$ 303	$ 247
CUNY employee covered payroll	$ 217	$ 214
CUNY's proportionate share of the net pension liability as a percentage of the employee covered payroll	139.6%	115.4%
Plan fiduciary net position as a percentage of the total pension liability	70%	73%

Schedule of Proportionate Share of the Net Pension Liabilities for the New York City Teachers' Retirement System (NYCTRS)
June 30, 2016

(Amounts in millions)

	2016	2015
CUNY's proportion of the net pension liability	2.8%	2.5%
CUNY's proportionate share of the net pension liability	$ 733	$ 528
CUNY employee covered payroll	$ 190	$ 175
CUNY's proportionate share of the net pension liability as a percentage of the employee covered payroll	386%	301.7%
Plan fiduciary net position as a percentage of the total pension liability	62%	68%

See independent auditors' report.

Schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Schedule of Employer Contributions for NYCERS
June 30, 2016
(Amounts in millions)

	2016	2015
Contractually required contribution	$ 42	$ 39
Contributions in relation to the contractually required contribution	42	39
Contribution deficiency (excess)	$ —	$ —
CUNY employee covered payroll	$ 217	$ 214
Contributions as a percentage of covered payroll	19%	18%

Schedule of Employer Contributions for NYCTRS
June 30, 2016
(Amounts in millions)

	2016	2015
Contractually required contribution	$ 103	$ 84
Contributions in relation to the contractually required contribution	103	84
Contribution deficiency (excess)	$ —	$ —
CUNY employee covered payroll	$ 190	$ 175
Contributions as a percentage of covered payroll	54%	48%

See independent auditors' report.

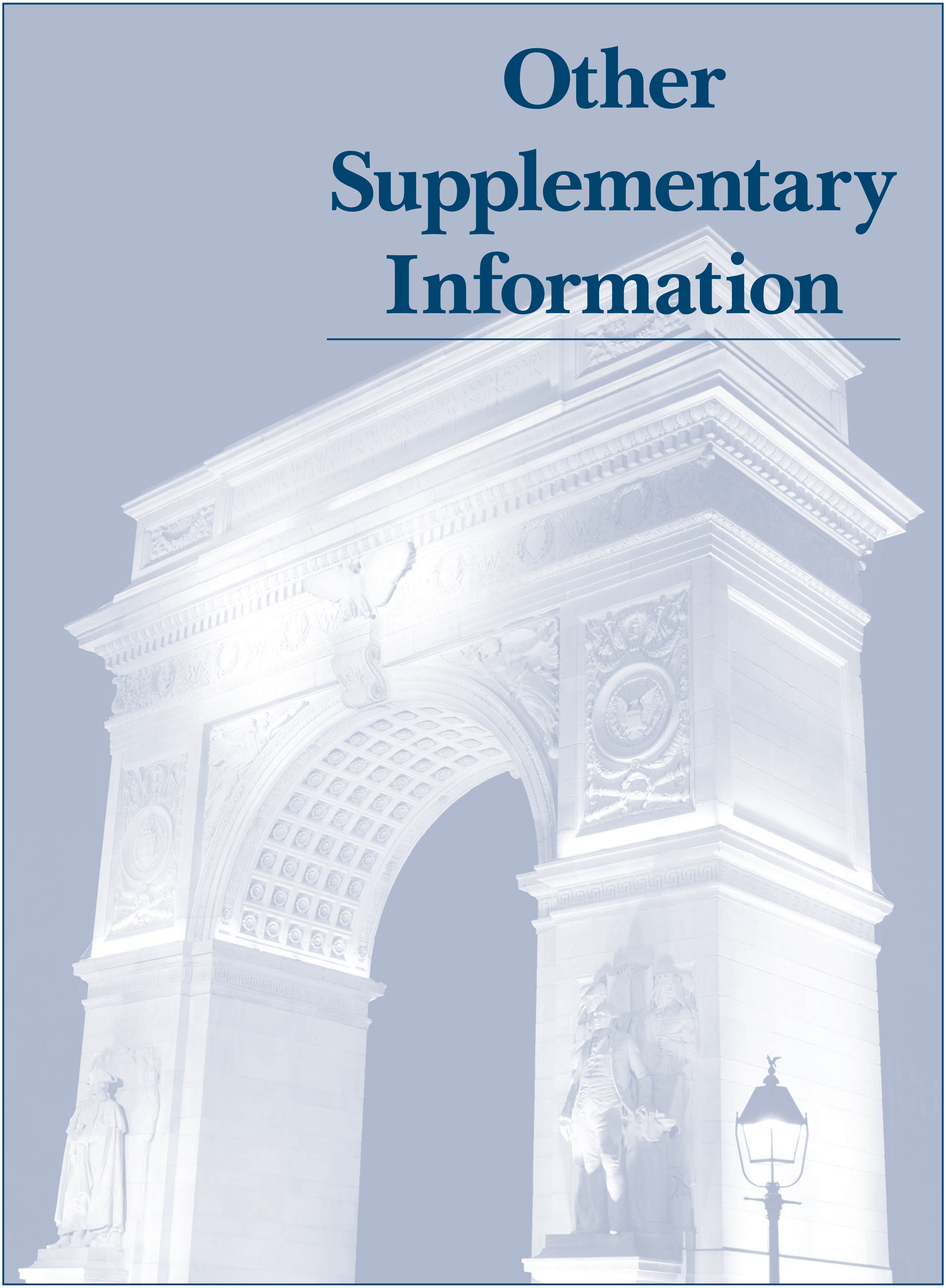
Schedule is intended to display ten years of information. Additional years will be displayed as they become available.

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Other Supplementary Information



STATE OF NEW YORK COMPTROLLER

EXCELSIOR

General Fund

The General Fund is the most significant of the State's funds. Most tax revenues and certain miscellaneous revenues are recorded in the General Fund.

The General Fund is divided into several accounts. Expenditures in the form of aid to local governments for their general purposes (e.g., State-local revenue sharing) and to school districts and municipalities for certain specific purposes (e.g., education and social services) are made from the Local Assistance account. These payments, often based on specific legislated formulas, are nevertheless limited under the State Constitution to appropriations in force.

The expenditures of operating the departments of the Executive Branch, the Legislature and the Judiciary, as well as expenditures for general state charges such as contributions to employee retirement systems, are paid primarily from the State Purposes, Fringe Benefit Escrow, Miscellaneous Special, and Miscellaneous accounts.

Combining Schedule of Balance Sheet Accounts

GENERAL FUND

March 31, 2017
(Amounts in millions)

	Local Assistance	State Purposes	Tax Stabilization Reserve	Community Projects	Rainy Day
ASSETS:					
Cash and investments	$ 4	$ —	$ 1,258	$ 55	$ 540
Receivables, net of allowance for uncollectibles:					
Taxes	—	9,515	—	—	—
Other	681	156	—	3	—
Due from other funds	328	1,223	—	—	—
Other assets	120	40	—	—	—
Total assets	**$ 1,133**	**$ 10,934**	**$ 1,258**	**$ 58**	**$ 540**
LIABILITIES:					
Tax refunds payable	$ —	$ 8,249	$ —	$ —	$ —
Accounts payable	—	123	—	—	—
Accrued liabilities	1,542	999	—	—	—
Payable to local governments	2,829	15	—	1	—
Due to other funds	391	3,097	—	—	—
Pension contributions payable	—	333	—	—	—
Unearned revenues	—	117	—	—	—
Total liabilities	**4,762**	**12,933**	**—**	**1**	**—**
DEFERRED INFLOWS OF RESOURCES	**61**	**711**	**—**	**3**	**—**
FUND BALANCES (DEFICITS):					
Committed	—	—	—	—	540
Assigned	239	124	—	54	—
Unassigned	(3,929)	(2,834)	1,258	—	—
Total fund balances (deficits)	**(3,690)**	**(2,710)**	**1,258**	**54**	**540**
Total liabilities, deferred inflows of resources and fund balances (deficits)	**$ 1,133**	**$ 10,934**	**$ 1,258**	**$ 58**	**$ 540**

See independent auditors' report.

Refund Reserve	Fringe Benefit Escrow	Miscellaneous Special	Miscellaneous	Eliminations	Total
$ 4,604	$ —	$ 1,097	$ 47	$ —	**$ 7,605**
—	—	—	—	—	**9,515**
—	—	132	31	—	**1,003**
1,271	703	23	14	(689)	**2,873**
—	—	5	1	—	**166**
$ 5,875	**$ 703**	**$ 1,257**	**$ 93**	**$ (689)**	**$ 21,162**
$ —	$ —	$ —	$ —	$ —	**$ 8,249**
—	—	31	14	—	**168**
—	—	171	12	—	**2,724**
—	—	58	3	—	**2,906**
—	—	491	201	(689)	**3,491**
—	—	—	—	—	**333**
—	—	92	—	—	**209**
—	**—**	**843**	**230**	**(689)**	**18,080**
—	**—**	**21**	**—**	**—**	**796**
387	—	—	34	—	**961**
5,488	703	538	56	—	**7,202**
—	—	(145)	(227)	—	**(5,877)**
5,875	**703**	**393**	**(137)**	**—**	**2,286**
$ 5,875	**$ 703**	**$ 1,257**	**$ 93**	**$ (689)**	**$ 21,162**

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) Accounts

GENERAL FUND

Year Ended March 31, 2017

(Amounts in millions)

	Local Assistance	State Purposes	Tax Stabilization Reserve	Community Projects	Rainy Day
REVENUES:					
Taxes:					
Personal income	$ —	$ 30,821	$ —	$ —	$ —
Consumption and use	—	6,770	—	—	—
Business	—	5,079	—	—	—
Other	—	1,063	—	—	—
Miscellaneous	7	3,122	—	—	—
Total revenues	**7**	**46,855**	**—**	**—**	**—**
EXPENDITURES:					
Local assistance grants:					
Education	24,745	—	—	—	—
Public health	13,944	—	—	—	—
Public welfare	3,009	—	—	—	—
Public safety	170	—	—	—	—
Transportation	106	—	—	—	—
Environment and recreation	5	—	—	—	—
Support and regulate business	197	—	—	—	—
General government	985	—	—	8	—
State operations:					
Personal service	—	6,038	—	—	—
Non-personal service	—	2,086	—	—	—
Pension contributions	—	1,410	—	—	—
Other fringe benefits	—	2,201	—	—	—
Total expenditures	**43,161**	**11,735**	**—**	**8**	**—**
Excess (deficiency) of revenues over expenditures	**(43,154)**	**35,120**	**—**	**(8)**	**—**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	45,978	24,844	—	1	—
Transfers to other funds	(2,790)	(61,806)	—	—	—
Net other financing sources (uses)	**43,188**	**(36,962)**	**—**	**1**	**—**
Special item—State Insurance Fund reserve release	**—**	**250**	**—**	**—**	**—**
Net change in fund balances	**34**	**(1,592)**	**—**	**(7)**	**—**
Fund balances (deficits) at April 1, 2016	**(3,724)**	**(1,118)**	**1,258**	**61**	**540**
Fund balances (deficits) at March 31, 2017	**$ (3,690)**	**$ (2,710)**	**$ 1,258**	**$ 54**	**$ 540**

See independent auditors' report.

Refund Reserve	Fringe Benefit Escrow	Miscellaneous Special	Miscellaneous	Eliminations	Total
$ —	$ —	$ —	$ —	$ —	$ 30,821
—	—	—	—	—	6,770
—	—	—	—	—	5,079
—	—	—	—	—	1,063
—	2,680	2,745	728	(2,222)	7,060
—	**2,680**	**2,745**	**728**	**(2,222)**	**50,793**
—	—	1	—	—	24,746
—	—	2,455	—	—	16,399
—	—	4	—	—	3,013
—	—	86	2	—	258
—	—	—	—	—	106
—	—	4	—	—	9
—	—	69	—	—	266
—	—	82	1	—	1,076
—	—	2,947	98	—	9,083
—	122	994	455	(516)	3,141
—	724	3	—	—	2,137
—	1,850	1,626	249	(1,706)	4,220
—	**2,696**	**8,271**	**805**	**(2,222)**	**64,454**
—	**(16)**	**(5,526)**	**(77)**	**—**	**(13,661)**
5,875	1	5,842	105	(63,564)	19,082
(7,053)	—	(305)	(69)	63,564	(8,459)
(1,178)	**1**	**5,537**	**36**	**—**	**10,623**
—	**—**	**—**	**—**	**—**	**250**
(1,178)	**(15)**	**11**	**(41)**	**—**	**(2,788)**
7,053	**718**	**382**	**(96)**	**—**	**5,074**
$ 5,875	**$ 703**	**$ 393**	**$ (137)**	**$ —**	**$ 2,286**

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Federal Special Revenue Fund

The Federal Special Revenue Fund is a major fund that accounts for most federal revenues and expenditures.

The Federal Special Revenue Fund is divided into several accounts. The Fund accounts for federal grants received by the State that are earmarked for specific programs. The need to satisfy federal accounting and reporting requirements dictates that federal grants be accounted for in a number of separate accounts. These accounts include the Federal USDA—Food and Nutrition Services Account, the Federal Health and Human Services Account, the Federal Education Account, the Federal Operating Grants Account, the Unemployment Insurance Administration Account, the Federal Unemployment Insurance Occupational Training Account, and the Federal Employment and Training Grants Account.

Combining Schedule of Balance Sheet Accounts

FEDERAL SPECIAL REVENUE FUND

March 31, 2017
(Amounts in millions)

	Federal USDA-FNS	Federal DHHS	Federal Education	Federal Operating Grants	Unemployment Insurance Administration
ASSETS:					
Cash and investments	$ 14	$ 666	$ —	$ —	$ 83
Receivables, net of allowance for uncollectibles:					
Due from Federal government	144	6,446	64	2,137	50
Other	18	473	—	—	—
Due from other funds	1	4	—	—	—
Other assets	2	25	3	497	—
Total assets	**$ 179**	**$ 7,614**	**$ 67**	**$ 2,634**	**$ 133**
LIABILITIES:					
Accounts payable	$ 3	$ 24	$ 1	$ 2	$ 4
Accrued liabilities	2	3,674	9	7	17
Payable to local governments	119	1,679	34	1,848	—
Due to other funds	33	924	23	266	19
Unearned revenues	2	647	—	511	—
Total liabilities	**159**	**6,948**	**67**	**2,634**	**40**
DEFERRED INFLOWS OF RESOURCES	**—**	**666**	**—**	**—**	**93**
FUND BALANCES:					
Restricted	20	—	—	—	—
Total fund balances	**20**	**—**	**—**	**—**	**—**
Total liabilities, deferred inflows of resources and fund balances	**$ 179**	**$ 7,614**	**$ 67**	**$ 2,634**	**$ 133**

See independent auditors' report.

Unemployment Insurance Occupational Training	Federal Employment and Training Grants	Total
$ 1	$ —	$ 764
—	9	8,850
—	—	491
—	—	5
—	—	527
$ 1	**$ 9**	**$ 10,637**
$ —	$ 1	$ 35
—	5	3,714
—	—	3,680
—	3	1,268
—	—	1,160
—	**9**	**9,857**
1	**—**	**760**
—	—	20
—	**—**	**20**
$ 1	**$ 9**	**$ 10,637**

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance Accounts

FEDERAL SPECIAL REVENUE FUND

Year Ended March 31, 2017

(Amounts in millions)

	Federal USDA-FNS	Federal DHHS	Federal Education	Federal Operating Grants	Unemployment Insurance Administration
REVENUES:					
Federal grants	$ 7,185	$ 46,702	$ 2,654	$ 1,820	$ 252
Miscellaneous	2	3	—	13	75
Total revenues	**7,187**	**46,705**	**2,654**	**1,833**	**327**
EXPENDITURES:					
Local assistance grants:					
Education	1,000	—	2,380	4	—
Public health	657	39,955	4	9	—
Public welfare	5,409	3,797	—	27	4
Public safety	—	17	—	1,445	—
Transportation	—	—	—	70	—
Environment and recreation	—	—	—	3	—
General government	—	59	—	—	—
State operations:					
Personal service	23	222	93	108	152
Non-personal service	44	768	119	118	49
Pension contributions	4	26	11	10	20
Other fringe benefits	10	78	35	30	63
Total expenditures	**7,147**	**44,922**	**2,642**	**1,824**	**288**
Excess of revenues over expenditures	**40**	**1,783**	**12**	**9**	**39**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	—	88	—	1	—
Transfers to other funds	(34)	(1,871)	(12)	(10)	(39)
Other financing sources (uses)	**(34)**	**(1,783)**	**(12)**	**(9)**	**(39)**
Net change in fund balances	**6**	**—**	**—**	**—**	**—**
Fund balances at April 1, 2016	**14**	**—**	**—**	**—**	**—**
Fund balances at March 31, 2017	**$ 20**	**$ —**	**$ —**	**$ —**	**$ —**

See independent auditors' report.

Unemployment Insurance Occupational Training	Federal Employment and Training Grants	Eliminations	Total
$ 7	$ 162	$ —	$ 58,782
—	—	—	93
7	162	—	58,875
—	—	—	3,384
—	—	—	40,625
7	124	—	9,368
—	—	—	1,462
—	—	—	70
—	—	—	3
—	—	—	59
—	16	—	614
—	12	—	1,110
—	2	—	73
—	6	—	222
7	160	—	56,990
—	2	—	1,885
—	—	(89)	—
—	(2)	89	(1,879)
—	(2)	—	(1,879)
—	—	—	6
—	—	—	14
$ —	$ —	$ —	$ 20

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

General Debt Service Fund

The General Debt Service Fund is a major fund that is used to account for the payment of principal and interest on the State's general debt and the payments on certain lease/purchase or other contractual obligations.

The General Debt Service Fund is divided into two accounts. The principal and interest payments for the State's general debt and for certain lease/purchase or other contractual obligations are made from the General Debt Service Account. The principal and interest payments for the Tobacco Settlement Financing Corporation (TSFC) are made from the Tobacco Settlement Financing Corporation Account.

Combining Schedule of Balance Sheet Accounts

GENERAL DEBT SERVICE FUND

March 31, 2017

(Amounts in millions)

	General Debt Service Account	Tobacco Settlement Financing Corporation	Total
ASSETS:			
Cash and investments	$ 677	$ 453	$ 1,130
Receivables, net of allowance for uncollectibles:			
Taxes	2,885	—	2,885
Due from Federal government	4	—	4
Other	—	326	326
Total assets	**$ 3,566**	**$ 779**	**$ 4,345**
LIABILITIES:			
Tax refunds payable	$ 2,223	$ —	$ 2,223
Accrued liabilities	11	—	11
Payable to local governments	172	—	172
Due to other funds	346	—	346
Total liabilities	**2,752**	**—**	**2,752**
DEFERRED INFLOWS OF RESOURCES	126	—	126
FUND BALANCES:			
Restricted	667	779	1,446
Committed	21	—	21
Total fund balances	**688**	**779**	**1,467**
Total liabilities, deferred inflows of resources and fund balances	**$ 3,566**	**$ 779**	**$ 4,345**

See independent auditors' report.

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance Accounts

GENERAL DEBT SERVICE FUND

Year Ended March 31, 2017

(Amounts in millions)

	General Debt Service Account	Tobacco Settlement Financing Corporation	Total
REVENUES:			
Taxes:			
Personal income	$ 12,079	$ —	$ 12,079
Consumption and use	3,408	—	3,408
Federal grants	35	—	35
Tobacco settlement	—	324	324
Miscellaneous	5	6	11
Total revenues	**15,527**	**330**	**15,857**
EXPENDITURES:			
Non-personal service	68	—	68
Debt service, including payments on financing arrangements	4,206	768	4,974
Total expenditures	**4,274**	**768**	**5,042**
Excess (deficiency) of revenues over expenditures	**11,253**	**(438)**	**10,815**
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	2,695	—	2,695
Transfers to other funds	(14,315)	—	(14,315)
Refunding debt issued	1,514	—	1,514
Payments to escrow agents for refundings	(1,762)	—	(1,762)
Premiums on bonds issued	279	—	279
Net other financing sources (uses)	**(11,589)**	**—**	**(11,589)**
Net change in fund balances	**(336)**	**(438)**	**(774)**
Fund balances at April 1, 2016	**1,024**	**1,217**	**2,241**
Fund balances at March 31, 2017	**$ 688**	**$ 779**	**$ 1,467**

See independent auditors' report.

Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual

GENERAL DEBT SERVICE FUND

Year Ended March 31, 2017
(Amounts in millions)

	Financial Plan	Actual	Variance
RECEIPTS:			
Taxes	$ 15,067	$ 15,133	$ 66
Federal grants	73	73	—
Total receipts	**15,140**	**15,206**	**66**
DISBURSEMENTS:			
State operations	30	30	—
Debt service	4,714	4,919	(205)
Total disbursements	**4,744**	**4,949**	**(205)**
Excess of receipts over disbursements	**10,396**	**10,257**	**(139)**
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	2,694	2,690	(4)
Transfers to other funds	(13,090)	(12,947)	143
Net other financing sources (uses)	**(10,396)**	**(10,257)**	**139**
Excess (deficiency) of receipts and othe financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ —**

See independent auditors' report.

Other Governmental Funds

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS

March 31, 2017

(Amounts in millions)

	Special Revenue	Debt Service	Capital Projects	Total
ASSETS:				
Cash and investments	$ 3,692	$ 830	$ 1,956	**$ 6,478**
Receivables, net of allowance for uncollectibles:				
Taxes	1,006	265	67	**1,338**
Due from Federal government	—	—	590	**590**
Other	728	95	853	**1,676**
Due from other funds	476	351	108	**935**
Other assets	9	—	8	**17**
Total assets	**$ 5,911**	**$ 1,541**	**$ 3,582**	**$ 11,034**
LIABILITIES:				
Tax refunds payable	$ 779	$ 32	$ 22	**$ 833**
Accounts payable	1	8	233	**242**
Accrued liabilities	256	6	89	**351**
Payable to local governments	123	—	138	**261**
Due to other funds	109	204	1,397	**1,710**
Unearned revenues	—	4	1	**5**
Total liabilities	**1,268**	**254**	**1,880**	**3,402**
DEFERRED INFLOWS OF RESOURCES	**117**	**25**	**16**	**158**
FUND BALANCES:				
Restricted	391	592	221	**1,204**
Committed	1,338	667	2,140	**4,145**
Assigned	2,886	3	92	**2,981**
Unassigned	(89)	—	(767)	**(856)**
Total fund balances	**4,526**	**1,262**	**1,686**	**7,474**
Total liabilities, deferred inflows of resources and fund balances	**$ 5,911**	**$ 1,541**	**$ 3,582**	**$ 11,034**

See independent auditors' report.

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

OTHER GOVERNMENTAL FUNDS

Year Ended March 31, 2017

(Amounts in millions)

	Special Revenue	Debt Service	Capital Projects	Total
REVENUES:				
Taxes:				
Personal income	$ 3,110	$ —	$ —	**$ 3,110**
Consumption and use	1,995	3,408	629	**6,032**
Business	1,661	—	632	**2,293**
Other	1,395	1,054	119	**2,568**
Federal grants	—	—	2,639	**2,639**
Public health/patient fees	5,220	472	—	**5,692**
Tobacco settlement	36	—	—	**36**
Miscellaneous	3,338	114	1,186	**4,638**
Total revenues	**16,755**	**5,048**	**5,205**	**27,008**
EXPENDITURES:				
Local assistance grants:				
Education	6,401	—	203	**6,604**
Public health	6,034	—	204	**6,238**
Public welfare	—	—	353	**353**
Public safety	77	—	72	**149**
Transportation	4,871	—	1,586	**6,457**
Environment and recreation	—	—	387	**387**
Support and regulate business	—	—	835	**835**
General government	135	—	406	**541**
State operations:				
Personal service	195	—	—	**195**
Non-personal service	2,276	36	—	**2,312**
Pension contributions	35	—	—	**35**
Other fringe benefits	72	—	—	**72**
Capital construction	—	—	5,770	**5,770**
Debt service, including payments on financing arrangements	—	616	—	**616**
Total expenditures	**20,096**	**652**	**9,816**	**30,564**
Excess (deficiency) of revenues over expenditures	**(3,341)**	**4,396**	**(4,611)**	**(3,556)**
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	3,919	1,330	2,631	**7,880**
Transfers to other funds	(396)	(5,559)	(1,482)	**(7,437)**
Financing arrangements issued	—	—	2,888	**2,888**
Refunding debt issued	—	312	—	**312**
Payments to escrow agents for refundings	—	(349)	—	**(349)**
Premiums on bonds issued	—	45	421	**466**
Net other financing sources (uses)	**3,523**	**(4,221)**	**4,458**	**3,760**
Net change in fund balances	**182**	**175**	**(153)**	**204**
Fund balances at April 1, 2016	**4,344**	**1,087**	**1,839**	**7,270**
Fund balances at March 31, 2017	**$ 4,526**	**$ 1,262**	**$ 1,686**	**$ 7,474**

See independent auditors' report.

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual

OTHER GOVERNMENTAL FUNDS

Year Ended March 31, 2017

(Amounts in millions)

	Special Revenue			Debt Service		
	Financial Plan	Actual	Variance	Financial Plan	Actual	Variance
RECEIPTS:						
Taxes	$ 8,229	$ 8,101	$ (128)	$ 4,258	$ 4,249	$ (9)
Miscellaneous	16,823	17,487	664	489	458	(31)
Federal grants	1	(1)	(2)	—	—	—
Total receipts	**25,053**	**25,587**	**534**	**4,747**	**4,707**	**(40)**
DISBURSEMENTS:						
Local assistance grants	19,639	19,929	(290)	—	—	—
State operations	10,500	10,555	(55)	9	9	—
General State charges	2,140	2,172	(32)	—	—	—
Debt service	—	—	—	596	594	2
Capital projects	2	3	(1)	—	—	—
Total disbursements	**32,281**	**32,659**	**(378)**	**605**	**603**	**2**
Excess (deficiency) of receipts over disbursements	**(7,228)**	**(7,072)**	**156**	**4,142**	**4,104**	**(38)**
OTHER FINANCING SOURCES (USES):						
Bond and note proceeds, net	—	—	—	—	—	—
Transfers from other funds	7,781	8,106	325	823	919	96
Transfers to other funds	(689)	(849)	(160)	(4,952)	(5,038)	(86)
Net other financing sources (uses)	**7,092**	**7,257**	**165**	**(4,129)**	**(4,119)**	**10**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ (136)**	**$ 185**	**$ 321**	**$ 13**	**$ (15)**	**$ (28)**

See independent auditors' report.

Capital Projects

Financial Plan	Actual	Variance
$ 1,358	$ 1,383	$ 25
4,829	4,637	(192)
2,161	2,608	447
8,348	**8,628**	**280**
3,569	3,604	(35)
—	—	—
—	—	—
—	—	—
7,334	6,553	781
10,903	**10,157**	**746**
(2,555)	**(1,529)**	**1,026**
434	—	(434)
3,633	2,751	(882)
(1,450)	(1,392)	58
2,617	**1,359**	**(1,258)**
$ 62	**$ (170)**	**$ (232)**

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

School Tax Relief Fund (STAR)—to reimburse school districts for the property tax exemptions for homeowners.

Health Care Reform Act Resources—to account for health care initiatives financed with hospital assessments, surcharges, proceeds from the sale of public assets and cigarette tax receipts.

Dedicated Mass Transportation Trust Fund—to account for monies that are earmarked for mass transportation purposes.

ENCON Special Revenue—to account for various fees, fines and penalties earmarked for environmental monitoring activities, conservation and efficiency projects and other environmental maintenance and regulation purposes.

Conservation Fund—to account for hunting and fishing license fees and related fines and penalties that are dedicated to fish and wildlife programs.

Environmental Protection and Spill Compensation Fund—to account for license fees and penalties that are earmarked for oil spill clean-up costs and claims for damages.

Mass Transportation Operating Assistance—to account for various taxes earmarked for public mass transportation operating assistance programs.

MTA Financial Assistance Fund—to account for taxes and fees imposed in the Metropolitan Commuter Transportation District dedicated for Metropolitan Transportation Authority operating and capital needs.

Miscellaneous—to account for various fees, fines, user charges and other miscellaneous revenues that are earmarked for specific State programs.

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

March 31, 2017
(Amounts in millions)

	School Tax Relief (STAR)	Health Care Reform Act Resources	Dedicated Mass Transportation Trust	ENCON Special Revenue	Conservation
ASSETS:					
Cash and investments	$ —	$ 348	$ 85	$ —	$ 77
Receivables, net of allowance for uncollectibles:					
Taxes	704	68	16	—	—
Other	—	399	—	4	2
Due from other funds	108	1	—	—	—
Other assets	—	—	—	—	—
Total assets	**$ 812**	**$ 816**	**$ 101**	**$ 4**	**$ 79**
LIABILITIES:					
Tax refunds payable	$ 579	$ 2	$ 10	$ —	$ —
Accounts payable	—	—	1	—	—
Accrued liabilities	111	124	—	4	2
Payable to local governments	45	14	—	—	—
Due to other funds	—	2	—	24	3
Total liabilities	**735**	**142**	**11**	**28**	**5**
DEFERRED INFLOWS OF RESOURCES	**27**	**—**	**1**	**—**	**—**
FUND BALANCES (DEFICITS):					
Restricted	—	—	—	—	—
Committed	50	674	89	—	74
Assigned	—	—	—	—	—
Unassigned	—	—	—	(24)	—
Total fund balances (deficits)	**50**	**674**	**89**	**(24)**	**74**
Total liabilities, deferred inflows of resources and fund balances (deficits)	**$ 812**	**$ 816**	**$ 101**	**$ 4**	**$ 79**

See independent auditors' report.

Environmental Protection and Spill Compensation	Mass Transportation Operating Assistance	MTA Financial Assistance Fund	Miscellaneous	Total
$ 33	$ 100	$ 162	$ 2,887	$ 3,692
—	121	97	—	1,006
82	—	—	241	728
—	—	—	367	476
—	—	—	9	9
$ 115	**$ 221**	**$ 259**	**$ 3,504**	**$ 5,911**
$ —	$ 173	$ 15	$ —	$ 779
—	—	—	—	1
1	—	—	14	256
—	—	—	64	123
3	5	—	72	109
4	**178**	**15**	**150**	**1,268**
72	**—**	**—**	**17**	**117**
39	—	244	108	391
—	43	—	408	1,338
—	—	—	2,886	2,886
—	—	—	(65)	(89)
39	**43**	**244**	**3,337**	**4,526**
$ 115	**$ 221**	**$ 259**	**$ 3,504**	**$ 5,911**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

Year Ended March 31, 2017
(Amounts in millions)

	School Tax Relief (STAR)	Health Care Reform Act Resources	Dedicated Mass Transportation Trust	ENCON Special Revenue	Conservation
REVENUES:					
Taxes:					
Personal income	$ 3,110	$ —	$ —	$ —	$ —
Consumption and use	—	867	110	—	—
Business	—	—	362	—	—
Other	—	—	—	—	—
Public health/patient fees	—	5,219	—	—	—
Tobacco settlement	—	36	—	—	—
Miscellaneous	—	2	142	87	54
Total revenues	**3,110**	**6,124**	**614**	**87**	**54**
EXPENDITURES:					
Local assistance grants:					
Education	3,060	—	—	—	—
Public health	—	6,029	—	—	—
Public safety	—	—	—	—	—
Transportation	—	—	669	—	—
General government	—	—	—	—	—
State operations:					
Personal service	—	10	—	51	26
Non-personal service	—	23	—	16	9
Pension contributions	—	2	—	8	4
Other fringe benefits	—	4	—	19	11
Total expenditures	**3,060**	**6,068**	**669**	**94**	**50**
Excess (deficiency) of revenues over expenditures	**50**	**56**	**(55)**	**(7)**	**4**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	—	1	63	13	—
Transfers to other funds	—	(125)	—	(6)	(2)
Net other financing sources (uses)	**—**	**(124)**	**63**	**7**	**(2)**
Net change in fund balances	**50**	**(68)**	**8**	**—**	**2**
Fund balances (deficits) at April 1, 2016	**—**	**742**	**81**	**(24)**	**72**
Fund balances (deficits) at March 31, 2017	**$ 50**	**$ 674**	**$ 89**	**$ (24)**	**$ 74**

See independent auditors' report.

Environmental Protection and Spill Compensation	Mass Transportation Operating Assistance	MTA Financial Assistance Fund	Miscellaneous	Eliminations	Total
$ —	$ —	$ —	$ —	$ —	**$ 3,110**
—	905	111	2	—	**1,995**
—	1,298	—	1	—	**1,661**
—	—	1,394	1	—	**1,395**
—	—	—	1	—	**5,220**
—	—	—	—	—	**36**
64	17	184	2,788	—	**3,338**
64	**2,220**	**1,689**	**2,793**	**—**	**16,755**
—	—	—	3,341	—	**6,401**
—	—	—	5	—	**6,034**
—	—	—	77	—	**77**
—	2,235	1,967	—	—	**4,871**
—	—	—	135	—	**135**
11	3	—	94	—	**195**
14	1	—	2,213	—	**2,276**
2	—	—	19	—	**35**
6	1	—	31	—	**72**
33	**2,240**	**1,967**	**5,915**	**—**	**20,096**
31	**(20)**	**(278)**	**(3,122)**	**—**	**(3,341)**
—	34	333	3,480	(5)	**3,919**
(16)	—	(1)	(251)	5	**(396)**
(16)	**34**	**332**	**3,229**	**—**	**3,523**
15	**14**	**54**	**107**	**—**	**182**
24	**29**	**190**	**3,230**	**—**	**4,344**
$ 39	**$ 43**	**$ 244**	**$ 3,337**	**$ —**	**$ 4,526**

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

Year Ended March 31, 2017
(Amounts in millions)

	School Tax Relief			Mass Transportation Operating Assistance		
	Financial Plan	Actual	Variance	Financial Plan	Actual	Variance
RECEIPTS:						
Taxes	$ 3,208	$ 3,139	$ (69)	$ 2,199	$ 2,114	$ (85)
Miscellaneous	—	—	—	18	17	(1)
Federal grants	—	—	—	—	—	—
Total receipts	**3,208**	**3,139**	**(69)**	**2,217**	**2,131**	**(86)**
DISBURSEMENTS:						
Local assistance grants	3,208	3,139	69	2,236	2,235	1
State operations	—	—	—	4	3	1
General State charges	—	—	—	2	2	—
Capital projects	—	—	—	—	—	—
Total disbursements	**3,208**	**3,139**	**69**	**2,242**	**2,240**	**2**
Excess (deficiency) of receipts over disbursements	**—**	**—**	**—**	**(25)**	**(109)**	**(84)**
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	—	—	—	35	34	(1)
Transfers to other funds	—	—	—	—	—	—
Net other financing sources (uses)	**—**	**—**	**—**	**35**	**34**	**(1)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ —**	**$ 10**	**$ (75)**	**$ (85)**

See independent auditors' report.

State Special Revenue Account			Other		
Financial Plan	Actual	Variance	Financial Plan	Actual	Variance
$ —	$ —	$ —	$ 2,822	$ 2,848	$ 26
2,815	2,885	70	13,990	14,585	595
—	—	—	1	(1)	(2)
2,815	**2,885**	**70**	**16,813**	**17,432**	**619**
2,384	2,673	(289)	11,811	11,882	(71)
4,271	4,269	2	6,225	6,283	(58)
1,639	1,630	9	499	540	(41)
—	—	—	2	3	(1)
8,294	**8,572**	**(278)**	**18,537**	**18,708**	**(171)**
(5,479)	**(5,687)**	**(208)**	**(1,724)**	**(1,276)**	**448**
7,737	6,109	(1,628)	2,536	2,281	(255)
(2,184)	(317)	1,867	(1,032)	(850)	182
5,553	**5,792**	**239**	**1,504**	**1,431**	**(73)**
$ 74	**$ 105**	**$ 31**	**$ (220)**	**$ 155**	**$ 375**

(Continued)

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual (cont'd)

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

Year Ended March 31, 2017
(Amounts in millions)

	Eliminations		Total		
	Financial Plan	Actual	Financial Plan	Actual	Variance
RECEIPTS:					
Taxes	$ —	$ —	$ 8,229	$ 8,101	$ (128)
Miscellaneous	—	—	16,823	17,487	664
Federal grants	—	—	1	(1)	(2)
Total receipts	**—**	**—**	**25,053**	**25,587**	**534**
DISBURSEMENTS:					
Local assistance grants	—	—	19,639	19,929	(290)
State operations	—	—	10,500	10,555	(55)
General State charges	—	—	2,140	2,172	(32)
Capital projects	—	—	2	3	(1)
Total disbursements	**—**	**—**	**32,281**	**32,659**	**(378)**
Excess (deficiency) of receipts over disbursements	**—**	**—**	**(7,228)**	**(7,072)**	**156**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	(2,527)	(318)	7,781	8,106	325
Transfers to other funds	2,527	318	(689)	(849)	(160)
Net other financing sources (uses)	**—**	**—**	**7,092**	**7,257**	**165**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ (136)**	**$ 185**	**$ 321**

See independent auditors' report.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term obligations and payments on certain lease/purchase or other contractual obligations.

Mental Health Services Fund—to account for the payment of debt service in conjunction with agreements for financing mental hygiene facilities.

State Housing Debt Fund—to account for the repayment of State advances made to local governments and certain public authorities that are earmarked for paying the principal and interest on State housing bonds.

Department of Health Income Fund—to account for the payment of debt service in conjunction with agreements with the Dormitory Authority for financing health facilities.

Clean Water/Clean Air Fund—to account for taxes earmarked for reimbursing the General Debt Service Fund for the payment of debt service on the Clean Water/ Clean Air bonds.

Local Government Assistance Tax Fund—to account for revenues that are earmarked for payment to the New York Local Government Assistance Corporation for debt service.

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

March 31, 2017
(Amounts in millions)

	Mental Health Services	State Housing Debt	Department of Health Income	Clean Water/ Clean Air	Local Government Assistance Tax	Total
ASSETS:						
Cash and investments	$ 282	$ —	$ 64	$ —	$ 484	**$ 830**
Receivables, net of allowance for uncollectibles:						
Taxes	—	—	—	46	219	**265**
Other	61	6	28	—	—	**95**
Due from other funds	345	—	6	—	—	**351**
Total assets	**$ 688**	**$ 6**	**$ 98**	**$ 46**	**$ 703**	**$ 1,541**
LIABILITIES:						
Tax refunds payable	$ —	$ —	$ —	$ —	$ 32	**$ 32**
Accounts payable	—	—	8	—	—	**8**
Accrued liabilities	—	—	6	—	—	**6**
Due to other funds	—	—	—	46	158	**204**
Unearned revenues	—	4	—	—	—	**4**
Total liabilities	**—**	**4**	**14**	**46**	**190**	**254**
DEFERRED INFLOWS OF RESOURCES	**3**	**—**	**—**	**—**	**22**	**25**
FUND BALANCES (DEFICITS):						
Restricted	91	2	21	—	478	**592**
Committed	594	—	63	—	10	**667**
Assigned	—	—	—	—	3	**3**
Total fund balances	**685**	**2**	**84**	**—**	**491**	**1,262**
Total liabilities, deferrred inflows of resources and fund balances	**$ 688**	**$ 6**	**$ 98**	**$ 46**	**$ 703**	**$ 1,541**

See independent auditors' report.

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

Year Ended March 31, 2017

(Amounts in millions)

	Mental Health Services	State Housing Debt	Department of Health Income	Clean Water/ Clean Air	Local Government Assistance Tax	Total
REVENUES:						
Taxes:						
Consumption and use	$ —	$ —	$ —	$ —	$ 3,408	**$ 3,408**
Other	—	—	—	1,054	—	**1,054**
Patient fees	321	—	151	—	—	**472**
Miscellaneous	109	5	—	—	—	**114**
Total revenues	**430**	**5**	**151**	**1,054**	**3,408**	**5,048**
EXPENDITURES:						
Non-personal service	28	—	5	—	3	**36**
Debt service, including payments on financing arrangements	197	7	26	—	386	**616**
Total expenditures	**225**	**7**	**31**	**—**	**389**	**652**
Excess (deficiency) of revenues over expenditures	**205**	**(2)**	**120**	**1,054**	**3,019**	**4,396**
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	1,294	2	34	—	—	**1,330**
Transfers to other funds	(1,331)	—	(149)	(1,054)	(3,025)	**(5,559)**
Refunding debt issued	167	—	145	—	—	**312**
Payments to escrow agents for refundings	(185)	—	(164)	—	—	**(349)**
Premiums on bonds issued	22	—	23	—	—	**45**
Net other financing sources (uses)	**(33)**	**2**	**(111)**	**(1,054)**	**(3,025)**	**(4,221)**
Net change in fund balances	**172**	**—**	**9**	**—**	**(6)**	**175**
Fund balances at April 1, 2016	**513**	**2**	**75**	**—**	**497**	**1,087**
Fund balances at March 31, 2017	**$ 685**	**$ 2**	**$ 84**	**$ —**	**$ 491**	**$ 1,262**

See independent auditors' report.

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

Year Ended March 31, 2017
(Amounts in millions)

	Mental Health Services			Clean Water/Clean Air		
	Financial Plan	Actual	Variance	Financial Plan	Actual	Variance
RECEIPTS:						
Taxes	$ —	$ —	$ —	$ 1,019	$ 1,007	$ (12)
Miscellaneous	337	329	(8)	—	—	—
Total receipts	**337**	**329**	**(8)**	**1,019**	**1,007**	**(12)**
DISBURSEMENTS:						
State operations	3	3	—	—	—	—
Debt service	193	193	—	—	—	—
Total disbursements	**196**	**196**	**—**	**—**	**—**	**—**
Excess (deficiency) of receipts over disbursements	**141**	**133**	**(8)**	**1,019**	**1,007**	**(12)**
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	1,100	1,204	104	—	—	—
Transfers to other funds	(1,241)	(1,331)	(90)	(1,019)	(1,007)	12
Net other financing sources (uses)	**(141)**	**(127)**	**14**	**(1,019)**	**(1,007)**	**12**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ 6**	**$ 6**	**$ —**	**$ —**	**$ —**

See independent auditors' report.

Local Government Assistance Tax			Other		
Financial Plan	Actual	Variance	Financial Plan	Actual	Variance
$ 3,239	$ 3,242	$ 3	$ —	$ —	$ —
—	—	—	152	129	(23)
3,239	**3,242**	**3**	**152**	**129**	**(23)**
3	3	—	3	3	—
370	369	1	33	32	1
373	**372**	**1**	**36**	**35**	**1**
2,866	**2,870**	**4**	**116**	**94**	**(22)**
—	—	—	(277)	(285)	(8)
(2,866)	(2,870)	(4)	174	170	(4)
(2,866)	**(2,870)**	**(4)**	**(103)**	**(115)**	**(12)**
$ —	**$ —**	**$ —**	**$ 13**	**$ (21)**	**$ (34)**

(Continued)

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual (cont'd)

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

Year Ended March 31, 2017

(Amounts in millions)

	Total		
	Financial Plan	Actual	Variance
RECEIPTS:			
Taxes	$ 4,258	$ 4,249	$ (9)
Miscellaneous	489	458	(31)
Total receipts	**4,747**	**4,707**	**(40)**
DISBURSEMENTS:			
State operations	9	9	—
Debt service	596	594	2
Total disbursements	**605**	**603**	**2**
Excess (deficiency) of receipts over disbursements	**4,142**	**4,104**	**(38)**
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	823	919	96
Transfers to other funds	(4,952)	(5,038)	(86)
Net other financing sources (uses)	**(4,129)**	**(4,119)**	**10**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ 13**	**$ (15)**	**$ (28)**

See independent auditors' report.

Capital Projects Funds

Capital Projects Funds are used to account for the financial resources used for the acquisition or construction of major State-owned capital facilities and for capital assistance grants to local governments and public authorities.

State Capital Projects Fund—to account for the construction or acquisition of State capital assets and the payments to local governments and public authorities for capital assistance financed primarily by transfers from the General Fund, bond funds and proceeds from various financial arrangements.

Dedicated Highway and Bridge Trust Fund—to account for taxes and fees that are earmarked for financing State, county, town, and village highway, parkway, bridge, aviation or port facility capital projects.

Environmental Protection Fund—to account for dedicated revenues that will be used to assist local governments, not-for-profit corporations, and fund State initiatives to protect the environment and protect open space.

Dedicated Infrastructure Investment Fund—to account for projects, works, activities or purposes necessary to support statewide investments including loans to public authorities.

Bond Funds—to account for the proceeds of bonds issued for capital purposes. A separate bond fund is established to account for the bond proceeds of each bond issue authorized by public referendum, including the Environmental Quality Protection Bond Fund, the Rebuild and Renew New York Transportation Bond Fund, the Environmental Quality Bond Act Fund, the Clean Water/Clean Air Bond Fund and the following included in the Miscellaneous category: the Energy Conservation Through Improved Transportation Bond Fund, the Pure Waters Bond Fund, the Transportation Capital Facilities Bond Fund, the Rail Preservation and Development Bond Fund, the Transportation Infrastructure Renewal Bond Fund and the Accelerated Capacity and Transportation Improvement Bond Fund.

Hazardous Waste Remedial Fund—to account for revenues earmarked for the clean-up of hazardous waste disposal sites.

Federal Capital Projects Fund—to account for capital projects financed from federal grants.

Housing Program Fund—to account for the Low Income Housing Trust Fund Program and the Affordable Home Ownership Development Program that are financed by the New York State Housing Finance Agency.

Mental Hygiene Facilities Capital Improvement Fund—to account for mental hygiene capital projects.

Correctional Facilities Capital Improvement Fund—to account for correctional facility capital projects financed by the Urban Development Corporation.

Miscellaneous—to account for various capital projects financed from the sale of land or other resources, gifts, grants or other miscellaneous revenue sources earmarked for capital purposes or from transfers from the New York State Infrastructure Trust Account.

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

March 31, 2017
(Amounts in millions)

	State Capital Projects	Dedicated Highway and Bridge Trust	Environmental Protection	Dedicated Infrastructure Investment	Environmental Quality Protection Bond	Rebuild and Renew New York Transportation Bond	Environmental Quality Bond
ASSETS:							
Cash and investments	$ 1,121	$ 491	$ 147	$ 83	$ 2	$ 21	$ 6
Receivables, net of allowance for uncollectibles:							
Taxes	—	67	—	—	—	—	—
Due from Federal government	—	—	—	—	—	—	—
Other	810	34	1	—	—	—	—
Due from other funds	1	9	—	—	—	—	—
Other assets	—	—	—	—	—	—	—
Total assets	**$ 1,932**	**$ 601**	**$ 148**	**$ 83**	**$ 2**	**$ 21**	**$ 6**
LIABILITIES:							
Tax refunds payable	$ —	$ 22	$ —	$ —	$ —	$ —	$ —
Accounts payable	58	47	—	5	—	—	—
Accrued liabilities	4	56	—	—	—	—	—
Payable to local governments	97	1	1	—	—	—	—
Due to other funds	103	10	1	1	—	—	—
Unearned revenues	—	1	—	—	—	—	—
Total liabilities	**262**	**137**	**2**	**6**	**—**	**—**	**—**
DEFERRED INFLOWS OF RESOURCES	**1**	**9**	**—**	**—**	**—**	**—**	**—**
FUND BALANCES (DEFICITS):							
Restricted	160	19	—	—	2	21	6
Committed	1,509	436	146	—	—	—	—
Assigned	—	—	—	77	—	—	—
Unassigned	—	—	—	—	—	—	—
Total fund balances (deficits)	**1,669**	**455**	**146**	**77**	**2**	**21**	**6**
Total liabilities, deferred inflows of resources and fund balances (deficits)	**$ 1,932**	**$ 601**	**$ 148**	**$ 83**	**$ 2**	**$ 21**	**$ 6**

See independent auditors' report.

Hazardous Waste Remedial	Federal Capital Projects	Clean Water/ Clean Air Bond	Housing Program	Mental Hygiene Facilities Capital Improvement	Correctional Facilities Capital Improvement	Miscellaneous	Eliminations	Total
$ —	$ —	$ 1	$ —	$ —	$ —	$ 84	$ —	$ 1,956
—	—	—	—	—	—	—	—	67
—	590	—	—	—	—	—	—	590
7	—	—	—	—	—	1	—	853
—	98	—	—	—	—	743	(743)	108
—	—	—	—	—	—	8	—	8
$ 7	**$ 688**	**$ 1**	**$ —**	**$ —**	**$ —**	**$ 836**	**$ (743)**	**$ 3,582**
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 22
—	80	—	—	12	31	—	—	233
2	1	—	—	13	3	10	—	89
—	30	—	—	7	—	2	—	138
165	577	—	125	58	186	914	(743)	1,397
—	—	—	—	—	—	—	—	1
167	**688**	**—**	**125**	**90**	**220**	**926**	**(743)**	**1,880**
6	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**16**
—	—	1	—	—	—	12	—	221
—	—	—	—	—	—	49	—	2,140
—	—	—	—	—	—	15	—	92
(166)	—	—	(125)	(90)	(220)	(166)	—	(767)
(166)	**—**	**1**	**(125)**	**(90)**	**(220)**	**(90)**	**—**	**1,686**
$ 7	**$ 688**	**$ 1**	**$ —**	**$ —**	**$ —**	**$ 836**	**$ (743)**	**$ 3,582**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

Year Ended March 31, 2017

(Amounts in millions)

	State Capital Projects	Dedicated Highway and Bridge Trust	Environmental Protection	Dedicated Infrastructure Investment	Environmental Quality Protection Bond	Rebuild and Renew New York Transportation Bond	Environmental Quality Bond
REVENUES:							
Taxes:							
Consumption and use	$ —	$ 629	$ —	$ —	$ —	$ —	$ —
Business	—	632	—	—	—	—	—
Other	—	—	119	—	—	—	—
Federal grants	—	5	—	—	—	—	—
Miscellaneous	11	864	36	—	—	—	—
Total revenues	**11**	**2,130**	**155**	**—**	**—**	**—**	**—**
EXPENDITURES:							
Local assistance grants:							
Education	203	—	—	—	—	—	—
Public health	24	—	—	—	—	—	—
Public welfare	—	—	—	35	—	—	—
Public safety	61	—	—	—	—	—	—
Transportation	904	16	—	—	—	—	—
Environment and recreation	143	—	90	—	—	—	—
Support and regulate business	796	—	—	39	—	—	—
General government	171	—	—	232	—	—	—
Capital construction	961	2,105	107	334	—	—	—
Total expenditures	**3,263**	**2,121**	**197**	**640**	**—**	**—**	**—**
Excess (deficiency) of revenues over expenditures	**(3,252)**	**9**	**(42)**	**(640)**	**—**	**—**	**—**
OTHER FINANCING SOURCES (USES):							
Transfers from other funds	1,212	846	146	698	—	—	—
Transfers to other funds	(104)	(1,359)	—	(2)	—	(6)	—
Financing arrangements issued	1,810	488	—	—	—	—	—
Premiums on bonds issued	209	117	—	—	—	—	—
Net other financing sources (uses)	**3,127**	**92**	**146**	**696**	**—**	**(6)**	**—**
Net change in fund balances	**(125)**	**101**	**104**	**56**	**—**	**(6)**	**—**
Fund balances (deficits) at April 1, 2016	**1,794**	**354**	**42**	**21**	**2**	**27**	**6**
Fund balances (deficits) at March 31, 2017	**$ 1,669**	**$ 455**	**$ 146**	**$ 77**	**$ 2**	**$ 21**	**$ 6**

See independent auditors' report.

Hazardous Waste Remedial	Federal Capital Projects	Clean Water/ Clean Air Bond	Housing Program	Mental Hygiene Facilities Capital Improvement	Correctional Facilities Capital Improvement	Miscellaneous	Eliminations	Total
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 629
—	—	—	—	—	—	—	—	632
—	—	—	—	—	—	—	—	119
—	2,634	—	—	—	—	—	—	2,639
39	2	—	166	2	—	66	—	1,186
39	**2,636**	**—**	**166**	**2**	**—**	**66**	**—**	**5,205**
—	—	—	—	—	—	—	—	203
—	47	—	—	133	—	—	—	204
—	—	—	148	—	—	170	—	353
—	9	—	—	—	—	2	—	72
—	663	—	—	—	—	3	—	1,586
5	148	—	—	—	—	1	—	387
—	—	—	—	—	—	—	—	835
—	—	—	—	3	—	—	—	406
126	1,479	—	—	154	308	196	—	5,770
131	**2,346**	**—**	**148**	**290**	**308**	**372**	**—**	**9,816**
(92)	**290**	**—**	**18**	**(288)**	**(308)**	**(306)**	**—**	**(4,611)**
18	1	—	1	5	5	22	(323)	2,631
(25)	(291)	(7)	—	(4)	(5)	(2)	323	(1,482)
52	—	—	—	248	45	245	—	2,888
14	—	—	—	54	2	25	—	421
59	**(290)**	**(7)**	**1**	**303**	**47**	**290**	**—**	**4,458**
(33)	**—**	**(7)**	**19**	**15**	**(261)**	**(16)**	**—**	**(153)**
(133)	**—**	**8**	**(144)**	**(105)**	**41**	**(74)**	**—**	**1,839**
$ (166)	**$ —**	**$ 1**	**$ (125)**	**$ (90)**	**$ (220)**	**$ (90)**	**$ —**	**$ 1,686**

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

Year Ended March 31, 2017
(Amounts in millions)

	State Capital Projects			Dedicated Highway and Bridge Trust		
	Financial Plan	Actual	Variance	Financial Plan	Actual	Variance
RECEIPTS:						
Taxes	$ —	$ —	$ —	$ 1,239	$ 1,264	$ 25
Miscellaneous	2,460	2,507	47	1,380	1,328	(52)
Federal grants	—	—	—	5	5	—
Total receipts	**2,460**	**2,507**	**47**	**2,624**	**2,597**	**(27)**
DISBURSEMENTS:						
Local assistance grants	2,504	2,097	407	74	12	62
Capital projects	1,977	1,607	370	2,084	2,146	(62)
Total disbursements	**4,481**	**3,704**	**777**	**2,158**	**2,158**	**—**
Excess (deficiency) of receipts over disbursements	**(2,021)**	**(1,197)**	**824**	**466**	**439**	**(27)**
OTHER FINANCING SOURCES (USES):						
Bond and note proceeds, net	—	—	—	—	—	—
Transfers from other funds	2,023	1,198	(825)	870	845	(25)
Transfers to other funds	(2)	(1)	1	(1,409)	(1,358)	51
Net other financing sources (uses)	**2,021**	**1,197**	**(824)**	**(539)**	**(513)**	**26**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ —**	**$ (73)**	**$ (74)**	**$ (1)**

See independent auditors' report.

Federal Capital Projects			Hazardous Waste Remedial		
Financial Plan	Actual	Variance	Financial Plan	Actual	Variance
$ —	$ —	$ —	$ —	$ —	$ —
—	2	2	103	111	8
2,156	2,603	447	—	—	—
2,156	**2,605**	**449**	**103**	**111**	**8**
706	850	(144)	—	5	(5)
1,091	1,476	(385)	110	124	(14)
1,797	**2,326**	**(529)**	**110**	**129**	**(19)**
359	**279**	**(80)**	**(7)**	**(18)**	**(11)**
—	—	—	—	—	—
—	—	—	23	18	(5)
(338)	(289)	49	(29)	(25)	4
(338)	**(289)**	**49**	**(6)**	**(7)**	**(1)**
$ 21	**$ (10)**	**$ (31)**	**$ (13)**	**$ (25)**	**$ (12)**

(Continued)

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual (cont'd)

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

Year Ended March 31, 2017
(Amounts in millions)

	Other			Eliminations	
	Financial Plan	Actual	Variance	Financial Plan	Actual
RECEIPTS:					
Taxes	$ 119	$ 119	$ —	$ —	$ —
Miscellaneous	886	689	(197)	—	—
Federal grants	—	—	—	—	—
Total receipts	**1,005**	**808**	**(197)**	**—**	**—**
DISBURSEMENTS:					
Local assistance grants	285	640	(355)	—	—
Capital projects	2,072	1,200	872	—	—
Total disbursements	**2,357**	**1,840**	**517**	**—**	**—**
Excess (deficiency) of receipts over disbursements	**(1,352)**	**(1,032)**	**320**	**—**	**—**
OTHER FINANCING SOURCES (USES):					
Bond and note proceeds, net	434	—	(434)	—	—
Transfers from other funds	1,479	971	(508)	(762)	(281)
Transfers to other funds	(434)	—	434	762	281
Net other financing sources (uses)	**1,479**	**971**	**(508)**	**—**	**—**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ 127**	**$ (61)**	**$ (188)**	**$ —**	**$ —**

See independent auditors' report.

Total		
Financial Plan	Actual	Variance
$ 1,358	$ 1,383	$ 25
4,829	4,637	(192)
2,161	2,608	447
8,348	**8,628**	**280**
3,569	3,604	(35)
7,334	6,553	781
10,903	**10,157**	**746**
(2,555)	**(1,529)**	**1,026**
434	—	(434)
3,633	2,751	(882)
(1,450)	(1,392)	58
2,617	**1,359**	**(1,258)**
$ 62	**$ (170)**	**$ (232)**

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the State in a fiduciary capacity or as agent for individuals, private organizations or other governments and include Private Purpose Trust Funds, the State and Local Retirement System Fund and Agency Funds.

Private Purpose Trust Funds:

Agriculture and Milk Producers' Security Funds—to provide security to agriculture and milk producers against loss of revenues.

Abandoned Property Fund—accounts for assets from banks, utilities, investment companies, and insurance companies representing inactive accounts that are required by law to be turned over to the State. The Comptroller is custodian of this account. Assets are returned to the proper owner upon approval of a claim.

Tuition Savings Program Fund—accounts for contributions made by individuals and families for college savings. The withdrawals from the Fund are used to pay college costs at any eligible public and private college and university in New York State.

Agency Funds:

Employee Benefit and Payroll Related Funds—account for various employee benefit programs, such as the New York State employee health insurance programs, for the disposition of various payroll related deductions, such as for social security contributions.

MMIS Statewide Escrow Fund—accounts for the transfer from other funds of the Federal, State, and local shares of Medicaid program expenditures to a paying agent for ultimate payment to health care providers.

Other Agency Funds—account for various escrow, revenue collection and agency accounts for which the State acts in an agent's capacity until proper disposition of the assets can be made. This includes accounting for advances from the State for paying CUNY operating costs.

Combining Statement of Fiduciary Net Position

PRIVATE PURPOSE TRUSTS

March 31, 2017
(Amounts in millions)

	Agriculture Producers' Security	Milk Producers' Security	Abandoned Property	Tuition Savings Program	Total
ASSETS:					
Cash and investments	$ 2	$ 8	$ 48	$ 23,705	$ 23,763
Receivables, net of allowance for uncollectibles	—	—	191	66	257
Due from other funds	—	—	2,853	—	2,853
Total assets	**2**	**8**	**3,092**	**23,771**	**26,873**
LIABILITIES:					
Accrued liabilities	—	—	—	78	78
Total liabilities	**—**	**—**	**—**	**78**	**78**
NET POSITION:					
Restricted for:					
Claimant liability	—	—	3,092	—	3,092
Other specified purposes	2	8	—	23,693	23,703
Total net position	**$ 2**	**$ 8**	**$ 3,092**	**$ 23,693**	**$ 26,795**

See independent auditors' report.

Combining Statement of Changes in Fiduciary Net Position

PRIVATE PURPOSE TRUSTS

Year Ended March 31, 2017
(Amounts in millions)

	Agriculture Producers' Security	Milk Producers' Security	Abandoned Property	Tuition Savings Program	Total
Additions:					
Investment income	$ —	$ —	$ —	$ 42	$ 42
Dividend income	—	—	—	471	471
Other income	—	—	519	—	519
Net increase in the fair value of investments	—	—	—	1,072	1,072
Total investment and other losses	**—**	**—**	**519**	**1,585**	**2,104**
Less:					
Investment expenses	—	—	—	(50)	(50)
Net investment and other losses	**—**	**—**	**519**	**1,535**	**2,054**
Contributions:					
College savings	—	—	—	2,707	2,707
Total contributions	**—**	**—**	**—**	**2,707**	**2,707**
Total additions	**—**	**—**	**519**	**4,242**	**4,761**
Deductions:					
College aid redemptions	—	—	—	1,658	1,658
Claims paid	—	—	418	—	418
Miscellaneous	—	1	—	—	1
Total deductions	**—**	**1**	**418**	**1,658**	**2,077**
Net increase (decrease)	**—**	**(1)**	**101**	**2,584**	**2,684**
Net position restricted at April 1, 2016	**2**	**9**	**2,991**	**21,109**	**24,111**
Net position restricted at March 31, 2017	**$ 2**	**$ 8**	**$ 3,092**	**$ 23,693**	**$ 26,795**

See independent auditors' report.

Combining Statement of Fiduciary Net Position

AGENCY FUNDS

March 31, 2017
(Amounts in millions)

	School Capital Facilities Financing Reserve	Employees Health Insurance	Social Security Contribution	Employees Dental Insurance	Management Confidential Group Insurance
ASSETS:					
Cash and investments	$ 22	$ 736	$ 15	$ 1	$ 1
Receivables, net of allowance for uncollectibles	—	147	40	12	—
Other assets	—	75	—	—	—
Total assets	**$ 22**	**$ 958**	**$ 55**	**$ 13**	**$ 1**
LIABILITIES:					
Accounts payable	$ —	$ 166	$ —	$ —	$ —
Accrued liabilities	22	586	55	9	1
Payable to local governments	—	206	—	4	—
Total liabilities	**$ 22**	**$ 958**	**$ 55**	**$ 13**	**$ 1**

See independent auditors' report.

CUNY Senior College Operating	MMIS Statewide Escrow	Sole Custody	Miscellaneous	Total
$ 5	$ 120	$ 5,310	$ 1,409	**$ 7,619**
—	587	19	219	**1,024**
—	—	—	—	**75**
$ 5	**$ 707**	**$ 5,329**	**$ 1,628**	**$ 8,718**
$ —	$ 7	$ —	$ 19	**$ 192**
5	697	3,893	1,548	**6,816**
—	3	1,436	61	**1,710**
$ 5	**$ 707**	**$ 5,329**	**$ 1,628**	**$ 8,718**

Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS

Year Ended March 31, 2017

(Amounts in millions)

	Balance April 1, 2016	Additions	Deductions	Balance March 31, 2017
School Capital Facilities Financing Reserve				
ASSETS:				
Cash and investments	$ 20	$ 48	$ 46	$ 22
Due from other funds	—	32	32	—
Total assets	**$ 20**	**$ 80**	**$ 78**	**$ 22**
LIABILITIES:				
Accounts payable	$ —	$ 17	$ 17	$ —
Accrued liabilities	20	24	22	22
Due to other funds	—	12	12	—
Total liabilities	**$ 20**	**$ 53**	**$ 51**	**$ 22**
Employees Health Insurance				
ASSETS:				
Cash and investments	$ 695	$ 13,577	$ 13,536	$ 736
Receivables, net of allowance for uncollectibles	99	704	656	147
Due from other funds	—	3,664	3,664	—
Other assets	115	76	116	75
Total assets	**$ 909**	**$ 18,021**	**$ 17,972**	**$ 958**
LIABILITIES:				
Accounts payable	$ 127	$ 9,348	$ 9,309	$ 166
Accrued liabilities	501	10,097	10,012	586
Payable to local governments	281	206	281	206
Due to other funds	—	320	320	—
Total liabilities	**$ 909**	**$ 19,971**	**$ 19,922**	**$ 958**
Social Security Contribution				
ASSETS:				
Cash and investments	$ 15	$ 1,192	$ 1,192	$ 15
Receivables, net of allowance for uncollectibles	39	1,161	1,160	40
Due from other funds	—	32	32	—
Total assets	**$ 54**	**$ 2,385**	**$ 2,384**	**$ 55**
LIABILITIES:				
Accounts payable	$ —	$ 1,192	$ 1,192	$ —
Accrued liabilities	54	1,193	1,192	55
Total liabilities	**$ 54**	**$ 2,385**	**$ 2,384**	**$ 55**

(Continued)

See independent auditors' report.

Combining Statement of Changes in Assets and Liabilities (cont'd)

AGENCY FUNDS

Year Ended March 31, 2017
(Amounts in millions)

	Balance April 1, 2016	Additions	Deductions	Balance March 31, 2017
Employees Dental Insurance				
ASSETS:				
Cash and investments	$ 3	$ 160	$ 162	$ 1
Receivables, net of allowance for uncollectibles	5	13	6	12
Due from other funds	—	76	76	—
Total assets	**$ 8**	**$ 249**	**$ 244**	**$ 13**
LIABILITIES:				
Accounts payable	$ 1	$ 73	$ 74	$ —
Accrued liabilities	7	95	93	9
Payable to local governments	—	4	—	4
Due to other funds	—	1	1	—
Total liabilities	**$ 8**	**$ 173**	**$ 168**	**$ 13**
Management Confidential Group Insurance				
ASSETS:				
Cash and investments	$ 1	$ 18	$ 18	$ 1
Receivables, net of allowance for uncollectibles	—	6	6	—
Due from other funds	—	6	6	—
Total assets	**$ 1**	**$ 30**	**$ 30**	**$ 1**
LIABILITIES:				
Accounts payable	$ —	$ 11	$ 11	$ —
Accrued liabilities	1	12	12	1
Total liabilities	**$ 1**	**$ 23**	**$ 23**	**$ 1**
CUNY Senior College Operating				
ASSETS:				
Cash and investments	$ 65	$ 2,709	$ 2,769	$ 5
Receivables, net of allowance for uncollectibles	—	1	1	—
Due from other funds	—	76	76	—
Total assets	**$ 65**	**$ 2,786**	**$ 2,846**	**$ 5**
LIABILITIES:				
Accounts payable	$ —	$ 2,658	$ 2,658	$ —
Accrued liabilities	65	2,814	2,874	5
Due to other funds	—	95	95	—
Total liabilities	**$ 65**	**$ 5,567**	**$ 5,627**	**$ 5**

(Continued)

See independent auditors' report.

Combining Statement of Changes in Assets and Liabilities (cont'd)

AGENCY FUNDS

Year Ended March 31, 2017
(Amounts in millions)

	Balance April 1, 2016	Additions	Deductions	Balance March 31, 2017
MMIS Statewide Escrow				
ASSETS:				
Cash and investments	$ 192	$ 122,600	$ 122,672	$ 120
Receivables, net of allowance for uncollectibles	—	623	36	587
Due from other funds	—	53,118	53,118	—
Total assets	**$ 192**	**$ 176,341**	**$ 175,826**	**$ 707**
LIABILITIES:				
Accounts payable	$ —	$ 3,226	$ 3,219	$ 7
Accrued liabilities	192	68,659	68,154	697
Payable to local governments	—	3	—	3
Due to other funds	—	712	712	—
Total liabilities	**$ 192**	**$ 72,600**	**$ 72,085**	**$ 707**
Sole Custody				
ASSETS:				
Cash and investments	$ 5,251	$ 5,312	$ 5,253	$ 5,310
Receivables, net of allowance for uncollectibles	10	19	10	19
Total assets	**$ 5,261**	**$ 5,331**	**$ 5,263**	**$ 5,329**
LIABILITIES:				
Accrued liabilities	$ 3,886	$ 3,894	$ 3,887	$ 3,893
Payable to local governments	1,375	1,436	1,375	1,436
Total liabilities	**$ 5,261**	**$ 5,330**	**$ 5,262**	**$ 5,329**
Miscellaneous				
ASSETS:				
Cash and investments	$ 1,664	$ 19,339	$ 19,594	$ 1,409
Receivables, net of allowance for uncollectibles	210	7,057	7,048	219
Due from other funds	—	1,190	1,190	—
Total assets	**$ 1,874**	**$ 27,586**	**$ 27,832**	**$ 1,628**
LIABILITIES:				
Accounts payable	$ (1)	$ 6,689	$ 6,669	$ 19
Accrued liabilities	1,816	12,345	12,613	1,548
Payable to local governments	59	61	59	61
Due to other funds	—	5,397	5,397	—
Total liabilities	**$ 1,874**	**$ 24,492**	**$ 24,738**	**$ 1,628**

(Continued)

See independent auditors' report.

Combining Statement of Changes in Assets and Liabilities (cont'd)

AGENCY FUNDS

Year Ended March 31, 2017
(Amounts in millions)

	Balance April 1, 2016	Additions	Deductions	Balance March 31, 2017
Total Assets and Liabilities—All Agency Funds				
ASSETS:				
Cash and investments	$ 7,906	$ 164,955	$ 165,242	$ 7,619
Receivables, net of allowance for uncollectibles	363	9,584	8,923	1,024
Due from other funds	—	58,194	58,194	—
Other assets	115	76	116	75
Total assets	**$ 8,384**	**$ 232,809**	**$ 232,475**	**$ 8,718**
LIABILITIES:				
Accounts payable	$ 127	$ 23,214	$ 23,149	$ 192
Accrued liabilities	6,542	99,133	98,859	6,816
Payable to local governments	1,715	1,710	1,715	1,710
Due to other funds	—	6,524	6,524	—
Total liabilities	**$ 8,384**	**$ 130,581**	**$ 130,247**	**$ 8,718**

See independent auditors' report.

STATE OF NEW YORK
EXCELSIOR
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Non-Major Component Units

The non-major component units listed are significant separate legal entities that are discretely presented in the State's financial statements. The inclusion of component units in the State's financial statements reflects the State's financial accountability for these entities.

Health Research Incorporated—administers gifts and grants in keeping with the research, prevention and treatment purposes of the New York State Department of Health and the Roswell Park Cancer Institute Corporation.

Housing Trust Fund Corporation—administers significant Federal and State low income housing programs.

Hugh L. Carey Battery Park City Authority—engages in the improvement of the Battery Park City Project Area (a 92-acre site on the lower west side of Manhattan); the creation in the area of a mixed commercial and residential community; and the making of loans secured by first mortgages to housing companies organized to provide housing within the project area.

Municipal Bond Bank Agency—provides access to the capital markets for special programs and purposes that benefit the State of New York and its municipalities.

New York State Energy Research and Development Authority—conducts and finances a multifaceted energy and environmental research and development program; promotes energy efficiency measures; manages the Western New York Nuclear Service Center at West Valley; and coordinates the State's activities on nuclear energy matters.

New York State Higher Education Services Corporation—administers the State's Guaranteed Student Loan Programs.

Niagara Frontier Transportation Authority—promotes the development and improvement of transportation and related services within the Niagara Frontier Transportation District, and operates a number of transportation related business centers including aviation, surface transportation and property management.

Roswell Park Cancer Institute Corporation—as a public hospital and medical research center, provides total care to cancer patients, conducts research into the causes, treatment and prevention of cancer, and educates those who treat and study cancer.

SUNY Foundations—include campus-related foundations and student housing corporations reported as an aggregate discretely presented component unit in the State University of New York financial statements. The campus-related foundations are responsible for the fiscal administration of revenues and support received for the promotion, development and advancement of the welfare of the campuses. The student housing corporations operate and administer certain housing and related services for students.

CUNY Foundations—include eighteen campus-related foundations reported as discretely presented component units in the City University of New York Senior Colleges' financial statements. These foundations support both academic and general needs of the colleges and their students.

Miscellaneous—aggregation of 22 other non-major component units listed in Note 14.

Combining Statement of Net Position

DISCRETELY PRESENTED NON-MAJOR COMPONENT UNITS

March 31, 2017
(Amounts in millions)

	Health Research Incorporated	Housing Trust Fund Corporation	Hugh L. Carey Battery Park City Authority	Municipal Bond Bank Agency	NYS Energy Research & Development Authority
ASSETS:					
Cash and investments	$ 598	$ 382	$ 526	$ 2	$ 945
Receivables, net of allowances for uncollectibles:					
Loans, leases, and notes	—	2	3	459	457
Other	45	9	2	8	12
Other assets	53	20	5	—	13
Capital assets:					
Construction in progress	—	—	—	—	—
Land, buildings and equipment, net of depreciation	1	—	497	—	17
Intangible assets	—	—	—	—	—
Total assets	**697**	**413**	**1,033**	**469**	**1,444**
DEFERRED OUTFLOWS OF RESOURCES:					
Pension activities	—	6	3	—	16
Derivative activities	—	—	35	—	—
Deferred loss on refunding	—	—	78	19	—
Total deferred outflows of resources	**—**	**6**	**116**	**19**	**16**
LIABILITIES:					
Accounts payable	35	—	5	—	10
Accrued liabilities	26	68	240	8	57
Unearned revenues	—	23	47	—	2
Notes payable	—	—	—	—	—
Bonds payable	—	—	26	53	6
Current portion of other long-term liabilities	—	—	—	—	3
Due in more than one year:					
Accrued liabilities	—	—	28	—	—
Pension contributions payable	—	—	—	—	—
Net pension liability	—	6	—	—	—
Other postemployment benefits	—	5	36	—	—
Pollution remediation	—	—	—	—	—
Unearned revenues	494	—	261	—	—
Notes payable	—	—	—	—	—
Bonds payable	—	—	1,027	431	122
Other long-term liabilities	53	—	—	—	22
Derivative instruments	—	—	94	—	—
Total liabilities	**608**	**102**	**1,764**	**492**	**222**
DEFERRED INFLOWS OF RESOURCES:					
Pension activities	—	1	—	—	—
Other	—	—	—	—	—
Total deferred inflows of resources	**—**	**1**	**—**	**—**	**—**
NET POSITION:					
Net investment in capital assets	—	—	(4)	—	17
Restricted for:					
Debt service	—	—	60	—	—
Higher education, research and patient care	—	—	—	—	—
Environmental projects and energy programs	—	—	—	—	1,218
Economic development, housing and transportation	—	242	4	—	—
Insurance and administrative requirements	—	—	—	—	—
Unrestricted (deficit)	89	74	(675)	(4)	3
Total net position	**$ 89**	**$ 316**	**$ (615)**	**$ (4)**	**$ 1,238**

See independent auditors' report.

NYS Higher Education Services Corporation	Niagara Frontier Transportation Authority	Roswell Park Cancer Institute Corporation	SUNY Foundations and Auxiliary Corporations	CUNY Supporting Organizations	Miscellaneous	Total
$ 116	$ 118	$ 562	$ 2,323	$ 745	$ 1,345	**$ 7,662**
—	—	21	—	—	22	**964**
24	20	102	204	118	101	**645**
2	6	18	117	14	48	**296**
—	33	41	24	—	101	**199**
—	571	270	555	161	872	**2,944**
—	—	7	—	—	—	**7**
142	**748**	**1,021**	**3,223**	**1,038**	**2,489**	**12,717**
8	27	96	—	—	60	**216**
—	—	—	—	—	—	**35**
—	—	—	—	5	—	**102**
8	**27**	**96**	**—**	**5**	**60**	**353**
14	—	—	—	—	48	**112**
—	30	129	298	24	470	**1,350**
—	—	—	15	1	69	**157**
—	—	—	—	—	6	**6**
—	11	14	14	2	12	**138**
—	10	—	—	—	27	**40**
—	—	—	—	—	44	**72**
2	—	—	—	—	2	**4**
7	43	88	—	—	81	**225**
—	151	456	—	—	384	**1,032**
—	—	—	—	—	1	**1**
—	—	—	—	—	63	**818**
—	—	30	—	22	1	**53**
—	98	146	381	136	97	**2,438**
2	78	5	—	1	65	**226**
—	—	—	—	—	—	**94**
25	**421**	**868**	**708**	**186**	**1,370**	**6,766**
1	3	16	—	—	16	**37**
—	—	—	—	—	12	**12**
1	**3**	**16**	**—**	**—**	**28**	**49**
—	467	135	221	14	922	**1,772**
—	—	—	—	—	18	**78**
117	—	124	1,755	743	—	**2,739**
—	—	—	—	—	36	**1,254**
—	48	—	—	—	222	**516**
—	—	—	—	—	50	**50**
7	(164)	(26)	539	100	(97)	**(154)**
$ 124	**$ 351**	**$ 233**	**$ 2,515**	**$ 857**	**$ 1,151**	**$ 6,255**

Combining Statement of Activities

DISCRETELY PRESENTED NON-MAJOR COMPONENT UNITS

Year Ended March 31, 2017

(Amounts in millions)

	Health Research Incorporated	Housing Trust Fund Corporation	Hugh L. Carey Battery Park City Authority	Municipal Bond Bank Agency	NYS Energy Research & Development Authority
EXPENSES:					
Program operations	$ 650	$ 2,796	$ 217	$ —	$ 611
Interest on long-term debt	—	—	30	20	4
Other interest	—	—	—	—	—
Depreciation and amortization	—	—	10	—	2
Other expenses	32	11	—	27	35
Total expenses	**682**	**2,807**	**257**	**47**	**652**
PROGRAM REVENUES:					
Charges for services	3	—	279	23	17
Operating grants and contributions	683	2,856	—	—	39
Capital grants and contributions	—	—	—	—	—
Total program revenues	**686**	**2,856**	**279**	**23**	**56**
Net program revenue (expenses)	**4**	**49**	**22**	**(24)**	**(596)**
GENERAL REVENUES:					
Non-State grants and contributions not restricted to specific programs	—	—	—	2	—
Investment earnings:					
Restricted	—	—	—	—	—
Unrestricted	6	1	—	—	7
Miscellaneous	—	1	7	25	151
Total general revenues	**6**	**2**	**7**	**27**	**158**
Change in net position	**10**	**51**	**29**	**3**	**(438)**
Net position—beginning of year, as restated	**79**	**265**	**(644)**	**(7)**	**1,676**
Net position—end of year	**$ 89**	**$ 316**	**$ (615)**	**$ (4)**	**$ 1,238**

See independent auditors' report.

NYS Higher Education Services Corporation	Niagara Frontier Transportation Authority	Roswell Park Cancer Institute Corporation	SUNY Foundations and Auxiliary Corporations	CUNY Supporting Organizations	Miscellaneous	Total
$ 696	$ 202	$ 689	$ 564	$ 181	$ 1,322	**$ 7,928**
—	—	6	—	—	2	**62**
—	5	—	—	3	—	**8**
—	52	35	—	7	76	**182**
5	—	17	164	20	20	**331**
701	**259**	**747**	**728**	**211**	**1,420**	**8,511**
714	72	589	514	52	729	**2,992**
—	54	89	209	4	497	**4,431**
—	20	15	—	—	83	**118**
714	**146**	**693**	**723**	**56**	**1,309**	**7,541**
13	**(113)**	**(54)**	**(5)**	**(155)**	**(111)**	**(970)**
4	58	—	—	77	132	**273**
—	—	—	21	—	14	**35**
1	—	5	10	5	21	**56**
—	48	39	20	63	24	**378**
5	**106**	**44**	**51**	**145**	**191**	**742**
18	**(7)**	**(10)**	**46**	**(10)**	**80**	**(228)**
106	**358**	**243**	**2,469**	**867**	**1,071**	**6,483**
$ 124	**$ 351**	**$ 233**	**$ 2,515**	**$ 857**	**$ 1,151**	**$ 6,255**

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Statistical Section

This part of the State's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the State's most significant revenue source, the personal income tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant years.*

Changes in Fund Balances

GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(Modified accrual basis of accounting)
(Amounts in millions)

	Fiscal Year 2008	2009	2010	2011	2012
REVENUES:					
Taxes:					
Personal income	$ 38,792	$ 33,096	$ 34,536	$ 37,705	$ 38,355
Consumption and use	13,101	13,131	13,069	14,133	14,528
Business	8,163	7,711	7,547	7,115	7,758
Other	2,292	1,769	2,753	3,228	3,115
Federal grants	37,802	41,637	51,407	54,659	48,016
Public health/patient fees	3,900	3,734	4,296	4,655	4,648
Tobacco settlement	580	594	491	457	453
Miscellaneous	9,410	9,044	11,780	11,371	11,433
Total revenues	**114,040**	**110,716**	**125,879**	**133,323**	**128,306**
EXPENDITURES:					
Local assistance grants:					
Education	—	—	—	—	—
Public health	—	—	—	—	—
Public welfare	—	—	—	—	—
Public safety	—	—	—	—	—
Transportation	—	—	—	—	—
Environment and recreation	—	—	—	—	—
Support and regulate business	—	—	—	—	—
General government	—	—	—	—	—
Social services	42,689	44,741	52,341	53,894	51,893
Education	30,208	31,047	31,097	32,380	31,255
Mental hygiene	1,859	1,998	1,912	2,020	2,090
General purpose	928	1,220	1,251	1,037	1,042
Health and environment	4,423	4,592	4,250	4,460	4,466
Transportation	3,634	4,109	5,123	5,311	5,327
Criminal justice	493	516	624	506	745
Miscellaneous	3,142	2,901	2,068	2,685	2,049
State operations:					
Personal service	9,230	9,819	9,733	9,857	9,439
Non-personal service	6,324	6,331	6,329	6,554	6,320
Pension contributions	1,117	973	874	1,234	1,538
Other fringe benefits	3,354	3,203	3,390	3,683	3,924
Capital construction	4,467	5,127	5,029	4,174	4,198
Debt service, including payments on financing arrangements:					
Principal (General Obligation)	350	353	355	365	361
Interest (General Obligation)	139	127	123	135	137
Principal (Other financing arrangements)	—	—	—	—	2,778
Interest (Other financing arrangements)	—	—	—	—	1,956
Principal and Interest (Other financing arrangements)	3,589	3,622	4,067	4,394	—
Total expenditures	**115,946**	**120,679**	**128,566**	**132,689**	**129,518**
Excess (deficiency) of revenues over expenditures	**(1,906)**	**(9,963)**	**(2,687)**	**634**	**(1,212)**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	2,709	2,761	2,959	3,315	3,282
Transfers to other funds	(4,810)	(5,072)	(5,158)	(5,085)	(5,099)
Collateralized borrowing	—	—	—	102	—
General obligation bonds issued	268	455	449	500	330
Financing arrangements issued	3,237	3,689	4,354	2,253	2,945
Refunding debt issued	2,280	3,874	2,200	1,907	1,868
Payments to escrow agents for refundings	(2,383)	(3,926)	(2,278)	(2,052)	(2,033)
Swap termination	—	(32)	(94)	(48)	(27)
Premiums on bonds issued	245	215	378	375	565
Net other financing sources (uses)	**1,546**	**1,964**	**2,810**	**1,267**	**1,831**
Special item—State Insurance Fund reserve release	**—**	**—**	**—**	**—**	**—**
Net change in fund balances	**$ (360)**	**$ (7,999)**	**$ 123**	**$ 1,901**	**$ 619**
Debt service (principal and interest) as a percentage of non-capital expenditures	**3.61%**	**3.45%**	**3.58%**	**3.74%**	**4.09%**

Source: Office of the State Comptroller

Note: Figures restated for prior period adjustments.

Beginning in fiscal year 2013, expenditures for local assistance grants are reported using the new Statewide Financial System program categories. Prior fiscal years' reported amounts are categorized by local assistance object codes.

Fiscal Year

2013	2014	2015	2016	2017
$ 41,962	$ 41,295	$ 45,438	$ 46,089	$ 46,010
14,598	15,139	15,361	15,741	16,210
8,275	8,438	8,321	7,575	7,372
2,973	3,398	3,537	3,967	3,631
49,263	50,176	51,494	57,781	61,456
4,574	4,968	5,142	5,213	5,692
447	492	426	803	360
10,745	10,811	15,186	11,005	10,904
132,837	**134,717**	**144,905**	**148,174**	**151,635**
30,717	31,139	32,229	34,595	34,734
48,363	48,078	51,939	56,694	63,262
13,970	13,758	12,477	12,989	12,734
2,003	2,714	2,814	2,382	1,869
5,901	5,799	5,864	5,565	6,633
451	454	316	319	399
700	836	695	804	1,101
1,189	1,363	1,355	1,587	1,676
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
9,597	9,599	9,780	9,947	9,892
6,128	6,093	6,883	6,773	6,584
1,457	1,880	1,979	2,038	2,245
3,255	3,233	3,277	3,386	3,663
4,260	4,506	4,725	5,516	5,770
346	333	304	290	265
141	139	132	123	115
3,035	2,921	3,052	3,407	3,470
1,801	1,876	1,850	1,886	1,740
—	—	—	—	—
133,314	**134,721**	**139,671**	**148,301**	**156,152**
(477)	**(4)**	**5,234**	**(127)**	**(4,517)**
3,131	3,319	3,258	3,335	3,282
(5,146)	(5,658)	(5,432)	(5,657)	(5,715)
—	370	—	—	—
396	—	148	—	—
1,836	2,684	1,934	2,219	2,888
2,434	2,247	1,527	3,888	1,826
(2,784)	(2,468)	(1,737)	(4,465)	(2,111)
—	—	—	—	—
746	461	527	965	745
613	**955**	**225**	**285**	**915**
—	**250**	**1,000**	**250**	**250**
$ 136	**$ 1,201**	**$ 6,459**	**$ 408**	**$ (3,352)**
4.05%	**3.97%**	**3.86%**	**3.86%**	**3.63%**

Net Position by Component

LAST TEN FISCAL YEARS

(Accrual basis of accounting)
(Amounts in millions)

	Fiscal Year 2008	2009	2010	2011	2012
Governmental activities:					
Net investment in capital assets	$ 62,800	$ 63,476	$ 63,797	$ 65,118	$ 65,875
Restricted for:					
Debt service	2,304	2,321	2,277	2,506	2,502
Environmental projects and energy programs	18	27	60	88	107
Economic development, housing and transportation	467	46	171	272	233
Other government programs	746	444	156	148	309
Unrestricted (deficit)	(22,825)	(35,420)	(38,485)	(40,484)	(42,693)
Total governmental activities net position	**$ 43,510**	**$ 30,894**	**$ 27,976**	**$ 27,648**	**$ 26,333**
Business-type activities:					
Net investment in capital assets	$ 353	$ 569	$ 468	$ 685	$ 920
Restricted for:					
Debt service	—	—	—	—	—
Higher education, research and patient care	1,634	1,619	1,021	1,003	1,204
Unemployment benefits	1,313	351	—	—	—
Future lottery prizes	110	72	79	105	141
Pensions	—	—	—	—	—
Unrestricted (deficit)	807	420	(1,452)	(2,411)	(2,923)
Total business-type activities net position	**$ 4,217**	**$ 3,031**	**$ 116**	**$ (618)**	**$ (658)**
Primary government:					
Net investment in capital assets	$ 63,153	$ 64,045	$ 64,265	$ 65,803	$ 66,795
Restricted for:					
Debt service	2,304	2,321	2,277	2,506	2,502
Higher education, research and patient care	1,634	1,619	1,021	1,003	1,204
Environmental projects and energy programs	18	27	60	88	107
Economic development, housing and transportation	467	46	171	272	233
Unemployment benefits	1,313	351	—	—	—
Future lottery prizes	110	72	79	105	141
Pensions	—	—	—	—	—
Other government programs	746	444	156	148	309
Unrestricted (deficit)	(22,018)	(35,000)	(39,937)	(42,895)	(45,616)
Total primary government net position	**$ 47,727**	**$ 33,925**	**$ 28,092**	**$ 27,030**	**$ 25,675**

Source: Office of the State Comptroller

Fiscal Year

2013	2014	2015	2016	2017
$ 67,162	$ 68,791	$ 69,286	$ 69,394	$ 70,561
2,508	3,271	2,574	3,328	2,729
102	113	129	95	113
151	199	105	229	298
728	231	277	365	478
(44,380)	(44,767)	(39,817)	(40,872)	(45,599)
$ 26,271	**$ 27,838**	**$ 32,554**	**$ 32,539**	**$ 28,580**
$ 1,390	$ 1,220	$ 1,323	$ 1,589	$ 1,746
—	—	—	117	72
1,037	1,120	1,039	985	975
—	—	892	1,944	2,712
185	150	139	157	184
—	—	—	25	73
(3,534)	(3,331)	(2,622)	(4,592)	(5,430)
$ (922)	**$ (841)**	**$ 771**	**$ 225**	**$ 332**
$ 68,552	$ 70,011	$ 70,609	$ 70,983	$ 72,307
2,508	3,271	2,574	3,445	2,801
1,037	1,120	1,039	985	975
102	113	129	95	113
151	199	105	229	298
—	—	892	1,944	2,712
185	150	139	157	184
—	—	—	25	73
728	231	277	365	478
(47,914)	(48,098)	(42,439)	(45,464)	(51,029)
$ 25,349	**$ 26,997**	**$ 33,325**	**$ 32,764**	**$ 28,912**

Changes in Net Position

LAST TEN FISCAL YEARS

(Accrual basis of accounting)
(Amounts in millions)

	Fiscal Year				
	2008	2009	2010	2011	2012
EXPENSES:					
Governmental activities:					
Education	$ 31,215	$ 32,184	$ 31,075	$ 32,478	$ 30,828
Public health	44,777	47,233	51,499	52,618	58,817
Public welfare	12,491	13,824	16,226	17,091	12,703
Public safety	6,011	6,066	5,641	6,143	6,264
Transportation	6,595	7,164	8,112	7,778	8,347
Environment and recreation	1,275	1,276	1,338	1,625	1,653
Support and regulate business	1,288	1,911	1,713	1,827	1,625
General government	7,841	9,457	9,234	9,707	5,641
Interest on long-term debt	1,862	1,752	1,839	2,040	1,922
Total governmental activities expenses	**113,355**	**120,867**	**126,677**	**131,307**	**127,800**
Business-type activities:					
Lottery	5,044	5,235	5,221	5,250	5,587
Unemployment insurance	2,412	4,562	10,267	9,414	7,363
State University of New York	7,965	8,379	9,509	9,032	9,709
City University of New York	2,443	2,617	2,847	2,950	2,937
Total business-type activities expenses	**17,864**	**20,793**	**27,844**	**26,646**	**25,596**
Total primary government expenses	**$ 131,219**	**$ 141,660**	**$ 154,521**	**$ 157,953**	**$ 153,396**
PROGRAM REVENUES:					
Governmental activities:					
Charges for services:					
Education	$ 88	$ 73	$ 118	$ 119	$ 99
Public health	4,676	4,459	5,086	5,687	6,159
Public welfare	597	458	1,024	751	636
Public safety	208	194	173	167	163
Transportation	1,033	1,109	1,317	1,425	1,483
Environment and recreation	291	297	324	315	269
Support and regulate business	539	822	1,528	1,413	1,527
General government	1,050	1,920	1,989	1,848	2,426
Operating grants and contributions	36,509	40,401	50,058	53,072	46,627
Capital grants and contributions	1,305	1,344	1,240	1,427	1,429
Total governmental activities program revenues	**46,296**	**51,077**	**62,857**	**66,224**	**60,818**
Business-type activities:					
Charges for services:					
Lottery	7,548	7,660	7,818	7,868	8,439
State University of New York	3,219	3,279	3,533	3,803	4,004
City University of New York	504	519	541	614	622
Operating grants and contributions	4,518	5,667	10,903	11,445	10,020
Capital grants and contributions	61	69	48	76	95
Total business-type activities program revenues	**15,850**	**17,194**	**22,843**	**23,806**	**23,180**
Total primary government program revenues	**$ 62,146**	**$ 68,271**	**$ 85,700**	**$ 90,030**	**$ 83,998**
NET (EXPENSE)/REVENUE:					
Governmental activities:	$ (67,828)	$ (70,563)	$ (63,820)	$ (65,083)	$ (66,982)
Business-type activities:	(1,660)	(3,599)	(5,001)	(2,840)	(2,416)
Total primary government net expense	**$ (69,488)**	**$ (74,162)**	**$ (68,821)**	**$ (67,923)**	**$ (69,398)**

	Fiscal Year				
	2013	2014	2015	2016	2017
	$ 31,125	$ 31,791	$ 32,672	$ 35,175	$ 35,585
	55,042	54,995	58,442	63,454	68,505
	15,931	15,525	14,146	14,722	15,263
	8,264	7,680	7,662	7,768	8,175
	8,928	8,171	9,315	10,344	10,218
	1,376	1,350	1,424	1,413	1,489
	1,423	1,600	1,606	1,555	1,732
	7,394	7,534	10,030	10,234	11,078
	1,823	1,785	1,690	1,618	1,456
	131,306	**130,431**	**136,987**	**146,283**	**153,501**
	5,914	6,162	6,120	6,442	6,513
	6,718	4,529	2,588	2,403	2,294
	9,940	10,061	10,353	10,700	11,201
	3,022	3,088	3,166	3,265	3,659
	25,594	**23,840**	**22,227**	**22,810**	**23,667**
	$ 156,900	**$ 154,271**	**$ 159,214**	**$ 169,093**	**$ 177,168**
	$ 94	$ 86	$ 209	$ 136	$ 108
	5,671	6,207	6,476	5,408	6,648
	490	905	587	261	562
	141	188	176	207	223
	1,371	1,406	1,322	1,502	1,382
	245	258	256	265	324
	1,855	1,870	5,879	2,953	1,872
	3,664	3,143	3,565	4,439	4,045
	48,337	48,598	48,700	56,089	59,776
	1,370	1,455	1,432	1,629	1,766
	63,238	**64,116**	**68,602**	**72,889**	**76,706**
	8,934	9,226	9,156	9,691	9,676
	4,140	4,067	4,095	4,430	4,212
	659	642	647	651	666
	9,066	7,681	6,366	6,160	5,771
	64	89	144	65	31
	22,863	**21,705**	**20,408**	**20,997**	**20,356**
	$ 86,101	**$ 85,821**	**$ 89,010**	**$ 93,886**	**$ 97,062**
	$ (68,068)	$ (66,315)	$ (68,385)	$ (73,394)	$ (76,795)
	(2,731)	(2,135)	(1,819)	(1,813)	(3,311)
	$ (70,799)	**$ (68,450)**	**$ (70,204)**	**$ (75,207)**	**$ (80,106)**

(Continued)

Changes in Net Position (cont'd)

LAST TEN FISCAL YEARS

(Accrual basis of accounting)
(Amounts in millions)

	Fiscal Year				
	2008	2009	2010	2011	2012
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:					
Governmental activities:					
Taxes:					
Personal income	$ 38,756	$ 33,108	$ 34,521	$ 37,629	$ 38,329
Consumption and use	13,087	13,137	13,076	14,115	14,492
Business	8,157	7,661	7,662	6,892	7,782
Other	2,291	1,898	2,780	3,187	3,128
Investment earnings	997	256	115	84	—
Miscellaneous	3,876	3,983	4,906	4,663	3,682
Transfers	(1,922)	(2,226)	(2,158)	(1,739)	(1,746)
Special item—State Insurance Fund reserve release	—	—	—	—	—
Total governmental activities	**65,242**	**57,817**	**60,902**	**64,831**	**65,667**
Business-type activities:					
Investment earnings	639	270	39	208	367
Miscellaneous	119	300	235	593	474
Transfers	1,543	1,845	1,812	1,307	1,535
Total business-type activities	**2,301**	**2,415**	**2,086**	**2,108**	**2,376**
Total primary government	**$ 67,543**	**$ 60,232**	**$ 62,988**	**$ 66,939**	**$ 68,043**
CHANGE IN NET POSITION:					
Governmental activities	$ (1,817)	$ (11,973)	$ (2,918)	$ (252)	$ (1,315)
Business-type activities	287	(1,184)	(2,915)	(732)	(40)
Total primary government	**$ (1,530)**	**$ (13,157)**	**$ (5,833)**	**$ (984)**	**$ (1,355)**

Source: Office of the State Comptroller

Note: Figures restated for prior period adjustments.

Fiscal Year

2013	2014	2015	2016	2017
$ 41,975	$ 41,298	$ 45,482	$ 46,104	$ 46,070
14,593	15,129	15,295	15,742	16,242
8,285	8,542	8,254	7,458	7,467
3,078	3,402	3,524	4,018	3,571
54	63	86	100	123
2,103	2,063	2,204	1,695	1,609
(2,082)	(2,373)	(2,744)	(2,416)	(2,496)
—	250	1,000	250	250
68,006	**68,374**	**73,101**	**72,951**	**72,836**
131	64	308	119	150
619	917	1,133	498	505
1,717	1,561	1,990	1,962	2,763
2,467	**2,542**	**3,431**	**2,579**	**3,418**
$ 70,473	**$ 70,916**	**$ 76,532**	**$ 75,530**	**$ 76,254**
$ (62)	$ 2,059	$ 4,716	$ (443)	$ (3,959)
(264)	407	1,612	766	107
$ (326)	**$ 2,466**	**$ 6,328**	**$ 323**	**$ (3,852)**

Fund Balances

GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(Modified accrual basis of accounting)
(Amounts in millions)

	Fiscal Year 2008	2009	2010	2011	2012
General Fund (per GASBS 54):					
Restricted	$ —	$ —	$ —	$ —	$ —
Committed	—	—	—	219	567
Assigned	—	—	—	989	1,574
Unassigned	—	—	—	(3,217)	(4,009)
General Fund (prior to GASBS 54):					
Reserved	3,546	2,624	3,125	—	—
Unreserved	405	(5,568)	(6,663)	—	—
Total general fund	**$ 3,951**	**$ (2,944)**	**$ (3,538)**	**$ (2,009)**	**$ (1,868)**
All Other Governmental Funds (per GASBS 54):					
Restricted	$ —	$ —	$ —	$ 3,649	$ 3,151
Committed	—	—	—	3,480	3,715
Assigned	—	—	—	1,784	1,772
Unassigned	—	—	—	(1,128)	(375)
All Other Governmental Funds (prior to GASBS 54):					
Reserved	10,257	9,787	11,406	—	—
Unreserved, reported in:					
Federal special revenue funds	(964)	(1,081)	(1,341)	—	—
Special revenue funds	3,558	2,677	2,093	—	—
Capital projects funds	(5,144)	(4,798)	(5,279)	—	—
Debt service funds	93	111	534	—	—
Total all other governmental funds	**$ 7,800**	**$ 6,696**	**$ 7,413**	**$ 7,785**	**$ 8,263**

Source: Office of the State Comptroller

Note: 2011 figures restated for GASBS 54 implementation.

Tax Receipts by Source

GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(Modified accrual basis of accounting)
(Amounts in millions)

Fiscal Year	Personal Income	Sales and Use	Motor Fuel	Corporate Franchise	Cigarette & Tobacco	Corporate & Utility	Other Miscellaneous	Total Taxes Collected by Year
2007-2008	$ 38,792	$ 11,197	$ 520	$ 3,964	$ 967	$ 795	$ 6,113	$ 62,348
2008-2009	33,096	10,906	500	3,265	1,330	875	5,735	55,707
2009-2010	34,536	10,705	516	2,541	1,389	965	7,253	57,905
2010-2011	37,705	11,479	513	2,782	1,608	796	7,298	62,181
2011-2012	38,355	11,839	501	3,128	1,628	785	7,520	63,756
2012-2013	41,962	11,975	491	2,941	1,549	874	8,016	67,808
2013-2014	41,295	12,577	535	4,109	1,445	786	7,523	68,270
2014-2015	45,438	12,971	486	3,473	1,312	712	8,265	72,657
2015-2016	46,089	13,373	503	4,233	1,252	744	7,178	73,372
2016-2017	46,010	13,868	519	3,343	1,235	761	7,487	73,223

Source: Office of the State Comptroller
New York State Division of the Budget

Note: Figures restated for prior period adjustments.

Fiscal Year

2013	2014	2015	2016	2017
$ —	$ —	$ —	$ —	$ —
398	1,030	573	1,072	961
1,240	1,772	8,063	8,126	7,202
(2,377)	(3,369)	(2,584)	(4,124)	(5,877)
—	—	—	—	—
—	—	—	—	—
$ (739)	**$ (567)**	**$ 6,052**	**$ 5,074**	**$ 2,286**
$ 3,101	$ 3,292	$ 3,553	$ 3,385	$ 2,670
2,946	2,967	3,324	3,979	4,166
2,045	2,534	2,460	2,837	2,981
(822)	(494)	(1,198)	(676)	(856)
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
$ 7,270	**$ 8,299**	**$ 8,139**	**$ 9,525**	**$ 8,961**

Program Revenues by Function/Program

LAST TEN FISCAL YEARS

(Accrual basis of accounting)
(Amounts in millions)

	Program Revenues				
	2008	2009	2010	2011	2012
FUNCTION/PROGRAM:					
Governmental activities:					
Education	$ 3,315	$ 3,684	$ 3,853	$ 4,322	$ 4,221
Public health	28,900	31,402	38,314	38,733	34,984
Public welfare	8,315	9,056	12,021	12,590	12,011
Public safety	916	481	758	730	762
Transportation	2,613	2,931	3,017	3,491	3,365
Environment and recreation	493	413	521	742	625
Support and regulate business	552	835	1,542	1,430	1,546
General government	1,192	2,275	2,826	4,156	3,261
Interest on long-term debt	—	—	5	30	43
Total governmental activities	**46,296**	**51,077**	**62,857**	**66,224**	**60,818**
Business-type activities:					
Lottery	7,548	7,660	7,818	7,868	8,439
Unemployment insurance	2,389	3,582	8,603	8,813	7,323
State University of New York	4,719	4,740	5,154	5,646	5,893
City University of New York	1,194	1,212	1,268	1,479	1,525
Total business-type activities	**15,850**	**17,194**	**22,843**	**23,806**	**23,180**
Total primary government	**$ 62,146**	**$ 68,271**	**$ 85,700**	**$ 90,030**	**$ 83,998**

Source: Office of the State Comptroller

Note: Figures restated for prior period adjustments.

New York State and Local Retirement System— Changes in Net Position

LAST TEN FISCAL YEARS

(Amounts in thousands)

	Fiscal Year				
	2008	2009	2010	2011	2012
Additions:					
Member contributions	$ 265,676	$ 273,316	$ 284,291	$ 286,199	$ 273,247
Employer contributions	2,648,448	2,456,223	2,344,222	4,164,571	4,585,178
Investment income (loss), net of expenses	3,163,728	(40,428,820)	28,422,361	19,339,896	7,868,313
Other	116,112	155,918	81,981	127,709	157,625
Total additions to plan net position	**6,193,964**	**(37,543,363)**	**31,132,855**	**23,918,375**	**12,884,363**
Deductions:					
Retirement allowances	6,653,820	7,031,621	7,480,101	8,272,262	8,677,822
Death benefits	181,693	180,491	183,023	192,265	184,960
Administrative expenses	90,304	99,229	100,029	101,333	100,649
Other	47,521	53,387	55,748	55,696	75,049
Total deductions from plan net position	**6,973,338**	**7,364,728**	**7,818,901**	**8,621,556**	**9,038,480**
Change in net position	**$ (779,374)**	**$ (44,908,091)**	**$ 23,313,954**	**$ 15,296,819**	**$ 3,845,883**

Source: New York State and Local Retirement System

Note: For additional information, please see www.osc.state.ny.us/retire/publications/index.htm.

Program Revenues

2013	2014	2015	2016	2017
$ 3,709	$ 4,013	$ 3,652	$ 4,324	$ 3,726
34,972	35,250	37,859	42,884	49,544
12,689	12,800	11,120	11,548	11,082
2,211	2,640	2,579	2,299	2,036
3,248	3,549	3,303	3,555	3,637
608	665	482	514	570
1,882	1,896	5,906	2,992	1,888
3,876	3,264	3,661	4,743	4,183
43	39	40	30	40
63,238	**64,116**	**68,602**	**72,889**	**76,706**
8,934	9,226	9,156	9,691	9,676
6,474	4,937	3,677	3,424	3,023
5,952	6,036	6,018	6,314	6,010
1,503	1,506	1,557	1,568	1,647
22,863	**21,705**	**20,408**	**20,997**	**20,356**
$ 86,101	**$ 85,821**	**$ 89,010**	**$ 93,886**	**$ 97,062**

Fiscal Year

2013	2014	2015	2016	2017
$ 269,134	$ 281,398	$ 284,793	$ 306,631	$ 328,827
5,336,045	6,064,133	5,797,449	5,140,204	4,786,963
14,717,622	20,598,593	12,444,891	(384,834)	20,225,244
131,853	192,581	230,799	332,880	236,401
20,454,654	**27,136,705**	**18,757,932**	**5,394,881**	**25,577,435**
9,256,052	9,695,009	10,253,077	10,720,294	11,232,532
194,170	203,820	183,091	188,190	216,150
105,720	105,662	107,151	106,620	107,134
71,314	78,697	77,546	151,988	59,631
9,627,256	**10,083,188**	**10,620,865**	**11,167,092**	**11,615,447**
$ 10,827,398	**$ 17,053,517**	**$ 8,137,067**	**$ (5,772,211)**	**$ 13,961,988**

Personal Income Tax Filers and Liability by Income Level

FOR TEN YEARS STATED

(Amounts in thousands)

2005

Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2005

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,145,067	14%	$ (66,663)	0%
$ 5,000–9,999	826,503	10%	(148,495)	–1%
10,000–19,999	1,275,641	16%	(289,586)	–1%
20,000–29,999	1,002,581	12%	294,028	1%
30,000–39,999	814,589	10%	789,437	3%
40,000–49,999	629,992	8%	968,166	4%
50,000–59,999	469,666	6%	973,557	4%
60,000–74,999	528,785	6%	1,456,936	6%
75,000–99,999	574,255	7%	2,191,923	9%
100,000–199,999	637,544	8%	4,451,432	19%
200,000 and over	257,867	3%	13,244,481	56%
Total	**8,162,490**	**100%**	**$23,865,215**	**100%**

2006

Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2006

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,118,894	13%	$ (91,631)	0%
$ 5,000–9,999	824,596	10%	(172,332)	–1%
10,000–19,999	1,290,097	15%	(386,792)	–1%
20,000–29,999	1,016,079	12%	184,324	1%
30,000–39,999	829,814	10%	706,969	3%
40,000–49,999	640,364	8%	917,624	4%
50,000–59,999	480,661	6%	939,863	4%
60,000–74,999	543,846	7%	1,424,481	6%
75,000–99,999	597,498	7%	2,185,284	9%
100,000–199,999	704,317	8%	4,815,069	19%
200,000 and over	293,425	4%	14,291,890	56%
Total	**8,339,591**	**100%**	**$24,814,750**	**100%**

2009

Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2009

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,268,716	15%	$ (102,968)	0%
$ 5,000–9,999	811,045	10%	(177,287)	–1%
10,000–19,999	1,301,282	15%	(444,632)	–2%
20,000–29,999	987,772	12%	89,498	0%
30,000–39,999	799,520	9%	631,541	2%
40,000–49,999	634,187	7%	918,218	4%
50,000–59,999	493,064	6%	991,028	4%
60,000–74,999	551,325	6%	1,480,225	6%
75,000–99,999	623,467	7%	2,323,477	9%
100,000–199,999	803,594	9%	5,531,643	21%
200,000 and over	296,502	4%	14,674,350	57%
Total	**8,570,474**	**100%**	**$25,915,093**	**100%**

2010

Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2010

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,282,711	15%	$ (92,214)	0%
$ 5,000–9,999	800,816	9%	(157,452)	0%
10,000–19,999	1,326,538	15%	(425,938)	–1%
20,000–29,999	1,019,577	12%	134,398	0%
30,000–39,999	799,696	9%	644,131	2%
40,000–49,999	626,044	7%	918,924	3%
50,000–59,999	491,094	6%	999,461	3%
60,000–74,999	551,121	6%	1,495,589	5%
75,000–99,999	626,636	7%	2,364,101	8%
100,000–199,999	822,011	10%	5,728,904	20%
200,000 and over	324,565	4%	17,367,109	60%
Total	**8,670,809**	**100%**	**$28,977,013**	**100%**

2013

Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2013

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,361,979	15%	$ (94,709)	0%
$ 5,000–9,999	797,346	9%	(152,949)	0%
10,000–19,999	1,338,798	15%	(458,063)	–2%
20,000–29,999	1,011,025	11%	89,597	0%
30,000–39,999	806,511	9%	623,581	2%
40,000–49,999	632,279	7%	912,078	3%
50,000–59,999	501,978	6%	1,010,948	3%
60,000–74,999	562,400	6%	1,507,948	5%
75,000–99,999	650,960	7%	2,417,687	8%
100,000–199,999	914,485	10%	6,218,293	20%
200,000 and over	395,765	5%	19,192,242	61%
Total	**8,973,526**	**100%**	**$31,266,653**	**100%**

2014(1)

Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2014

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,348,996	15%	$ (85,690)	0%
$ 5,000–9,999	786,232	9%	(150,001)	–1%
10,000–19,999	1,342,659	15%	(467,479)	–1%
20,000–29,999	1,017,247	11%	78,527	0%
30,000–39,999	809,235	9%	625,704	2%
40,000–49,999	638,786	7%	922,152	3%
50,000–59,999	512,956	6%	1,042,047	3%
60,000–74,999	571,596	6%	1,542,664	4%
75,000–99,999	661,694	7%	2,476,512	7%
100,000–199,999	959,926	10%	6,567,497	19%
200,000 and over	432,859	5%	22,459,843	64%
Total	**9,082,186**	**100%**	**$35,011,776**	**100%**

Source: New York State Department of Taxation and Finance

Note: (1) Calendar years after 2014 are not yet available; please see www.tax.ny.gov for additional information.

2007
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2007

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,221,819	14%	$ (126,447)	0%
$ 5,000–9,999	847,130	10%	(188,932)	–1%
10,000–19,999	1,317,075	15%	(406,225)	–1%
20,000–29,999	1,024,299	12%	168,782	1%
30,000–39,999	848,679	10%	720,900	2%
40,000–49,999	657,263	7%	948,389	3%
50,000–59,999	498,842	6%	983,954	3%
60,000–74,999	561,981	6%	1,482,444	5%
75,000–99,999	622,813	7%	2,288,409	8%
100,000–199,999	768,436	9%	5,276,023	18%
200,000 and over	332,655	4%	18,490,962	62%
Total	**8,700,992**	**100%**	**$29,638,258**	**100%**

2008
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2008

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,292,795	15%	$ (84,305)	0%
$ 5,000–9,999	787,894	9%	(147,595)	–1%
10,000–19,999	1,256,101	15%	(386,794)	–1%
20,000–29,999	985,422	11%	148,501	0%
30,000–39,999	815,979	10%	681,716	3%
40,000–49,999	646,905	8%	942,276	3%
50,000–59,999	496,499	6%	992,709	4%
60,000–74,999	556,628	6%	1,486,364	6%
75,000–99,999	625,853	7%	2,323,346	9%
100,000–199,999	801,428	9%	5,518,224	21%
200,000 and over	321,736	4%	14,850,163	56%
Total	**8,587,240**	**100%**	**$26,324,603**	**100%**

2011
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2011

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,345,851	15%	$ (96,258)	0%
$ 5,000–9,999	802,102	9%	(158,570)	–1%
10,000–19,999	1,338,661	15%	(436,834)	–1%
20,000–29,999	1,011,281	12%	121,871	0%
30,000–39,999	794,670	9%	645,921	2%
40,000–49,999	622,486	7%	921,825	3%
50,000–59,999	491,651	6%	1,010,534	3%
60,000–74,999	555,236	6%	1,523,190	5%
75,000–99,999	632,868	7%	2,411,623	8%
100,000–199,999	850,894	10%	5,987,198	20%
200,000 and over	348,137	4%	18,249,488	61%
Total	**8,793,837**	**100%**	**$30,179,988**	**100%**

2012
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2012

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,344,401	15%	$ (91,324)	0%
$ 5,000–9,999	792,924	9%	(147,366)	–1%
10,000–19,999	1,337,211	15%	(435,080)	–1%
20,000–29,999	1,008,344	12%	112,513	0%
30,000–39,999	798,168	9%	632,184	2%
40,000–49,999	625,203	7%	908,436	3%
50,000–59,999	492,726	6%	991,635	3%
60,000–74,999	555,574	6%	1,484,828	5%
75,000–99,999	638,679	7%	2,357,144	7%
100,000–199,999	883,044	10%	5,961,917	19%
200,000 and over	373,910	4%	20,149,104	63%
Total	**8,850,184**	**100%**	**$31,923,991**	**100%**

Personal Income by Industry

LAST TEN CALENDAR YEARS

(Amounts in millions)

	Calendar Year 2007	2008	2009	2010	2011
Total personal income	**$ 914,432**	**$ 937,010**	**$ 917,610**	**$ 946,054**	**$ 983,868**
Farm earnings	**1,170**	**1,015**	**806**	**1,209**	**1,694**
Nonfarm earnings	**724,080**	**752,457**	**700,447**	**721,629**	**754,162**
Private earnings	**622,711**	**644,763**	**588,548**	**606,487**	**640,345**
Agricultural services, forestry, fishing	1,216	1,300	343	389	300
Mining	1,739	2,456	1,417	2,087	646
Utilities	6,855	6,672	5,671	5,738	5,663
Construction	28,776	30,092	28,584	28,398	29,984
Manufacturing	46,153	46,448	37,575	37,994	38,582
Wholesale trade	31,959	32,434	29,851	30,781	31,950
Retail trade	34,444	35,081	33,982	34,857	38,372
Transportation and warehousing	14,657	14,614	14,391	14,618	15,141
Information	41,203	44,959	38,250	41,032	41,832
Finance and insurance	144,606	147,543	116,255	114,662	127,417
Real estate, rental and leasing	17,938	16,196	13,338	13,859	14,634
Professional and technical services	80,728	88,121	80,161	83,742	89,879
Management of companies and enterprises	21,174	20,949	19,055	21,302	22,543
Administrative and waste services	22,334	23,332	21,721	23,553	24,710
Educational services	15,381	16,354	17,838	18,368	18,889
Health care and social assistance	69,867	72,827	78,312	82,971	83,918
Arts, entertainment, and recreation	9,532	9,807	11,563	11,204	12,262
Accommodation and food services	16,010	16,718	17,354	18,141	20,722
Other services, except public administration	18,136	18,859	22,887	22,791	22,901
Government and government enterprises	**101,369**	**107,694**	**111,899**	**115,142**	**113,817**
Federal, civilian	11,813	12,072	12,532	12,510	13,019
Military	3,555	3,831	4,421	4,591	4,512
State and local	86,002	91,791	94,945	98,041	96,286

Source: U.S. Bureau of Economic Analysis

Notes:

Deviations between personal income and earnings by industry are due to dividends, interest, rent, personal current transfer receipts, employer contributions for government social insurance, employee and self-employed contributions for government social insurance, and adjustments for residence.

Reported amounts are based on estimates. For more information, please see www.bea.gov.

Calendar Year				
2012	2013	2014	2015	2016
$ 1,019,514	**$ 1,062,391**	**$ 1,110,345**	**$ 1,142,485**	**$ 1,195,263**
1,605	**1,882**	**1,956**	**1,789**	**1,063**
780,436	**808,728**	**843,960**	**886,957**	**909,172**
664,592	**676,475**	**706,186**	**742,444**	**760,546**
437	440	491	466	424
784	1,244	1,236	1,250	1,133
6,294	5,968	6,068	6,419	6,332
32,251	34,892	36,975	39,670	41,926
37,794	37,185	36,879	39,616	39,300
33,586	34,491	35,307	36,215	37,774
39,977	40,065	42,506	42,866	44,911
15,514	17,611	17,970	19,135	21,155
43,117	40,106	43,337	46,216	46,466
135,500	126,805	137,897	141,732	136,871
16,823	20,753	19,214	24,885	23,977
91,492	95,000	99,364	103,592	108,126
22,311	23,127	22,672	23,266	23,412
25,451	26,976	27,601	29,764	30,851
20,197	21,403	22,334	25,332	26,020
84,460	89,270	90,834	92,560	99,352
13,166	12,998	14,009	14,650	15,442
21,381	22,944	24,541	26,366	26,743
24,057	25,197	26,951	28,444	30,331
115,844	**132,253**	**137,773**	**144,513**	**148,626**
13,067	11,866	12,160	12,699	13,178
4,629	3,463	3,245	3,050	3,111
98,148	116,924	122,368	128,764	132,337

Personal Income Tax Rates

LAST TEN CALENDAR YEARS

		Top Income Tax Rate is Applied to Taxable Income in Excess of			
Year	Top Rate	Single	Married Filing Jointly	Head of Household	Average Effective Rate[1]
2007	6.85%	$ 20,000	$ 40,000	$ 30,000	4.23%
2008	6.85%	20,000	40,000	30,000	4.24%
2009	8.97%	500,000	500,000	500,000	3.53%
2010	8.97%	500,000	500,000	500,000	3.76%
2011	8.97%	500,000	500,000	500,000	3.99%
2012	8.82%	1,000,000	2,000,000	1,500,000	3.90%
2013	8.82%	1,029,250	2,058,550	1,543,900	4.12%
2014	8.82%	1,046,350	2,092,800	1,569,550	3.89%
2015	8.82%	1,062,650	2,125,450	1,594,050	4.09%
2016	8.82%	1,070,350	2,140,900	1,605,650	4.03%

Source: New York State Department of Taxation and Finance (www.tax.ny.gov)

Notes:

(1) Fiscal year personal income tax collections divided by prior-year personal income.

See Exhibit: Demographic and Economic Statistics I for personal income and population data.

See Exhibit: Tax Receipts by Source for personal income tax collections.

Ratios of Outstanding Debt by Type

LAST TEN FISCAL YEARS

(Amounts in millions except per capita)

	Governmental Activities		Business-type Activities			
Fiscal Year	General Obligation Bonds[1]	Other Financing Arrangements[2]	Other Financing Arrangements[3]	Total Primary Government	Percentage of Personal Income[4]	Debt Per Capita[4]
2007-2008	$ 3,264	$ 38,511	$ 8,787	$ 50,562	6%	$ 2,620
2008-2009	3,367	40,191	8,935	52,493	6%	2,693
2009-2010	3,461	42,410	9,413	55,284	6%	2,829
2010-2011	3,625	42,279	10,222	56,126	6%	2,896
2011-2012	3,611	42,574	11,875	58,060	6%	2,983
2012-2013	3,688	41,582	12,375	57,645	6%	2,946
2013-2014	3,345	41,300	13,677	58,322	5%	2,968
2014-2015	3,189	40,178	14,023	57,390	5%	2,906
2015-2016	2,887	39,071	14,734	56,692	5%	2,863
2016-2017	2,614	38,613	14,947	56,174	5%	2,845

Source: Office of the State Comptroller

Notes:

(1) General Obligation Debt figures include par value, premiums and discounts.

(2) Other Financing Arrangements for Governmental Activities include Tobacco Settlement Financing Corporation bonds, Municipal Bond Bank Agency Special Purpose School Aid bonds, Capital Lease Obligations, Unamortized Bond Premiums and Discounts, Accumulated Accretion on Capital Appreciation bonds, and other State-Supported debt as defined by the State Finance Law.

(3) Other Financing Arrangements for Business-type Activities include Capital Lease Obligations, Mortgage Loan Commitments, Unamortized Bond Premiums, Certificates of Participation, and other State-Supported debt as defined by the State Finance Law.

(4) See Exhibit: Demographic and Economic Statistics I for personal income and population data.

Legal Debt Margin Information

LAST TEN FISCAL YEARS

(Amounts in millions)

	Fiscal Year				
	2008	2009	2010	2011	2012
Authorized debt limit—General Obligation debt:					
Transportation bonds	$ 10,400	$ 10,400	$ 10,400	$ 10,400	$ 10,400
Environmental bonds	5,650	5,650	5,650	5,650	5,650
Housing bonds	1,135	1,135	1,135	1,135	1,135
Education bonds	—	—	—	—	—
Total General Obligation debt	**17,185**	**17,185**	**17,185**	**17,185**	**17,185**
Local Government Assistance Corporation	4,700	4,700	4,700	4,700	4,700
Other lease purchase and contractual financing arrangements	76,538	79,696	79,696	82,058	86,364
Total Authorized debt	**$ 98,423**	**$ 101,581**	**$ 101,581**	**$ 103,943**	**$ 108,249**
Total debt applicable to limit:(1)					
General Obligation(2)	$ 3,264	$ 3,367	$ 3,461	$ 3,625	$ 3,611
Local Government Assistance Corporation	4,021	3,849	3,639	3,330	3,119
Other lease purchase and contractual financing arrangements	40,823	42,868	45,638	46,857	48,286
Direct debt	**48,108**	**50,084**	**52,738**	**53,812**	**55,016**
Legal debt margin	**$ 50,315**	**$ 51,497**	**$ 48,843**	**$ 50,131**	**$ 53,233**
Total net debt applicable to the limit as a percentage of debt limit	**48.88%**	**49.30%**	**51.92%**	**51.77%**	**50.82%**

Sources:

Office of the State Comptroller

New York State Division of the Budget, Annual Information Statement

Notes:

(1) Amount of debt applicable to limitations is dependent upon authorization language.

(2) General Obligation debt figures include par value, premiums and discounts.

For additional information, please see the notes to the financial statements and www.budget.ny.gov.

Balances have been restated for prior period adjustments, corrections and reclassifications.

Fiscal Year				
2013	2014	2015	2016	2017
$ 10,400	$ 10,400	$ 10,400	$ 10,400	$ 10,150
5,650	5,650	5,650	5,650	5,650
1,135	1,135	1,135	1,135	1,135
—	—	2,000	2,000	2,000
17,185	**17,185**	**19,185**	**19,185**	**18,935**
4,700	4,700	4,700	4,700	4,700
89,943	95,496	103,070	111,719	145,828
$ 111,828	**$ 117,381**	**$ 126,955**	**$ 135,604**	**$ 169,463**
$ 3,688	$ 3,345	$ 3,189	$ 2,887	$ 2,614
2,836	2,592	2,345	2,058	1,758
47,839	48,436	47,706	46,938	46,322
54,363	**54,373**	**53,240**	**51,883**	**50,694**
$ 57,465	**$ 63,008**	**$ 73,715**	**$ 83,721**	**$ 118,769**
48.61%	**46.32%**	**41.94%**	**38.26%**	**29.91%**

Ratios of General Obligation Debt Outstanding and Legal Debt Margin

LAST TEN FISCAL YEARS

(Amounts in millions except per capita)

	Fiscal Year				
	2008	**2009**	**2010**	**2011**	**2012**
General Obligation Debt Outstanding:					
General obligation bonds[1]	**$ 3,264**	**$ 3,367**	**$ 3,461**	**$ 3,625**	**$ 3,611**
Per capita	**$ 169**	**$ 173**	**$ 177**	**$ 187**	**$ 186**
Legal debt limit	$ 17,185	$ 17,185	$ 17,185	$ 17,185	$ 17,185
Total net debt applicable to debt limit	3,264	3,367	3,461	3,625	3,611
Legal debt margin	**$ 13,921**	**$ 13,818**	**$ 13,724**	**$ 13,560**	**$ 13,574**
Legal debt margin as a percentage of the debt limit	**81.01%**	**80.41%**	**79.86%**	**78.91%**	**78.99%**

Sources:

Office of the State Comptroller

New York State Division of the Budget, Annual Information Statement

Notes:

(1) General Obligation debt figures include par value, premiums and discounts.

(2) The increase in the legal debt limit in 2015 is related to the authorization of Education bonds under the Smart School Bond Act (2014).

Fiscal Year

	2013		2014		2015		2016		2017
$	**3,688**	**$**	**3,345**	**$**	**3,189**	**$**	**2,887**	**$**	**2,614**
$	**188**	**$**	**170**	**$**	**162**	**$**	**146**	**$**	**132**
$	17,185	$	17,185	$	19,185[2]	$	19,185	$	18,935
	3,688		3,345		3,189		2,887		2,614
$	**13,497**	**$**	**13,840**	**$**	**15,996**	**$**	**16,298**	**$**	**16,321**
	78.54%		**80.54%**		**83.38%**		**84.95%**		**86.19%**

Pledged Revenue Coverage

LAST TEN FISCAL YEARS

(Cash basis of accounting)
(Amounts in thousands)

New York Local Government Assistance Corporation Bonds[(a)]

	Sales Tax Revenues				
Fiscal Year	Sales Tax Receipts	Operating Expenses	Net Available Revenues	Annual Debt Service	Debt Service Coverage
2008	$ 2,645,580	$ 6,000	$ 2,639,580	$ 278,891	9.46
2009	2,566,957	10,963	2,555,994	360,771	7.08
2010	2,466,528	11,218	2,455,310	332,596	7.38
2011	2,697,197	6,634	2,690,563	339,865	7.92
2012	2,779,505	5,146	2,774,359	378,663	7.33
2013	2,808,654	3,757	2,804,897	389,054	7.21
2014	2,947,027	3,998	2,943,029	375,253	7.84
2015	3,026,568	3,849	3,022,719	390,937	7.73
2016	3,121,260	3,453	3,117,807	389,550	8.00
2017	3,241,633	3,020	3,238,613	368,408	8.79

New York State Personal Income Tax Revenue Bonds[(b)]

	Personal Income Tax Revenues				
Fiscal Year	Revenue Bond Tax Fund Receipts	Operating Expenses	Net Available Revenues	Annual Debt Service	Debt Service Coverage
2008	$ 9,140,962	$ 7,292	$ 9,133,670	$ 873,653	10.45
2009	9,210,005	8,571	9,201,434	1,016,423	9.05
2010	8,687,845	9,136	8,678,709	1,411,673	6.15
2011	9,052,304	15,056	9,037,248	1,871,476	4.83
2012	9,691,957	13,086	9,678,871	2,141,504	4.52
2013	10,056,679	12,842	10,043,837	2,330,114	4.31
2014	10,740,194	14,475	10,725,719	2,516,908	4.26
2015	10,927,458	12,580	10,914,878	3,059,454	3.57
2016	11,763,821	12,950	11,750,871	2,698,930	4.35
2017	11,891,486	11,242	11,880,244	2,990,728	3.97

(Continued)

Pledged Revenue Coverage (cont'd)

LAST TEN FISCAL YEARS

(Cash basis of accounting)
(Amounts in thousands)

New York State Sales Tax Revenue Bonds[c]

	Sales Tax Revenues				
Fiscal Year	**Revenue Bond Tax Fund Receipts**	**Operating Expenses**	**Net Available Revenues**	**Annual Debt Service**	**Debt Service Coverage**
2014	$ 2,954,095	$ 277	$ 2,953,818	$ 17,829	165.67
2015	3,026,568	7	3,026,561	86,686	34.91
2016	3,121,259	620	3,120,639	361,897	8.62
2017	3,241,634	627	3,241,007	569,097	5.69

Source: Office of the State Comptroller

Notes:

New York Local Government Assistance Corporation Bonds

(a) An amount equal to one-cent of the State's sales tax, less refunds to taxpayers, is to be deposited in the Local Government Assistance Tax Fund (LGATF). The monies of such Fund are reserved for payment to the New York Local Government Assistance Corporation to enable it to meet principal and interest on its bonds. Pursuant to Section 92-r(5) of the State Finance Law, monies in the LGATF in excess of debt service requirements and administrative expenses of the New York Local Government Assistance Corporation are required to be transferred to the General Fund.

New York State Personal Income Tax Revenue Bonds

(b) An amount equal to twenty five percent of the State's Personal Income Tax (PIT) receipts, less refunds to taxpayers, is to be deposited in the Revenue Bond Tax Fund (RBTF). The monies of such Fund are reserved for payment of debt service on Personal Income Tax Revenue Bonds. Pursuant to Section 92-z(5) of the State Finance Law, monies in the RBTF in excess of debt service requirements are required to be transferred to the General Fund.

New York State Sales Tax Revenue Bonds

(c) An amount equal to one-cent of the State's sales tax, less refunds to taxpayers, is to be deposited in the Sales Tax Revenue Bond Tax Fund (STRBTF). The monies of such Fund are reserved for payment of debt service on Sales Tax Revenue Bonds. Pursuant to Section 92-h(5) of the State Finance Law, monies in the STRBTF in excess of debt service requirements are required to be transferred to the General Fund.

Ratios of General Bonded Debt Outstanding

LAST TEN FISCAL YEARS
(Amounts in millions except per capita)

	General Bonded Debt Outstanding	
Fiscal Year	General Obligation Bonds[1]	Per Capita[2]
2007-2008	$ 3,264	$ 169
2008-2009	3,367	173
2009-2010	3,461	177
2010-2011	3,625	187
2011-2012	3,611	186
2012-2013	3,688	188
2013-2014	3,345	170
2014-2015	3,189	162
2015-2016	2,887	146
2016-2017	2,614	132

Source: Office of the State Comptroller

Notes:

(1) General Obligation debt figures include par value, premiums and discounts.

(2) See Exhibit: Demographic and Economic Statistics I for population data.

Demographic and Economic Statistics I

LAST TEN CALENDAR YEARS

Year	Population (1000s)	Personal Income (1000s)	Per Capita Personal Income	Unemployment Rate
2007	19,298	$ 914,431,670	$ 47,385	4.2%
2008	19,490	937,009,617	48,076	4.9%
2009	19,541	917,610,217	46,958	8.1%
2010	19,378	946,053,718	48,821	8.3%
2011	19,465	983,867,508	50,545	7.8%
2012	19,570	1,019,514,062	52,095	8.4%
2013	19,651	1,062,390,591	54,063	7.5%
2014	19,746	1,110,344,725	56,231	6.4%
2015	19,799	1,142,485,112	57,705	5.3%
2016	19,745	1,195,263,336	60,534	4.3%

Sources:

U.S. Census Bureau

U.S. Bureau of Economic Analysis

New York State Department of Labor

Demographic and Economic Statistics II

LAST TEN CALENDAR YEARS

Year	Population			
	U.S. Population (1000s)	Change from Prior Period	State of New York (1000s)	Change from Prior Period
2007	301,621	0.74%	19,298	–0.04%
2008	304,060	0.81%	19,490	0.99%
2009	307,007	0.97%	19,541	0.26%
2010	308,746	0.57%	19,378	–0.83%
2011	311,592	0.92%	19,465	0.45%
2012	313,914	0.75%	19,570	0.54%
2013	316,129	0.71%	19,651	0.41%
2014	318,857	0.86%	19,746	0.48%
2015	321,467	0.82%	19,799	0.27%
2016	323,128	0.52%	19,745	–0.27%

Sources:

U.S. Census Bureau

U.S. Bureau of Economic Analysis

New York State Department of Labor

New York State Department of Motor Vehicles

New York State Education Department

Note:

2013 Public School Enrollment was restated.

Per Capita Personal Income			Civilian Labor Force				
U.S.	State of New York	New York as a Percentage of U.S.	Employed (1000s)	Unemployed (1000s)	Unemployment Rate	Public School Enrollment	Motor Vehicles Registered
$ 38,611	$ 47,385	122.7%	9,046	395	4.2%	2,715,068	10,664,811
39,751	48,076	120.9%	9,147	472	4.9%	2,684,024	10,697,644
39,138	46,958	120.0%	8,888	786	8.1%	2,654,700	10,699,846
40,584	48,821	120.3%	8,816	800	8.3%	2,647,840	10,749,952
41,663	50,545	121.3%	8,736	735	7.8%	2,635,066	10,727,796
42,693	52,095	122.0%	8,769	804	8.4%	2,604,881	10,791,198
44,543	54,063	121.4%	8,906	725	7.5%	2,622,032	10,876,551
46,129	56,231	121.9%	8,959	617	6.4%	2,522,523	10,966,425
47,669	57,705	121.1%	9,192	518	5.3%	2,649,039	11,132,587
49,571	60,534	122.1%	9,152	415	4.3%	2,640,250	11,256,778

Employment by Industry

TEN YEARS STATED

	2006	2007	2008	2009	2010
Total employment	**10,952,095**	**11,039,874**	**11,289,001**	**10,929,753**	**10,979,188**
Wage and salary employment	8,925,539	9,047,065	9,004,901	8,738,853	8,738,192
Proprietors employment	2,026,556	1,992,809	2,284,100	2,190,900	2,240,996
Farm proprietors employment	35,724	34,782	32,683	32,491	32,228
Nonfarm proprietors employment	1,990,832	1,958,027	2,251,417	2,158,409	2,208,768
Farm employment	**52,102**	**50,784**	**51,724**	**51,219**	**50,628**
Nonfarm employment	**10,899,993**	**10,989,090**	**11,237,277**	**10,878,534**	**10,928,560**
Private employment	**9,399,820**	**9,478,570**	**9,708,898**	**9,352,706**	**9,410,362**
Forestry, fishing, related activities, and other	23,707	23,744	14,341	14,274	13,574
Mining	9,959	10,675	14,286	16,157	13,474
Utilities	40,506	40,119	40,355	41,026	39,746
Construction	508,530	527,531	533,932	481,531	460,003
Manufacturing	598,993	584,955	565,032	501,685	488,760
Wholesale trade	394,772	397,410	390,550	368,081	362,207
Retail trade	1,065,731	1,073,776	1,066,636	1,017,181	1,037,002
Transportation and warehousing	337,573	334,622	346,712	324,256	319,556
Information	312,293	302,404	301,954	292,108	288,921
Finance and insurance	733,599	731,480	789,048	785,910	813,265
Real estate, rental and leasing	466,261	470,170	565,276	523,673	525,680
Professional, scientific and technical services	866,101	869,279	900,523	857,138	836,836
Management of companies and enterprises	135,334	137,157	139,224	139,298	145,749
Administrative and waste services	539,449	559,928	567,179	526,294	547,991
Educational services	401,273	405,562	412,051	414,554	426,934
Health care and social assistance	1,466,699	1,483,772	1,500,582	1,507,891	1,532,549
Arts, entertainment, and recreation	295,198	299,829	320,716	316,950	313,381
Accommodation and food services	598,360	616,162	628,012	628,254	652,705
Other services, except public administration	605,482	609,995	612,489	596,445	592,029
Government and government enterprises	**1,500,173**	**1,510,520**	**1,528,379**	**1,525,828**	**1,518,198**
Federal, civilian	127,015	127,046	127,037	127,052	132,803
Military	57,590	57,087	59,940	60,058	60,269
State government	246,101	247,038	250,133	246,748	242,306
Local government	1,069,467	1,079,349	1,091,269	1,091,970	1,082,820

Source: Regional Economic Information System, U.S. Bureau of Economic Analysis

Note: Full-Time and Part-Time Employment data shown.

2011	2012	2013	2014	2015
11,154,532	**11,434,246**	**11,555,389**	**11,764,104**	**12,115,516**
8,837,168	8,935,624	9,066,866	9,232,209	9,388,514
2,317,364	2,498,622	2,488,523	2,531,895	2,727,002
32,075	31,858	31,441	32,247	32,604
2,285,289	2,466,764	2,457,082	2,499,648	2,694,398
51,584	**51,609**	**54,849**	**54,826**	**55,129**
11,102,948	**11,382,637**	**11,500,540**	**11,709,278**	**12,060,387**
9,625,140	**9,925,486**	**10,041,944**	**10,254,096**	**10,604,381**
13,504	13,535	14,557	15,360	15,593
16,354	13,545	17,814	17,919	15,945
38,853	37,718	38,609	40,651	41,169
457,019	465,546	488,369	506,244	524,401
486,728	490,214	490,939	491,514	491,287
368,266	376,376	375,110	376,718	399,993
1,049,816	1,080,494	1,090,752	1,110,766	1,119,649
322,951	339,507	355,301	373,954	409,290
293,900	303,600	302,092	307,088	313,085
840,182	886,294	874,068	881,788	861,509
560,100	525,324	516,912	531,218	651,071
865,670	898,786	914,860	938,438	974,093
144,407	146,467	151,898	155,523	159,928
565,216	583,641	592,517	601,893	618,661
439,928	441,063	444,844	462,062	491,383
1,552,866	1,586,051	1,598,293	1,620,745	1,644,352
322,386	336,168	348,315	350,417	361,302
685,582	723,476	744,100	771,504	803,905
601,412	677,681	682,594	700,294	707,765
1,477,808	**1,457,151**	**1,458,596**	**1,455,182**	**1,456,006**
121,187	118,511	116,234	114,773	115,146
61,472	60,310	59,347	58,273	56,762
236,299	233,078	243,922	244,683	245,100
1,058,850	1,045,252	1,039,093	1,037,453	1,038,998

Government Employees by Level of Government

NEW YORK STATE 2006–2015

(Annual averages in thousands)

	Employees	
Fiscal Years	**State**[1]	**Local**[2]
2006	259.1	1,101.3
2007	261.7	1,115.7
2008	262.7	1,126.1
2009	261.2	1,135.8
2010	260.8	1,117.9
2011	259.1	1,102.3
2012	254.6	1,086.0
2013	252.9	1,075.3
2014	250.8	1,070.1
2015	250.1	1,072.9

Source: New York State Department of Labor

Notes:

(1) State employees figures represent the annual average of the number of checks issued as of the pay period including the 12th of the month, regardless of funding source, to individuals in: State departments and agencies; the Legislature; the Judiciary; public authorities; and miscellaneous boards and commissions.

(2) Local government employees include full- and part-time employees of counties, cities, villages and towns, engaged in educational or noneducational functions.

Select State Agency Employment

MARCH 2017

Agency	Actual March 2016	Estimated March 2017
Major Agencies:		
State University	44,250	44,732
Corrections and Community Supervision	29,094	29,089
People with Developmental Disabilities	18,963	18,873
Mental Health	14,391	14,200
Transportation	8,419	8,367
State Police	5,435	5,685
Health	4,898	4,919
Taxation and Finance	4,249	4,276
Children and Family Services	2,842	2,954
Environmental Conservation	2,900	2,946
Education	2,700	2,692
Temporary and Disability Assistance	1,868	1,953
Subtotal	**140,009**	**140,686**
Other Major Agencies	14,477	14,822
Minor Agencies	7,626	8,033
Other	18,108	18,203
GRAND TOTAL	**180,220**	**181,744**

Source: New York State Division of the Budget, 2017-18 Executive Budget Five-Year Financial Plan (www.budget.ny.gov)

Note: Does not include: the Legislature; the Judiciary; public authorities; or miscellaneous boards and commissions.

Operating Indicators

TEN YEARS STATED

Academic Year

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
State University of New York:					
Campuses	64	64	64	64	64
Fall Credit Course Enrollment	414,165	417,575	427,398	439,523	461,447
All Degrees and Certificates Awarded	80,807	80,579	80,273	81,876	86,038

State Fiscal Year

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Corrections and Community Supervision:					
Persons in State Correctional Facilities:					
Under Custody All or Part of Year	89,973	89,079	90,185	91,517	88,733
Total Population on March 31	63,634	63,298	63,800	62,731	60,128
Persons on Parole:					
Dynamic Parolee Population for Year(1)	59,045	58,607	58,233	59,999	60,499
Active Parolees on March 31	34,970	34,174	33,785	34,894	33,740

Calendar Year

	2005	2006	2007	2008	2009
Transportation:					
Highway Utilization (amounts in billions):					
Estimated Vehicle Miles of Travel(2)	139.20	141.34	136.74	133.72	133.50
Public Transit Service (amounts in millions):					
Passengers	2,599	2,609	2,740	2,811	2,776
Vehicle Miles	720	733	748	776	792

Sources:

2015 New York State Statistical Yearbook and prior years' editions of the New York State Statistical Yearbook

Federal Highway Administration

Notes:

Prior period figures revised.

(1) Dynamic population is the cumulative number of parolees who are under supervision at some point during the year.

(2) Estimated travel by all vehicles on all public roads, streets and highways within New York State.

Academic Year

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
64	64	64	64	64
471,184	468,006	461,816	459,550	454,839
90,092	93,702	93,579	94,302	95,951

State Fiscal Year

2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
84,818	82,166	80,611	78,644	77,293
57,747	56,568	55,456	54,135	53,514
58,499	55,874	54,164	52,496	52,136
32,551	31,017	29,999	29,992	29,903

Calendar Year

2010	2011	2012	2013	2014
131.25	127.73	127.87	129.74	129.26
2,753	2,759	2,766	2,836	2,831
786	759	750	762	766

Capital Asset Balances by Function

LAST TEN FISCAL YEARS

(Amounts in millions)

Function	Fiscal Year 2008	2009	2010	2011	2012
Land and Land Improvements:					
General government	$ 95	$ 125	$ 125	$ 125	$ 125
Public safety	247	257	271	282	289
Public welfare	24	27	32	30	36
Support/regulate business	6	6	6	6	6
Environment/recreation	1,241	1,360	1,211	1,240	1,268
Education	2	3	3	3	3
Public health	196	208	218	225	225
Transportation	2,262	2,306	2,349	2,400	2,453
Depreciation (Land Improvements)	(300)	(314)	(332)	(348)	(369)
Total, net of depreciation	**3,773**	**3,978**	**3,883**	**3,963**	**4,036**
Land Preparation:					
Transportation (Roads)	**3,083**	**3,191**	**3,271**	**3,314**	**3,430**
Buildings:					
General government	1,954	2,192	2,222	2,254	2,290
Public safety	3,146	3,344	3,476	3,542	3,683
Public welfare	174	180	186	189	218
Support/regulate business	34	34	34	36	36
Environment/recreation	371	399	451	453	459
Education	106	107	111	120	123
Public health	2,910	3,073	3,146	3,247	3,348
Transportation	289	299	302	303	315
Depreciation	(4,776)	(5,033)	(5,293)	(5,581)	(5,876)
Total, net of depreciation	**4,208**	**4,595**	**4,635**	**4,563**	**4,596**
Equipment:					
General government	125	162	161	157	152
Public safety	90	90	92	98	97
Public welfare	19	19	21	21	21
Support/regulate business	4	5	6	6	6
Environment/recreation	41	51	51	51	53
Education	5	5	5	5	5
Public health	64	57	57	58	58
Transportation	280	278	324	347	363
Depreciation	(403)	(431)	(460)	(489)	(498)
Total, net of depreciation	**225**	**236**	**257**	**254**	**257**
Construction in Progress:					
Buildings	510	444	499	477	537
Transportation (Roads and Bridges)	3,079	3,248	3,405	4,271	4,356
Computer software	—	—	—	63	113
Total	**3,589**	**3,692**	**3,904**	**4,811**	**5,006**
Infrastructure:(1)					
General government	11	11	11	11	11
Public safety	62	91	102	128	140
Public welfare	—	—	13	18	19
Support/regulate business	—	—	—	—	—
Environment/recreation	29	33	33	31	34
Public health	25	42	46	46	46
Transportation	—	—	—	—	—
Depreciation	(11)	(17)	(24)	(33)	(42)
Total, net of depreciation	**116**	**160**	**181**	**201**	**208**
Infrastructure:(2)					
Transportation	**64,200**	**64,567**	**65,141**	**65,451**	**65,926**
Intangible Assets:					
Easements	—	—	163	193	194
Computer software	—	—	—	32	64
Amortization	—	—	—	(6)	(21)
Total, net of amortization	**—**	**—**	**163**	**219**	**237**
Business-Type Activities, Net	**7,773**	**8,445**	**9,206**	**10,374**	**11,746**

Source: Office of the State Comptroller

Notes:

(1) Depreciable

(2) Roads and Bridges, non-depreciable

Figures restated for prior period adjustments.

Fiscal Year				
2013	2014	2015	2016	2017
$ 125	$ 125	$ 125	$ 124	$ 129
296	302	310	316	325
38	35	36	37	37
6	6	6	7	19
1,289	1,318	1,327	1,348	1,397
3	3	3	3	3
225	224	216	217	219
2,506	2,534	2,584	2,599	2,634
(386)	(402)	(417)	(433)	(450)
4,102	**4,145**	**4,190**	**4,218**	**4,313**
3,517	**3,581**	**3,863**	**3,923**	**3,993**
2,412	2,421	2,426	2,468	2,540
3,804	3,920	3,979	4,089	4,228
226	208	204	204	212
36	36	36	37	39
464	472	500	509	544
121	123	123	125	129
3,437	3,422	3,439	3,477	3,520
321	325	333	350	359
(6,162)	(6,401)	(6,652)	(6,937)	(7,242)
4,659	**4,526**	**4,388**	**4,322**	**4,329**
151	152	146	145	193
97	97	94	95	103
21	15	12	10	2
6	6	6	6	5
55	58	60	61	62
7	4	4	4	4
59	62	61	64	58
363	401	416	461	501
(537)	(523)	(547)	(574)	(564)
222	**272**	**252**	**272**	**364**
651	712	938	1,037	1,155
4,805	5,664	2,859	2,048	2,057
11	14	14	—	—
5,467	**6,390**	**3,811**	**3,085**	**3,212**
12	15	15	15	15
148	168	184	210	237
19	19	27	27	31
—	—	—	—	14
34	43	47	49	50
46	46	48	52	50
—	2	2	2	2
(52)	(63)	(74)	(87)	(100)
207	**230**	**249**	**268**	**299**
66,237	**66,550**	**69,345**	**69,841**	**70,715**
194	194	194	194	194
270	444	511	614	709
(53)	(97)	(152)	(216)	(287)
411	**541**	**553**	**592**	**616**
13,087	**14,206**	**15,185**	**15,957**	**16,990**

Membership by Type of Benefit Plan

AS OF MARCH 31, 2017

Retirement System	Retirement Plan Membership: Tier 1	Tier 2	Tiers 3, 4, 5 & 6
New York State and Local Employees' Retirement System	3,241	3,668	610,234
New York State and Local Police and Fire Retirement System	54	25,518	9,609

Source: New York State and Local Retirement System

Note: Please see www.osc.state.ny.us/retire/publications/index.php for more information.

Principal Participating Employers

LAST TEN FISCAL YEARS

Participating Government	2008 Covered Employees	2008 Rank	2008 Percentage of Total System	2009 Covered Employees	2009 Rank	2009 Percentage of Total System	2010 Covered Employees	2010 Rank	2010 Percentage of Total System
State	226,439	1	33.43%	225,963	1	33.23%	222,555	1	32.77%
Schools	132,132	2	19.51%	133,876	2	19.69%	136,203	2	20.05%
Counties	122,982	3	18.16%	122,356	3	18.00%	121,282	3	17.86%
Miscellaneous	98,283	4	14.51%	100,052	4	14.72%	100,684	4	14.82%
Towns	47,567	5	7.02%	47,743	5	7.02%	48,610	5	7.16%
Cities	31,406	6	4.64%	31,326	6	4.61%	31,186	6	4.59%
Villages	18,512	7	2.73%	18,592	7	2.73%	18,697	7	2.75%
Total	**677,321**		**100.00%**	**679,908**		**100.00%**	**679,217**		**100.00%**

Participating Government	2015 Covered Employees	2015 Rank	2015 Percentage of Total System	2016 Covered Employees	2016 Rank	2016 Percentage of Total System	2017 Covered Employees	2017 Rank	2017 Percentage of Total System
State	207,203	1	32.22%	208,462	1	32.20%	209,913	1	32.18%
Schools	130,486	2	20.29%	131,872	2	20.37%	133,770	2	20.52%
Counties	110,761	3	17.22%	110,104	3	17.01%	109,775	3	16.83%
Miscellaneous	97,299	4	15.13%	98,667	4	15.24%	100,418	4	15.39%
Towns	49,022	5	7.62%	49,632	5	7.67%	49,735	5	7.62%
Cities	29,935	6	4.65%	30,066	6	4.64%	30,026	6	4.60%
Villages	18,472	7	2.87%	18,596	7	2.87%	18,687	7	2.86%
Total	**643,178**		**100.00%**	**647,399**		**100.00%**	**652,324**		**100.00%**

Source: New York State and Local Retirement System

Notes:

Total includes inactive members identified with their last employer as active members.

Please see www.osc.state.ny.us/retire/publications for more information.

2011			2012			2013			2014		
Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System
218,868	1	32.53%	208,822	1	31.82%	208,200	1	32.15%	206,984	1	32.16%
135,358	2	20.12%	133,442	2	20.34%	131,236	2	20.27%	130,358	2	20.25%
119,610	3	17.78%	116,423	3	17.74%	113,378	3	17.51%	111,691	3	17.35%
100,785	4	14.98%	99,837	4	15.21%	97,746	4	15.09%	97,391	4	15.13%
48,621	5	7.23%	48,822	5	7.44%	48,560	5	7.50%	48,838	5	7.59%
30,804	6	4.58%	30,394	6	4.63%	30,044	6	4.64%	29,994	6	4.66%
18,677	7	2.78%	18,484	7	2.82%	18,410	7	2.84%	18,403	7	2.86%
672,723		**100.00%**	**656,224**		**100.00%**	**647,574**		**100.00%**	**643,659**		**100.00%**

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

STATE OF NEW YORK
Office of the State Comptroller

Organization Chart

Thomas P. DiNapoli
Comptroller

Alexander B. "Pete" Grannis
First Deputy Comptroller

Shawn Thompson
Chief of Staff

Margaret Becker
Deputy Comptroller
Contracts and Expenditures

Kenneth Bleiwas
Deputy Comptroller
Office of the State Deputy Comptroller (NYC)

Gabriel Deyo
Deputy Comptroller
Local Government and School Accountability

Angela Dixon
Deputy Comptroller
Human Resources and Administration

Jennifer Freeman
Deputy Comptroller
Communications

Vicki Fuller
Chief Investment Officer
Pension Investment and Cash Management

Colleen Gardner
Executive Deputy Comptroller
State and Local Retirement

Christopher Gorka
Deputy Comptroller
Payroll, Accounting and Revenue Services

Nancy Groenwegen
Counsel to the Comptroller

Steve Hamilton
Inspector General

Nancy Hernandez
Deputy Comptroller
Diversity Management

H. Tina Kim
Deputy Comptroller
State Government Accountability

Robert Loomis
Deputy Comptroller
Chief Information Officer

Andrew SanFilippo
Executive Deputy Comptroller
State and Local Government Accountability

Nelson Sheingold
Deputy Comptroller
Investigations

John Traylor
Executive Deputy Comptroller
Office of Operations

Robert Ward
Deputy Comptroller
Budget and Policy Analysis

Division of Payroll, Accounting and Revenue Services

David Hasso, CPA, CGFM, CGMA, Assistant Comptroller

Bureau of Financial Reporting and Oil Spill Remediation

Executive Director:
Deborah J. Hilson

Assistant Director:
Maria Guzman, CPA

Assistant Chief Accountants:
Deidre Clark
Carrie Piser

Principal Accountants:
Michael Mezz, CGFM
Maria Moran, CPA, CGFM
Maureen Shaw, CBA

Supervising Accountants:
Donna Greenberg, CPA, CGFM
Jennifer Hallanan, CGFM
Rosemary Liss

Associate Accountants:
Renée Bult
Laura Canham-Lunde
Gregory Cerio
Bo Jiang
Stephen Raptoulis, CPA
Sandra Trzcinski, CGFM, CGAP, APM
Christopher Tuohy
Cara Jo Vettovalli
Paula Walker

Senior Accountants:
Laurie Ferlazzo
Laura Hennessey
Kelly Nadeau
Peter Salony

Business Systems Analyst 2:
Brenda Carver, CPA, CBA, DBA

Accountant Aide Trainee 2:
Stacey Myrie

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515 Broadway
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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Audit Committee
New York State Legislature:

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New York (the State) as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated July 26, 2017. Our report includes a reference to other auditors who audited the financial statements of the New York Lottery enterprise fund, New York Local Government Assistance Corporation, the Tuition Savings Program, and certain of the discretely presented component units identified in note 14 to the basic financial statements, as described in our report on the State's basic financial statements and includes an emphasis of matter paragraph related to the State's implementation of GASB Statement No. 72, *Fair Value Measurement and Application,* and GASB Statement No. 77, *Tax Abatement Disclosures*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the New York Lottery enterprise fund and of certain discretely presented component units identified in note 14 of the basic financial statements were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the State's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We did identify certain deficiencies in internal control labeled 2017-001, 2017-002, and 2017-003 and described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State's Responses to the Findings

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The State's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Albany, New York
July 26, 2017

Schedule of Findings and Responses

2017-001

Finding: Insufficient level of precision in the State’s review of the year-end Emergency Management accrual calculation

Severity of Control Deficiency: Significant Deficiency (Unremediated as of March 31, 2017)

Background

New York State’s Division of Homeland Security and Emergency Services (DHSES) routinely provides disaster recovery assistance to eligible applicants through a variety of emergency management programs that require the use of both State and Federal funding. Upon approval by the Federal Emergency Management Agency (FEMA) of a Project Worksheet, which is submitted during a federally declared disaster and includes a detailed Scope of Work, the applicant will track project-related expenditures as they are incurred. For incomplete large projects only, the applicant will submit requests for reimbursement to DHSES. Additionally, for six projects related to Superstorm Sandy recovery, DHSES has advanced payments to those applicants in order to accelerate initial recovery efforts. DHSES will review the applicants’ claims for reimbursement and/or advancement and, once approved, will process a payment and then draw funds from the Federal government. For the State’s fiscal year ended March 31, 2017, DHSES reported to the New York State Office of the State Comptroller (OSC) a payable to applicants representing the total amount of expenditures for which applicants have reported for reimbursement and for which payments have not yet been processed. Further, at the State’s fiscal year-end, DHSES reported the total advanced payments for which expenditures have not yet been incurred as prepayments (other assets) for financial reporting purposes.

Observations

To quantify the State’s payable to local governments and prepayments (other assets) as of March 31, 2017, DHSES prepared an analysis that considered the applicants’ total expenditures incurred to date as compared to the amounts disbursed by DHSES to the applicants as either prepayments or reimbursements. KPMG reviewed the analysis, making the following observations:

- The analysis takes into account the amount of applicant expenditures incurred to date for each project, which are reported to DHSES by local governments at the time reimbursement is requested. To assess the accuracy of the expenditures being utilized in the analysis, KPMG haphazardly selected a sample of 25 applicant expenditures and agreed the expenditures to the supporting documentation, which consisted of project worksheets. Based on our review of the 25 supporting project worksheets and payment support, we identified five exceptions where the amount recorded did not agree to the supporting documentation. When these five exceptions were applied to management’s analysis, there was a factual net overstatement of the liability in the amount of $54.6 million.

- Management removed from the liability analysis disbursements and corresponding expenditures relating to six projects for which FEMA had approved prepayments. Management’s analysis improperly excluded one project that was approved for prepayments but, on a cumulative basis, had actually incurred more expenditures than had been paid by DHSES; as such, it was actually subject to reimbursement versus being a prepayment as of March 31, 2017. Additionally, DHSES’s calculation of prepayments, which were recorded as other assets and also factored into the accrual analysis, contained formula errors and duplicate voucher information (i.e., the same prepayments were being recognized twice within management’s analysis). In the aggregate, these errors resulted in a factual overstatement of prepayments totaling $34.6 million and a related understatement of the liability of $108.3 million.

- The analysis utilizes DHSES's record of cumulative cash drawdowns for the FEMA-approved projects to approximate total disbursements made to applicants to date; however, this does not represent actual payments to applicants, which would be the best information available for purposes of determining the amount due to local governments as of March 31, 2017. KPMG reviewed transaction detail from the Statewide Financial System, provided by DHSES, representing cumulative payments made to applicants as of year-end and noted that the difference between amounts drawn by DHSES and amounts disbursed to applicants was $144.6 million. This represented a factual overstatement of the liability.

The State did not have internal controls in place at a level of precision to prevent, or detect and correct, errors in the accrual analysis. In response to these findings, OSC management elected to adjust their accounting records and the financial statements to reflect the correct liability and other asset balances and related activity as of and for the year ended March 31, 2017.

<u>Risk</u>

The State's payable to local governments, advances, and related activity are not properly reported in its basic financial statements.

<u>Recommendations</u>

The State should have formal policies and procedures in place to ensure the completeness and accuracy of accounting records and subsequent reporting of the disaster assistance recovery program in the State's basic financial statements. We recommend that management implement internal controls to routinely review and validate the completeness and accuracy of project-specific details underlying its analysis, including applicant expenditures incurred to date and cumulative amounts disbursed to applicants (whether through reimbursement or prepayment); verify the mathematical accuracy of its analysis; and assess whether prepayments have been properly excluded from the liability analysis. Furthermore, we recommend that the State consider utilizing the best information available to determine the year-end accrual.

<u>Management Response - DHSES</u>

Bullet One: DHSES agrees with KPMG's analysis of $54.6 million net overstatement related to the five exceptions of reported applicant expenditures for the 25 samples tested. KPMG was advised that the quarterly reports used to determine the State's liability are prepared by the Federal Emergency Management Agency (FEMA) and are not all inclusive of all projects. These reports do not include small projects or completed projects; therefore, there will always be a difference in the amounts included in the quarterly reports and the Statewide Financial System. For this finding, DHSES will implement additional levels of review of the applicants' reported expenditures. DHSES will also explore the use of alternate reports for its liability calculation.

Bullet Two: DHSES has corrected the duplicate entries and calculation errors. For this finding, DHSES will add additional levels of review of the advance payment tracking prior to submission to OSC.

Bullet Three: DHSES contends there will always be a variance on the drawdown information reported in the FEMA quarterly reports and the payment data run from the Statewide Financial System since the FEMA report is not all inclusive of all projects. FEMA creates this report and does not include small projects or those completed. DHSES provided the full accounting of all payments and drawdowns for the fiscal year. DHSES will explore the use of alternate reports for its liability calculation.

Management Response - OSC

The Bureau of Financial Reporting will continue to support DHSES in their efforts and work with them to identify the best sources of data to provide for next year's financial statements.

2017-002

Finding: Ineffective internal control over the year-end accrual process for financial reporting

Severity of Control Deficiency: Significant Deficiency (Unremediated as of March 31, 2017)

Background

In order to facilitate the fiscal year-end financial reporting process, the Office of the State Comptroller's Bureau of Financial Reporting (BFR) has implemented policies and procedures to ensure that governmental fund transactions recorded on a cash basis throughout the year are properly adjusted at year-end for reporting under a modified accrual basis of accounting. As part of this process, BFR accountants must identify and accrue expenditures that have been incurred but not paid within the current fiscal year. A judgmental quantitative threshold has been established by BFR to evaluate vouchers paid by the State in the three months subsequent to year-end and determine whether they represent a liability as of March 31st that should be accrued through a top-side manual journal entry.

Observation

To assess the completeness and accuracy of amounts accrued as of March 31, 2017 as part of BFR's year-end accrual process, KPMG selected a sample of 14 vouchers evaluated by BFR to reperform the accrual assessment. We also selected another 41 vouchers from the same period to perform an independent accrual assessment. Through these procedures, KPMG identified three vouchers relating to the Delivery System Reform Incentive Payment (DSRIP) program that were paid in April 2017 (fiscal year 2018) but indicated fiscal year 2017 obligations (April 2016 – September 2016) and had not been properly accrued by BFR. Upon further investigation, an additional 21 DSRIP-related vouchers were identified as having been paid in April 2017 but not accrued at year-end. While BFR had taken steps to investigate the nature and timing of the underlying activity, including inspecting source documents and making inquiries of Department of Health personnel, their ultimate assessment of the applicable accounting period and determination to exclude these vouchers from the year-end accrual was inaccurate. Additionally, through inquiry with DOH personnel over the DSRIP program, obligations related to October 2016 through March 2017 were identified as being scheduled for payment in August 2017. Accordingly, KPMG proposed an audit adjustment to the governmental activities and federal special revenue fund opinion units totaling $1.1 billion in order to recognize a liability and corresponding expenditures, as well as related revenues and amounts due from the federal government for these reimbursable program costs, as of and for the year ended March 31, 2017. BFR management elected to make this correction to their financial statements.

KPMG then expanded its testwork to select five additional vouchers paid in July 2017 using a lower quantitative threshold than that used by BFR. As a result of this procedure, we identified a voucher relating to medical malpractice claims that were paid in July 2017 but not identified or properly accrued by BFR for fiscal year 2017 financial reporting. KPMG proposed an audit adjustment to the governmental activities and aggregate remaining fund information opinion units totaling $122 million in order to recognize a liability and corresponding expenditures as of and for the year ended March 31, 2017. BFR management elected to make this correction to their financial statements.

Risk

Accrual adjustments are not identified and recorded, resulting in misstatements of liabilities and related expenditures in the State's basic financial statements.

Recommendations

The State should take steps to better understand the nature and timing of the activity underlying material disbursements that may impact amounts recorded through the year-end accrual process. In addition, we recommend that BFR consider extending the time period subject to its accrual analysis to be closer to the date that the basic financial statements are issued.

Management Response - OSC

Moving forward, as BFR evaluates vouchers paid subsequent to year-end, we will follow up with programs involved to ensure that we have a complete understanding of the nature and timing of related activities. BFR will consider adjusting the existing quantitative threshold and the time period subject to analysis.

2017-003

Findings: Ineffective user access review and segregation of duties conflicts within the Statewide Financial System

Severity of Control Deficiencies in Aggregate: Significant Deficiency (Unremediated as of March 31, 2017)

Background

The PeopleSoft Financial Management application, known as the Statewide Financial System (SFS), is the State of New York's General Ledger ERP system used by multiple agencies throughout the State. To control logical access to the application, each agency has a designated Agency System Administrator (ASA) who is responsible for adding, modifying or removing user access to SFS at his or her respective agency. Additionally, the SFS department has a number of personnel who perform other security administrative and maintenance functions including change management, computer operations, and database administration.

Findings

For the fiscal year ended March 31, 2017, KPMG tested the design and implementation and operating effectiveness of internal controls within the SFS general IT environment and made the following observations:

1. *Observation*: For seven new users who gained access to the SFS application, formal request and approval documentation was not provided. This deficiency was unremediated as of March 31, 2017.

   Risk: Lack of strong user provisioning controls could result in excessive users with unnecessary access and segregation of duties issues relating to the ability to perform financially significant transactions and override control.

   Recommendation: SFS management should take the steps necessary (including re-education of user provisioning procedures to system administrators) to ensure that for any instance of new or modification of access, a formalized access security request form is approved, documented, and retained. This process should be followed for all agencies and accounts, including internal and external employees, vendors/contractors, and system/generic IDs.

   Management's Response: SFS has deployed a decentralized security model. Agency Security Administrators at each agency are responsible for maintaining documentation that provides justification and approval for all agency user provisioning requests that are submitted to SFS through ASA self-service. SFS reached out to the Internal Control Officers of the seven agencies identified by KPMG and each responded that the access was appropriate.

   To facilitate that agencies have a consistent security process for SFS we are making available a sample provisioning process that agencies may use.

SFS has deployed training in a variety of modalities to assist the various SFS administrators in performing their duties, which are often dependent or connected:

- Security: 9 job aids, 11 self-paced training modules
- Credit Card: 11 job aids, 13 self-paced training modules
- Employee Data: 9 job aids, 12 self-paced training modules
- Workflow: 17 job aids, 18 self-paced training modules

SFS provides a self-paced training module and several job aids for internal control officers that assists them in providing oversight over the security administrator’s activities as well as the administrator-related risks and mitigation strategies.

SFS also hosts a quarterly Administrator Community Council where additional training and discussions occur.

2. *Observation*: For 8 of 25 terminated employees sampled, access to the SFS application was not removed timely (generally, greater than one week after termination). This deficiency was unremediated as of March 31, 2017.

   Risk: Untimely removal of terminated user's access to systems could result in the account to be compromised, opening the system to unauthorized viewing and changes to financial data.

   Recommendation: SFS management should reeducate and emphasize to respective ASAs the procedures to be followed upon termination of employment. Additionally, SFS management should implement a control to periodically review a list of employees with a termination status out of PayServ to determine whether access to SFS has been revoked. For any noted terminated employee with active access, SFS management should follow up with respective agencies for resolution.

   Management’s Response: SFS security staff reviewed the entire population of retired or terminated user accounts for FY2017. A total of 1,835 accounts were already addressed by agencies at the time of our review. An additional 1,072 accounts were locked as a result of the SFS review. Only one user account had activity after termination that raised questions and is under investigation by their agency.

   SFS will continue to communicate with and educate agency SFS administrators that accounts should be locked on the day of termination or retirement or, at minimum, within a week. SFS will make this an agenda topic at Community Council and NYSICA meetings.

   SFS is engaged in a project with OSC Payroll to receive more timely and complete Payroll data that will facilitate SFS taking action if agencies have not locked terminated or retired user accounts.

   SFS will enhance the monthly account locking process to include locking agency user accounts where the user Payroll status is either; retired, terminated or deceased.

   SFS’ auto-locking program has locked the following number of accounts since inception: Feb17 – 39,410; Mar17 – 1,259; Apr17 – 2,553; May17 – 1,259; Jun17 – 1,509. This is inclusive of vendor and agency users.

3. *Observation:* For 1 of 15 agency user access reviews, appropriate approval by a designated authorized reviewer was not performed. Specifically, for the Department of Health, the individual who signed off as the ICO was also designated as the ASA. This deficiency was unremediated as of March 31, 2017.

Risk: Performing periodic reviews of user access rights on a timely basis helps management to ensure that all user accounts are valid, each user's access rights are commensurate with their job responsibilities over time, and terminated users are removed from the system. Lack of an independent and authorized review and recertification of application user access increases the risk of users having access to perform inappropriate or unauthorized financial transactions or make changes to financial data.

Recommendation: SFS management should work with each respective agency's management representatives to ensure that the procedure of periodically reviewing and recertifying active user access to the SFS application is followed.

Appropriate reviewer(s) should be defined to verify that access is appropriate per their responsibilities and that an adequate segregation of duties is being enforced within the system. Each agency should have a designated Internal Control Officer (ICO), who has taken the proper training and is aware of the procedures and responsibilities necessary to perform their job function. The defined ICO should have appropriate knowledge over the job responsibilities for each user account and should also be an independent user of the system (i.e., does not have access to ASA functions).

Management's Response: SFS requires agencies to certify to SFS that a review of SFS access has been conducted at least once a year. In FY2017 this resulted in 113 required agency certification submissions. If SFS identifies any issue with the agency certification as submitted, it is returned to the agency for remediation; there were 9 in FY2017. When an agency fails to submit in a timely manner SFS follows an escalation process; for FY2017, 5 of the 113 requiring agency certifications are currently being pursued via this escalation process.

SFS is currently reviewing the agency user/role quarterly report validation process under an SFS Lean project. Improvements to this process will be developed over the coming months.

4. *Observation:* There is no formal review of accounts with access to the Unix servers supporting the SFS application for the current audit period. This deficiency was unremediated as of March 31, 2017.

   Risk: Lack of a periodic review and recertification of users with privileged access to production servers increases the risk of having inappropriate or unauthorized changes to the server that can impact financial data or the functionality of the financial system.

   Recommendation: SFS Management should work with OSC IT to proactively perform a complete review/recertification of all users with privileged access to the production servers supporting the SFS Application. These reviews should be performed and formally documented at least on an annual basis.

   Appropriate reviewers (e.g., the users' managers or role owners) should be defined to verify that access is appropriate per their responsibilities and that an adequate segregation of financial reporting duties is being enforced within the system. The defined reviewers should have appropriate knowledge of the job responsibilities for each user.

   Management's Response: SFS completes a review and approval of SFS staff with access to the SFS production UNIX servers semi-annually. SFS will engage OSC to expand the review and approval to all staff with access to the SFS production UNIX servers.

5. *Observation:* For the period of 4/1/2016 - 2/22/2017, passwords at the Oracle database level supporting the SFS environment were found to be generally weak, and do not adhere to a consistent standard configuration per policy guidelines for general, administrative, and generic/service accounts. Specifically, for the 'DEFAULT' and 'SFS_ADMIN groups within the Oracle database, passwords were not set with a minimum password length, expiration or complexity requirements. This deficiency was remediated as of March 31, 2017.

Risk: Lack of effective password configurations increases the vulnerability of unauthorized access to financially significant or sensitive information. As a result, the confidentiality and integrity of data is at risk for unauthorized access or usage. Strong password parameters help to ensure the integrity of data stored within the systems and applications.

Recommendation: SFS Management should implement stronger password configurations at the Oracle database layer supporting SFS. The password configurations should follow the guidelines established by the OSC Password Standard. Elements of a strong password standard include:

- Defining a minimum password length
- Configuring passwords to be complex (alphanumeric, special characters, etc.)
- Disabling/locking a user ID after a finite number of invalid access attempts.

Management's Response: On 2/22/2017, management updated the password configurations for the 'DEFAULT' and 'SFS_ADMIN' profiles to enable the 'ORA12C_Verify_Function' function.

6. *Observation:* For the period of 4/1/2016 - 2/23/2017, users from the Master Data Management team (6 total users) had unnecessary access to maintain security to user accounts. This deficiency was remediated as of March 31, 2017.

   Risk: Unnecessary administrative access to the application and supporting infrastructure increases the risk of an unauthorized individual having the ability to perform tasks and activities that could result in the accidental or fraudulent creation or manipulation of financial data, transactions and other key financial information. This level of access is typically reserved for a limited number of authorized user accounts and/or system administrators.

   Recommendation: SFS management should perform a thorough evaluation of users with access to user security functions over the application and supporting infrastructure environments. Users with access to these permissions should be restricted to a very limited amount of security administrators whose access is commensurate with job responsibilities.

   Management's Response: Upon discovery of the deficiency, SFS management modified access to the "MAINTAIN_SECURITY" privilege from the MDM team members on 2/23/2017, which removed access to make user modifications.

7. *Observation:* For the period of 4/1/2016 - 2/19/2017, the ability to generate audit trail reports was evidenced, however, no formal review of these reports was performed. This deficiency was remediated as of March 31, 2017.

   Risk: Potential inadvertent or unauthorized/inappropriate database changes to financial data to in-scope environments (application, database, and operating system) may go undetected.

   Recommendation: SFS Management should establish a formalized process to actively monitor and formally review database activity logs on a periodic basis. The reviews should be formally documented and retained for a period of at least one year for audit purposes.

   Management's Response: For the week ending 2/26/2017, SFS management implemented a process to formalize and evidence the review of database activity.

8. *Observation:* For the period of 4/1/2016 - 3/30/2017, one user was identified as having both developer and migration access. This deficiency was remediated as of March 31, 2017.

Risk: Lack of a proper segregation of duties within Change Management poses greater risk to a user circumventing or overriding management control and migrating unauthorized changes.

Recommendation: SFS Management should segregate development and migration privileges within SFS. Additionally, SFS management should actively monitor for users that may be provisioned access to change management segregation of duties violations. If it is determined that a user has access to development and migration functions, root cause analysis over the user's activity should be performed.

Management's Response: Upon discovery of the deficiency, SFS management removed the "DEVMGR" STAT group from the user's account on 3/30/2017.

In addition, KPMG tested the design and implementation and operating effectiveness of certain IT application controls and made the following observation:

1. *Observation*: During FY 2017, 13 user IDs had access to perform general ledger functions that are considered segregation of duties (SoD) conflicts, including:

   - Access to edit and post journal entries
   - Access to maintain general ledger masterdata and post journal entries
   - Access to open/close accounting periods and post journal entries

   Risk: Lack of a proper segregation of duties within the financial reporting process poses greater risk to a user circumventing or overriding management control.

   Recommendation: SFS management should restrict access privileges across journal entry functions so that only necessary and appropriate user IDs have access to functions that may be deemed SoD conflicts. Additionally, SFS management should work with OSC to develop a segregation of duties rule set to actively monitor for users that may be provisioned access to SoD violations. If it is determined that a user requires access to SoD conflicts, mitigating controls should be identified or created to mitigate risk of the known SoD conflict.

   Management's Response: Referring to the first bullet, access has been restricted to two (2) OSC users.

     - One of the two users has access to both edit and post.
     - Both users have access to create and post.
     - One of the two users has access to open/close periods and post.

   SFS is working with OSC to remove this conflict. SFS is drafting SOD guidance to review with OSC and publish on the SFS Secure site.

   Bullet items 2 and 3 of this observation were previously resolved on 3/29/17.

STATE OF NEW YORK

Independent Auditors’ Report as Required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*

Year ended March 31, 2017

STATE OF NEW YORK

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report on Compliance for Each Federal Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Governor
State of New York:

Report on Compliance for Each Major Federal Program

We have audited the State of New York's (the State) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended March 31, 2017. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

As discussed in note 1 to the schedule of expenditures of federal awards, the State's basic financial statements include the operations of certain entities that received federal awards that are not included in the schedule of expenditures of federal awards for the year ended March 31, 2017. Our audit, described below, did not include the operations of the entities identified in note 1 to the schedule of expenditures of federal awards because those entities engaged other auditors to perform an audit in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), if required.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified and modified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinions

As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding to the following:

Finding No.	State Administering Agency	Major Federal Program or Cluster	Compliance Requirement
2017-009	Office of Temporary and Disability Assistance Office of Children and Family Services	Child Support Enforcement (93.563) Adoption Assistance (93.659) Foster Care – Title IVE (93.658)	Matching
2017-010	Office of Children and Family Services	Foster Care – Title IV-E (93.658) Adoption Assistance (93.659)	Subrecipient Monitoring
2017-011	Office of Children and Family Services	Foster Care – Title IV-E (93.658) Adoption Assistance (93.659)	Subrecipient Monitoring
2017-012	Office of Children and Family Services	Foster Care – Title IV-E (93.658)	Special Test –Payment Rate Setting
2017-016	Office of Children and Family Services State Education Department	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)	Eligibility
2017-017	Office of Children and Family Services State Education Department	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)	Special Test – Completion of IPEs
2017-019	State Education Department	School Improvement Grants (84.377)	Level of Effort Subrecipient Monitoring
2017-023	Housing Trust Fund Corporation	Community Development Block Grant State's program and Non-Entitlement Grants in Hawaii (14.228)	Program Income
2017-026	Department of Health	Medicaid Cluster (93.775, 93.777, 93.778)	Eligibility
2017-029	Department of Health	Basic Health Program (Affordable Care Act) (93.640)	Eligibility
2017-032	Department of Health	Material and Child Health Services Block Grant to the States (93.994)	Cash Management

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to each program.

Qualified Opinions

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major federal programs listed in the table in the Basis for Qualified Opinion paragraph above for the year ended March 31, 2017.

Unmodified Opinions on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended March 31, 2017.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-004, 2017-005, 2017-007, 2017-008, 2017-013, 2017-014, 2017-015, 2017-022, 2017-024, 2017-025, 2017-027, 2017-028, 2017-030, 2017-031, and 2017-033. Our opinion on each major federal program is not modified with respect to these matters.

The State's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-009, 2017-010, 2017-011, 2017-012, 2017-016, 2017-017, 2017-019, 2017-023, 2017-026, 2017-029, and 2017-032 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-004, 2017-005, 2017-006, 2017-007, 2017-008, 2017-013, 2017-014, 2017-015, 2017-018, 2017-020, 2017-021, 2017-022, 2017-024, 2017-025, 2017-027, 2017-028, 2017-030, 2017-031, and 2017-033 to be significant deficiencies.

The State's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New York, as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated July 26, 2017, which contained unmodified opinions on those financial statements. Our report included an emphasis of matter paragraph noting the State's adoption as of April 1, 2016 of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair value Measurement and Application*, and GASB no. 77, *Tax Abatement Disclosures*. Our report also includes a reference to other auditors who audited the financial statements of the State's lottery enterprise fund, the New York Local Government Assistance Corporation, the Tuition Savings Program, and certain of the discretely presented component units as identified in note 14 to the basic financial statements, as described in our report on the State's basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

December 15, 2017
(except for the schedule of expenditures of federal awards, which is as of July 26, 2017)

STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
Year ended March 31, 2017
(Amounts in thousands)

Federal CFDA Number	Federal Agency/Grantor/ Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Expenditures	
	U.S. Department of Agriculture				
10.025	Plant and Animal Disease, Pest Control, and Animal Care		$ -	$ 6,921	
10.069	Conservation Reserve Program		-	10	
10.163	Market Protection and Promotion		-	1,662	
10.170	Specialty Crop Block Grant Program – Farm Bill		-	1,010	
10.171	Organic Certification Cost Share Programs		-	696	
10.435	State Mediation Grants		-	330	
10.458	Crop Insurance Education in Targeted States		-	358	
	SNAP Cluster:				
10.551	Supplemental Nutrition Assistance Program		-	4,854,253	
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		374,892	441,429	
	Total SNAP Cluster		374,892	5,295,682	
	Child Nutrition Cluster:				
10.555	National School Lunch Program		932,898	1,028,655	
10.556	Special Milk Program for Children		-	175	
10.559	Summer Food Service Program for Children		60,301	62,030	
	Total Child Nutrition Cluster		993,199	1,090,860	*
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children		114,515	424,252	
10.558	Child and Adult Care Food Program		258,027	262,085	
10.560	State Administrative Expenses for Child Nutrition		25	18,593	
	Food Distribution Cluster:				
10.565	Commodity Supplemental Food Program		1,570	9,723	
10.568	Emergency Food Assistance Program (Administrative Costs)		-	5,343	
10.569	Emergency Food Assistance Program (Food Commodities)		-	34,771	
	Total Food Distribution Cluster		1,570	49,837	
10.572	WIC Farmers' Market Nutrition Program (FMNP)		-	3,243	
10.575	Farm to School Grant Program		-	19	
10.576	Senior Farmers Market Nutrition Program		-	1,694	
10.578	WIC Grants to States (WGS)		-	183	
10.579	Child Nutrition Discretionary Grants Limited Availability		565	565	
10.582	Fresh Fruit and Vegetable Program		6,703	6,703	
10.664	Cooperative Forestry Assistance		-	2,985	
10.675	Urban and Community Forestry Program		-	8	
10.676	Forest Legacy Program		-	27	
10.680	Forest Health Protection		-	209	
10.902	Soil and Water Conservation		-	154	
10.912	Environmental Quality Incentives Program		-	51	
	U.S. Department of Commerce				
11.407	Interjurisdictional Fisheries Act of 1986		-	7	
11.419	Coastal Zone Management Administration Awards		-	1,972	
11.420	Coastal Zone Management Estuarine Research Reserves		-	935	
11.454	Unallied Management Projects		-	2,054	
11.474	Atlantic Coastal Fisheries Cooperative Management Act		-	205	
11.483	NOAA Programs for Disaster Relief Appropriations Act – Non-construction and Construction		-	2,307	
11.549	State and Local Implementation Grant Program		-	276	
11.611	Manufacturing Extension Partnership		-	3,850	
	U.S. Department of Defense				
12.101	Beach Erosion Control Projects		51,317	51,317	*
12.104	Flood Plain Management Services		-	4	
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services		-	300	
12.217	ROTC Language and Culture Training Grants			2,149	
12.400	Military Construction, National Guard		-	29,212	
12.401	National Guard Military Operations and Maintenance (O&M) Projects		-	35,844	
12.900	Language Grant Program		-	89	
	U.S. Department of Housing and Urban Development				
14.169	Housing Counseling Assistance Program		-	16	
	Section 8 Project-Based Cluster:				
14.195	Section 8 Housing Assistance Payments Program		-	1,409,215	
	Total Section 8 Project-Based Cluster		-	1,409,215	
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii		44,110	44,110	*
14.231	Emergency Solutions Grant Program		-	5,966	
14.238	Shelter Plus Care		43	43	
14.239	Home Investment Partnerships Program		28,239	223,105	
14.241	Housing Opportunities for Persons with AIDS		-	2,428	
14.267	Continuum of Care Program		3,570	3,570	
	CDBG – Disaster Recovery Grants – Pub. L. No. 113-2 Cluster:				
14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants		70,950	628,902	
	Total CDBG – Disaster Recovery Grants – Pub. L. No. 113-2 Cluster		70,950	628,902	*
14.401	Fair Housing Assistance Program – State and Local		-	1,921	
	Housing Voucher Cluster:				
14.871	Section 8 Housing Choice Vouchers		-	479,624	
	Total Housing Voucher Cluster		-	479,624	*

(Continued)

STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
Year ended March 31, 2017
(Amounts in thousands)

Federal CFDA Number	Federal Agency/Grantor/ Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Expenditures
	U.S. Department of the Interior			
15.026	Indian Adult Education		$ -	$ 16
15.114	Indian Education – Higher Education Grant Program		-	31
	Fish and Wildlife Cluster:			
15.605	Sport Fish Restoration Program		-	5,745
15.611	Wildlife Restoration and Basic Hunter Education		3,314	14,567
	Total Fish and Wildlife Cluster		3,314	20,312
15.424	Marine Minerals Activities – Hurricane Sandy		-	193
15.615	Cooperative Endangered Species Conservation Fund		-	44
15.622	Sportfishing and Boating Safety Act		-	2,280
15.626	Enhanced Hunter Education and Safety Program		-	1,721
15.634	State Wildlife Grants		-	2,505
15.667	Highlands Conservation Program		-	750
15.808	U.S. Geological Survey – Research and Data Collection		-	39
15.810	National Cooperative Geologic Mapping Program		-	157
15.814	National Geological and Geophysical Data Preservation Program		-	26
15.817	National Geospatial ProgramL Building the National Map		-	307
15.904	Historic Preservation Fund Grants-In-Aid		-	1,505
15.916	Outdoor Recreation – Acquisition, Development and Planning		-	3,158
15.925	National Maritime Heritage Grants Program		-	135
15.926	American Battlefield Protection		-	57
15.945	Cooperative Research and Training Programs Resources of the National Park System		-	5
15.957	Historic Preservation Fund Grants to Provide Disaster Relief to Historic Properties Damaged by Hurricane Sandy		-	2,645
	U.S. Department of Justice			
16.013	Violence Against Women Act Court Training and Improvement Grants		-	31
16.017	Sexual Assault Services Formula Program		-	387
16.021	Justice Systems Response to Families		-	104
16.523	Juvenile Accountability Block Grants		-	532
16.540	Juvenile Justice and Delinquency Prevention – Allocation to States		-	862
16.543	Missing Children's Assistance		-	410
16.550	State Justice Statistics Program for Statistical Analysis Centers		-	50
16.554	National Criminal History Improvement Program (NCHIP)		-	653
16.575	Crime Victim Assistance		-	35,960
16.576	Crime Victim Compensation		-	9,153
16.578	Federal Surplus Property Transfer Program		-	8,074
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program		-	128
16.582	Crime Victim Assistance/Discretionary Grants		-	16
16.585	Drug Court Discretionary Grant Program		-	1,296
16.588	Violence Against Women Formula Grants		-	5,842
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program			10
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		-	223
16.593	Residential Substance Abuse Treatment for State Prisoners		-	320
16.606	State Criminal Alien Assistance Program		-	19,196
16.710	Public Safety Partnership and Community Policing Grants		-	490
16.735	PREA Program: Demonstration Projects to Establish “Zero Tolerance” Cultures for Sexual Assault in Correctional Facilities		-	138
16.738	Edward Byrne Memorial Justice Assistance Grant Program		-	9,698
16.741	DNA Backlog Reduction Program		-	1,213
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program		-	463
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program		-	147
16.751	Edward Byrne Memorial Competitive Grant Program		-	225
16.754	Harold Rogers Prescription Drug Monitoring Program		-	1
16.812	Second Chance Act Reentry Initiative		-	272
16.813	NICS Act Record Improvement Program		-	775
16.816	John R. Justice Prosecutors and Defenders Incentive Act		45	47
16.828	Swift and Certain Sanctions/Replicating the Concepts Behind Project HOPE		-	63
16.830	Girls in the Juvenile Justice System		-	2
16.922	Equitable Sharing Program		45	2,869
	U.S. Department of Labor			
17.002	Labor Force Statistics		-	3,052
17.005	Compensation and Working Conditions		-	437
	Employment Service Cluster:			
17.207	Employment Service/Wagner-Peyser Funded Activities		1,273	38,019
17.801	Disabled Veterans' Outreach Program (DVOP)		-	8,421
	Total Employment Service Cluster		1,273	46,440
17.225	Unemployment Insurance		-	2,437,425
17.225	ARRA – Unemployment Insurance		-	(1,978)
	Total Unemployment Insurance		-	2,435,447
17.235	Senior Community Service Employment Program		4,199	4,621
17.245	Trade Adjustment Assistance		3,660	7,465
	WIA/WIOA Cluster:			
17.258	WIA/WIOA Adult Program		39,040	44,322
17.259	WIA/WIOA Youth Activities		43,486	47,853
17.278	WIA/WIOA Dislocated Worker Formula Grants		40,219	61,881
	Total WIA/WIOA Cluster		122,745	154,056
17.261	WIA/WIOA Pilots, Demonstrations, and Research Projects		-	1,882
17.268	H-1B Job Training Grants		8	602
17.271	Work Opportunity Tax Credit Program (WOTC)		-	821
17.273	Temporary Labor Certification for Foreign Workers		-	1,821

(Continued)

STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
Year ended March 31, 2017
(Amounts in thousands)

Federal CFDA Number	Federal Agency/Grantor/ Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Expenditures
	U.S. Department of Labor (continued)			
17.277	WIOA National Dislocated Worker Grants/WIA National Emergency Grants		$ 171	$ 1,296
17.283	Workforce Innovation Fund		15	115
17.285	Apprenticeship USA Grants			32
17.503	Occupational Safety and Health – State Program		-	3,910
17.504	Consultation Agreements		-	3,697
17.600	Mine Health and Safety Grants		-	274
	U.S. Department of Transportation			
20.106	Airport Improvement Program		-	338
	Highway Planning and Construction Cluster:			
20.205	Highway Planning and Construction		647,141	1,876,914
20.205	ARRA – Highway Planning and Construction		-	386
20.219	Recreational Trails Program		-	570
	Total Highway Planning and Construction Cluster		647,141	1,877,870
20.218	National Motor Carrier Safety		-	7,782
20.232	Commercial Driver's License Program Improvement Grant		-	3,226
20.233	Border Enforcement Grants		-	301
20.237	Commercial Vehicle Information Systems and Networks		-	2,856
20.314	Railroad Development		-	4,265
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants		-	368
20.319	ARRA – High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants		176,260	216,259
	Total High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants		176,260	216,627
	Federal Transit Cluster:			
20.500	Federal Transit – Capital Investment Grants		-	2
	Total Federal Transit Cluster		-	2
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research		11,913	12,069
20.509	Formula Grants for Rural Areas		20,186	21,596
	Transit Services Programs Cluster:			
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities		10,531	10,531
20.516	Job Access and Reverse Commute Program		463	463
20.521	New Freedom Program		1,129	1,129
	Total Transit Services Programs Cluster		12,123	12,123
	Highway Safety Cluster:			
20.600	State and Community Highway Safety		-	27,725
20.616	National Priority Safety Programs		-	168
	Total Highway Safety Cluster		-	27,893
20.700	Pipeline Safety Program State Base Grant		-	3,424
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants		275	658
20.933	National Infrastructure Investments		-	6,499
21.016	Equitable Sharing – Department of the Treasury		46	217
	U.S. Appalachian Regional Commission			
23.002	Appalachian Area Development			113
23.011	Appalachian Research, Technical Assistance, and Demonstration Projects		-	187
	U.S. Equal Employment Opportunity Commission			
30.001	Employment Discrimination – Title VII of the Civil Rights Act of 1964		-	2,587
	National Endowment for the Arts			
45.025	Promotion of the Arts – Partnership Agreements		-	1,052
	Institute of Museum and Library Services			
45.310	Grants to States		-	8,354
	Small Business Administration			
59.061	State Trade and Export Promotion Pilot Grant Program		-	479
	Department of Veterans Affairs			
64.010	Veterans Nursing Home Care		-	39,227
64.028	Post-9/11 Veterans Educational Assistance		-	13,068
64.032	Montgomery GI Bill Selected Reserve; Reserve Educational Assistance Program		-	68
64.116	Vocational Rehabilitation for Disabled Veterans		-	1,262
64.124	All-Volunteer Force Educational Assistance		-	3,177
	U.S. Environmental Protection Agency			
66.001	Air Pollution Control Program Support		-	7,737
66.032	State Indoor Radon Grants		-	270
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act		-	1,737

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Federal CFDA Number	Federal Agency/Grantor/ Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Expenditures	
	U.S. Environmental Protection Agency (continued)				
66.040	State Clean Diesel Grant Program		$ -	$ (40)	
	Total State Clean Diesel Program		-	(40)	
66.204	Multipurpose Grants to States and Tribes		-	13	
66.432	State Public Water System Supervision		-	3,217	
66.454	Water Quality Management Planning		-	1,308	
66.456	National Estuary Program		-	356	
	Clean Water State Revolving Fund Cluster:				
66.458	Capitalization Grants for Clean Water State Revolving Funds		148,188	148,188	
66.482	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants For Clean Water State Revolving Funds		9,302	9,302	
	Total Clean Water State Revolving Fund Cluster		157,490	157,490	*
66.461	Regional Wetland Program Development Grants		-	12	
66.466	Chesapeake Bay Program		-	1,824	
	Drinking Water State Revolving Fund Cluster:				
66.468	Capitalization Grants for Drinking Water State Revolving Funds		46,777	52,962	
	Total Drinking Water State Revolving Fund Cluster		46,777	52,962	
66.469	Great Lakes Program		-	2,410	
66.472	Beach Monitoring and Notification Program Implementation Grants		-	346	
66.481	Lake Champlain Basin Program		-	250	
66.605	Performance Partnership Grants		-	12,316	
66.608	Environmental Information Exchange Network Grant Program and Related Assistance		-	59	
66.700	Consolidated Pesticide Enforcement Cooperative Agreements		-	762	
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements		-	189	
66.708	Pollution Prevention Grants Program		-	142	
66.801	Hazardous Waste Management State Program Support		-	6,256	
66.802	Superfund State, Political Subdivision, and Indian Tribe Site – Specific Cooperative Agreements		-	158	
66.804	Underground Storage Tank Prevention, Detection and Compliance Program		-	993	
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program		-	1,769	
66.817	State and Tribal Response Program Grants		-	431	
66.819	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Leaking Underground Storage Tank Trust Fund Corrective Action Program		-	1,248	
	U.S. Department of Energy				
81.041	State Energy Program		-	2,050	
81.042	Weatherization Assistance for Low-Income Persons		18,064	19,237	
81.092	Environmental Restoration		-	121	
81.119	State Energy Program Special Projects		-	443	
81.138	State Heating Oil and Propane Program		-	24	
	U.S. Department of Education				
84.002	Adult Education – Basic Grants to States		31,916	37,779	
84.010	Title I Grants to Local Educational Agencies		1,341,556	1,364,760	
84.011	Migrant Education – State Grant Program		8,476	9,799	
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth		-	2,913	
	Special Education Cluster (IDEA):				
84.027	Special Education – Grants to States		517,804	610,009	
84.173	Special Education – Preschool Grants		20,798	28,668	
	Total Special Education Cluster (IDEA)		538,602	638,677	
84.048	Career and Technical Education - Basic Grants to States		47,129	51,374	*
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States		-	180,549	*
84.144	Migrant Education – Coordination Program		-	159	
84.177	Rehabilitation Services – Independent Living Services for Older Individuals Who are Blind		-	2,850	
84.181	Special Education – Grants for Infants and Families		4,369	22,568	
84.196	Education for Homeless Children and Youth		3,122	4,801	
84.282	Charter Schools		8,006	8,304	
84.287	Twenty-First Century Community Learning Centers		79,354	83,908	
84.323	Special Education – State Personnel Development		-	2,196	
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)		-	359	
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs		3,246	3,260	
	Pass-Through from Higher Education Services Corporation	P334S140028	-	200	
	Total Gaining Early Awareness and Readiness for Undergraduate Programs		3,246	3,460	
84.358	Rural Education		1,717	1,820	
84.365	English Language Acquisition State Grants		45,350	48,850	
84.366	Mathematics and Science Partnerships		8,801	9,242	
84.367	Improving Teacher Quality State Grants		224,967	231,387	
84.369	Grants for State Assessments and Related Activities		-	18,352	
84.374	Teacher Incentive Fund		-	3,200	
84.377	School Improvement Grants		65,065	67,568	*
84.378	College Access Challenge Grant Program		2,528	2,725	
	Pass-Through from Higher Education Services Corporation	P378A140035	-	178	
	Total College Access Challenge Grant Program		2,528	2,903	
84.419	Preschool Development Grants		23,389	24,879	

(Continued)

STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
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(Amounts in thousands)

Federal CFDA Number	Federal Agency/Grantor/ Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Expenditures
	U.S. Elections Assistance Commission			
90.401	Help America Vote Act Requirements Payments		$ -	$ 825
	U.S. Department of Health and Human Services			
93.041	Special Programs for the Aging – Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation		-	317
93.042	Special Programs for the Aging – Title VII, Chapter 2 - Long-Term Care Ombudsman Services for Older Individuals		1,046	1,046
93.043	Special Programs for the Aging – Title III, Part D – Disease Prevention and Health Promotion Services		1,268	1,333
	Aging Cluster:			
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers		19,923	21,450
93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services		32,462	36,583
93.053	Nutrition Services Incentive Program		17,659	17,659
	Total Aging Cluster		70,044	75,692
93.048	Special Programs for the Aging – Title IV and Title II – Discretionary Projects		77	108
93.052	National Family Caregiver Support, Title III, Part E		8,148	8,603
93.071	Medicare Enrollment Assistance Program		703	835
93.072	Lifespan Respite Care Program		72	117
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements		-	143
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance		-	66
93.090	Guardianship Assistance		2,419	2,452
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program		2,228	2,351
	Hurricane Sandy Relief Cluster:			
93.095	HHS Programs for Disaster Relief Appropriations Act – Non Construction		17,975	32,350
	Total Hurricane Sandy Relief Cluster		17,975	32,350
93.103	Food and Drug Administration – Research		-	412
93.110	Maternal and Child Health Federal Consolidated Programs		-	188
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		-	1,267
93.130	Cooperative Agreement to States/Territories for the Coordination and Development of Primary Care Offices		-	102
93.150	Projects for Assistance in Transition from Homelessness (PATH)		4,476	4,476
93.165	Grants to States for Loan Repayment Program		433	433
93.217	Family Planning – Services		8,249	9,197
93.228	Indian Health Service – Health Management Development Program		-	30
93.235	Affordable Care Act (ACA) Abstinence Education Program		2,215	2,215
93.240	State Capacity Building		-	484
93.243	Substance Abuse and Mental Health Services – Projects of Regional and National Significance		-	2,840
93.268	Immunization Cooperative Agreements		1,211	117,926
93.303	Nurse Corps Scholarship Program		-	41
93.324	State Health Insurance Assistance Program		1,787	2,556
93.369	ACL Independent Living State Grants		-	931
93.394	Cancer Detection and Diagnosis Research		-	435
93.464	ACL Assistive Technology		-	904
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		6,573	8,062
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review		-	335
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)s Exchanges		-	37,260 *
93.536	The Affordable Care Act Medicaid Incentives for Prevention of Chronic Disease Demonstration Project		-	108
93.539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds		1,093	3,950
93.556	Promoting Safe and Stable Families		17,656	17,656
	TANF Cluster:			
93.558	Temporary Assistance for Needy Families		2,143,725	2,154,228
	Total TANF Cluster		2,143,725	2,154,228 *
93.563	Child Support Enforcement		122,313	206,556 *
93.566	Refugee and Entrant Assistance - State Administered Programs		9,889	15,468
93.568	Low-Income Home Energy Assistance		83,844	313,130 *
93.569	Community Services Block Grant		58,319	60,521
	CCDF Cluster:			
93.575	Child Care and Development Block Grant		27,801	71,363
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund		276,655	276,654
	Total CCDF Cluster		304,456	348,017
93.576	Refugee and Entrant Assistance – Discretionary Grants		-	1,497
93.584	Refugee and Entrant Assistance – Targeted Assistance Grants		-	2,037
93.586	State Court Improvement Program		-	1,421
93.590	Community-Based Child Abuse Prevention Grants		-	1,411
93.597	Grants to States for Access and Visitation Programs		-	509
93.599	Chafee Education and Training Vouchers Program (ETV)		2,723	2,723
	Pass-Through from Various Counties/Foster Care Agencies		-	59
	Total Chafee Education and Training Vouchers Program (ETV)		2,723	2,782
93.600	Head Start		-	227

(Amounts in thousands)

Federal CFDA Number	Federal Agency/Grantor/ Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Expenditures	
	U.S. Department of Health and Human Services (continued)				
93.617	Voting Access for Individuals with Disabilities – Grants to States		$ -	$ 127	
93.626	Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRC) Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment Models		199	216	
93.630	Developmental Disabilities Basic Support and Advocacy Grants		-	3,892	
93.640	Basic Health Program (Affordable Care Act)		-	3,257,056	*
93.643	Children's Justice Grants to States		-	856	
93.645	Stephanie Tubbs Jones Child Welfare Services Program		11,794	11,794	
93.652	Adoption Opportunities		-	405	
93.658	Foster Care – Title IV-E		279,501	285,667	*
93.659	Adoption Assistance		80,203	82,897	*
93.667	Social Services Block Grant		273,259	278,137	
93.669	Child Abuse and Neglect State Grants		872	1,460	
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services		-	4,460	
93.674	Chafee Foster Care Independence Program		11,552	11,586	
	Pass-Through from NYC Child Services		20	20	
	Pass-Through from Good Shepherd Services		8	8	
	Pass-Through from Cardinal McCloskey Community		6	6	
	Total Chafee Foster Care Independence Program		11,586	11,620	
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs financed by Prevention and Public Health Funds (PPHF)		-	113	
93.747	Elder Abuse Prevention Interventions Program		175	175	
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)		4,501	11,907	
93.767	Children's Health Insurance Program		1,075,917	1,104,901	
	Medicaid Cluster:				
93.775	State Medicaid Fraud Control Units		-	35,548	
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		-	19,340	
93.778	Medical Assistance Program		528,387	36,003,312	
93.778	ARRA – Medical Assistance Program		33,386	68,266	
	Total Medicaid Cluster		561,773	36,126,466	*
93.791	Money Follows the Person Rebalancing Demonstration		23,060	24,198	
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities		-	465	
93.958	Block Grants for Community Mental Health Services		33,446	34,703	
93.959	Block Grants for Prevention and Treatment of Substance Abuse		120,980	128,472	
93.977	Preventive Health Services – Sexually Transmitted Diseases Control Grants		895	2,523	
93.994	Maternal and Child Health Services Block Grant to the States		15,142	39,599	*
	Corporation for National and Community Service				
93.999	Test for Suppression Effects of Advanced Energy		-	192	
94.003	State Commissions		-	407	
94.006	AmeriCorps		-	15,367	
94.009	Training and Technical Assistance		-	83	
	Foster Grandparent/Senior Companion Cluster:				
94.016	Senior Companion Program		-	237	
	Total Foster Grandparent/Senior Companion Cluster		-	237	
94.021	Volunteer Generation Fund		-	222	
94.025	Operation AmeriCorps		-	853	
	U.S. Social Security Administration				
	Disability Insurance/SSI Cluster:				
96.001	Social Security – Disability Insurance		-	159,632	
	Total Disability Insurance/SSI Cluster		-	159,632	*
	U.S. Department of Homeland Security				
97.008	Non-Profit Security Program		3,700	3,700	
97.012	Boating Safety Financial Assistance		-	3,452	
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)		-	537	
97.029	Flood Mitigation Assistance		116	116	
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)		933,740	950,749	
97.039	Hazard Mitigation Grant		43,988	242,002	
97.041	National Dam Safety Program		-	107	
97.042	Emergency Management Performance Grants		8,228	15,111	
97.043	State Fire Training Systems Grants		-	20	
97.044	Assistance to Firefighters Grant		-	267	
97.045	Cooperating Technical Partners		-	268	
97.047	Pre-Disaster Mitigation		600	600	
97.056	Port Security Grant Program		-	890	
97.067	Homeland Security Grant Program		261,778	289,567	
97.088	Disaster Assistance Projects		2,083	2,555	
97.089	Driver's License Security Grant Program		-	149	
	Other Clusters				
	Student Financial Assistance Cluster:				
	U.S. Department of Education				
84.007	Federal Supplemental Educational Opportunity Grants		-	5,809	
84.033	Federal Work – Study Program		-	9,979	
84.038	Federal Perkins Loan Program – Federal Capital Contributions		-	144,249	
84.063	Federal Pell Grant Program		-	288,740	
84.268	Federal Direct Student Loans		-	1,155,858	
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)		-	2,837	
	Total U.S. Department of Education		-	1,607,472	

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Federal CFDA Number	Federal Agency/Grantor/ Pass-Through Grantor Program or Cluster Title	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Expenditures
	U.S. Department of Health and Human Services			
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students		$ -	$ 17,634
93.364	Nursing Student Loans		-	6,232
	Total U.S. Department of Health and Human Services		-	23,866
	Total Student Financial Assistance Cluster		-	1,631,338
	Research and Development Cluster:			
16.735	PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities		-	11
16.828	Swift, Certain, and Fair (SCF) Sanctions Program: Replicating the Concepts Behind Project Hope			5
17.283	Workforce Innovation Fund		-	20
20.205	Highway Planning and Construction		-	2,891
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth		-	26
93.563	Child Support Enforcement Paycheck Plus Pilot Program			122
	Total Research and Development Cluster		-	3,075
	Total Expenditures of Federal Awards		**$ 12,231,546**	**$ 66,444,584**

*Represents Major Program

See accompanying notes to the schedule of expenditures of federal awards.

STATE OF NEW YORK

Notes to Schedule of Expenditures of Federal Awards

March 31, 2017

(1) Summary of Significant Accounting Polices

(a) Reporting Entity

For purposes of complying with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the State of New York (State) is defined in a manner consistent with the entity defined in the State of New York Comprehensive Annual Financial Report (CAFR) as of and for the year ended March 31, 2017. The following entities, however, are excluded:

i. New York State and Local Retirement System, State Lottery, and City University of New York Fund;

ii. Research Foundation of the State University of New York;

iii. All public benefit corporations, as defined in the CAFR (note 14), except for the following four public benefit corporations, which are included:

1. Dormitory Authority of the State of New York,
2. New York State Energy Research and Development Authority,
3. Hugh C. Carey Battery Park City Authority, and
4. Housing Trust Fund Corporation.

Each of the excluded entities are subject to separate audits in compliance with the Uniform Guidance, as applicable.

(b) Basis of Presentation

The Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the State under programs of the federal government for the year ended March 31, 2017. The information in this Schedule is presented in accordance with the Uniform Guidance. The Schedule presents only a selected portion of the operations of the State; therefore, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the State.

(c) Basis of Accounting

Expenditures reported on the Schedule are generally reported on the cash basis of accounting, as reported by the Statewide Financial System (SFS). The expenditures reported on the Schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. The negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The SFS provides primary information from which the basic financial statements are prepared.

(d) Matching Costs

Matching costs, the nonfederal share of certain program costs, are not included in the Schedule except for the State’s share of unemployment insurance (see note 4).

(2) Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the Schedule, which is prepared on the basis explained in note 1(c).

(3) Indirect Cost Rate

The State does not utilize the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Unemployment Insurance

State unemployment tax revenues and other payments must be deposited into the Unemployment Trust Fund in the U.S. Treasury. Use of these funds is restricted to pay benefits under the federally approved State unemployment law. State unemployment insurance funds as well as federal funds are used to pay benefits under the Unemployment Insurance program (CFDA No. 17.225). The amount reported in the Schedule for the Unemployment Insurance program included \$2.2 billion in State-funded expenditures deposited into the Unemployment Trust Fund in the U.S. Treasury.

(5) Loan and Loan Guarantee Program

(a) Federal Student Loan and Loan Guarantee Programs

The federal student loan programs listed below are administered by the State through the State University of New York (SUNY), and balances and transactions related to these programs are included in the State's CAFR. Loans made during the year are included as federal expenditures presented in the Schedule. Loans outstanding at March 31, 2017 amounted to \$144.7 million, net of allowance for doubtful accounts. The following table displays activity for federal student loans outstanding at March 31, 2017 (in thousands):

CFDA number	Program title	Beginning balance	Additions	Deletions	Ending balance
84.038	Federal Perkins Loan Program – Federal Capital Contributions	$ 122,473	21,776	20,209	124,040
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	16,311	1,323	1,968	15,666
93.364	Nursing Student Loans	4,937	1,295	1,248	4,984

SUNY participates in the Federal Direct Student Loans program (CFDA No. 84.268), which provides federal loans directly to students rather than through private lending institutions. SUNY is responsible only for the origination of the loan (i.e., determining student eligibility and disbursing loan proceeds to the borrower). The Direct Loan Servicer is then responsible for overall servicing and collection of the loan. During the year ended March 31, 2017, SUNY processed approximately \$1.2 billion of new loans under the Federal Direct Student Loans program, which are included in the Schedule. The program is administered by the Federal government; therefore, new loans made during the year are reported in the Schedule, whereas the outstanding loan balances are not.

(b) *Home Investment Partnerships Program*

The State administers the Home Investment Partnerships (HOME) Program (CFDA No. 14.239) through the Housing Trust Fund Corporation. A portion of the HOME Program payments are in the form of low interest loans made to not-for-profit and for-profit organizations to construct multi-family apartment buildings. Loans outstanding at March 31, 2017 amounted to $217.3 million. The following table displays activity for the HOME Program loans outstanding at March 31, 2017 (in thousands):

CFDA number	Program title	Beginning balance	Additions	Deletions	Ending balance
14.239	Home Investment Partnerships Program	$ 194,866	23,109	639	217,336

(c) *Hurricane Sandy Community Development Block Grant Disaster Recovery Grants*

The State administers the Hurricane Sandy Community Development Block Grant Disaster Recovery (CDBG-DR) Grants program (CFDA No. 14.269) through the Governor’s Office of Storm Recovery. A portion of the program payments are in the form of loans. Loans outstanding as of March 31, 2017 amounted to $41.4 million. The following table displays activity for the Hurricane Sandy CDBG-DR Grants program at March 31, 2017 (in thousands):

CFDA number	Program title	Beginning balance	Additions	Deletions	Ending balance
14.269	Hurricane Sandy CDBG-DR	$ 18,068	23,344	—	41,412

(6) Non-Cash Awards

The State is the recipient of federal award programs that do not result in cash receipts or disbursements and are therefore not recorded in the State’s fund financial statements. Non-cash amounts of awards received by the State which are included in the Schedule as follows:

CFDA number	Program title	Noncash awards (in thousands)
10.551	Supplemental Nutrition Assistance Program	$ 4,854,253
10.555	National School Lunch Program	95,757
10.558	Child and Adult Care Food Program	318
10.559	Summer Food Service Program for Children	285
10.565	Commodity Supplemental Food Program	7,100
10.569	Emergency Food Assistance Program	34,771
16.578	Federal Surplus Property Transfer Program	8,074
93.268	Immunization Cooperative Agreements	111,684
	Total	$ 5,112,242

(7) Litigation

The State is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of State and Federal laws.

Included in the State's outstanding litigation are a number of cases challenging the legality or the adequacy of a variety of significant social welfare programs primarily involving the State's Medicaid and mental health programs. Adverse judgments in these matters generally could result in injunctive relief coupled with prospective changes in patient care that could require substantial increased financing of the litigated programs in the future.

(1) Summary of Auditors' Results

(a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**

(b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:

Material weaknesses: **No**

Significant deficiencies: **Yes**

(c) Noncompliance material to the financial statements: **No**

(d) Internal control deficiencies over major programs disclosed by the audit:

Material weaknesses: **Yes**

Significant deficiencies: **Yes**

(e) Type of report issued on compliance for major programs: **Unmodified except for:**

Qualified Opinions

- Adoption Assistance (93.659)
- Basic Health Program (Affordable Care Act) (93.640)
- Child Support Enforcement (93.563)
- Community Development Block Grants/ State's program and Non-Entitlement Grants in Hawaii (14.228)
- Foster Care – Title IV-E (93.658)
- Maternal and Child Health Services Block Grant to the States (93.994)
- Medicaid Cluster (93.775, 93.777, 93.778)
- Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
- School Improvement Grants (84.377)

(f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**

(g) Major programs:

- Child Nutrition Cluster (CFDA 10.555, 10.556, 10.559)
- Beach Erosion Controls Project (CFDA 12.101)
- Community Development Block Grants/ State's program and Non-Entitlement Grants in Hawaii (CFDA 14.228)

- CDGB – Disaster Recovery Grants – Pub. L. No, 113-2 Cluster (CFDA 14.269)
- Housing Voucher Cluster (CFDA 14.871, 14.879)
- Clean Water State Revolving Fund Cluster (CFDA 66.458, 66.482)
- Career and Technical Education – Basic Grants to States (CFDA 84.048)
- Rehabilitation Services – Vocational Rehabilitation Grants to States (CFDA 84.126)
- School Improvement Grant Cluster (CFDA 84.377)
- State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (CFDA 93.525)
- TANF Cluster (CFDA 93.558)
- Child Support Enforcement (CFDA 93.563)
- Low-Income Home Energy Assistance (CFDA 93.568)
- Basic Health Program (Affordable Care Act) (CFDA 93.640)
- Foster Care – Title IV-E (CFDA 93.658)
- Adoption Assistance (CFDA 93.659)
- Medicaid Cluster (CFDA 93.775, 93.777, 93.778)
- Maternal and Child Health Services Block Grants to States (CFDA 93.994)
- Disability Insurance/SSI Cluster (CFDA 96.001)

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$99,666,876**

(i) Auditee qualified as a low-risk auditee: **No**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

No material weaknesses or material instances of noncompliance have been identified in our audit of the financial statements. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies in internal control over financial reporting; these significant deficiencies relate to (1) the accounting and reporting of amounts payable to local governments for emergency management public assistance grants, (2) the accounting and reporting of amounts due and payable at year-end, and (3) inappropriate user access and segregation of duties conflicts within the Statewide Financial System (SFS) general information technology control environment. Refer to the separately issued report dated July 26, 2017 for specific details regarding these findings.

(3) Findings and Questioned Costs Relating to Federal Awards

See accompanying pages 18 through 87.

Federal Agency:	United States Department of Health and Human Services
Federal Program:	Child Support Enforcement (93.563)
Federal Award Numbers:	1404NY4005
Federal Award Years:	2014
State Agency:	Office of Temporary and Disability Assistance
Reference:	2017-004

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 75.403 states except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity.
d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period. See also 45 CFR section 75.306(b).
g) Be adequately documented. See also section 45 CFR 75 section 300 through 45 CFR 75 section 309.

45 CFR 75.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Office of Temporary Disability Assistance (the Office) did not have appropriate management review controls at a level of precision to ensure supporting documentation was maintained to support the amounts of cash drawdowns in accordance with 45 CFR 75.

In reviewing the supporting documentation for the cash drawdowns at the closure of the federal fiscal year 2014 grant award did not fully support the total of the amounts drawn for State administrative costs previously incurred during the award period. The 2014 grant award was the only award to close during the current State fiscal year.

Cause

Failure to adequately review and support drawdowns made under the Federal program may result in costs inconsistent with the laws, regulations, and terms and conditions of grant agreements being claimed to Federal programs.

Possible Asserted Effect

Failure to adequately review and support drawdowns made under the Federal program may result in costs inconsistent with the laws, regulations, and terms and conditions of grant agreements being claimed to Federal programs.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend that the Office enhance its management review controls related to cash drawdowns from federal awards at grant closures to ensure that adequate supporting documentation is maintained for the amount of all State administrative costs allocated to the federal program through the Central Office Cost Allocation plan or direct costs from other State agencies such as the Office of Court Administration not previously drawn during the federal award period.

Views of Responsible Officials

Recommendation accepted. The Office will implement new procedures, and the implementation of the new procedures are in progress.

Federal Agency:	United States Department of Health and Human Services
Federal Program:	Child Support Enforcement (93.563)
Federal Award Numbers:	1304NY4005, 1404NY4005, 1604NYCEST, 1605NCSES, and 1704NYCSES
Federal Award Years:	2013, 2014, 2016, and 2017
State Agency:	Office of Temporary and Disability Assistance
Reference:	2017-005

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 75.352(d) states all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity.

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by section 75.521.

Additionally, 45 CFR 75.303(a) states the non-Federal entity must Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During the fiscal year ended March 31, 2017, the Office of Temporary and Disability Assistance (the Office) passed through $122,313,232 of federal funding to local districts.

The Office did not have a risk assessment policy and process designed and documented at a precision level to include each local district’s (subrecipient) risk of noncompliance with Federal regulations, for the purpose of determining appropriate subrecipient monitoring procedures, as defined in 45 CFR 75.

Cause

The condition found was due to the Office not maintaining documentation to evidence any risk assessment considerations when determining the appropriate Subrecipient Monitoring procedures.

Possible Asserted Effect

Failure to perform and document a risk assessment over each district to determine appropriate subrecipient monitoring procedures may result in procedures that are inadequate or inappropriate to detect noncompliance with laws, regulations, and the terms and conditions of the award.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend the Office review its existing internal controls and policies and procedures over subrecipient monitoring, relative to documenting risk assessments, and implement additional procedures as necessary to ensure risk assessments are performed and documented over each individual district.

Views of Responsible Officials

Recommendation accepted. The Office will implement new procedures, and the implementation of the new procedures are in progress.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

Year ended March 31, 2017

Federal Agency:	United States Department of Health and Human Services United States Social Security Administration United States Department of Education United States Department of Agriculture
Federal Program:	TANF Cluster (93.558) Child Support Enforcement (93.563) Low-Income Home Energy Assistance (93.568) Title IV-E Foster Care (93.658) Adoption Assistance (93.659) Maternal and Child Health Services Block Grant (93.994) Social Security/Disability Insurance (96.001) Career and Technical Education – Basic Grants to States (Perkins IV) (84.048) Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126) School Improvement Grants (84.377) Child Nutrition Cluster: National School Lunch Program (10.555) Special Milk Program for Children (10.556) Summer Food Service Program for Children (10.559)
Federal Award Numbers:	1601NYTAN3, 1701NYTAN3, 1701NYTANF, G1203NYTANF, G1303NYTANF, G1403NYTANF, G1503NYTANF, and G1601NYTANF 1704NYCSES, G1304NY4005, G1404NY4005, G1604NYCEST, and G1604NYCSES 1701NYLIEA, G1501NYLIEA, G1502NYLIE4, and G1601NYLIEA G1101NY1401, G1201NY1401, G1301NY1401, G1401NY1401, G1501NYFOST, and 1601NYFOST G1101NY1407, G1401NY1407, G1501NYADPT, and 1601NYADPT 31528116MCHS, 16B04MC29355, and 17B04MC30630 1104NYDI00, 1204NYDI00, 1304NYDI00, 1404NYDI00, 1504NYDI00, 1604NYDI00, and 1704NYDI00 H126A150047, H126A160047, H126A170047H126A150048, H126A160048, and H126A170048 2014IN109844, 201514N109844, 2015IN103944, 2015IN109744, 2015IN109844, 201615N109744, 201615N109844, 201616N103944, 201616N109744, 201616N109844, 201717N103944, 201717N109744, and 201717N109844
Federal Award Years:	2011, 2012, 2013, 2014, 2015, 2016, and 2017
State Agency:	Department of Health Office of Children & Family Services Office of Temporary and Disability Assistance State Education Department Office of State Comptroller
Reference:	2017-006

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards,* section 75.303 and Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Audits,* section 200.303 states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

45 CFR 75.514(c)(4) and 2 CFR 200.514(c)(4) also states when internal control over some or all of the compliance requirements for a major program are likely to be ineffective in preventing or detecting noncompliance, the planning and performing of testing described in paragraph (c)(3) of this section are not required for those compliance requirements. However, the auditor must report a significant deficiency or material weakness in accordance with section 45 CFR 75.516 and 2 CFR 200.516, respectively, assess the related control risk at the maximum, and consider whether additional compliance tests are required because of ineffective internal control.

Condition

During our testwork, as a result of the deficiencies identified in the general information technology control environment over the PeopleSoft Financial Management application, known as the Statewide Financial System (SFS), we were unable to perform adequate procedures to satisfy ourselves that certain cash management automated controls within SFS, were operating effectively. Specifically, we were unable to rely upon the batch processing within SFS to ensure the completeness and accuracy of the cash draw pages. Effective internal controls should include establishing and maintaining adequate controls over information systems used to perform federal cash draw downs.

Cause

The condition found is due to the State relying on automated information technology controls for which control deficiencies were identified in the SFS general information control environment during the period under audit.

Possible Asserted Effect

Failure to have a reliable general information technology environment may result in erroneous reliance on the operating effectiveness of automated information technology control.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend the State correct deficiencies identified in the SFS application and supporting infrastructure environments to ensure its ability to rely on automated information technology controls.

Views of Responsible Officials

Agency has already implemented significant process enhancements in this area. Reference the corrective action plan for further details.

Federal Agency:	United States Department of Health and Human Services
Federal Program:	Low-Income Home Energy Assistance (93.568)
Federal Award Numbers:	1501NYLIEA, 1502NYLIE4, 1601NYLIEA, and 1701NYLIEA
Federal Award Years:	2015, 2016, and 2017
State Agency:	Office of Temporary and Disability Assistance
Reference:	2017-007

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 75.510(b), the auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with section 75.502. While not required, the auditee may choose to provide information requested by HHS awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For Research and Development (R&D), total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

(3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

(5) For loan or loan guarantee programs described in section 75.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

(6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in section 75.414.

Per 45 CFR 75.303(a) states the non-Federal entity must Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Office of Temporary and Disability Assistance (the Office) process and annual management review controls were not at a level of precision to ensure proper classification of the amount of expenditures passed-through to subrecipients reported on the State of New York Schedule of Expenditures of Federal Awards (SEFA).

The Office did not identify $6,224,549 of expenditures, passed through to subrecipients in the month of December 2016, on the SEFA associated with the Low-Income Home Energy Assistance Program (LIHEAP) program. The Office reported a pass-through subrecipient balance of $43,359,599 as of March 31, 2017 compared to actual pass-through expenditures incurred balance of $49,584,148.

Cause

The condition results from the use of a Statewide Financial System transaction field that did not detect and management’s annual internal control review not being performed to the level of precision needed to detect subrecipient payments that should be included on the SEFA.

Possible Asserted Effect

Failure to appropriately ensure the completeness and accuracy of the subrecipient amounts reported on the SEFA may result in inaccurate reporting to the federal awarding agency and may inhibit the ability of the U.S. Department of Health and Human Services to effectively monitor and evaluate the State’s performance relative to LIHEAP.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend the Office enhance their process including Management review control to ensure all amounts of expenditures passed-through to subrecipients are presented on the SEFA.

Views of Responsible Officials

Recommendation accepted. New procedures will be established to enhance their process.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

Year ended March 31, 2017

Federal Agency:	United States Social Security Administration
Federal Program:	Disability Insurance/SSI Cluster
Federal Award Numbers:	1204NYDI00, 1304NYDI00, 1404NYDI00, 1504NYDI00, 1604NYDI00, and 1704NYDI00
Federal Award Years:	2012, 2013, 2014, 2015, 2016, and 2017
State Agency:	Office of Temporary and Disability Assistance
Reference:	2017-008

Criteria

Title 20 U.S. Code of Federal Regulations Part 404 (20 CFR 404), *Federal Old-Age, Survivors and Disability Insurance (1950 -)*, section 404.1519s(d), each State agency will be responsible for comprehensive oversight management of its consultative examination program, with special emphasis on key providers. Additionally, per section 404.1519g (a), the Social Security Administration (SSA) will purchase a consultative examination (CE) only from a qualified medical source. Further, per section 404.1519(b), by "qualified" SSA means that the medical source must be currently licensed in the State and have training and experience to perform the type of examination or test SSA will request; the medical source must not be barred from participation in SSA programs under the provisions of section 404.1503a.

Per 20 CFR 404.1519s, 416.919s and POMS DI 3945.075, each State agency is responsible for comprehensive oversight management of its CE process and for ensuring accuracy, integrity, and economy of the CE process. Included in the oversight requirements are specific requirements associated with review of existing CE providers. In accordance with POMS DI 39569.300 C1b, DDS should conduct license checks for CE providers (including treating sources) used on a rolling basis, including providers who perform CEs near and across the borders of neighboring States, specifically:

1. Verify license renewals within 30 days of renewal date.
2. Conduct periodic licensure reviews prior to renewal dates to ensure that licenses are active.
3. Review the SAM for each CE provider at least annually.
4. Confirm with the DDS in neighboring state that the medical source has a current license and not federally excluded.
5. Annotate the provider file with the:
    - date and name of the DDS employee verifying the license and the source of verification (e.g., state licensing agency webpage, SAM database); or
    - date and name of the individual who provided the credentialing verification

Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Audits,* section 200.303(a), states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Office of Temporary and Disability Assistance (Office) did not have appropriate policy and procedures including internal controls over of the consultative examination providers to ensure compliance with Federal regulations including ensuring whether each provider was not barred from participation in the SSA program under the provisions of 20 CFR 404.1503a. The Department does not have monitoring internal controls in place to ensure their policy and procedures are in accordance with Federal regulations.

The Office was unable to provide evidence of their consultative examination provider reviews for 2 of 35 selected providers that were not listed as not barred per the Health and Human Services (HHS) List of Excluded Individuals and Entities (LEIE) and as such were allowed to provide services under the Federal program. Further, the Office does not ensure the completeness and accuracy of the two medical groups CE provider listings. The Office does not receive CE provider listing for all other medical groups.

Cause

The condition found was due to inadequate monitoring policies and procedures to ensure all CE providers are not debarred. The Office's policies and procedures are to review HHS LEIE annually for only two of the medical groups providing CE services and not for all medical groups providing services. The Office's policy to only review the largest two Medical providers is based upon these two Medical providers representing the vast majority of the claims.

Possible Asserted Effect

Failure to properly monitor participating CE providers may result in the Office claiming expenditures that are from medical providers that have been barred, and may result in costs inconsistent with the program laws, regulations, and terms and conditions of Federal awards being claimed to Federal programs.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend that the Office review its policies and procedures to ensure their monitoring controls of CE providers is performed over each CE provider at least annually and documentation of these reviews is retained in accordance with program regulations. We further recommend the Office subsequently review and document for all CE providers its review of the provider as not being barred from providing these services.

Views of Responsible Officials

Recommendation accepted. New procedures will be developed, and the implementation of the new procedures are in progress.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

Year ended March 31, 2017

Federal Agency:	United States Department of Health and Human Services
Federal Program:	Adoption Assistance (93.659) Foster Care – Title IV-E (93.658) Child Support Enforcement (93.563)
Federal Award Numbers:	1601NYADPT, 1601NYFOST, G1101NY1401, G1201NY1401, G1301NY1401, G1401NY1401, G1501NYFOST, 1704NYCSES, G1404NY4005, and G1604NYCSES
Federal Award Years:	2011, 2012, 2013, 2014, 2015, and 2016
State Agency:	Office of Temporary and Disability Assistance Office of Children and Family Services
Reference:	2017-009

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards,* section 75.306(b), requires for all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

(1) Are verifiable from the non-Federal entity's records;
(2) Are not included as contributions for any other Federal award;
(3) Are necessary and reasonable for accomplishment of project or program objectives;
(4) Are allowable under subpart E of 45 CFR 75;
(5) Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;
(6) Are provided for in the approved budget when required by the HHS awarding agency; and
(7) Conform to other provisions of this part, as applicable.

45 CFR 75.303 also states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Office of Temporary and Disability Assistance (OTDA) and the Office of Children and Family Services (OCFS) do not have a process or internal control in place to monitor a local recipient's source of funds utilized to meet matching requirements of the federal program awards.

Cause

The condition is due to the lack of policies and procedures in place to ensure that funds utilized by the local districts for matching are in accordance with 45 CFR 75.306(b). Additionally, OTDA and OCFS subrecipient monitoring procedures do not include a review of the local funds utilized for the matching.

Possible Asserted Effect

Failure to review the sources of the funds for the local district match could result in the use of inappropriate funds being for matching of expenditures and noncompliance with the program laws, regulations, and terms and conditions of Federal awards.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend that OTDA and OCFS review their policies and procedures to ensure their monitoring controls over the local districts includes reviewing the source of the local district's match to determine the source is appropriate and in accordance with 45 CFR 75.306(b).

Views of Responsible Officials

DOB and OCFS agree with the recommendation. Stronger policies and procedures will be developed, and the implementation of the new procedures are in progress. DOB agrees with OTDA's stance. Reference the corrective action plan for further details.

Federal Agency:	United States Department of Health and Human Services
Federal Program:	Title IV-E Foster Care (93.658) Adoption Assistance (93.659)
Federal Award Numbers:	G1101NY1401, G1201NY1401, G1301NY1401, G1401NY1401, G1501NYFOST, and 1601NYFOST G1101NY1407, G1401NY1407, G1501NYADPT, and 1601NYADPT
Federal Award Years:	2011, 2012, 2013, 2014, 2015, and 2016
State Agency:	Office of Children & Family Services
Reference:	2017-010

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 75.352(b), states all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

(1) The subrecipient's prior experience with the same or similar subawards;

(2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with subpart F, and the extent to which the same or similar subaward has been audited as a major program;

(3) Whether the subrecipient has new personnel or new or substantially changed systems; and

(4) The extent and results of HHS awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a HHS awarding agency).

45 CFR 75 303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Office of Children and Family Services (the Office) did not have a risk assessment process in place during the State fiscal year to identify subrecipient monitoring activities to be performed to ensure that the subawards were spent in compliance with Federal statues, regulations, and the term and conditions of the subaward.

During the fiscal year ended March 31, 2017, the Office passed through $361,462,896 of federal funding to subrecipients, $279,500,705 through the Title IV-E Foster Care federal program (CFDA number 93.658), and $81,962,191 through the Adoption Assistance federal program (CFDA number 93.659).

Cause

The condition found was primarily due to the Office's lack of formal policies and procedures in place during the period under audit to perform a risk assessment in accordance with the 45 CFR 75.352(b). Such risk assessments help ensure that appropriate monitoring activities were performed over expenditures to determine that subawards were spent in compliance with Federal statues, regulations, and the term and conditions of the subaward. Procedures performed by the Office were limited to obtaining all subrecipient single audit reports. The Office does not have monitoring controls in place to ensure the office is in compliance with 45 CFR 75.352(b) over the Foster Care and Adoption Assistance programs.

Possible Asserted Effect

Failure to perform a risk assessment over each subrecipient to determine appropriate subrecipient monitoring procedures may result in procedures that are insufficient to detect noncompliance with laws, regulations, and the terms and conditions of the award.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend the Office implement risk assessment policies and procedures to evaluate all subrecipients receiving federal funding from the Office. Such policies and procedures should be performed over each subrecipient to determine the extent monitoring procedures to be performed. Such procedures may include the review of financial and performance reports and fiscal monitoring activities. These procedures should include steps to ensure that all monitoring activities are consistently applied to all active subrecipient grants. Evidence of all monitoring procedures should be properly documented and maintained by the Office.

We further recommend the Office implement monitoring internal controls over Foster Care and Adoption Assistance programs to ensure the State's compliance with 45 CFR 75.352(b).

Views of Responsible Officials

Recommendation accepted. The Office has already implemented significant process enhancements in this area. Reference the corrective action plan for further details.

Federal Agency:	United States Department of Health and Human Services
Federal Program:	Title IV-E Foster Care (93.658) Adoption Assistance (93.659)
Federal Award Numbers:	G1101NY1401, G1201NY1401, G1301NY1401, G1401NY1401, G1501NYFOST, and 1601NYFOST G1101NY1407, G1401NY1407, G1501NYADPT, and 1601NYADPT
Federal Award Years:	2011, 2012, 2013, 2014, 2015, and 2016
State Agency:	Office of Children & Family Services
Reference:	2017-011

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards,* section 75.352(d) states all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity.

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by 45 CFR 75.521.

Further, 45 CFR 75.352(e) states, depending upon the pass-through entity's assessment of risk posed by the subrecipient, the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

(1) Providing subrecipients with training and technical assistance on program-related matters; and

(2) Performing on-site reviews of the subrecipient's program operations;

(3) Arranging for agreed-upon-procedures engagements as described in 45 CFR 75.425.

Additionally, per 45 CFR 75.303(a) states the non-Federal entity must Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Office of Children and Family Services (the Office) did not have local district (subrecipient) monitoring activities and internal controls over subrecipient monitoring at a level of precision to ensure that the subaward was spent in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

During the fiscal year ended March 31, 2017, the Office passed through $361,462,896 of federal funding to subrecipients, $279,500,705 through the Title IV-E Foster Care federal program (CFDA number 93.658), and $81,962,191 through the Adoption Assistance federal program (CFDA number 93.659).

For the sample of 25 out of 25 subrecipients selected, the Office's financial subrecipient monitoring activities were limited to obtaining the single audit report from the subrecipient entity. While the Office did perform programmatic site visits to subrecipients, these site visits did not include activities to monitor all required compliance activities of the subrecipient to ensure that the subaward was spent in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, and that subaward performance goals are achieved. Further, in reviewing the 25 subrecipient single audit report, 17 of the reports did not identify Foster Care or Adoption Assistance as major programs and, as such, these programs were not tested for compliance with Federal regulations. Accordingly, no fiscal monitoring procedures were performed by management over 17 of the selected subrecipients.

Cause

The condition found was primarily due to the Office's policies and procedures over subrecipient monitoring activities being limited to obtaining and reviewing subrecipients', single audit reports and performing programmatic site visits that did not include monitoring of all compliance areas required by 45 CFR 75.352(d) and 45 CFR 75.352(e). Further, the Office did not have monitoring internal controls over Foster Care and Adoption Assistance programs to ensure the State's compliance with 45 CFR 75.352(d) and 45 CFR 75.352(e).

Possible Asserted Effect

Failure to perform sufficient monitoring activities over subawards provided to subrecipients of the Office may result in the use of federal funding provided under the federal award not being in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Repeat Finding

A similar finding was included in the 2015 Single Audit Report as finding number 2015-014 on pages 54–56.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend the Office enhance its subrecipient monitoring policies, procedures and internal control to help ensure the Office is monitoring subrecipients in accordance with 45 CFR 75.352(d) and 45 CFR 75.352(e).

Views of Responsible Officials

Recommendation accepted. New policies and procedures will be developed, and the implementation of these procedures are in progress.

Federal Agency:	United States Department of Health and Human Services
Federal Program:	Foster Care – Title IV-E (93.658)
Federal Award Numbers:	G1101NY1401, G1201NY1401, G1301NY1401, G1401NY1401, 1501NYFOST, and 1601NYFOST
Federal Award Years:	2011, 2012, 2013, 2014, 2015, and 2016
State Agency:	Office of Children and Family Services
Reference:	2017-012

Criteria

Title 45 U.S. Code of Federal Regulations Part 1356 (45 CFR 1356), *Requirements Applicable to Title IV-E*, section 1356.21(m) requires the title IV-E agency to review at reasonable, specific, time-limited periods established by the agency the amount of the payments made for foster care maintenance and adoption assistance to ensure their continued appropriateness.

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards,* section 75.303 also states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Office of Children and Family Services (the Office) did not have a process or control in place to review the schedule of Foster Care maintenance payment rates elected and utilized by local districts for foster boarding homes for the State fiscal year for continued appropriateness.

Cause

The condition found was due to lack of a process established by the Office to monitor on a periodic basis the continued appropriateness of the maintenance payment rates elected and utilized by local districts for foster boarding homes provided under the Foster Care federal program.

Possible Asserted Effect

Failure to adequately monitor Foster Care maintenance payment rates may result in rates utilized for the federal program that are not appropriate or may allow for costs other than those that are necessary for the proper and efficient administration of the federal program to conflict with the laws, regulations, and terms and conditions of grant agreements being claimed to Federal programs.

Repeat Finding

A similar finding was included in the 2015 Single Audit Report as finding number 2015-017 on pages 61–62.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Office establish a process including appropriate internal controls to ensure that Foster Care maintenance payment rates elected and utilized by local districts for foster boarding homes are monitored on the periodic schedule established by the Office to help ensure the continued appropriateness of the established rates.

Views of Responsible Officials

Recommendation accepted. New process will be developed, and the implementation of the new process is in progress.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

Year ended March 31, 2017

Federal Agency:	United States Department of Health and Human Services
Federal Program:	Adoption Assistance (93.659)
Federal Award Numbers:	1601NYADPT
Federal Award Years:	2016
State Agency:	Office of Children and Family Services
Reference:	2017-013

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards, section 75.510(b), the auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with section 75.502. While not required, the auditee may choose to provide information requested by HHS awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For Research and Development (R&D), total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

(3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

(5) For loan or loan guarantee programs described in section 75.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

(6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in section 75.414.

Per 45 CFR 75.303(a) states the non-Federal entity must Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Office of Children and Family Services (the Office) did not have adequate annual management review controls in place to ensure proper classification of the amount of expenditures passed through to subrecipient reported on the State of New York Schedule of Expenditures of Federal Awards (SEFA).

The Office identified $1,759,092 of expenditures, passed through to subrecipients on the SEFA associated with the Adoption Assistance program that were not paid to subrecipients. The Office reported a pass-through subrecipient balance of $82,029,730 as of March 31, 2017 compared to actual pass through expenditures incurred balance of $80,203,418.

Cause

The condition resulted from management's annual internal control review not being performed to the level of precision needed to detect subrecipient payments that should be included.

Possible Asserted Effect

Failure to appropriately ensure the completeness and accuracy of the subrecipient amounts reported on the SEFA may result in inaccurate reporting to the federal awarding agency and may inhibit the ability of the U.S. Department of Health and Human Services to effectively monitor and evaluate the State's performance relative to Adoption Assistance.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend the Office enhance their internal controls to ensure an in-depth management review is performed by program staff over the completeness and accuracy of amounts reported by the Office and presented on the SEFA.

Views of Responsible Officials

Recommendation accepted. The Office will perform in-depth management review. Reference the corrective action plan for further details.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

Year ended March 31, 2017

Federal Agency:	United States Department of Education
Federal Program:	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Federal Award Numbers:	H126A160048
Federal Award Years:	2016
State Agency:	Office of Children & Family Services
Reference:	2017-014

Criteria

Title 29 U.S. Code Part 723 (29 USC 723), *Vocational rehabilitation services,* section 723(a) states that services provided under this subchapter are any services described in an individualized plan for employment necessary to assist an individual with a disability in preparing for, securing, retaining, or regaining an employment outcome that is consistent with the strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice of the individual including criteria identified within 29 USC 723(a)(1) through 29 USC 723(a)(20).

Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements,* section 200.303, states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Office of Children and Family Services (the Office) management review control did not operate at a level of precision to ensure expenditures charged to the federal program were accurate and incurred for purposes of the federal program.

For 2 out of 40 Office participant expenditures selected, management improperly requested Federal reimbursement for costs not allowable in accordance with the Rehabilitation Services – Vocational Rehabilitation Grants to States program.

Cause

The condition found is primarily due to incorrect coding of the expenditures to the Rehabilitation Services – Vocational Rehabilitation Grants to States (Voc Rehab) program, when the supporting documentation indicated they were related to the Independent Living program. Management's review of expenditures incurred by the federal program was not at a level of precision to detect the error in coding prior to the close of the State fiscal year, resulting in the expenditures remaining charged to the incorrect federal program.

Possible Asserted Effect

Failure to review expenditures charged to by the federal program on a timely basis may result in federal funds being utilized for expenses that are not allowable as defined by the laws, regulations, and terms and conditions of the grant agreements of the Federal program.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

$520 (2 claims improperly charged to the federal program)

Recommendation

We recommend that the Office enhance its management review controls over expenditures to help ensure a timely review of expenditures at a level of precision to detect any errors in coding of charges.

Views of Responsible Officials

Recommendation accepted. The Office has already implemented significant process enhancements in this area. Reference the corrective action plan for further details.

Federal Agency:	United States Department of Education
Federal Program:	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Federal Award Numbers:	H126A160048
Federal Award Years:	2016
State Agency:	Office of Children and Family Services
Reference:	2017-015

Criteria

Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, section 200.309, states a non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (exception as described in section 200.461) and any cost incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity.

2 CFR 200.303 also states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Office of Children and Family Services (the Office) did not have internal controls designed at a level of precision to ensure costs incurred were not incurred before the Federal awarding agency made the Federal award.

For 1 out of 65 non-personal service expenditures selected for testwork, the costs under the federal award were incurred for a period prior to the period of performance for the federal award. Further, no authorization was obtained by the Office from the Federal awarding agency to allow the costs incurred to be charged to the federal award.

Cause

The condition found was due to management oversight in the timeliness of payment of the incurred expenditures under the program. The expenditures had been incurred under the program, but due to changeover in staff, the invoices for the vendor were misplaced and not paid until a subsequent period of time and charged to a federal award, which began subsequent to the date of the expenditures.

Possible Asserted Effect

Failure to adequately review expenditures at a level of precision to ensure they occurred during the period of performance may result in costs to the federal program inconsistent with the laws, regulations, and terms and conditions of grant agreements being claimed to Federal programs.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

$76.50 (cost of invoice charged to the federal award with dates incurred prior to the period of performance)

Recommendation

We recommend that the Office enhance its internal controls to help ensure review of costs incurred under the federal program reviewed for compliance with the period of performance requirement for the federal award. Should costs need to be incurred outside the period of performance, the Office should implement policies and procedure to ensure authorization from the Federal awarding agency is obtained prior to charging those costs to the federal awards.

Views of Responsible Officials

Recommendation accepted. New procedures will be developed, and the implementation of the new procedures are in progress.

Federal Agency:	United States Department of Education
Federal Program:	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Federal Award Numbers:	02500015SSA, 02500016SSA, H126A150048, H126A160048, H126A170048, H126A150047, H126A160047, and H126A170047
Federal Award Years:	2015, 2016, and 2017
State Agency:	State Education Department Office of Children & Family Services
Reference:	2017-016

Criteria

Title 29 U.S. Code Part 722 (29 USC 722), *Eligibility and individualized plan for employment*, section 722(a)(6)(A) states the designated State unit shall determine whether an individual is eligible for vocational rehabilitation services under this subchapter within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless—

(A) exceptional and unforeseen circumstances beyond the control of the designated State unit preclude making an eligibility determination within 60 days and the designated State unit and the individual agree to a specific extension of time; or

(B) the designated State unit is exploring an individual's abilities, capabilities, and capacity to perform in work situations under 29 USC 722(2)(B).

Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), Un*iform Administrative Requirements, Cost Principles, and Audit Requirements*, section 200.303 states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The State Education Department (the Department) and the Office of Children and Family Services (the Office) did not have effective internal controls to monitor and ensure documentation was maintained for the timely determination of eligibility of a participant within 60 days after the submission of an application for services by the participant.

The Department and the Office perform individual eligibility determinations at district offices located throughout the State of New York. For testing of the individual eligibility determination process, a sample of 99 individual eligibility determinations were selected, of which 40 were performed at the Department and 59 were performed at the Office.

For 3 of the 40 Department and 4 of the 59 Office individual eligibility determinations were determined to be eligible beyond the required 60 days. For 1 of the 59 Office individual eligibility determinations reviewed, support was not able to be provided by the Office. For 3 of the 5 Office untimely eligibility determinations the decision was made prior to the Computer Information System (CIS) implementation in 2008 for which non-electronic records were maintained. The remaining 2 Office untimely eligibility determinations were made subsequent to CIS implementation in 2008.

Cause

For 7 samples of the 8 untimely or unsupported eligibility determinations, the condition found is primarily due to a lack of monitoring controls in place to ensure that eligibility determinations are properly made within 60 days of submission of the participant's application. For 2 of the 7 samples, the documentation was prepared by the Office in 2003 and 2007 which predates the New York State Commission for the Blind (NYSCB) electronic Consumer Information System (CIS) which was implemented in October 2008.

For the remaining 1 of the 8 samples, the cause of the condition is the Office's inability to locate documentation supporting the eligibility of the individual. The documentation related to this item was prepared in 1999 which predates the New York State Commission for the Blind (NYSCB) electronic Consumer Information System (CIS) which was implemented in October 2008.

Possible Asserted Effect

Failure to determine and maintain documentation of an individual's eligibility within 60 days of receiving the participant's application may result in federal funds being awarded to participants that are not eligible (unallowable costs) as defined by the laws, regulations, and terms and conditions of the grant agreements of the Federal program.

Repeat Finding

A similar finding for the Office was included in the prior year Single Audit Report as finding number 2016-006 at page 32.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

$1,329 (1 claim that the Office was unable to provide support for the eligibility of the participant)

Recommendation

We recommend that the Department and Office strengthen its existing policies and procedures over individual eligibility determinations to ensure staff perform in-depth reviews of case files are performed to ensure that eligibility determinations are made within the 60 day requirement or that appropriate documentation is completed to support the basis for the extension of time required. Further, we recommend that the Office perform in-depth revalidation analysis for the participants that do not have documentation on file to evidence eligibility, as this could result in a payment being made to ineligible participants.

Views of Responsible Officials

DOB and the Department agree with the recommendation. Stronger policies and procedures will be developed, and the implementation of the new procedures are in progress. DOB agrees with the Office's stance. Reference the corrective action plan for further details.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

Year ended March 31, 2017

Federal Agency:	United States Department of Education
Federal Program:	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Federal Award Numbers:	02500015SSA, 02500016SSA, H126A150048, H126A160048, H126A170048, H126A150047, H126A160047, and H126A170047
Federal Award Years:	2015, 2016, and 2017
State Agency:	State Education Department Office of Children & Family Services
Reference:	2017-017

Criteria

Title 29 U.S. Code Part 722 (29 USC 722), *Eligibility and individualized plan for employment*, section 722(b)(3)(F) states that the individualized plan for employment shall be developed as soon as possible, but not later than a deadline of 90 days after the date of the determination of eligibility described in section 722(b)(1), unless the designated State unit and the eligible individual agree to an extension of that deadline to a specific date by which the individualized plan for employment shall be completed.

Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*, section 200.303 states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The State Education Department (the Department) and Office of Children and Family Services (the Office) did not have effective monitoring controls in place to ensure participant individualized plan for employment (IPE) were developed within 90 days after the date of the determination of eligibility.

The Department and the Office are required to develop IPE at district offices located throughout the State of New York. For testing of the IPE process, a sample of 105 IPE were selected, of which 40 were performed at the Department and 65 were performed at the Office.

For 1 of the 40 Department eligibility determinations reviewed and 6 of the 65 Office eligibility determinations reviewed, the IPE was not developed within 90 days of the eligibility determination and the agency and individual did not agree to an extension of that deadline.

Cause

The condition found is primarily due to a lack of monitoring controls in place to ensure that IPEs are developed within the required 90 days.

Possible Asserted Effect

Failure to develop an IPE within time frames consistent with 29 USC 722(b)(3)(F) may result in services being provided that are not necessary for the individual to achieve an employment outcome that is consistent with the individual's strengths, resources, priorities, concerns, abilities, capabilities and informed choice and costs that could be unallowed.

Statistical Sampling

The samples were not intended to be, and were not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend that the Office strengthen their existing policies and procedures and implement monitoring controls over IPE development to ensure that IPEs are developed within the 90 day requirement to support the eligibility of participants.

Views of Responsible Officials

DOB and the Department agree with the recommendation. Stronger policies and procedures will be developed, and the implementation of the new procedures are in progress. DOB agrees with the Office's stance. Reference the corrective action plan for further details.

Federal Agency:	United States Department of Education
Federal Program:	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Federal Award Numbers:	H126A150047, H126A160047 and H126A170047
Federal Award Years:	2015, 2016 and 2017
State Agency:	State Education Department
Reference:	2017-018

Criteria

Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), U*niform Administrative Requirements, Cost Principles, and Audit Requirements*, section 200.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The State Education Department (the Department) did not have effective internal controls to ensure all expenditures were properly reviewed and approved before payment.

For 1 out of 40 Department participant expenditures selected, management was unable to provide documentation evidencing proper approval for payment. Supporting documentation was provided to support the allowability of the expenditure.

Cause

The condition found is primarily due to the Department's inability to provide documentation of their review of the participant expenditure.

Possible Asserted Effect

Failure to ensure all expenditures are reviewed and supporting documentation maintained of the review by the Department before expending Federal funds increases the risk of costs being claimed that are inconsistent with the laws, regulations, and terms and conditions of grant agreements of the Federal programs.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend that the Department strengthen its existing internal controls to ensure all participant expenditures are reviewed and approved by appropriate levels of management and documentation is maintained of the approval for all allowable claims expenditure under the Federal program.

Views of Responsible Officials

Recommendation accepted. Stronger policies and procedures will be developed, and the implementation of the new procedures are in progress.

Federal Agency:	United States Department of Education
Federal Program:	School Improvement Grants (84.377)
Federal Award Numbers:	S377A110033, S377A120033, S377A130033, S377A140033, S377A150033, and S377A160033
Federal Award Years:	2011, 2012, 2013, 2014, 2015, and 2016
State Agency:	State Education Department
Reference:	2017-019

Criteria

Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*, section 200.331(b) states all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

(1) The subrecipient's prior experience with the same or similar subawards;

(2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F - Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;

(3) Whether the subrecipient has new personnel or new or substantially changed systems; and

(4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Additionally, per 2 CFR 200.331(d) all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity;

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by section 200.521 Management decision.

Further, per 2 CFR 200.331(e) states depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

(1) Providing subrecipients with training and technical assistance on program related matters; and

(2) Performing on-site reviews of the subrecipient's program operations;

(3) Arranging for agreed-upon-procedures engagements as described in § 200.425 Audit services.

Lastly, per 2 CFR 200.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Conditions

During the fiscal year ended March 31, 2017, the New York State Education Department (the Department) passed through $65,064,501 of federal funding to local education agencies (LEAs).

The Department did not have monitoring internal controls in place to ensure that their subrecipient monitoring policies and procedures were in accordance with Federal regulations. The Department did not have a risk assessment policy and process designed at a precision level to include each LEA's individual risk of noncompliance with Federal regulations, for the purpose of determining appropriate subrecipient monitoring procedures, as defined in 2 CFR 200.331(b).The Department also did not review financial and performance reports as required in 2 CFR 200.331(d)(1), as a part of their subrecipient monitoring procedures performed. The Department performed risk assessment procedures over LEA school designations and risk factors; however, the Department did not consider risk factors specific to individual LEAs as described in 2 CFR 200 (b) to determine appropriate subrecipient monitoring procedures to perform, and to ensure that subawards are used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, and that subaward performance goals are achieved.

For 25 of the 25 LEAs selected for testwork, the Department did not review financial and performance reports, as required in 2 CFR 200.331(d)(1), as a part of their subrecipient monitoring procedures. Further, the Department's monitoring activities did not include fiscal monitoring activities, including level of effort monitoring activities, to ensure the federal awards are used for authorized purposes, in compliance with federal statues, regulations, and the terms and conditions of the subaward. The Department performed programmatic monitoring on-site visits for 25 of 25 LEAs selected for testwork. The Department's programmatic monitoring included a walk-through of the LEA and inquiries of the school's principal regarding the implementation of their School Improvement Grant model. However, for 11 of the 25 LEAs selected for testing, the Department did not maintain evidence of their on-site visit monitoring programmatic activities.

Causes

The condition found is due to the design of controls in place over monitoring procedures, which only take into consideration the LEA school designation and does not consider factors present at each individual LEA receiving Federal funding for the purpose of determining appropriate subrecipient monitoring procedures.

The Department's subrecipient monitoring policy includes the performance of fiscal monitoring procedures; however, the Department did not implement this process during the period under audit. Additionally, fiscal monitoring procedures do not include testing of level of effort.

The Department did not maintain evidence of all on-site programmatic monitoring activities as it is in the Department policy to only maintain evidence of on-site reviews for persistently struggling LEAs.

Possible Asserted Effects

Failure to perform a risk assessment over each LEA to determine appropriate subrecipient monitoring procedures may result in the selection of subrecipient monitoring procedures that are inadequate or inappropriate to detect noncompliance with laws, regulations, and the terms and conditions of the award.

Failure to review financial and performance reports and failure to perform fiscal monitoring activities over subrecipients may result in in undetected noncompliance and subrecipients not properly administering the Federal program in accordance with laws, regulations, and the terms and conditions of the award.

Repeat Finding

A similar finding was included in the prior year Single Audit Report as finding 2016-003, at page 24.

Statistical Sampling

The samples were not intended to be, and were not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend the Department review its existing internal controls and policies and procedures over subrecipient monitoring, relative to risk assessments, and implement additional procedures as necessary to ensure risk assessments are performed over each individual LEA to consider factors such as the subrecipient's prior experience with the same or similar subawards, the results of previous audits including whether or not the subrecipient receives a Single Audit, whether the subrecipient has new personnel or new or substantially changed systems, and the extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

We recommend the Department utilize the required risk assessment over each individual LEA to determine monitoring procedures to be performed over subrecipients, including but not limited to the review of financial and performance reports, fiscal monitoring activities, and compliance with program-specific requirements such as level of effort requirements. These procedures should include steps to ensure that all monitoring activities are consistently applied to all active subrecipient grants and all evidence of monitoring procedures are properly documented and maintained by the Department.

Views of Responsible Officials

Recommendation accepted. Policies and procedures will be updated, and the implementation of the new procedures are in progress.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

Year ended March 31, 2017

Federal Agency:	United States Department of Education
Federal Program:	School Improvement Grants (84.377)
Federal Award Numbers:	S377A110033, S377A120033, S377A130033, S377A140033, S377A150033, and S377A160033
Federal Award Years:	2011, 2012, 2013, 2014, 2015, and 2016
State Agency:	State Education Department
Reference:	2017-020

Criteria

Title 2 US. Code of Federal Regulations Part 200 (2 CFR 200), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Audit, section 200.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Conditions

The New York State Education Department (the Department) did not have evidence of their internal controls over management's review of their subawards to local educational agencies (LEAs). Management's review should be at a precision level to ensure compliance with allowability, eligibility, and suspension or debarment in accordance with program regulations.

The Department's internal control policies requires the completion of a manual submission checklist for each LEA award. For 63 of 65 LEAs selected for testwork, the Department did not maintain documentation to evidence its internal management review control over the LEA's application for funding as required by the Department's internal control policies. Of the 63 LEAs for which evidence of management internal control was not provided, 53 related to new and continuation grant applications submitted prior to the 2016-2017 program year.

The Department's polices are to document their internal control review of new grant applications in their Fluid Review (internal peer review) application. The Department did not maintain documentation to evidence its internal peer review control over the LEA applications for funding as required within the Department's internal control policies and procedures for all new applications submitted prior to the 2016-17 program year.

The Department's polices are to document its internal control review of continuation applications in a continuation plan review document. The Department did not maintain documentation to evidence its internal management review control over the LEAs continuation applications for funding as required within the Department's internal control policies for all continuation applications submitted prior to the 2016-17 program year. For 10 of the 11 2016-17 program year continuation applications selected for testwork, the Department did not maintain documentation to evidence its internal management review control over the LEAs continuation application for funding.

Further, management does not have a process to ensure LEAs are compliant with suspension and debarment. For 63 of 65 LEAs selected for testwork there was no internal control in place to ensure LEAs certified that they are not suspended and debarred.

Cause

The condition results from the Department not maintaining evidence of its established monitoring controls over allowability, eligibility, and suspension and debarment in accordance with its policies and internal controls procedures.

Possible Asserted Effect

Not maintaining appropriate evidence to support internal management review controls increases the risk of internal controls over the Federal award not being performed appropriately to provide reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Repeat Finding

A similar finding was included in the prior year Single Audit Report as finding 2016-004, at page 27.

Statistical Sampling

The samples were not intended to be, and were not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend that the Department strengthen its existing internal controls and policies and procedures to ensure management is maintaining evidence of its internal management review controls over this Federal program's allowability, eligibility, and suspension and debarment. Further, we recommend that the Department perform and document an in-depth revalidation analysis to ensure that all LEAs claiming federal participation have not been suspended nor debarred.

Views of Responsible Officials

The Department accepts the finding. The Department has already taken action to resolve the issue.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

Year ended March 31, 2017

Federal Agency:	United States Department of Education
Federal Program:	School Improvement Grants (84.377) Career and Technical Education – Basic Grants to States (Perkins IV) (84.048)
Federal Award Numbers:	S377A110033, S377A120033, S377A130033, S377A140033, S377A150033, and S377A160033 V048A140032, V048A150032, and V048A160032
Federal Award Years:	2011, 2012, 2013, 2014, 2015, and 2016
S**tate Agency:**	State Education Department
Reference:	2017-021

Criteria

Title 2 US. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Audits,* section 200.303(a), the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The State Education Department (the Department) utilizes their internal CAFE system for budget and payment information for local education agencies (LEAs) to assist with allowability, cash management, and subrecipient monitoring compliance areas. The Department did not have effective internal controls in place over access to CAFE, infrastructure change management, and computer operations functions.

During our testwork, we noted the following:

Change Management – Segregation of Incompatible Duties

The CAFE database is made up of two partitioned environments. One environment is used for development and testing of changes, and the other environment is the production environment. Due to system limitations, all users that make changes to the CAFE system belong to the same "usercode," which allows each user within that code to access both the development/testing environment as well as the production environment. Although these users have access to both environments, the majority of changes are tested and approved by a select group of individuals at the Grants Finance Office prior to being moved into the production environment. The request, testing, and all approvals are documented within the Mantis ticketing system, or via e-mail. All ten "accesscodes" that belong to the CAFE "usercode" have access to both the development/testing and production environments. It was noted that these users require access to both environments because there are only two individuals that are responsible for making changes. The other access codes listed are for generic accounts as well as two individuals who are helping to onboard a newer employee who is less experienced with this complicated mainframe system.

The Department did not have a postproduction review process or monitoring control in place to ensure that all changes that move into production are appropriate.

Periodic Review of User Access

Management did not perform a review of access at the organization-wide network layer. Management has implemented and completed a successful mainframe access review at the database, operating system, application, and the Department's network layer.

No compliance exceptions were noted with regard to the Career and Technical Education and School Improvement Grants Federal Programs allowable costs due to the above.

Cause

The Department did not have a postproduction review process or monitoring control in place.

The Department did not have a process or control in place to perform a review of access at the organization-wide network layer for CAFE.

Possible Asserted Effect

Failure to establish adequate controls over systems used to determine the allowability of programs costs inhibits the ability of the State to properly determine allowability in accordance with program requirements and may result in unallowable costs.

Repeat Finding

A similar finding was included in the prior year Single Audit Report as finding 2016-008, at page 36.

Statistical Sampling

The samples were not intended to be, and were not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend the Department implement adequate general information technology control procedures for the CAFE System as noted below.

Change Management – Segregation of Incompatible Duties

We recommend that the Department implement a postproduction review process and monitoring control to ensure that all changes that were consider implementing a postproduction review process to ensure that all changes move into production are appropriate as well as a robust monitoring control to ensure that all changes moved into production are appropriately moved into production are appropriate.

Periodic Review of User Access – Organization-Wide Active Directory Network Layer

We recommend the Department proactively perform a complete review/recertification of all users with access to the Organization-Wide Active Directory Network and of their access rights on a timely basis. This review should be performed and formally documented at least annually. Privileged access (administrative access, etc.) should be either included in the review of all access, or performed separately and formally documented at least annually to confirm that users with elevated access to the Organization-Wide Active Directory Network supporting the CAFE application are appropriate.

Appropriate reviewers (e.g., the users' managers or role owners) should be defined to verify that access is commensurate with their responsibilities. The defined reviewers should have appropriate knowledge of the job responsibilities for each user.

Views of Responsible Officials

Recommendation accepted. The Department has already implemented significant process enhancements in this area. Reference the corrective action plan for further details.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

Year ended March 31, 2017

Federal Agency:	United States Department of Education
Federal Program:	Career and Technical Education – Basic Grants to States (Perkins IV) (84.048) Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Federal Award Numbers:	V048A140032, V048A150032, and V048A160032
Federal Award Years:	2014, 2015, and 2016
State Agency:	State Education Department
Reference:	2017-022

Criteria

Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*, section 200.510(b) states the auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502. While not required, the auditee may choose to provide information requested by HHS awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For Research and Development (R&D), total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

(3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

(5) For loan or loan guarantee programs described in 2 CFR 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

(6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in 2 CFR 200.414.

Per 2 CFR 200.303(a) states the non-Federal entity must Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The New York State Education Department (the Department) did not have adequate annual management review controls in place to ensure proper classification of the amount of expenditures passed-through to subrecipients reported on the State of New York Schedule of Expenditures of Federal Awards (SEFA).

The Department inappropriately classified $1,810,253 of expenditures, paid to a vendor, as pass-through to subrecipient expenditures for the Career and Technical Education (CTE) program. The Department reported a pass-through subrecipient balance of $49,088,005 compared to actual expenditures incurred balance of $47,277,752.

The Department inappropriately classified $54,018,210 of expenditures, paid as beneficiary payments, as pass-through to subrecipient expenditures for the Rehabilitation Service – Vocational Rehabilitation Grants to States (Voc Rehab) program. The Department reported a pass-through subrecipient balance of $54,018,210 compared to actual expenditures incurred balance of $0.

Cause

The condition resulted from management's annual internal control review not being performed to the level of precision needed to detect local assistance vendor or beneficiary payments, that should be excluded from the total pass through to subrecipient amounts reported on the SEFA.

Possible Asserted Effect

Failure to appropriately ensure the completeness and accuracy of amounts reported on the SEFA may result in inaccurate reporting to the federal awarding agency and may inhibit the ability of the United States Department of Education to effectively monitor and evaluate the State's performance relative to CTE and Voc Rehab.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend the Department enhance their internal controls to ensure an in-depth management review is performed by program staff over the completeness and accuracy of amounts reported by the Department and presented on the SEFA.

Views of Responsible Officials

Recommendation accepted. New processes and procedures will be developed, and the implementation of the new procedures are in progress.

Federal Agencies:	United States Department of Housing and Urban Development
Federal Programs:	Community Development Block Grant State's Program and Non-Entitlement Grants in Hawaii (14.228)
Federal Award Numbers:	B07-DC-36-001, B-08-DC-36-0001, B-12-DC-36-0001, B-12-DT-36-0001, and B-14-DC-36-001
Federal Award Years:	2007, 2008, 2012, 2013 and 2014
State Agency:	Housing Trust Fund Corporation
Reference:	2017-023

Criteria

Title 24 U.S. Code of Federal Regulations Part 570 (2 CFR 570), *Community Development Block Grants*, section 570.500(a) defines Program income as gross income received by the recipient or a subrecipient directly generated from the use of Community Development Block Grant (CDBG) funds, except as provided in paragraph (a)(4) of this section. Program income includes, but is not limited to, the following:

(i) Proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG funds;

(ii) Proceeds from the disposition of equipment purchased with CDBG funds;

(iii) Gross income from the use or rental of real or personal property acquired by the recipient or by a subrecipient with CDBG funds, less costs incidental to generation of the income;

(iv) Gross income from the use or rental of real property, owned by the recipient or by a subrecipient, that was constructed or improved with CDBG funds, less costs incidental to generation of the income;

(v) Payments of principal and interest on loans made using CDBG funds, except as provided in paragraph (a)(3) of this section;

(vi) Proceeds from the sale of loans made with CDBG funds;

(vii) Proceeds from sale of obligations secured by loans made with CDBG funds;

(viii) [Reserved]

(ix) Interest earned on program income pending its disposition; and

(x) Funds collected through special assessments made against properties owned and occupied by households not of low and moderate income, where the assessments are used to recover all or part of the CDBG portion of a public improvement.

24 CFR 570.504(b)(1) states program income received before grant closeout may be retained by the recipient if the income is treated as additional CDBG funds subject to all applicable requirements governing the use of CDBG funds.

24 CFR 570.504(c) also states the written agreement between the recipient and the subrecipient, as required by 24 CFR 570.503, shall specify whether program income received is to be returned to the recipient or retained by the subrecipient. Where program income is to be retained by the subrecipient, the agreement shall specify the activities that will be undertaken with the program income and that all provisions of the written agreement shall apply to the specified activities. When the subrecipient retains program income, transfers of grant funds by the recipient to the subrecipient shall be adjusted according to the principles described in paragraphs (b)(2) (i) and (ii) of this section. Any program income on hand when the agreement expires, or received after the agreement's expiration, shall be paid to the recipient as required by 24 CFR 570.503(b)(8).

24 CFR 570.506(h) states financial records, in accordance with the applicable requirements listed in 24 CFR 570.502, including source documentation for entities not subject to Title 2 U.S Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*. Grantees shall maintain evidence to support how the CDBG funds provided to such entities are expended. Such documentation must include, to the extent applicable, invoices, schedules containing comparisons of budgeted amounts and actual expenditures, construction progress schedules signed by appropriate parties (e.g., general contractor and/or a project architect), and/or other documentation appropriate to the nature of the activity. Grantee records pertaining to obligations, expenditures, and drawdowns must be able to relate financial transactions to either a specific origin year grant or to program income received during a specific program year.

2 CFR 200.303 states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Housing Trust Fund Corporation (the Corporation) did not have policies or procedures in place to quantify the program income received by its subrecipients. Subrecipients reported program income to the Corporation through the Annual Performance Report, which is submitted annually for all open subrecipient agreements. However, the Corporation did not aggregate the amounts reported and did not monitor the subrecipient’s usage of program income. Therefore, the Performance and Evaluation Report (PER) submitted by the Corporation for the program year inaccurately reported $0 of program income for each grant.

Cause

The condition found is due to a lack of established policies and procedures to track program income generated from Federal funds passed through to subrecipients. Further, the Corporation does not have a monitoring control in place to ensure the Corporation’s policies and procedures capture all Federal program compliance requirements.

Possible Asserted Effect

Failure to report program income prevents the United States Department of Housing and Urban Development from effectively monitoring the Corporations administration of Federal funds. Additionally, a lack of a process to quantify and track program income may result in costs inconsistent with the program objectives being claimed to Federal programs.

Repeat Finding

A similar finding was included in the prior year Single Audit Report as finding number 2016-026 on page 90.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Corporation implement policies and procedures to ensure financial records detailing the receipt and expenditure of program income, received by subrecipients, are maintained and treated as additional CDBG funds and be used for eligible activities before additional cash withdrawals are made from the U.S. Treasury.

Views of Responsible Officials

Recommendation accepted. New policies and procedures will be developed.

Federal Agencies:	United States Department of Housing and Urban Development
Federal Programs:	Community Development Block Grant State's Program and Non-Entitlement Grants in Hawaii (14.228)
Federal Award Numbers:	B-06-DC-36-0001, B07-DC-36-001, B-08-DC-36-0001, B-09-DC-36-0001, B-10-DC-36-0001, B-11-DC-36-0001, B-12-DC-36-0001, B-12-DT-36-0001, B-13-DC-36-0001, B-14-DC-36-001, B-15-DC-36-0001, and B-16-DC-36-0001
Federal Award Years:	2006**,** 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, and 2016
State Agency:	Housing Trust Fund Corporation
Reference:	2017-024

Criteria

Title 2 U.S. Code of Federal Regulations Part 2400 (2 CFR 2400) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, section 2400.101 states unless excepted under Title 24 U.S. Code of Federal Regulations, *Housing and Urban Development*, chapters I through IX, the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, set forth in Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* shall apply to Federal Awards made by the Department of Housing and Urban Development to non-Federal entities.

2 CFR 200.331(a), states the non-Federal entity must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification.

- (i) Subrecipient name (which must match the name associated with its unique entity identifier);
- (ii) Subrecipient's unique entity identifier;
- (iii) Federal Award Identification Number (FAIN);
- (iv) Federal Award Date (see 2 CFR 200.39 Federal award date) of award to the recipient by the Federal agency;
- (v) Subaward Period of Performance Start and End Date;
- (vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
- (vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;
- (viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;

(ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);

(x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;

(xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;

(xii) Identification of whether the award is R&D; and

(xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per 2 CFR 200.414 Indirect (F&A) costs).

Per 2 CFR 200.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During the fiscal year ended March 31, 2017, the Housing Trust Fund Corporation (the Corporation) disbursed federal funds to 156 subrecipients totaling $41,992,685.

The Corporation did not have internal controls in place to ensure that the subrecipient’s award agreement identified the Catalog of Federal Domestic Assistance (CFDA) number and name of the federal award at the time of subaward, as required under 2 CFR 200. For 40 of the 55 subrecipients selected for testwork, the Corporation did not provide the CFDA title and number to the subrecipient at the time of the subaward.

Causes

The condition found is due to a lack of established monitoring controls over the Corporation’s policies to ensure internal controls are in place over subaward agreements to subrecipients for the entire fiscal year. The Corporation had monitoring internal controls in place over new subaward agreements with subrecipients beginning in December 2016 to provide the CFDA title and number to the subrecipient at the time of the award.

Possible Asserted Effects

Failure to appropriately identify award information may result in undetected noncompliance and subrecipients not properly administering the Federal program in accordance with laws, regulations, and the terms and conditions of the award.

Repeat Finding

A similar finding was included in the prior year Single Audit Report as finding 2016-025, at page 87.

Statistical Sampling

The samples were not intended to be, and were not, a statistically valid sample.

Questioned Costs

None.

Recommendations

We recommend that the Corporation implement policies and procedures and internal controls to ensure all subrecipients are provided with the CFDA title and number of the federal award, as required by 31 USC 7502(f)(2) and 2 CFR 200.331. Further, we recommend for all subrecipients currently receiving federal funding through the Corporation that were not provided with the CFDA title and number of the federal award, the Corporation notify the subrecipients in writing of the required information.

Views of Responsible Official

The Corporation accepts the finding. The Corporation has already taken action to resolve the issue.

Federal Agency:	United States Department of Housing and Urban Development
Federal Program:	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (14.269)
Federal Award Numbers:	B13DS360001
Federal Award Years:	2015
State Agency:	Office of State Comptroller
Reference:	2017-025

Criteria

Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*, section 200.510(b) states the auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502. While not required, the auditee may choose to provide information requested by the Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For Research and Development (R&D), total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

(3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

(5) For loan or loan guarantee programs described in 2 CFR 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

(6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in 2 CFR 200.414.

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Per 2 CFR 200.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Office of State Comptroller's (the Office) policies and procedures related to the instructions over the annual preparation of the sub-schedule of expenditures of federal awards were not designed at a level of precision to ensure the Housing Trust Fund Corporation (the Corporation) properly reports the amount of expenditures passed-through to subrecipients that is reported on the State of New York Schedule of Expenditures of Federal Awards (SEFA).

Of the $95,636,628 amounts classified as passed-through to subrecipients within the sub-schedule of expenditures of federal award for the Housing Trust Fund Corporation (the Corporation), the Corporation did not identify and exclude from the State of New York Schedule of Expenditures of Federal Awards, amounts passed-through by the Corporation to entities which are included as part of the State of New York SEFA. Expenditures reported as passed-through to subrecipients totaling $24,686,035 were passed-through by the Corporation to the Dormitory Authority of the State of New York (DASNY) and the New York State Office of Parks, Recreation, and Historical Preservation, that should have been excluded as part of the Office's compilation of the State of New York's SEFA.

Cause

The condition found resulted from the Office's instructions not clearly communicating to the Corporation what component units and other organizational entities comprised the "State" and should not be reported as expenditures passed-through to subrecipients and excluded from the compiled expenditures passed-through to subrecipients on the State of New York SEFA.

Possible Asserted Effect

Failure to appropriately ensure the completeness and accuracy of amounts reported on the SEFA may result in inaccurate reporting to the federal awarding agency and may inhibit the ability of the United States Department of Housing and Urban Development to effectively monitor and evaluate the State's performance relative to the federal program.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend the Office enhance its instructions to ensure amounts of expenditures passed-through to subrecipients reported on all agency and component unit sub-schedule of expenditures of federal awards are complete and accurate and exclude amounts passed-through to subrecipients that are component units and other organizational entities included in the State of New York SEFA.

Views of Responsible Officials

Recommendation accepted. New procedures will be developed, and the implementation of the new procedures are in progress.

Federal Agency:	United States Department of Health and Human Services
Federal Program:	Medicaid Cluster: State Medicaid Fraud Control Unit (93.775) State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare (93.777) Medicaid Assistance Program (93.778)
Federal Award Numbers:	1705NY5MAP, 1705NYINCT, 51505NY5MAP, 51605NY5MA, and 51605NYINCT
Federal Award Years:	2015, 2016, and 2017
State Agency:	Department of Health
Reference:	2017-026

Criteria

Title 42 U.S. Code of Federal Regulations Part 431 (42 CFR 431), *State Organization and General Administration*, section 431.107(b), *Agreements*, a State plan must provide for an agreement between the Medicaid agency and each provider or organization furnishing services under the plan in which the provider or organization agrees to:

(1) Keep any records necessary to disclose the extent of services the provider furnishes to beneficiaries;

(2) On request, furnish to the Medicaid agency, the Secretary, or the State Medicaid fraud control unit (if such a unit has been approved by the Secretary under § 455.300 of this chapter), any information maintained under paragraph (b)(1) of this section and any information regarding payments claimed by the provider for furnishing services under the plan;

(3) Comply with the disclosure requirements specified in part 455, subpart B of this chapter; and

(4) Comply with the advance directives requirements for hospitals, nursing facilities, providers of home health care and personal care services, hospices, and HMOs specified in part 489, subpart I, and § 417.436(d) of this chapter.

(5) Furnish to the State agency its National Provider Identifier (NPI) (if eligible for an NPI); and

(6) Include its NPI on all claims submitted under the Medicaid program.

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards,* section 75.303 also states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Department of Health (the Department) did not have a process in place to recoup payments made to a provider when a backdated voluntary withdrawal of the provider agreement was received from a provider.

For 8 out of 52 weekly cycles, we matched the beneficiary claims data from the State's Medicaid Management Information System (MMIS) to the listing of eligible providers provided by the Department. Out of the 51,199 providers submitting beneficiary claims during the selected 8 cycles, 10 providers were not listed on the listing of eligible providers. These 10 providers claimed $61,595 during the 8 selected cycles. Through review of documentation provided by the Department, we noted that these 10 providers voluntarily withdrew their provider agreement to participate in the program at a date that preceded their notification of withdrawal to the State. However, the Department's policies and procedures over participating providers did not include a review of beneficiary claims from terminating providers subsequent to their notification to ensure that any payment made after the termination date were recouped from the provider.

Cause

The Department attributed the post-termination payments to these providers to a delay in timing of processing the provider voluntary withdrawal paperwork. In all instances, the provider submitted a notice to the Department of the voluntary withdrawal of their provider agreements that were backdated. The Department does not have a process in place to review claims paid under the Federal Medicaid program with a service date subsequent to a provider's indicated voluntary withdrawal date.

Possible Asserted Effect

Failure to appropriately identify providers' payments made subsequent to the indicated voluntary withdrawal date of provider agreements resulted in ineligible providers receiving federal funds.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

$61,595 (total payments made to the 10 voluntarily withdrawn providers during the 8 cycles reviewed)

Recommendation

We recommend that the Department implement a process and internal controls to ensure that the Office of Health Insurance Program, who is responsible for provider enrollments, communicate with the Office of the Medicaid Inspector General to ensure that the claims paid to providers that have backdated enrollment changes are reviewed.

Views of Responsible Officials

The Department accepts the finding. The Department has already taken action to resolve the issue.

Federal Agency:	United States Department of Health and Human Services
Federal Program:	Medicaid Cluster: State Medicaid Fraud Control Unit (93.775) State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare (93.777) Medicaid Assistance Program (93.778)
Federal Award Numbers:	1705NY5MAP, 1705NYINCT, 51505NY5MAP, 51605NY5MA, and 51605NYINCT
Federal Award Years:	2015, 2016, and 2017
State Agency:	Department of Health
Reference:	2017-027

Criteria

Title 42 U.S. Code section 1396r-8 (42 USC 1396r-8), *Payment for covered outpatient drugs*, section 1396r-8(a)(2)(A), Each State agency under this title shall report to each manufacturer not later than 60 days after the end of each rebate period and in a form consistent with a standard reporting format established by the Secretary, information on the total number of units of each dosage form and strength and package size of each covered outpatient drug dispensed after December 31, 1990, for which payment was made under the plan during the period, including such information reported by each medicaid managed care organization, and shall promptly transmit a copy of such report to the Secretary.

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards, section 75.303 also states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Department of Health (the Department) did not have effective monitoring and communication controls to ensure the Department's process over drug utilization reports submitted to drug manufacturers include a complete population of covered outpatient drugs utilized during the rebate period.

We reviewed all the “Final Drug Rebate Quarterly Report” (“Reports”) for each quarter in State fiscal year 2017 provided by the Department, that summarized the Department's quarterly drug rebate invoices sent to drug manufacturers. The Reports, included various columns for the current year invoicing activity as well as rebated paid by drug manufactures for the period. The Department had indicated in the Report for the period July 1, 2016 through September 30, 2016, new invoicing activity sent to drug manufactures for $122,908,189.25 unbilled at the end of the rebate period over 365 days prior, for $496,737.48 unbilled at the end of the rebate period over 240 days prior, and for $443,096.21 unbilled at the rebate period over 120 days prior. The cumulative amount of $123,848,022.94 was billed outside of the 60-day requirement subsequent to the quarter end of the actual incurred period.

Cause

The Department attributed the delay in processing the drug manufacturer rebates to a programmatic issue that caused certain drug related Medicaid claims submitted by allowable enrollees to being inadvertently excluded from the drug utilization data queried for invoicing drug manufacturers from the Department's Medicaid Management Information System (MMIS). This issue was identified by the State of New York Office of the State Comptroller (OSC) during a periodic audit, Report 2015-S-1, *Optimizing Medicaid Drug Rebates*. OSC's programmatic audit identified errors in the Department's drug rebate invoicing process that prevented the Department from properly identifying all drug rebate revenue due. As a result of the OSC finding, the Department began corrective actions by identifying allowable drug utilization data within MMIS and subsequently invoicing $123,848,022.94 outside of the standard 60 days for prior period claims identified.

The Department also noted the cause was due to a breakdown in the communication between groups within the Department, where new services were added to the MMIS; however, queries were not updated to ensure proper capturing of any covered outpatient drug utilization for these services during the rebate period.

Possible Asserted Effect

Failure to ensure a complete population of covered outpatient drug utilized for Medicaid beneficiaries during the rebate period may result in the added disputes between drug manufacturers and the Department and the need to expend additional resources by all parties that use state drug utilization data. Further, State drug utilization data is also used to calculate the Medicaid portion of the Internal Revenue Service's (IRS) Branded Prescription Drug (BPD) fee and therefore, any unedited/inaccurate drug utilization data reported to CMS can cause significant disparities in labeler BPD fees, thereby skewing the amount the labeler owes.

Questioned Costs

None.

Recommendation

We recommend that the Department implement monitoring controls to continually assess the completeness and accuracy of drug utilization data by reviewing the MMIS criteria utilized in related queries and actively monitoring changes to drug rebate laws and regulations. We also recommend the Department ensure that all service changes under the Medicaid program be properly communicated throughout the Department to ensure all necessary updates to system queries are properly and timely made.

Views of Responsible Officials

The Department accepts the finding. The Department has already taken action to resolve the issue.

Federal Agency:	United States Department of Health and Human Services
Federal Program:	Basic Health Program (Affordable Care Act) (93.640)
Federal Award Numbers:	BHPFFY2015-16 and BHPFFY2016-17
Federal Award Years:	2015 and 2016
State Agency:	Department of Health
Reference:	2017-028

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 75.403 states except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles, (b) conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items, (c) be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity, (d) be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost, (e) be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part, (f) not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period, and (g) Be adequately documented.

Per 45 CFR 75.302(b)(3) states records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation

Condition

The Department of Health's (the Department) process did not have adequate processes in place to ensure costs charged to the Federal program that were actual and true expenditures.

We reviewed the Department's annual reconciliation report of the Federal Basic Health Program (Affordable Care Act)(BHP) funds provided by the Department for the State fiscal year ended March 31, 2017. The Department charged the BHP trust fund for BHP costs of $173,516,000 and $51,249,848 on March 28, 2017. Although the Department demonstrated support for the amounts transferred for each transaction ($224,765,848 and $102,622,091, respectively), they applied a proxy reduction on each (transaction) to account for a computer system error from the prior year. These reductions resulted in the amounts transferred not having a one-to-one relationship with the claim totals on each backup document, and therefore the amounts transferred could not be tied to specific claims on the backup documentation.

Cause

The Department attributed the condition found due to Department's decision to reduce the claims to the BHP trust fund by a percentage of management total identified eligible claims. This reduction was made as the result of a computer system error in the previous year that carried into the current year.

Possible Asserted Effect

Failure to adequately support expenditures could result in costs inconsistent with the laws, regulations, and terms and conditions of grant agreements being claimed to Federal programs.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Department enhance its process to ensure all amounts charged to the BHP trust fund are actual claims that are allowable under the Federal program.

Views of Responsible Officials

Recommendation accepted. New processes will be developed, and the implementation of the new processes are in progress.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

Year ended March 31, 2017

Federal Agency:	United States Department of Health and Human Services
Federal Program:	Basic Health Program (Affordable Care Act) (93.640)
Federal Award Numbers:	BHPFFY2015-16 and BHPFFY2016-17
Federal Award Years:	2015 and 2016
State Agency:	Department of Health
Reference:	2017-029

Criteria

Section 1331 of the Patient Protection and Affordable Care Act, (Pub. L. 111-148), and the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111.152, enacted March 30, 2010), which are collectively referred to as the Affordable Care Act, gives states the option of creating a Basic Health Program (BHP), a health benefits coverage program for low-income residents who would otherwise be eligible to purchase coverage through the Health Insurance Marketplace. The program is for specified individuals who do not qualify for Medicaid but whose income does not exceed 200 percent of the federal poverty level (FPL).

Title 42 U.S. Code of Federal Regulations Part 600 (42 CFR 600), *Administration, Eligibility, Essential Health Benefits, Performance Standards, Service Delivery Requirements, Premium and Cost Sharing Allotments, and Reconciliation*, section 600.305(a) states the State must determine individuals to be eligible to enroll in a standard health plan if they:

(1) Are residents of the State.

(2) Have household income which exceeds 133 percent but does not exceed 200 percent of the FPL for the applicable family size, or, in the case of an individual who is a lawfully present non-citizen, ineligible for Medicaid or CHIP due to such immigration status, whose household income is between zero and 200 percent of the FPL for the applicable family size.

(3) Are not eligible to enroll in minimum essential coverage (other than a standard health plan). If an individual meets all other eligibility standards, and -

  (i) Is eligible for, or enrolled in, coverage that does not meet the definition of minimum essential coverage, including Medicaid that is not minimum essential coverage, the individual is eligible to enroll in a standard health plan without regard to eligibility or enrollment in Medicaid; or

  (ii) Is eligible for Employer Sponsored Insurance (ESI) that is unaffordable (as determined under section 36B(c)(2)(C) of the Internal Revenue Code), the individual is eligible to enroll in a standard health plan.

(4) Are 64 years of age or younger.

(5) Are either a citizen or lawfully present non-citizen.

(6) Are not incarcerated, other than during a period pending disposition of charges.

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards,* section 75.303 also states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure eligibility and allowability determinations are performed and documented in accordance with program regulations.

Condition

The Department of Health (the Department) did not have effective internal controls to ensure Basic Health Plan (BHP) funds were utilized for eligible individuals.

Of the 85 individuals selected for testwork, 7 individuals were correctly determined to be ineligible for the BHP, based on the criteria specific in 42 CFR 600.305(a) in the eligibility system, but were incorrectly claimed as being eligible to participate in BHP.

Cause

The Department attributed the disconnect between the actual eligibility determinations for these 7 individuals (all correctly determined Medicaid eligible), and the utilization of BHP funds for these individuals, to the codes and criteria used in the system to identify certain lawfully present non-citizen individuals for purposes of trust fund expenditures. Of the 7 individuals, it was noted that 5 were BHP ineligible as they were determined to be Deferred Action for Childhood Arrivals (DACA) and 2 were other BHP ineligible individuals for other reasons. The Department utilizes the Medicaid Management Information System (MMIS) to capture all charges for the BHP. The MMIS has flags programmed to determine eligible participants for BHP and as their charges are submitted for reimbursement by the insurance providers, they are recorded as direct costs to the BHP trust fund. For more complex eligibility determined individuals, MMIS first defaults these individuals as 100 percent state Medicaid eligible claims. Department management runs a daily MMIS query of specific flagged criteria to capture and extract BHP eligible individuals; however, the MMIS flag criteria utilized is not at a level specific enough to ensure all individuals selected are BHP eligible. As a result, certain individuals may have BHP trust funds released although they are considered ineligible and unallowable.

Possible Asserted Effect

Failure to ensure only eligible individuals costs are charged to the Federal program could result in costs inconsistent with the laws, regulations, and terms and conditions of federal awards being claimed to Federal programs.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

$3,226 (total of claims selected for the 7 ineligible beneficiaries)

Recommendation

We recommend that the Department enhance its process to ensure only eligible criteria are utilized to extract BHP eligible beneficiary claims. The Department should collaborate with the MMIS department to ensure more specific criteria are utilized to ensure that only BHP eligible claims are expended against the BHP trust fund. Lastly, the Department should implement a monitoring control to ensure MMIS flags and related eligibility reports are complete and accurate based upon the Federal program compliance guidelines.

Views of Responsible Officials

Recommendation accepted. Agency has already implemented significant process enhancements in this area. Reference the corrective action plan for further details.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

Year ended March 31, 2017

Federal Agency: United States Department of Health and Human Services

Federal Program: Basic Health Program (Affordable Care Act) (93.640)

Federal Award Numbers: BHPFFY2015-16 and BHPFFY2016-17

Federal Award Years: 2015 and 2016

State Agency: Department of Health

Reference: 2017-030

Criteria

Title 42 U.S. Code of Federal Regulations Part 600 (42 CFR 600), *Administration, Eligibility, Essential Health Benefits, Performance Standards, Service Deliver Requirements, Premium and Cost Sharing, Allotments, and Reconciliation,* section 600.710(a) requires the Basic Health Plan (BHP) administering agency to maintain an accounting system and supporting fiscal records to assure that the BHP trust funds are maintained and expended in accord with applicable Federal Requirements.

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), , section 75.303 also states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Department of Health (the Department) did not have a process including appropriate internal controls in place to track cash returned from providers related to the Basic Health Program (BHP). Cash returned from providers was deposited into an escrow account and the Department did not apply the escrow funds against subsequent BHP trust fund expenditures. Further, the Department did not identify interest earned on BHP funds maintained in the Department's escrow account, which should have been applied against BHP expenditures.

Cause

The Department attributed the cause of the condition found was due to a lack of process including monitoring controls in place to identify and track recouped funds returned from providers initially funded through the BHP trust funds.

Possible Asserted Effect

Failure to adequately monitor and track BHP trust funds recouped could result BHP trust funds utilized for unallowable costs inconsistent with the laws, regulations, and terms and conditions of grant agreements being claimed to Federal programs.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Department implement a monitoring process including appropriate internal controls to ensure all recouped BHP funds are tracked and any related interest earned is properly calculated and applied against subsequent BHP expenditures.

Views of Responsible Officials

DOB will oversee the Department's implementation and compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Federal Agency:	United States Department of Health and Human Services
Federal Program:	Maternal and Child Health Services Block Grant (93.994)
Federal Award Numbers:	31528116MCHS, 16B04MC29355, and 17B04MC30630
Federal Award Years:	2015, 2016 and 2017
State Agency:	Department of Health
Reference:	2017-031

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 75.352(d) states all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity.

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by section 75.521.

45 CFR 75.303(a) states the non-Federal entity must Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Department of Health (the Department) did not have appropriate policies and procedures including monitoring control in place to ensure that all required single audits of subrecipients were received and/or reviewed timely. Additionally the Department did not have risk assessment procedures formally documented.

For 6 out of 25 subrecipients selected, the Department did not review the subrecipient's single audit report during the State fiscal year. For 2 of the 6 subrecipients not reviewed, the Department had appropriately obtained the single audit reports; however, the Department did not include the subrecipients in the Department's single audit review workflow tracking database and subsequently did not review the provided single audit reports. For 3 of the 6 subrecipient not review, the Department had request the subrecipient to provide a single audit report; however, the subrecipients did not provide their report and the Department did not perform any follow-up with the subrecipients to obtain the single audit report. For 1 of the 6 subrecipients not review, the subrecipient had expenditures in excess of $750,000, but the Department did not request the subrecipient to provide a single audit report.

Cause

The condition found was due to the Department’s not having risk assessment procedure documented and subrecipient single audit review workflow monitoring tracking database not operating during the State fiscal year. Such tracking database ensures appropriate monitoring activities were performed over subrecipients to determine that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward. Further, other monitoring controls were not designed at a level of precision to ensure that all subrecipient single audit reports were requested, obtained, and timely reviewed.

Possible Asserted Effect

Failure to properly obtain and timely review subrecipient single audit reports and formally documented risk assessment procedure may result in the use of federal funding provided under the federal award not being in compliance with Federal statues, regulations, and the terms and conditions of subawards.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend the Department enhance its policies and procedures including monitoring controls to help ensure (1) subrecipients required to have a Single Audit and notified to provide on a timely basis and the Department is able to follow up on outstanding reports, (2) sanctions are imposed in a timely manner for subrecipients that do not submit timely Single Audit reports, (3) the Department issues management decisions within six months for all Single Audit reports that contain findings relevant to the Department’s programs, and (4) all risk assessment procedures are formally documented. These enhancements may include manual monitoring controls being implements in the interim until the Department’s single audit database is operating.

Views of Responsible Officials

Recommendation accepted. Agency has already implemented significant process enhancements in this area. Reference the corrective action plan for further details.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

Year ended March 31, 2017

Federal Agency:	United States Department of Health and Human Services
Federal Program:	Maternal and Child Health Services Block Grant (93.994)
Federal Award Numbers:	31528116MCHS, 16B04MC29355, and 17B04MC30630
Federal Award Years:	2015, 2016, and 2017
State Agency:	Department of Health
Reference:	2017-032

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45, CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 75.305 state for states, payments are governed by Treasury-State Cash Management Improvement Act (CMIA) agreements and default procedures codified at Title 31 U.S. Code of Federal Regulations Part 205 (31 CFR 205), *Rules and Procedures for Efficient Federal-State Funds Transfers.*

(31 CFR 205.33(a) requires a State to minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to subgrantees in accordance with OMB Circular A-102.

45 CFR 75.303 also states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Department of Health’s (the Department) policies and procedures, including internal appropriate controls, are not designed effectively to ensure the timing between the payment to the subrecipient and the draw from the Federal Government to be minimized.

For 8 of the 40 subrecipient expenditures selected, the Department’s payment to the subrecipients occurred between 10 and 26 days after the Department had drawn Federal funds from the Federal award.

Cause

The condition is due to the Department coding vouchers into the Statewide Financial System (SFS) as federally reimbursable expenditures several days in advance of the anticipated payment to the subrecipient. Once coded in SFS, it is the State’s policy that the expenditures are requested for reimbursement from federal awards within two days of their coding by the Office of the State Comptroller.

Possible Asserted Effect

Failure to ensure that expenditures are paid to subrecipients prior to drawing from the Federal awards may result in the State incurring an interest liability due to the Federal awarding agency as the drawdown activity would be inconsistent with the laws, regulations, and terms and conditions of grant agreements of the Federal programs.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Department strengthen its existing policies and procedures including appropriate internal controls to ensure that all coding for subrecipient expenditures occurs in accordance with the State's policy of being within two days prior to payment to the subrecipient to ensure disbursements are prior to the federal drawdown.

Views of Responsible Officials

DOB will oversee The Department's implementation and compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Federal Agency:	United States Department of Health and Human Services
Federal Program:	Maternal and Child Health Services Block Grant (93.994)
Federal Award Numbers:	31528116MCHS, 16B04MC29355
Federal Award Years:	2015 and 2016
State Agency:	Department of Health
Reference:	2017-033

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards, section 75.510(b), the auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with section 75.502. While not required, the auditee may choose to provide information requested by HHS awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For Research and Development (R&D), total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

(3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

(5) For loan or loan guarantee programs described in section 75.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

(6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in section 75.414.

45 CFR 75.303(a) states the non-Federal entity must Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Department of Health (the Department) did not have adequate annual management review controls in place to ensure proper classification of the amount of expenditures passed-through to subrecipients reported on the State of New York Schedule of Expenditures of Federal Awards (SEFA).

The Department inappropriately identify $1,523,403 of expenditures paid to a vendor as expenditures passed-through to subrecipients on the SEFA for the Maternal and Child Health Services Block Grant. The Department reported a pass-through subrecipient balance of $16,665,830 compared to actual pass through expenditures incurred balance of $15,142,427.

Cause

The condition resulted from management's annual internal control review not being performed to the level of precision needed to detect local assistance vendor payments that should be excluded from the total pass-through to subrecipient amounts reported on the SEFA.

Possible Asserted Effect

Failure to appropriately ensure the completeness and accuracy of the amounts reported on the SEFA may result in inaccurate reporting to the federal awarding agency and may inhibit the ability of the U.S. Department of Health and Human Services to effectively monitor and evaluate the State's performance relative to Maternal and Child Health Services Block Grant.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend the Department enhance their internal controls to ensure an in-depth management review is performed by program staff over the completeness and accuracy of amounts reported by the Department and presented on the SEFA.

Views of Responsible Officials

Recommendation accepted. Agency has already implemented significant process enhancements in this area. Reference the corrective action plan for further details.

STATE OF NEW YORK

STATE AGENCY CORRECTIVE ACTION PLANS

FOR THE YEAR ENDED MARCH 31, 2017

Andrew M. Cuomo, Governor

Robert F. Mujica Jr., Budget Director

State Agency Responses to State Fiscal Year 2016-2017 Single Audit Findings
For the State Fiscal Year Ended March 31, 2017

Compiled in December 2017 by the New York State Division of the Budget

Pursuant to Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency: Office of Temporary and Disability Assistance

Single Audit Contact: Kathleen Murphy

Title: External Audit Coordinator

Telephone: 518-473-7159

E-mail: kathleen.murphy@otda.ny.gov

Federal Program(s) (CFDA # [s]): Child Support Enforcement (93.563)

Audit Report Reference: 2017-004

Corrective Action Planned:

The transaction processed within the Statewide Financial System to initiate a drawdown of Federal funds is referred to as a Source 9 transaction. The office will implement new procedures for processing Source 9 transactions in the Statewide Financial System. A staff accountant will prepare the source 9 transaction back-up documentation. A supervising accountant will review the back-up documentation for accuracy and appropriateness and will maintain proof of their review.

Anticipated Completion Date:

March 31, 2018

Office of Temporary and Disability Assistance

ANDREW M. CUOMO Governor	**SAMUEL D. ROBERTS** Commissioner	**BARBARA C. GUINN** Executive Deputy Commissioner

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	Office of Temporary and Disability Assistance
Single Audit Contact:	John McPhillips
Title:	Assistant Director, Systems & Fiscal Operations
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Federal Program(s) (CFDA # [s]):	Child Support Enforcement (93.563)
Audit Report Reference:	2017-005

Corrective Action Planned:

Over the course of SFY 2018, Child Support Services (CSS) increased its subrecipient monitoring activities to include monthly calls with districts to regularly assess risk which may prompt or warrant attention. These calls focused on review of performance statistics and trends, staffing changes and concerns, trainings and emergent topics impacting the child support program including information security and contractual updates. This oversight process allows CSS to appropriate assess subrecipient risk in terms of meeting required federal thresholds and standards. Building upon the existing and improved monitoring practices and tools CSS will review, establish where appropriate, and enhance written protocols and procedures for sub-recipient monitoring including the formalization and documentation of assessment factors which may provide data, analysis and documentation for prioritization of monitoring actions between the State and a district.

Anticipated Completion Date:

First quarter of State Fiscal Year 2018-2019

STATE OF NEW YORK
STATEWIDE FINANCIAL SYSTEM (SFS) PROGRAM

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency(s): Department of Health
Office of Children & Family Services
Office of Temporary and Disability Assistance
State Education Department

Single Audit Contact: Karen Tyler

Title: Executive Director, SFS

Telephone: 518-485-5367

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Federal Program(s) (CFDA # [s]): TANF Cluster (93.558)
Child Support Enforcement (93.563)
Low-Income Home Energy Assistance (93.568)
Title IV-E Foster Care (93.658)
Adoption Assistance (93.659)
Maternal and Child Health Services Block Grant (93.994)
Social Security/Disability Insurance (96.001)
Career and Technical Education – Basic Grants to States (Perkins IV) (84.048)
Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
School Improvement Grants (84.377)
Child Nutrition Cluster:
National School Lunch Program (10.555)
Special Milk Program for Children (10.556)
Summer Food Service Program for Children (10.559)

Audit Report Reference: 2017-006

Corrective Action Planned

This Single Audit finding results from a finding in the State's Yellow Book Report regarding deficiencies in the general information technology control environment of the Statewide Financial System (SFS). As a result of the Yellow Book finding, during the Single Audit, KPMG determined that they were unable to rely upon the batch processing within SFS to ensure the completeness and accuracy of the cash draw pages.

There were eight observations made in the Yellow Book Report, four of which were remediated as of March 31, 2017. Over the past few months, SFS has taken the following actions to address the remaining Yellow Book observations:

- SFS management continues to re-educate SFS system administrators on SFS user provisioning protocols to ensure that for any instance of new or modification of access, a formalized access security request form is approved, documented, and retained. This process will be followed for all agencies and accounts, including internal and external employees, vendors/contractors, and system/generic IDs. To facilitate that agencies have a consistent security process, SFS provided a sample provisioning process to agencies in August 2017. Agency responsibilities for SFS security were discussed with agency staff in August and October 2017, and will remain a regular focus.

- SFS is engaged in a project with OSC to receive more timely and complete Payroll data that will facilitate SFS taking action if agencies have not locked terminated or retired user accounts.

- SFS also continues to communicate with agency SFS administrators that accounts should be locked on the day of termination or retirement, but not later than one week.

- SFS requires agencies to certify that a review of SFS access is conducted at least once a year. SFS is enhancing the agency user/role quarterly report validation process that will make the certification reporting process electronic and easier to use. This enhancement is scheduled to be implemented in February 2018.

- Finally, SFS completes a review and approval of SFS staff with access to the SFS production UNIX servers semi-annually. SFS expanded this review to include OSC staff with access to the SFS production UNIX servers, with the initial review completed on September 8, 2017.

It is expected that the remediation of the deficiencies identified in the Yellow Book Report, and the resulting improvement in the general information technology control environment of SFS, will enable future reliance upon the batch process in SFS.

Anticipated Completion Date:

SFS has taken action on all observations.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	Office of Temporary and Disability Assistance
Single Audit Contact:	Kathleen Murphy
Title:	External Audit Coordinator
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E-mail:	Kathleen.Murphy@otda.ny.gov
Federal Program(s) (CFDA # [s]):	Low-Income Home Energy Assistance (93.568)
Audit Report Reference:	2017-007

Corrective Action Planned:

The Office will work with the New York State Office of the State Comptroller (OSC) to obtain the necessary reports and transaction information, including voucher number, to be able to report sub-recipient payments more accurately and completely. The office will report only voucher transactions that begin with “B”, which represents payments made to Social Service Local Districts.

Anticipated Completion Date:

June 2018

Office of Temporary and Disability Assistance

NEW YORK STATE

ANDREW M. CUOMO Governor	**SAMUEL D. ROBERTS** Commissioner	**BARBARA C. GUINN** Executive Deputy Commissioner

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2017

State Agency:	OTDA/DDD
Single Audit Contact:	James E. Ryan
Title:	Disability Analysist 4
Telephone:	518-626-3015
E-Mail:	James.E.Ryan@ssa.gov
Federal Program(s) (CFDA # [s]):	Disability Insurance/SSI Cluster 1204NYD100, 1304NYD100, 1404NYD100, 1504NYD100, 1604NYD100, 1704NYD100
Audit Report Reference:	2017-008

Corrective Action Planned

Per 20 CFR 404.1519s, 416.919s and POMS DI 39545.075, Consultative Examination (CE) providers are credentialed by each site's Medical Relations Officer (MRO) according to cited policy and the quarterly provider sampling is performed on a rolling basis as per POMS DI 39569.300 C1b. All CE providers that were sampled in the audit were credentialed and had licenses in good standing. The auditor was provided with existing documentation; however, the documentation did not provide sufficient tracking of which MRO performed the annual or quarterly credentialing. The MRO's have been given a credentialing form that provides links to the federal System for Award Management (SAM) and several additional NYS websites for license verification, along with dated reviews and reviewed by tracking. The form also includes a section for the MRO to verify website used to confirm license review. All CE providers will be credentialed on a yearly basis and an electronic copy of each form will be kept in a shared location for statewide review. No CE provider will be used to perform a CE if they are not on the tracking sheet. MRO's will continue the practice of sending a rolling quarterly sampling of providers to the SSA NY Regional Office for review. Each MRO must have their annual credentialing reported on the new form by the end of the calendar year 2017. This is an ongoing action plan that is performed at lease annually and includes quarterly samples for review.

Anticipated Completion Date:

December 31, 2017

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	Office of Children and Family Services
Single Audit Contact:	Daniel Duffy
Title:	Principal Accountant
Telephone:	518-473-4770
E-mail:	daniel.duffy@ocfs.ny.gov
Federal Program(s) (CFDA # [s]):	Title IV-E Foster Care (93.658) Adoption Assistance (93.659) Child Support Enforcement (93.563)
Audit Report Reference:	2017-009

Corrective Action Planned:

The proposal recommendation is outside of the scope of OCFS. Foster Care and Adoption Assistance costs are processed by the County or New York City Treasurer/Comptroller and are paid in advance of OCFS reimbursement. Documentation of the source of funding for these costs is held within the County or New York City Treasurer/Comptroller office. Review of the County or New York City Treasurer/Comptroller payments, accounting systems, and the source of funding is not under the purview of the Office. Therefore, the Office cannot implement a corrective action plan for this finding. Since this finding occurs in more than one state agency, and the scope is beyond the Office's control and authority.

Anticipated Completion Date:

NA

Office of Temporary and Disability Assistance

ANDREW M. CUOMO
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Executive Deputy Commissioner

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency: Office of Temporary and Disability Assistance

Single Audit Contact: Kathleen Murphy

Title: External Audit Coordinator

Telephone: 518-473-7159

E-Mail: Kathleen.Murphy@otda.ny.gov

Federal Program(s) (CFDA # [s]): Adoption Assistance (93.659)
Foster Care – Title IV-E (93.658)
Child Support Enforcement (93.563)

Audit Report Reference: 2017-009

Corrective Action Planned:

The proposal recommendation is outside of the scope of OTDA. Local District Child Support administrative costs are processed by the County Treasurer/Comptroller and are paid in advance of OTDA reimbursement. Documentation of the source of funding for these costs is held within the County Treasurer/Comptroller office. Review of the County Treasurer/Comptroller payments, accounting systems, and the source of funding is not under the purview of the Office. Therefore, the Office cannot implement a corrective action plan for this finding. Since this finding occurs in more than one state agency, and the scope is beyond the Office's control and authority, the Office refers this finding to DOB and will assist in developing a statewide response to this issue.

Anticipated Completion Date:

N/A

Office of Children and Family Services

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

NEW YORK STATE CORRECTIVE ACTION PLAN

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State Agency:	Office of Children and Family Services
Single Audit Contact:	Daniel Duffy
Title:	Principal Accountant
Telephone:	518-473-4770
E-mail:	daniel.duffy@ocfs.ny.gov
Federal Program(s) (CFDA # [s]):	Title IV-E Foster Care (93.658) Adoption Assistance (93.659)
Audit Report Reference:	2017-010

Corrective Action Planned:

OCFS has developed a comprehensive list of federal funds that are passed through to subrecipients for each CFDA number. The Office of Audit and Quality Control (AQC) has begun tracking whether OCFS programs have been identified as a major program in subrecipient single audit reports. AQC will be providing information about all OCFS programs to other OCFS staff to be used for subrecipient risk assessment purposes. In addition, OCFS staff will document monitoring activities already in place. OCFS staff will then assess the risk of noncompliance for each subrecipient based on these factors and the factors identified in the Uniform Guidance. This risk assessment will be used to identify appropriate monitoring activities for each subrecipient. OCFS will develop monitoring procedures where risks are identified.

Anticipated Completion Date:

OCFS expects completion of this process by June 30, 2018.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	Office of Children and Family Services
Single Audit Contact:	Daniel Duffy
Title:	Principal Accountant
Telephone:	518-473-4770
E-mail:	daniel.duffy@ocfs.ny.gov
Federal Program(s) (CFDA # [s]):	Title IV-E Foster Care (93.658) Adoption Assistance (93.659)
Audit Report Reference:	2017-011

Corrective Action Planned:

OCFS will conduct an assessment and analysis of current subrecipient monitoring processes in place within OCFS and local districts to identify areas in need of improvement to ensure that subawards are used for their authorized purpose, are in compliance with Federal statutes, regulations and terms and conditions of the subaward, and performance goals are achieved. This assessment and analysis will include:

- Taking inventory of all monitoring procedures that are currently conducted by various budget, finance, and program units at OCFS.
- Comparing these procedures in the aggregate to each specific federal requirement to identify gaps in controls.
- Designing specific procedures to address these gaps.
- Identifying the appropriate resources to conduct these procedures.

Anticipated Completion Date:

OCFS expects completion of this process by September 30, 2018.

Office of Children and Family Services

ANDREW M. CUOMO
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NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	Office of Children and Family Services
Single Audit Contact:	Daniel Duffy
Title:	Principal Accountant
Telephone:	518-473-4770
E-mail:	daniel.duffy@ocfs.ny.gov
Federal Program(s) (CFDA # [s]):	Title IV-E Foster Care (93.658)
Audit Report Reference:	2017-012

Corrective Action Planned:

OCFS will establish an internal control process to verify that the Local Districts of Social Services (LDSS) are making foster care maintenance payments in a manner consistent with the rates, as established by such LDSS.

Anticipated Completion Date:

OCFS expects this process to be established by March 31, 2018.

Office of Children and Family Services

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NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2017

State Agency:	Office of Children and Family Services
Single Audit Contact:	Daniel Duffy
Title:	Principal Accountant
Telephone:	518-473-4770
E-mail:	daniel.duffy@ocfs.ny.gov
Federal Program(s) (CFDA # [s]):	Adoption Assistance (93.659)
Audit Report Reference:	2017-013

Corrective Action Planned:

A review of each vendor in the expenditure report will be performed by program staff to verify if the vendor is a subrecipient of the federal program. Once the subrecipient expenditures are verified, the total amounts will be reported on the SEFA.

Anticipated Completion Date:

This review process will be implemented by April 30, 2018 to be conducted for the next SEFA for state fiscal year 2018.

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NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	Office of Children and Family Services
Single Audit Contact:	Daniel Duffy
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Telephone:	518-473-4770
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Federal Program(s) (CFDA # [s]):	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Audit Report Reference:	2017-014

Corrective Action Planned:

The New York State Commission for the Blind (NYSCB) reviewed this finding for all 20,608 CIS vouchers processed. Based upon this review, NYSCB believes its initial internal controls are working efficiently. However, NYSCB has gained insight on the procedure for reconciling CIS into SFS, and has validated this method of reconciliation works by successfully identifying the two miscoded vouchers. NYSCB will in future years continue to reconcile all fee for service authorizations at the close of each FFY.

Anticipated Completion Date:

Corrective action completed October 2017.

Office of Children and Family Services

ANDREW M. CUOMO
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NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	Office of Children and Family Services
Single Audit Contact:	Daniel Duffy
Title:	Principal Accountant
Telephone:	518-473-4770
E-mail:	daniel.duffy@ocfs.ny.gov
Federal Program(s) (CFDA # [s]):	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Audit Report Reference:	2017-015

Corrective Action Planned:

The New York State Commission for the Blind (NYSCB) will implement procedures so that invoices are submitted during the appropriate period of performance. In addition, NYSCB will work with Rehabilitation Services Administration (RSA) in the U.S. Department of Education on how to properly process payments outside of the Period of Performance where such costs are necessary for efficient and timely performance of NYSCB.

Anticipated Completion Date:

NYSCB will reach out to RSA for such guidance no later than December 31, 2017 and will implement procedures by March 31, 2018 or any other date required by RSA.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	Office of Children and Family Services
Single Audit Contact:	Daniel Duffy
Title:	Principal Accountant
Telephone:	518-473-4770
E-mail:	daniel.duffy@ocfs.ny.gov
Federal Program(s) (CFDA # [s]):	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Audit Report Reference:	2017-016

Corrective Action Planned:

The New York State Commission for the Blind (NYSCB) reviewed this finding and disagrees that our existing policies are insufficient.

All but two of the NYSCB findings were pre-2008, the year in which NYSCB implemented its Consumer Information System (CIS). In 2016, on a Pre-2008 finding RSA wrote "RSA does not sustain the auditors' findings because the one case noted as noncompliant began in 2005 and the individual applied to OCFS before CIS was implemented in 2008."

NYSCB believes the above RSA determination holds true in this audit, and this finding will produce a similar RSA response.

For the two post-2008 findings, one was four days past the 60-day requirement and the other five days.

For the sample that was four days past due, case notes indicate client failed to show up at the initial meeting and was difficult to reach thereafter. The client's failure to attend the initial meeting and subsequent difficulties in follow-up resulted in the delayed Eligibility determination. [See 34 CFR 361.41(b)(2(C)(iii), "[The client] Is available to complete the assessment process"].

For the sample that was five days past due, case notes indicate the consumer provided an incorrect SSN to NYSCB; the applicant did not complete the application correctly. The lack of a correct SSN delayed the process and resulted in the five-day delay. [See 34 CFR 361.41 (b) (2) (C) (ii-i): "Has provided to the designated State unit information necessary to initiate an assessment to determine eligibility and priority for services;"].

For "Questioned Costs" this finding also predates NYSCB's CIS. It appears that the file was never uploaded into the CIS system. Nonetheless, NYSCB is confident that the intake was conducted and completed in 1999 and that all expenditures emanating from this case were and are proper. (An eligibility determination cannot be made without an Intake being completed; the eligibility determination for this case required an Intake.)

Finally, for future Single State Audits NYSCB requests that the individual eligibility determinations focus on individual eligibility determinations conducted over the last two years as reviewing individual eligibility determinations that are over a decade old have little relevance to today's management internal controls.

Anticipated Completion Date:

Corrective action not deemed necessary.

THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	State Education Department
Single Audit Contact:	Thalia Melendez
Title:	Director
Telephone:	518-473-4516
E-mail:	Thalia.Melendez@nysed.gov
Federal Program(s) (CFDA # [s]):	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Audit Report Reference:	2017-016

Corrective Action Planned:

The Department agrees with the findings.

- Audit findings will be shared with District Office Managers on 11/15-16/2017 and update on implementation of the Corrective Action Plan in the district office to be provided by DOMs on 5/16-17/2018;
- District Office Managers will review audit findings with their management team and staff at monthly meetings; to be completed by the end of calendar year 2017;
- Directors of Counseling will oversee implementation of the Department's Corrective Action Plan in the district office by reviewing with management staff and monitoring sample cases for compliance on:
    - Completing the Eligibility Certificate within 60 days, and appropriate utilization of Status 06 and 07
- Train staff- staff will receive pertinent training at the following planned training activities during 2018:
    - Supervisory Institute; May 15-17, 2018

Anticipated Completion Date:

December 2018

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	Office of Children and Family Services
Single Audit Contact:	Daniel Duffy
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Telephone:	518-473-4770
E-mail:	daniel.duffy@ocfs.ny.gov
Federal Program(s) (CFDA # [s]):	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Audit Report Reference:	2017-017

Corrective Action Planned:

NYSCB Reviewed this finding and disagrees that there is a lack of monitoring controls in place. All findings predate the October 2008 implementation of NYSCB's electronic Consumer Information System (CIS.) Since that date, CIS is effectively managing compliance with the IPE timeline requirements.

During the Single State Audit last year on another pre-2008 findings RSA advised, "RSA does not sustain the auditors' findings because the one case noted as noncompliant began in 2005 and the individual applied to OCFS before CIS was implemented in 2008." NYSCB believes the above RSA determination holds true in this audit, and will produce a similar RSA response.

Finally, in future Single State Audits NYSCB requests that *IPE* timeliness focus on *IPE* done in the last two years as reviewing *IPE* that are over a decade old have little relevance to today's management internal controls.

Anticipated Completion Date:

Corrective action not deemed necessary.

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NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	State Education Department
Single Audit Contact:	Thalia Melendez
Title:	Director
Telephone:	518-473-4516
E-mail:	Thalia.Melendez@nysed.gov
Federal Program(s) (CFDA # [s]):	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Audit Report Reference:	2017-017

Corrective Action Planned:

The Department agrees with the findings.

- Audit findings will be shared with District Office Managers on 11/15-16/2017 and update on implementation of the Corrective Action Plan in the district office to be provided by DOMs on 5/16-17/2018;
- District Office Managers will review audit findings with their management team and staff at monthly meetings; to be completed by the end of calendar year 2017;
- Directors of Counseling will oversee implementation of the Department's Corrective Action Plan in the district office by reviewing with management staff and monitoring sample cases for compliance on:
    - Completing the Individualized Plan for Employment (IPE) within 90 days;
    - securing signatures on the IPE prior to providing services and
    - utilizing the IPE Pending note appropriately;

- Train staff- staff will receive pertinent training at the following planned training activities during 2018:
    - Supervisory Institute; May 15-17, 2018

<u>Anticipated Completion Date:</u>

December 2018

THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	State Education Department
Single Audit Contact:	Thalia Melendez
Title:	Director
Telephone:	518-473-4516
Email:	Thalia.Melendez@nysed.gov
Federal Program(s) (CFDA # [s]):	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Audit Report Reference:	2017-018

Corrective Action Planned:

The Department agrees with the findings.

- ACCES-VR will improve internal controls by implementing the Service Delivery model that emphasizes collaboration between VRC and VRCA where the VRCA will have responsibility to review cases for compliance regarding signatures on the IPE and verification of delivery of services authorized and follow-up as needed;
- Audit findings will be shared with District Office Managers on 11/15-16/2017 and update on implementation of the Corrective Action Plan in the district office to be provided by DOMs on 5/16-17/2018;
- District Office Managers will review audit findings with their management team and staff at monthly meetings; to be completed by the end of calendar year 2017;
- Directors of Counseling will oversee implementation of the Department's Corrective Action Plan in the district office by reviewing with management staff and monitoring sample cases for compliance on:

    - securing signatures on Individualized Plan for Employment (IPE) prior to providing services and
    - verifying delivery of services; ie. signed bus pass log;
- Train staff- staff will receive pertinent training at the following planned training activities during 2018:
    - Supervisory Institute; May 15-17, 2018

Anticipated Completion Date:

December 2018

THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	State Education Department
Single Audit Contact:	Thalia Melendez
Title:	Director
Telephone:	518-473-4516
E-mail:	Thalia.Melendez@nysed.gov
Federal Program(s) (CFDA # [s]):	School Improvement Grants Cluster School Improvement Grants (84.377)
Audit Report Reference:	2017-019

Corrective Action Planned:

Step 1: The Office of Innovation and School Reform (OISR) developed both a written Risk Analysis Process and a written Fiscal Review Process that was put in place in the spring of 2017. Both processes have been uniformly put in place for the 2017-18 school year as part of School Improvement Grant 1003(g) monitoring.

Step 2: The Office of Innovation and School Reform fiscal review process will be updated to ensure that SIG-funded schools are in compliance with federal requirements of the grant and will ensure that these monitoring activities are uniformly applied to all grant recipients. In addition, the Office of Innovation and school reform will maintain documented evidence of monitoring activities for all grant recipients.

Step 3: The OISR will immediately consult with NYSED's Title I Office to determine how to improve risk-based decision-making and application of U.S. Code of Federal Regulations Part 200 (2 CFR 200) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements,* section 200.331 (b). The OISR will include factors such as the ones recommended above: "the subrecipient's prior experience with the same or similar sub-awards, the results of previous audits including whether or not the subrecipient receives a Single Audit, whether the subrecipient has new personnel or new or substantially changed systems; and the extent and results of Federal awarding agency monitoring."

Step 4: The OISR will adopt the NYSED Title I Office's indicator, included in their Targeted Monitoring Protocol, to evaluate an LEA's implementation of Single Audit Corrective Action Plans (where applicable).

Anticipated Completion Date:

Step 1 is already underway. All remaining steps in the corrective action plan will be in place by December 30, 2017. Fiscal and programmatic activities will be on-going.

THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	State Education Department
Single Audit Contact:	Thalia Melendez
Title:	Director
Telephone:	518-473-4516
E-mail:	Thalia.Melendez@nysed.gov
Federal Program(s) (CFDA # [s]):	School Improvement Grants Cluster: School Improvement Grants (84.377)
Audit Report Reference:	2017-020

Corrective Action Planned:

In the spring of 2017, the Office of Innovation and School Reform (OISR) re-structured its process for review of sub-awards to LEAs to ensure “compliance with allowability, eligibility, and suspension and debarment in accordance with program regulations”. Each sub-award was reviewed by two Department staff members and evidence of that review has been kept on file and will be available for review. In addition, all newly created review process documents were shared with KPMG.

Additionally, all suspension and debarment certifications are now on file and are available for review.

Anticipated Completion Date:

The Corrective Action Plan is already in place.

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NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	State Education Department
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Telephone:	518-473-4516
E-mail:	Thalia.Melendez@nysed.gov
Federal Program(s) (CFDA # [s]):	School Improvement Grants (84.377) Career and Technical Education – Basic Grants to States (Perkins IV) (84.048)
Audit Report Reference:	2017-021

Response to Change Management – Segregation of Incompatible Duties Corrective Action Planned:

As of August 2017, a Mantis ticket is created monthly listing all the tickets that were closed out in the previous month. This ticket is assigned to a manger to review and verify they were correctly implemented.

Anticipated Completion Date:

The Change Management process requiring a manager to review all requests that moved into production each month was implemented in August 2017.

Response to Periodic Review of User Access Corrective Action Planned:

NYSED ISO policies will be modified to specify that a review of Active Directory user accounts be conducted at least on an annual basis. A corresponding procedure will be developed to specify the process to be used for that review. At minimum, this review will consist of exporting all users from Active Directory by program area. These user lists and associated group memberships will be provided to the Director of Operations for each program area, who will note any users that need to be deactivated or permissions that require adjusting due to internal changes of responsibility.

Anticipated Completion Date:

Policy and procedural changes and the initial annual review are anticipated to be completed by March 31, 2018.

THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

Thalia J. Melendez
Director
Office of Audit Services
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NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	State Education Department
Single Audit Contact:	Thalia Melendez
Title:	Director
Telephone:	518-473-4516
E-mail:	Thalia.Melendez@nysed.gov
Federal Program(s) (CFDA # [s]):	Career and Technical Education – Basic Grants to States (Perkins IV) (84.048) Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Audit Report Reference:	2017-022

Corrective Action Planned:

SED will modify its annual reporting process to only include subrecipients in the annual SEFA report and the process will include multiple reviews to ensure accuracy.

Anticipated Completion Date:

12/31/17

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency: Housing Trust Fund Corporation

Single Audit Contact: Michael DeMarco

Title: Director of Internal Audit

Telephone: 518-473-8443

E-mail: Michael.deMarco@nyshcr.org

Federal Program(s) (CFDA # [s]): Community Development Block Grant State's Program and Non-Entitlement Grants in Hawaii (14.228)

Audit Report Reference: 2017- 023

Corrective Action Planned:

OCR continues to review internal policies and procedures to address the receipt and expenditure of program income received by units of local government and sub-recipients. OCR has developed three scenarios to satisfy the program income requirements.

- Require units of local governments (UGLGs) to return both on-hand and future program income.
- Require that any program income received after a future date, to be determined, be returned to the Agency's Office of Community Renewal.
- Rework the programs to reduce opportunities for UGLGs to collect program income.

These scenarios will soon be presented to the Agency's Executive Team. Once a preferred alternative is selected, OCR staff will move towards implementation.

Anticipated Completion Date:

An estimated implementation timeframe is dependent on the implementation scenario ultimately chosen. It is expected that full implementation will take more than one year but expected to be completed by December 2019.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	Housing Trust Fund Corporation
Single Audit Contact:	Michael DeMarco
Title:	Director of Internal Audit
Telephone:	518-473-8443
E-mail:	Michael.deMarco@nyshcr.org
Federal Program(s) (CFDA # [s]):	Community Development Block Grant State's Program and Non-Entitlement Grants in Hawaii (14.228)
Audit Report Reference:	2017-024

Corrective Action Planned:

In December 2016, upon learning of the finding regarding the CFDA number, OCR immediately changed the related policy and procedure. The policy was changed to include the CFDA and related information within the cover letter for all newly executed grant agreements funded with NYS CDBG funds. To ensure compliance, on November 7, 2017, OCR sent a letter to the entire existing CDBG portfolio communicating and containing the required CFDA information.

Anticipated Completion Date:

Corrective action was completed November 7, 2017.

THOMAS P. DiNAPOLI
STATE COMPTROLLER

110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency: Office of the State Comptroller

Single Audit Contact: Deborah J. Hilson

Title: Executive Director

Telephone: 518-486-1234

E-mail: dhilson@osc.state.ny.us

Federal Program(s) (CFDA # [s]): Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (14.269)

Audit Report Reference: 2017-025

Corrective Action Planned:

To help ensure that the State agencies and component units included in the New York State SEFA properly report to the Office of the State Comptroller the expenditures passed-through to subrecipients, the Office of the State Comptroller plans to:

- Review and enhance the instructions provided that explain how passed-through expenditures should be reported, including eliminations.

- Make available reference material of all entities included in the State's SEFA to enhance component units reporting.

Anticipated Completion Date:

April 15, 2018

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	Department of Health
Single Audit Contact:	Diane Christensen
Title:	Director of Audit Services
Telephone:	518-473-3920
E-mail:	diane.christensen@health.ny.gov
Federal Program(s) (CFDA # [s]):	Medicaid Cluster: State Medicaid Fraud Control Unit (93.775), State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare (93.777), Medicaid Assistance Program (93.778)
Audit Report Reference:	2017-026

Corrective Action Planned:

DOH staff will review financial claims payment history in eMedNY before terminating a provider with a status 17 (voluntary termination.) If a claims payment search shows that the provider has submitted claims after the effective date they are requesting in the termination letter, staff will outreach to the provider and request a revised letter listing a termination date after the provider has stopped billing.

If the provider states that they have not billed after the effective date of the termination, DOH will explain to the provider that we will refer to OMIG to investigate and end date the provider using the effective date listed on the original request.

Since the outcome of this audit, we have instructed staff processing the terminations to follow this procedure, and trained them on how to use the financial claims payment function.

Anticipated Completion Date:

Implemented.

NEW YORK STATE OF OPPORTUNITY. | Department of Health

ANDREW M. CUOMO
Governor

HOWARD A. ZUCKER, M.D., J.D.
Commissioner

SALLY DRESLIN, M.S., R.N.
Executive Deputy Commissioner

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2017

State Agency:	Department of Health
Single Audit Contact:	Diane Christensen
Title:	Director of Audit Services
Telephone:	518-473-3920
E-mail:	diane.christensen@health.ny.gov
Federal Program(s) (CFDA # [s]):	Medicaid Cluster: State Medicaid Fraud Control Unit (93.775), State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare (93.777), Medicaid Assistance Program (93.778)
Audit Report Reference:	2017-027

Corrective Action Planned:

At the time of KPGM's audit, it was identified there may have been missing rebate invoices totaling $123 M. These missing invoices were associated with Health and Recovery Plans (HARP). The State reviewed its invoicing procedures and found that the HARP was excluded in the invoice process because HARP was a new line of business. We have since retroactively corrected the invoices to include HARP's, and to date, collected 90% of the $123 M identified. The State has also implemented changes to the invoicing program to include this line of business. Additionally. the State has met with all program areas to ensure clear and concise communication between them and the rebate bureau to prevent this from happening in the future.

Anticipated Completion Date:

Implemented.

NEW YORK STATE OPPORTUNITY. Department of Health

ANDREW M. CUOMO
Governor

HOWARD A. ZUCKER, M.D., J.D.
Commissioner

SALLY DRESLIN, M.S., R.N.
Executive Deputy Commissioner

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2017

State Agency:	Department of Health
Single Audit Contact:	Diane Christensen
Title:	Director of Audit Services
Telephone:	518-473-3920
E-mail:	diane.christensen@health.ny.gov
Federal Program(s) (CFDA # [s]):	Basic Health Program (Affordable Care Act) (93.640)
Audit Report Reference:	2017-028

Corrective Action Planned:

The Department will update its internal cash monitoring processes for BHP, so that all Trust Fund charges will be based on a one-to-one relationship with claimable amounts as reflected in its weekly BHP funding reports.

Anticipated Completion Date:

12/31/17

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	Department of Health
Single Audit Contact:	Diane Christensen
Title:	Director of Audit Services
Telephone:	518-473-3920
E-mail:	diane.christensen@health.ny.gov
Federal Program(s) (CFDA # [s]):	Basic Health Program (Affordable Care Act) (93.640)
Audit Report Reference:	2017-029

Corrective Action Planned:

An eMedNY Evolution Project has been proposed for this error by the Department's Eligibility staff, and has been submitted for internal review. The exact timeframe of implementation has yet to be determined. The proposed EP would correct all claims in error in eMedNY going back to the beginning of the error period. Once this correction EP is submitted, the Department's weekly BHP number (fundable amount) for cycle charging would be reduced by the correction amount on whatever cycle that the EP is processed. If for whatever reason the value of the credit to BHP exceeds the value of regular claims for that cycle, the Department (FMG) would coordinate with DOB and OSC with regard to how to process that week's cycle in the SFS.

Anticipated Completion Date:

12/31/18

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	Department of Health
Single Audit Contact:	Diane Christensen
Title:	Director of Audit Services
Telephone:	518-473-3920
E-mail:	diane.christensen@health.ny.gov
Federal Program(s) (CFDA # [s]):	Basic Health Program (Affordable Care Act) (93.640)
Audit Report Reference:	2017-030

Corrective Action Planned:

The Department (DOH) is planning to correct this issue through an eMedNY project that will also be correcting other BHP reporting issues relating to how program recoveries are reflected in weekly BHP funding reports. DOH Fiscal Management Group (FMG) staff have begun discussions with Office of Health Insurance Program (OHIP) Systems staff on how to confirm what eMedNY changes are needed for these corrections to occur. DOH has determined that the fiscal impact of this issue is minor to date ($600 since 4/1/15) but that the impact of the additional recovery issue is more substantial ($2.2 M during SFY 2016-17 and $2.0 M during SFY 2017-18). Since additional time is needed to determine the scope and timeframe required for the eMedNY project, the Department will process offline corrections to account for the amount remaining in Escrow (and any associated interest) by December 2017. The Department will also make periodic adjustments as needed during the interim period (until the project is implemented).

Anticipated Completion Date:

Implemented.

NEW YORK STATE OF OPPORTUNITY. | Department of Health

ANDREW M. CUOMO
Governor

HOWARD A. ZUCKER, M.D., J.D.
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SALLY DRESLIN, M.S., R.N.
Executive Deputy Commissioner

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	Department of Health
Single Audit Contact:	Diane Christensen
Title:	Director of Audit Services
Telephone:	518-473-3920
E-mail:	diane.christensen@health.ny.gov
Federal Program(s) (CFDA # [s]):	Maternal and Child Health Services Block Grant (93.994)
Audit Report Reference:	2017-031

Corrective Action Planned:

We acknowledge the specific discrepancies discovered during audit sampling; we know the current process is imperfect, it has been a temporary solution while developing a replacement for the Clearinghouse's obsolete system. The Clearinghouse system in development should correct the errors identified.

Progress continues with the new system build with design now fundamentally complete. Coding is ongoing and template designs are nearly finished. We expect a working prototype for testing will be available within 90 days. Meanwhile, the previously established stop-gap measures will continue. When the new system is in place, there will still be an 18-month delay in full compliance due to timing of subrecipient fiscal years.

Anticipated Completion Date:

12/31/19

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	Department of Health
Single Audit Contact:	Diane Christensen
Title:	Director of Audit Services
Telephone:	518-473-3920
E-mail:	diane.christensen@health.ny.gov
Federal Program(s) (CFDA # [s]):	Maternal and Child Health Services Block Grant (93.994)
Audit Report Reference:	2017-032

Corrective Action Planned:

The Department will immediately begin to process all federal funded transactions as "pay now" which will comply with the audit recommendations to ensure all federal funded transactions processed occur within two days prior to payment to the subrecipient. Full compliance with this new procedure should occur by December 31, 2017.

Anticipated Completion Date:

12/31/17

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2017

State Agency:	Department of Health
Single Audit Contact:	Diane Christensen
Title:	Director of Audit Services
Telephone:	518-473-3920
E-mail:	diane.christensen@health.ny.gov
Federal Program(s) (CFDA # [s]):	Maternal and Child Health Services Block Grant (93.994)
Audit Report Reference:	2017-033

Corrective Action Planned:

The Department will enhance its internal controls to improve the completeness and accuracy of the amounts reported on the Sub-Schedule of Expenditures of Federal Awards by requiring program staff to continuously monitor their Aid-to-Localities payments made to vendors or other non-subrecipient entities. At the time of the annual review of the draft Sub-Schedule prepared by OSC, program staff will confirm that all Aid-to-Localities expenditures during the State fiscal year can be properly classified as payments to subrecipients or provide documentation otherwise, including the identification of any payments made to vendors through local assistance. Following review of monitoring methods with program staff, this will be implemented by December 1, 2017.

Anticipated Completion Date:

12/1/17

STATE OF NEW YORK

PRIOR YEAR FINDING SUMMARY

FOR THE YEAR ENDED MARCH 31, 2017

Andrew M. Cuomo, Governor

Robert F. Mujica Jr., Budget Director

Status of State Fiscal Year 2016-2017 Single Audit Findings
For the State Fiscal Year Ended March 31, 2017

Compiled in December 2017 by the New York State Division of the Budget

Pursuant to Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

STATE OF NEW YORK
Prior Year Finding Summary
March 31, 2017

Reference	Finding	State Agency	Status	Contact Person
2015-006	FFATA reporting	State Education Department	Corrected	Thalia Melendez
2015-009	Return of Title IV funds	State University of New York	Corrected	Michael Abbott
2015-010	Enrollment verification	State University of New York	Corrected	Michael Abbott
2015-011	Financial reporting	Office of Temporary and Disability Assistance	Corrected	Kathleen Murphy
2015-013	Financial reporting	Office of Temporary and Disability Assistance	Corrected	Kathleen Murphy
2015-014	Monitoring of subrecipients	Office of Children and Family Services	Partially corrected- See finding 2017-011	Daniel Duffy
2015-015	FFATA reporting	Office of Children and Family Services	Corrected	Daniel Duffy
2015-016	Earmarking	Office of Children and Family Services	Not Corrected	Daniel Duffy
2015-017	Special Tests - Payment Rate Setting and Application	Office of Children and Family Services	Not corrected. See finding 2017 - 012	Daniel Duffy
2015-018	Special Tests - Fraud Detection and Repayment	Office of Children and Family Services	Corrected	Daniel Duffy
2015-019	Financial reporting	Office of Children and Family Services	Not Corrected	Daniel Duffy
2015-020	Monitoring of subrecipients	Department of Health	Partially corrected	Diane Christensen
2015-022	Allowable costs	Department of Health	Partially corrected	Diane Christensen
2015-027	Special Tests - Control, accountability, and safeguarding of vaccine	Department of Health	Partially corrected	Diane Christensen
2015-028	Maintenance of effort	Office of Alcoholism and Substance Abuse Services	Corrected	Steven Shrager
2015-029	Monitoring of subrecipients	Office of Alcoholism and Substance Abuse Services	Corrected	Steven Shrager
2015-034	FFATA reporting	Housing Trust Fund Corporation	Corrected	Michael DeMarco
2015-038	Monitoring of subrecipients	Division of Homeland Security and Emergency Services	Corrected	Shelley Wahrlich
2015-039	FFATA reporting	Division of Homeland Security and Emergency Services	Corrected	Susan A. Picarillo
2015-040	FFATA reporting	Department of Environmental Conservation	Corrected	Indu Singh
2015-041	FFATA reporting	Department of Transportation	Corrected	Theresa Vottis

STATE OF NEW YORK
Prior Year Finding Summary
March 31, 2017

2016-001	FFATA reporting	State Education Department	Partially corrected	Thalia Melendez
2016-002	Monitoring of subrecipients	State Education Department	Corrected	Thalia Melendez
2016-003	Monitoring of subrecipients	State Education Department	Partially corrected - See finding 2017-019	Thalia Melendez
2016-004	Suspension and debarment	State Education Department	Partially corrected - See finding 2017-020	Thalia Melendez
2016-005	Monitoring of subrecipients	State Education Department	Partially corrected	Thalia Melendez
2016-006	Eligibility	Office of Children and Family Services	Partially corrected- See finding 2017-016	Daniel Duffy
2016-007	Allowable costs	Office of Children and Family Services	Corrected	Daniel Duffy
2016-008	Other	State Education Department	Partially corrected- See finding 2017-021	Thalia Melendez
2016-009	Financial reporting	Office of Temporary and Disability Assistance	Corrected as of 12/31/16	Kathleen Murphy
2016-010	Allowable costs	Office of Temporary and Disability Assistance	Partially corrected	Kathleen Murphy
2016-011	Allowable costs	Office of Children and Family Services	Not Corrected	Daniel Duffy
2016-012	Monitoring of subrecipients	Office of Children and Family Services	Corrected	Daniel Duffy
2016-013	Monitoring of subrecipients	Office of Children and Family Services	Not Corrected	Daniel Duffy
2016-014	Monitoring of subrecipients	Office of Children and Family Services	Corrected	Daniel Duffy
2016-015	Cash management	Office of Children and Family Services	Corrected	Daniel Duffy
2016-016	Financial reporting	Office of Children and Family Services	Corrected	Daniel Duffy
2016-017	Earmarking	Office of Children and Family Services	Corrected	Daniel Duffy
2016-018	Monitoring of subrecipients	Office of Children and Family Services	Corrected	Daniel Duffy
2016-019	Allowable costs	Department of Health	Corrected	Diane Christensen
2016-020	Special Tests - Inpatient hospital and long-term care facility audits	Department of Health	Corrected	Diane Christensen
2016-021	Suspension and debarment Monitoring of subrecipients	Department of Health	Corrected	Diane Christensen
2016-022	Allowable costs	Department of Health	Corrected	Diane Christensen

2016-023	Monitoring of subrecipients	Housing Trust Fund Corporation	Corrected	Michael DeMarco
2016-024	Financial reporting	Housing Trust Fund Corporation	Corrected	Michael DeMarco
2016-025	Monitoring of subrecipients	Housing Trust Fund Corporation	Partially corrected- See finding 2017-024	Michael DeMarco
2016-026	Program income	Housing Trust Fund Corporation	Partially corrected- See finding 2017-023	Michael DeMarco
2016-027	Cash management	Housing Trust Fund Corporation	Partially corrected	Cassiah Ward
2016-028	Monitoring of subrecipients	Housing Trust Fund Corporation	Corrected	Cassiah Ward
2016-029	Financial reporting	Housing Trust Fund Corporation	Partially corrected	Cassiah Ward
2016-030	Financial reporting	Division of Homeland Security and Emergency Services	Corrected	Susan A. Picarillo
2016-031	SEFA Subschedule	Department of Transportation	Corrected	Theresa Vottis

THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

Thalia J. Melendez
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2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: State Education Department

Single Audit Contact: Thalia Melendez

Title: Director

Telephone: 518-473-4516

E-mail Address: Thalia.Melendez@nysed.gov

Prior-Year Audit Report Page Reference: B-10

Prior-Year Finding Number: 2015-006

Status Report on Prior-Year Finding:

The Child Nutrition Program Administration (CNPA) routinely reviews controls, USDA guidance and procedures for completing the required FFATA reporting. CNPA has a designated employee that is responsible for filing all federal reports including the FFATA reports for the CN Cluster. CNPA also participates in quarterly meetings with Fiscal Management and Support Services to review protocols/ guidelines to ensure CNPA is meeting all federal FFATA reporting requirements.

Effective October 1, 2014, the Department began reporting subcontractor sub awards equal to or greater than $25,000 on the FFATA Sub award Reporting System (FRPS) for subcontracts receiving equal to or greater than $25,000 in federal Child Nutrition funds that had valid DUNS numbers registered on SAMS.

Effective April 1, 2015, the Department began reporting subcontractor sub awards equal to or greater than $25,000 on the FFATA Sub award Reporting System (FRPS) for 100 percent of subcontracts receiving equal to or greater than $25,000 in federal Child Nutrition funds.

The State University of New York

Office of the University Auditor

State University Plaza
Albany, New York 12246

www.suny.edu

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: State University of New York

Single Audit Contact: Michael Abbott

Title: University Auditor

Telephone: 518-320-1533

E-mail Address: Michael.Abbott@suny.edu

Prior-Year Audit Report Page Reference: B-13

Prior-Year Finding Number: 2015-009

Status Report on Prior-Year Finding:

The finding was fully corrected in the 2015-16 year.

The State University of New York

Office of the University Auditor

State University Plaza
Albany, New York 12246

www.suny.edu

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: State University of New York

Single Audit Contact: Michael Abbott

Title: University Auditor

Telephone: 518-320-1533

E-mail Address: Michael.Abbott@suny.edu

Prior-Year Audit Report Page Reference: B-14

Prior-Year Finding Number: 2015-010

Status Report on Prior-Year Finding:

The finding was fully corrected in the 2015-16 year.

NEW YORK STATE | Office of Temporary and Disability Assistance

ANDREW M. CUOMO
Governor

SAMUEL D. ROBERTS
Commissioner

BARBARA C. GUINN
Executive Deputy Commissioner

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Office of Temporary and Disability Assistance

Single Audit Contact: Kathleen Murphy

Title: Management Specialist 3

Telephone: 518-473-7159

E-mail Address: Kathleen.Murphy@otda.ny.gov

Prior-Year Audit Report Page Reference: B-15

Prior-Year Finding Number: 2015-011

Status Report on Prior-Year Finding:

There are no updates to this finding. The finding occurred due to the transition to a new EBT vendor, Xerox. Procedures are now in place to accommodate Xerox's data terminology.

NEW YORK STATE | Office of Temporary and Disability Assistance

ANDREW M. CUOMO
Governor

SAMUEL D. ROBERTS
Commissioner

BARBARA C. GUINN
Executive Deputy Commissioner

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Office of Temporary and Disability Assistance

Single Audit Contact: Kathleen Murphy

Title: Management Specialist 3

Telephone: 518-473-7159

E-mail Address: Kathleen.Murphy@otda.ny.gov

Prior-Year Audit Report Page Reference: B-17

Prior-Year Finding Number: 2015-013

Status Report on Prior-Year Finding:

BFS Response: BFS reconciled the amounts reported on the FFY2016 ACF-204 to the final FFY2016 ACF-196R.

NEW YORK STATE | Office of Children and Family Services

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Office of Children and Family Services

Single Audit Contact: Daniel Duffy

Title: Principal Accountant, Office of Audit & Quality Control

Telephone: 518-473-4770

E-mail Address: Daniel.Duffy@ocfs.ny.gov

Prior-Year Audit Report Page Reference: B-18

Prior-Year Finding Number: 2015-014

Status Report on Prior-Year Finding:

The Office of Audit and Quality Control (AQC) has updated its procedures to contact all subrecipients to capture single audit reports for all subrecipients required to obtain a single audit. In addition, AQC requires those subrecipients that are not required to obtain a single audit to certify as such. AQC has begun tracking whether OCFS programs have been identified as a major program in subrecipient single audit reports. AQC will be providing this information to other OCFS staff to be used for subrecipient risk assessment and monitoring purposes.

Office of Children and Family Services

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Office of Children and Family Services

Single Audit Contact: Daniel Duffy

Title: Principal Accountant, Office of Audit & Quality Control

Telephone: 518-473-4770

E-mail Address: Daniel.Duffy@ocfs.ny.gov

Prior-Year Audit Report Page Reference: B-20

Prior-Year Finding Number: 2015-015

Status Report on Prior-Year Finding:

OCFS has implemented the corrective action plan and OCFS has fully corrected this finding.

NEW YORK STATE | Office of Children and Family Services

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Office of Children and Family Services

Single Audit Contact: Daniel Duffy

Title: Principal Accountant, Office of Audit & Quality Control

Telephone: 518-473-4770

E-mail Address: Daniel.Duffy@ocfs.ny.gov

Prior-Year Audit Report Page Reference: B-21

Prior-Year Finding Number: 2015-016

Status Report on Prior-Year Finding:

The Office of Audit and Quality Control (AQC) has begun tracking whether OCFS programs have been identified as a major program in subrecipient single audit reports. AQC will be providing this information to other OCFS staff to be used for subrecipient risk assessment and monitoring purposes.

Office of Children and Family Services

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Office of Children and Family Services

Single Audit Contact: Daniel Duffy

Title: Principal Accountant, Office of Audit & Quality Control

Telephone: 518-473-4770

E-mail Address: Daniel.Duffy@ocfs.ny.gov

Prior-Year Audit Report Page Reference: B-22

Prior-Year Finding Number: 2015-017

Status Report on Prior-Year Finding:

This finding is similar to a current year finding and will be covered by that corrective action plan. See finding number 2017-012 for the corrective action plan.

NEW YORK STATE | Office of Children and Family Services

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Office of Children and Family Services

Single Audit Contact: Daniel Duffy

Title: Principal Accountant, Office of Audit & Quality Control

Telephone: 518-473-4770

E-mail Address: Daniel.Duffy@ocfs.ny.gov

Prior-Year Audit Report Page Reference: B-24

Prior-Year Finding Number: 2015-018

Status Report on Prior-Year Finding:

OCFS has implemented the corrective action plan and OCFS has fully corrected this finding.

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Office of Children and Family Services

Single Audit Contact: Daniel Duffy

Title: Principal Accountant, Office of Audit & Quality Control

Telephone: 518-473-4770

E-mail Address: Daniel.Duffy@ocfs.ny.gov

Prior-Year Audit Report Page Reference: B-25

Prior-Year Finding Number: 2015-019

Status Report on Prior-Year Finding:

OCFS has taken the following steps designed to address this finding:

- OCFS received a penalty regarding the collection and reporting the National Youth Transition Database (NYTD) information. OCFS did not survey the baseline group for first reporting period (2011A) for the first cohort. While all standards were met in the 2015A report for all data elements outside of those involving the Cohort 1 baseline survey population (stemming from the 2011A file), OCFS was unable to report on the first baseline group since we did not do the initial survey. (i.e., the follow-up population is those who took the survey at age 17, so we had zero youth in the follow-up population.) OCFS previously lost an appeal to the Departmental Appeals Board (DAB Decision number 2483) about failure to report an entire category of data for the first cohort.
- Since OCFS only needed to follow the first cohort until they turn age 21, (they were all age 17 in the 2011A report four years ago) and we did survey the 2011B group {so there is a baseline group for any additional follow-up surveys}, OCFS does not anticipate any further penalties of this nature in the future.
- For the FFY 2017A (the most recent submission) the penalty was at 0% compared to as high as 2.5% in some submissions as outlined above. This is due to two factors. First, OCFS has made improvements to the data collection mechanisms.

Second, given the survey component only covered a baseline, there were no penalties associated with tracking discharged youth.

NEW YORK STATE OF OPPORTUNITY. | Department of Health

ANDREW M. CUOMO
Governor

HOWARD A. ZUCKER, M.D., J.D.
Commissioner

SALLY DRESLIN, M.
Executive Deputy Co

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Department of Health

Single Audit Contact: Diane Christensen

Title: Director of Audit Services

Telephone: 518-473-3920

E-mail Address: Diane.Christensen@health.ny.gov

Prior-Year Audit Report Page Reference: B-26

Prior-Year Finding Number: 2015-020

Status Report on Prior-Year Finding:

This finding will be alleviated after a replacement for the Clearinghouse's obsolete system is put into operation. Progress continues with the new system build with design now fundamentally complete. Coding is ongoing and template designs are nearly finished. It is expected that a working prototype for testing will be available within 90 days. Meanwhile, the previously established stop-gap measures will continue.

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Department of Health

Single Audit Contact: Diane Christensen

Title: Director of Audit Services

Telephone: 518-473-3920

E-mail Address: Diane.Christensen@health.ny.gov

Prior-Year Audit Report Page Reference: B-28

Prior-Year Finding Number: 2015-022

Status Report on Prior-Year Finding:

The Department continues to work with the Centers for Medicare and Medicaid Services (CMS). As requested by CMS in 2013, abortion costs are currently removed on a quarterly (as opposed to annual) basis via the CMS 21 report. In 2014, the Department began working with CMS at its request to develop a cost-based methodology to remove the costs via the CMS-21 reports. A proposal was submitted to CMS on October 27, 2014 and additional information was provided on February 27, 2015 in response to their questions. In 2016, CMS abandoned its previous request and asked the Department to look into removing the costs from the per member per month premium (PMPM) paid to the Child Health Plus (CHPlus) health plans. In response, the Department notified CMS that creating a fee-for-service component or another PMPM to separately pay for abortion services was not feasible because of the significant resources it would take to implement such major changes to the program. After researching alternatives, the Department developed a front-end approach that will accomplish CMS' most recent request to implement a different process that continues to ensure that only State dollars are used to pay for abortion services. This approach was presented to CMS in September 2017.

NEW YORK STATE OF OPPORTUNITY. | Department of Health

ANDREW M. CUOMO
Governor

HOWARD A. ZUCKER, M.D., J.D.
Commissioner

SALLY DRESLIN, M.
Executive Deputy Cor

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Department of Health

Single Audit Contact: Diane Christensen

Title: Director of Audit Services

Telephone: 518-473-3920

E-mail Address: Diane.Christensen@health.ny.gov

Prior-Year Audit Report Page Reference: B-33

Prior-Year Finding Number: 2015-027

Status Report on Prior-Year Finding:

The CDC requires all VFC providers to be visited once every 24 months (“bi-annual”). The NYS VFC Program is now utilizing the Provider Education Assessment and Reporting (PEAR) system as the gold standard for tracking compliance with required site visits. The CDC added functionality in 2016 to more easily monitor ‘months since last visit’ on the 24-month visit cycle. The Program no longer utilizes the Vaccine Tracking System (VtrckS) as a tool for tracking visits, only as a system for keeping provider address and contact information current. While the Bureau of Immunization still distributes a list of VFC providers to the Department regional staff to help schedule site visits, all regional staff have access to PEAR and the 24-month monitoring flags included in PEAR. This system is monitored routinely by all staff, with additional periodic reminders and updates.

ANDREW M. CUOMO
Governor
ARLENE GONZÁLEZ-SÁNCHEZ, M.S., L.M.S.W.
Commissioner

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Office of Alcoholism and Substance Abuse Services

Single Audit Contact: Steven J. Shrager

Title: Director of Audit Services and Internal Audit

Telephone: 518-485-2255

E-mail Address: Steven.Shrager@oasas.ny.gov

Prior-Year Audit Report Page Reference: B-34

Prior-Year Finding Number: 2015-028

Status Report on Prior-Year Finding:

On April 27, 2015 OASAS wrote to SAMHSA requesting a waiver from the existing requirements for the HIV Early Intervention Services (HIV EIS) set-aside and the TB MOE because the original benchmarks, that were first established in the early 1990's, were no longer applicable or attainable. In advance of receiving a response, and with consideration of the changed environment with respect to needed services, on October 19, 2015, OASAS issued an RFP in connection with the HIV Early Intervention Services. This process led to the May 5, 2016 awarding of contracts to the selected providers.

With two separate letters dated January 24, 2017, SAMSHA offered the following opinion as it pertains to OASAS' above referenced waiver request (full documents attached).

As it pertains to the HIV EIS issue, while they were unable to grant a waiver, SAMHSA noted that "the state supplied sufficient information to make a determination regarding compliance with the HIV EIS set-aside requirement and the state's request for a waiver." They went on to say "While SAMHSA is unable to grant a waiver, this letter will serve as notice to the state that, based on the information provided, such as its corrective action plan and documentation on reducing the new number of HIV infection and AIDs cases for the population in general for injection drug users in particular, SAMHSA has determined that circumstances presented by the state demonstrate an intent to comply with the requirement. Therefore, SAMHSA has decided that enforcement action is not necessary at this time.

As it pertains to the TB MOE issue, SAMHSA offered similar language to the HIV issues when they stated, “while SAMHSA is unable to grant a waiver, this letter will serve as notice to the state that, based on the information provided, SAMHSA has determined that circumstances presented by the state demonstrate intent to comply with the requirement. Therefore, SAMHSA has decided that enforcement action is not necessary at this time.”

Lastly, SAMHSA recently advised that New York State would no longer be a Designated State for HIV EIS. Therefore, the state will no longer be required to expend 5% of SAPT Block Grant funds on HIV EIS. The advisement was provided verbally and SAMHSA will issue written correspondence in the near future. It is anticipated that the effective period of this determination is FFY 2018.

Office of Alcoholism and Substance Abuse Services

ANDREW M. CUOMO
Governor

ARLENE GONZÁLEZ-SÁNCHEZ, M.S., L.M.S.W.
Commissioner

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Office of Alcoholism and Substance Abuse Services

Single Audit Contact: Steven J. Shrager

Title: Director of Audit Services and Internal Audit

Telephone: 518-485-2255

E-mail Address: Steven.Shrager@oasas.ny.gov

Prior-Year Audit Report Page Reference: B-35

Prior-Year Finding Number: 2015-029

Status Report on Prior-Year Finding:

The current process in place to ensure accuracy is as follows: In late spring, our Fiscal Audit and Review Unit (FARU) requests OASAS' Budget Management to provide an Excel file of the final budget amounts (for the prior fiscal year) of all providers receiving Direct and Allocated Federal SAPT Grant money to ITS. ITS downloads the file into the Single Audit section of Fiscal Applications. FARU then verifies that ITS has completed the download by comparing the total amount of Federal money budgeted with the amount that is downloaded.

After further research it became evident that the cause of this finding that resulted in two providers being omitted from the listing was that the Excel file provided for the year being audited contained information derived from the initial and not final budgeted amounts. The two providers that could not be found had submitted their budgets at some point after the initial budgets had been processed. Therefore, when the audit was conducted, neither was included in the presentation. Had the report correctly used the final budgeted amounts from the prior fiscal year and not the initial budgeted amounts, there would not have been any discrepancy.

NEW YORK STATE OF OPPORTUNITY. | Homes and Community Renewal | Housing Trust Fund Corporation

ANDREW M. CUOMO
Governor

RUTHANNE VISNAUSKAS
Commissioner/CEO

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Housing Trust Fund Corporation

Single Audit Contact: Michael DeMarco

Title: Director of Internal Audit

Telephone: 518-473-8443

E-mail Address: Michael.Demarco@nyshcr.org

Prior-Year Audit Report Page Reference: B-40

Prior-Year Finding Number: 2015-034

Status Report on Prior-Year Finding:

As detailed in the Corrective Action Plan, HOME Local has developed internal procedures to ensure and track the issuance of all future sub awards in the Federal Sub Award Reporting System (FSRS). HOME Local also updated its contract execution checklist to include a requirement to register the award in FSRS. The addition of this step in the process will ensure compliance in reporting in the FSRS System. This step will be completed immediately after contract execution and no later than 30 days after the commitment of funds.

HOME Local has had difficulty changing the pre-populated award information in the FSRS system and therefore has been unable to report awards as yet.

For example, it was found that the system did not contain correct grantee information, DUNS numbers, and in some instances, did not have the Federal Grant Award ID entered. We have been working with HUD to address these issues since February of this year to update and correct FSRS data. HUD and our regional CPD Representative are responsible for setting up information in FSRS so the State is able to report sub awards. This information pre-populates the fields automatically.

HOME Local has had extensive and frequent communication with our regional CPD representative since February of this year to complete set-up and corrections to FSRS data. Also, some of the system changes made by HUD did not hold and required revisiting. HOME Local has completed the required set-up in FSRS and has been reporting sub awards in the FSRS System. Corrective action has been implemented.

NEW YORK STATE | Homeland Security and Emergency Services

ANDREW M. CUOMO
Governor

ROGER L. PARRINO, SR.
Commissioner

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Division of Homeland Security and Emergency Services

Single Audit Contact: Shelley Wahrlich

Title: Director of Grants Program Administration

Telephone: 518-402-2123

E-mail Address: Shelley.Wahrlich@dhses.ny.gov

Prior-Year Audit Report Page Reference: B-44

Prior-Year Finding Number: 2015-038

Status Report on Prior-Year Finding:

The New York State Division of Homeland Security and Emergency Services (the Division) continues to implement the sanction policy for noncompliance with the terms and conditions of the contract with the Division and applicable federal and/or state statutes, regulations, assurances, applications, and notices of award.

The Division conducts pre-sanction phone calls on a regular basis to subrecipients who are noncompliant with the single audit reporting requirements. Sanction status notices are issued to subrecipients who remain noncompliant.

The subrecipient's noncompliance and sanction status are two of the measures used in their risk assessment and selection for onsite monitoring visits.

Homeland Security and Emergency Services

ANDREW M. CUOMO
Governor

ROGER L. PARRINO, SR.
Commissioner

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Division of Homeland Security and Emergency Services

Single Audit Contact: Susan A. Picarillo

Title: Director for Disaster Recovery Finance

Telephone: 518-292-2324

E-mail Address: Susan.Mutch@dhses.ny.gov

Prior-Year Audit Report Page Reference: B-45

Prior-Year Finding Number: 2015-039

Status Report on Prior-Year Finding:

The attached Guidance and Project Plan is the "Standard Operating Procedure" to ensure compliance with FFATA requirements. DHSES is waiting for FEMA to forward reports from the federal NEMIS database system in order to complete the comprehensive implementation of this policy.

NEW YORK STATE DEPARTMENT OF ENVIRONMENTAL CONSERVATION

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www.dec.ny.gov

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Department of Environmental Conservation

Single Audit Contact: Indu Singh

Title: Associate Internal Auditor

Telephone: 518-402-9382

E-mail Address: Indu.Singh@dec.ny.gov

Prior-Year Audit Report Page Reference: B-46

Prior-Year Finding Number: 2015-040

Status Report on Prior-Year Finding:

Status Report on Prior-Year Finding: The Department of Environmental Conservation (DEC) has worked with the Environmental Facilities Corporation (EFC) to develop a protocol to ensure timely submission of the annual information required by the Federal Funding Accountability and Transparency Act (FFATA). In an effort to improve controls over FFATA reporting, DEC developed formal procedures which address the timely review and identification of Sub-awards reported in the FFATA Sub-award Reporting System (FSRS) and confirmation of the submissions made. For FFY 2016, DEC complied with FFATA reporting requirements.

Note that historically there has been late execution of Clean Water State Revolving Fund (CWSRF) Grants. The impact of the late execution of CWSRF Grants with regard to timely FFATA reporting has been raised with the Environmental Protection Agency (EPA), but continued late execution of the Grants will repeatedly impair DEC's ability to comply with this requirement in future years.

NEW YORK STATE OF OPPORTUNITY. Department of Transportation

ANDREW M. CUOMO
Governor

PAUL A. KARAS
Acting Commissioner

CATHY CALHOUN
Chief of Staff

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Department of Transportation

Single Audit Contact: Theresa Vottis

Title: Director, Office of Audit

Telephone: 518-457-4671

E-mail Address: Theresa.Vottis@dot.ny.gov

Prior-Year Audit Report Page Reference: B-47

Prior-Year Finding Number: 2015-041

Status Report on Prior-Year Finding:

Corrective action implemented January 31, 2017.

THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: State Education Department

Single Audit Contact: Thalia Melendez

Title: Director

Telephone: 518-473-4516

E-mail Address: Thalia.Melendez@nysed.gov

Prior-Year Audit Report Page Reference: 20

Prior-Year Finding Number: 2016-001

Status Report on Prior-Year Finding:

During 2017-2018, there have been continued efforts to improve efficiency and expediency with the FFATA reporting process. Grants Finance has made additional improvements to the enhanced reporting provided by NYSED Information Technology Services and continues to designate staff as needed to perform this task more efficiently and accurately within the required time frame for filing. These efforts to improve FFATA reporting will continue throughout 2017-2018 year.

THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: State Education Department

Single Audit Contact: Thalia Melendez

Title: Director

Telephone: 518-473-4516

E-mail Address: Thalia.Melendez@nysed.gov

Prior-Year Audit Report Page Reference: 23

Prior-Year Finding Number: 2016-002

Status Report on Prior-Year Finding:

The school wide program information has been included in the 2016-17 IDEA application that was sent to each LEA. SED will continue to include the same language in future applications and guidance sent to the field.

The school wide program information was included in the 2017-18 IDEA application that was sent to each LEA for completion.

THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: State Education Department

Single Audit Contact: Thalia Melendez

Title: Director

Telephone: 518-473-4516

E-mail Address: Thalia.Melendez@nysed.gov

Prior-Year Audit Report Page Reference: 24

Prior-Year Finding Number: 2016-003

Status Report on Prior-Year Finding:

The following overall procedures were in place during the 2016-17 fund year and are in place for the 2017-18 fund year.

- Office of Innovation and School Reform (OISR) staff members were informed of School Improvement Grant 1003(g) (SIG) programmatic and fiscal monitoring requirements and procedures via federal SIG and New York State Education Department (SED) written materials, informational meetings, and webinars.
- The NYS Field Memo dated September 29, 2016 that was sent to Superintendents and Superintendent Receivers regarding the 2016-2017 SIG Progress Reporting and Performance Management outlined the monitoring of programmatic and fiscal requirements.

The following monitoring of Programmatic Requirements was conducted during 2016-17 and will be conducted during the 2017-18 school year:

- SIG grantees completed between two to four programmatic implementation and progress monitoring reports during the school year. SIG grantees that are Receivership schools will have completed four reports by the end of the 2016-17 school year, and SIG Non-Receivership grantees will have completed two reports.
- SED's OISR staff conducted at least bi-annual progress monitoring conference calls with district and school staff members of Receivership schools, discussing

those reports; and as needed requested additional evidence of implementation and outcome results. Conference calls were conducted for Non-Receivership schools based on OISR's written Risk-Analysis procedures. See attached.

- OISR staff conducted at least two programmatic and fiscal monitoring visits to Receivership schools having SIG awards; and visits to Non-Receivership schools were based on OISR's written Risk-Analysis procedures and were conducted as needed. See OISR's written fiscal monitoring procedures attached.
- OISR staff wrote follow-up reports to progress monitoring conference calls (conducted on an as needed basis) outlining major findings and next steps, and/or wrote or participated with district staff on the writing of follow-up reports to outline major findings and next steps to progress monitoring site visits.

Note: Copies of Quarterly Report templates are posted at: http://www.p12.nysed.gov/oisr/. SIG grantees reported on the status of the implementation of the SIG plan and identified course corrections based on an analysis of their evidence. Copies of completed reports for Receivership schools are posted on individual district and/or school websites.

The following monitoring of Fiscal Requirements was conducted during 2016-17 and will be conducted during the 2017-18 school year:
SIG grantees completed the Budget/Fiscal section of the reports. In this section, SIG grantees discussed the status of drawing down of SIG funds for the period covered in the report; and identified any challenges that existed that may have impacted the implementation of approved activities and intended outcomes.

Note: In addition to SIG grantees completing the Budget/Fiscal section of the reports, OISR staff conducted fiscal monitoring throughout the entire SIG grant award period. They reviewed and approved budget forms to ensure allowability of budget items and to ensure that all budgeted items were aligned to the SIG plan and were necessary and reasonable. The following budget forms were/will be continually reviewed.

1. FS-10 budget form: The FS-10 is required with each application and/or continuation plan. Requests are to be aligned to the activities described in the SIG plan. SIG grantees must comply with the Allowable Expenses' section of the SIG RFP associated with their SIG award. FS-10s are accompanied by Budget Narratives which provide details of each expense.
2. FS-10A amendment form: FS-10A is required for some changes to the FS-10s; and these requirements are provided by the Grants Finance Office. When a SIG grantee requests to amend its FS-10 it is required to explain why an expense is no longer needed, and how the new requested expense is aligned to the SIG plan.
3. FS-10F final form: SIG grantees submit these forms to the Grants Finance Office at the end of each budget period. OISR staff will schedule a meeting with the Grants Finance Office to discuss the review and approval process of these forms to ensure that only allowable expenses have been paid from SIG funds. Currently, OISR is not involved in the review of FS- 10Fs.

The above-mentioned forms are posted at: http://www.oms.nysed.gov/cafe/forms/.

The 2017-18 Continuation Plan Guidance is posted at http://www.p12.nysed.gov/oisr/OISR-DistrictLetterGuidanceMemo.html

During on-site SIG monitoring, which took place based on the Risk Analysis Process, OISR staff not only discussed the use of SIG funds with administrators, but also reviewed samples of purchases/invoices made with those funds, such as technology items. They also spoke with staff paid from SIG funds. Evidence gathered from site visits and quarterly report calls discussing the SIG budget provided OISR staff with a portfolio of evidence to determine compliance with the use of their SIG award.

OISR staff members reviewed the following during the 2016-17 school year and will also review during 2017-18 to ensure that requested expenses are reasonable, allocable, and allowable.

1. Employee Payroll Certifications (EPC) for all staff funded by SIG 1003(g): EPCs must show FTE & fund source and must include 100% of employee activity, not just the SIG-funded portion of the salary. A sample EPC is located here: http://www.p12.nysed.gov/accountability/consolidatedappupdate/employeecertifications.html
2. Payroll records for all SIG-funded positions: The reviewer will request reports for two payroll periods (Fall & Spring). SIG-funded position payroll records and approved SIG budget documents will be cross checked.
3. SIG purchase orders: The reviewer will compare purchase orders with approved SIG FS-10 budgets and amendments.
4. Implementation of LEA Procurement and Inventory Tracking procedures: The reviewer will select and track several items purchased with SIG funds.
5. Invoices from third-party providers for services to the SIG-funded school: The SIG-funded school will present documentation such as contracts and invoices that demonstrate the services provided to the school, such as professional development, transportation, and parental involvement costs.

The following formal policies/procedures for tracking adjustments made to sub-awards are in place:

All SIG Award letters state the following: “All grants, regardless of type or dollar amount, are subject to further review, monitoring, and audit to ensure compliance. NYSED has the right to recoup funds if the approved activities are not performed and/or the funds are expended inappropriately.”

OISR liaisons maintained copies of amendments made to SIG awards, and records of the formal communications of requests for amendments and the justification for those amendments. In addition, OISR has a fiscal manager on staff who keeps track of adjustments made to awards via the CAFÉ fiscal system, and the OISR works closely with both the Grants Management and the Grants Finance Office to track all documentation related to SIG plans, budgets, and amendments.

THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: State Education Department

Single Audit Contact: Thalia Melendez

Title: Director

Telephone: 518-473-4516

E-mail Address: Thalia.Melendez@nysed.gov

Prior-Year Audit Report Page Reference: 27

Prior-Year Finding Number: 2016-004

Status Report on Prior-Year Finding:

Office of Innovation and School Reform (OISR) documents contain information about debarment and suspension for SIG applicants. OISR provided every staff member with information about the certification requirements in applications and continuation plans; and to reviewed and updated them, as necessary, with all staff.

1. 2017-2018 Continuation Plan for SIG 4, 5, 6, and 7 (released in April 2017): contains a Cover Page including certification language. A copy of that plan is posted at: http://www.p12.nysed.gov/oisr/OISR-NonRecOnlyRPT-Plan.html.

OISR worked with the NYSED Grants Management Office on the Intake Process for SIG 7 applications. Staff in that office completed Grant Submission Checklists ensuring that required documents were included in the application, including the Cover Page being signed by the Chief Administrative Officer.

A signed Cover Page references accountability and compliance with federal laws, regulations and grants management requirements, including debarment and suspension. For example:
Page 25: Cover Page: Certification and Approval: I hereby certify that I am the applicant's Chief Administrative Officer, and that the information contained in this application is, to

the best of my knowledge, complete and accurate. I further certify, to the best of my knowledge, that any ensuing program and activity will be conducted in accordance with all applicable application guidelines and instructions, Assurances, Certifications, Appendix A, and Appendix A-1G and that the requested budget amounts are necessary for the implementation of this project. I understand that this application constitutes an offer and, if accepted by the NYSED or renegotiated to acceptance, will form a binding agreement. I also agree that immediate written notice will be provided to NYSED if at any time I learn that this certification was erroneous when submitted, or has become erroneous by reason of changed circumstances.

Pages 57, 60-64, and 72 indicated that assurances are a component of the SIG application. By signing the certification on the application cover page the applicants ensured accountability and compliance with State and federal laws, regulations, and grants management requirements, including Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion – Lower Tier Covered Transactions.

Page 60 indicated: Applicants should refer to the regulations cited below to determine the certification to which they are required to attest. Applicants should also review the instructions for certification included in the regulations before completing this form. Signature of the Application Cover Page provides for compliance with certification requirements under 34 CFR Part 82, "New Restrictions on Lobbying," and 34 CFR Part 85, "Government-wide Debarment and Suspension (Nonprocurement)." The certifications shall be treated as a material representation of fact upon which reliance will be placed when the Department of Education determines to award the covered transaction, grant, or cooperative agreement.

NYSED will not issue another SIG 1003(g) RFP

THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: State Education Department

Single Audit Contact: Thalia Melendez

Title: Director

Telephone: 518-473-4516

E-mail Address: Thalia.Melendez@nysed.gov

Prior-Year Audit Report Page Reference: 29

Prior-Year Finding Number: 2016-005

Status Report on Prior-Year Finding:

SED has divided the LEA's into 3 cohorts in order to insure every district is reviewed within a risk assessment every 3 years. During 2016-17 a risk assessment of LEA's in cohort 1 was completed and the 10 districts with the highest risk had a desk review completed. We have received feedback and closed out all 10 districts.

For the 2017-18 school year, SED will work with the 2nd cohort of districts. Step 1 in this process is that each district in Cohort 2 will be asked to complete the LEA Fiscal Self-Assessment Compliance Checklist, which will be send to the districts at the beginning of December. SED will do a risk assessment at the beginning of January 2018 to determine which districts will be monitored by June 30, 2018.

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Office of Children and Family Services

Single Audit Contact: Daniel Duffy

Title: Principal Accountant, Office of Audit & Quality Control

Telephone: 518-473-4770

E-mail Address: Daniel.Duffy@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 32

Prior-Year Finding Number: 2016-006

Status Report on Prior-Year Finding:

As noted in the condition section, this finding is related to one instance of timeliness in 2005 and the individual in the sample was an eligible recipient. The Consumer Information System (CIS) was implemented in October 2008 and no findings were noted for samples chosen after that. The controls in place for more than 8 years are appropriately designed and working effectively. The Rehabilitation Services Administration (RSA) determination letter for this finding stated “RSA does not sustain the auditors’ findings because the one case noted as noncompliant began in 2005 and the individual applied to OCFS before CIS was implemented in 2008.”

Office of Children and Family Services

NEW YORK STATE

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Office of Children and Family Services

Single Audit Contact: Daniel Duffy

Title: Principal Accountant, Office of Audit & Quality Control

Telephone: 518-473-4770

E-mail Address: Daniel.Duffy@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 34

Prior-Year Finding Number: 2016-007

Status Report on Prior-Year Finding:

OCFS has implemented the corrective action plan and OCFS has fully corrected this finding.

THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: State Education Department

Single Audit Contact: Thalia Melendez

Title: Director

Telephone: 518-473-4516

E-mail Address: Thalia.Melendez@nysed.gov

Prior-Year Audit Report Page Reference: 36

Prior-Year Finding Number: 2016-008

Status Report on Prior-Year Finding:

All issues have been remediated, except for a review of the Active Directory accounts at the Network wide layer.

The Termination of Access, Password Policy and Configurations for the CAFÉ application and supporting infrastructure have been fully remediated.

In addition to the remediation done in Segregation of Duties by NYSED, KPMG found that a review of requests implemented in production should be done by an appropriate manager. The Department has implemented a post-production review process and monitoring control. Beginning August 2017, a Mantis ticket is created monthly listing all the tickets that were closed out in the previous month. This ticket is assigned to a manger to review and verify they were correctly implemented.

To address the periodic review of the Active Directory accounts at the Network wide layer, NYSED ISO policies will be modified to specify that a review of Active Directory user accounts be conducted at least on an annual basis. A corresponding procedure will be developed to specify the process to be used for that review. At minimum, this review will consist of exporting all users from Active Directory by program area. These user lists and associated group memberships will be provided to the Director of Operations for each program area, who will note any users that need to be deactivated or permissions that require adjusting due to internal changes of responsibility.

Policy and procedural changes and the initial annual review are anticipated to be complete by March 31, 2018.

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Office of Temporary and Disability Assistance

Single Audit Contact: Kathleen Murphy

Title: Management Specialist 3

Telephone: 518-473-7159

E-mail Address: Kathleen.Murphy@otda.ny.gov

Prior-Year Audit Report Page Reference: 42

Prior-Year Finding Number: 2016-009

Status Report on Prior-Year Finding:

Child Support Services (CSS) in conjunction with the Office of Information and Technology Services (OITS) and the Office of Budget, Finance and Data Management (OBFDM) completed its work on addressing the repeat State Single Audit finding regarding the reconciliation of support documentation for the Child Support Enforcement Program Quarterly Collection Report (OCSE 34).

CSS, OITS and OBFDM developed and tested changes to reconcile the differences between the CSMS A-1 report and the OCSE 34 report in an automated fashion. Programming was developed to isolate and identify the differences between undistributed amounts. The CSMS A-1 report was updated to include Line 19 Adj Undisbursed “State Use Only” to reflect and report that data on a separate and distinct line. This change was placed into production in July 2016 and has been in effect since.

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Office of Temporary and Disability Assistance

Single Audit Contact: Kathleen Murphy

Title: Management Specialist 3

Telephone: 518-473-7159

E-mail Address: Kathleen.Murphy@otda.ny.gov

Prior-Year Audit Report Page Reference: 45

Prior-Year Finding Number: 2016-010

Status Report on Prior-Year Finding:

BCM is committed to providing correct coding prior to the payment of vouchers. BCM recognizes the possibility of coding errors increased with the changing of coding. To reduce the possibility of similar errors in the future, BCM has developed an office process to segregate their work by each program, and then processes work on a program by program basis, minimizing the use of the wrong coding on a particular voucher.

In addition, the BCM is currently attempting to develop a program coding spreadsheet so as to better identify correct program coding on an evolving basis. Longer term, the BCM is working with the SFS group and has requested the creation of summary reports to better track and manage our funds, contract ledgers and expenditure reports.

NEW YORK STATE | Office of Children and Family Services

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Office of Children and Family Services

Single Audit Contact: Daniel Duffy

Title: Principal Accountant, Office of Audit & Quality Control

Telephone: 518-473-4770

E-mail Address: Daniel.Duffy@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 47

Prior-Year Finding Number: 2016-011

Status Report on Prior-Year Finding:

The Office of Audit and Quality Control met with OTDA in February 2017 to review subrecipient monitoring procedures performed by OTDA for claims reported through ACS. We believe the procedures The Office of Audit and Quality Control met with OTDA in February 2017 to review subrecipient monitoring procedures performed by OTDA for claims reported through ACS. We believe the procedures performed provide a reasonable assurance that regular claims paid through the RF2 and RF2A reports are for allowable expenses. Promoting Safe and Stable Families and Stephanie Tubbs Jones Child Welfare programs are applied to RF2 claims, although the reimbursement is made through a bottomline adjustment.

OCFS will conduct an assessment and analysis of current subrecipient monitoring processes in place within OCFS and local districts to identify areas in need of improvement to ensure that subawards are used for their authorized purpose, are in compliance with Federal statutes, regulations and terms and conditions of the subaward, and performance goals are achieved. This assessment and analysis will include:

- Taking inventory of all monitoring procedures that are currently conducted by various budget, finance, and program units at OCFS.
- Comparing these procedures in the aggregate to each specific federal requirement to identify gaps in controls.

- Designing specific procedures to address these gaps.
- Identifying the appropriate resources to conduct these procedures.

OCFS expects completion of this process by September 30, 2018.

NEW YORK STATE | Office of Children and Family Services

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Office of Children and Family Services

Single Audit Contact: Daniel Duffy

Title: Principal Accountant, Office of Audit & Quality Control

Telephone: 518-473-4770

E-mail Address: Daniel.Duffy@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 53

Prior-Year Finding Number: 2016-012

Status Report on Prior-Year Finding:

The settlement instructions will now line out each source of funding at the time of payment. The next settlement for FFY 2016 will go out in December 2017 and will include this level of detail.

NEW YORK STATE | Office of Children and Family Services

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Office of Children and Family Services

Single Audit Contact: Daniel Duffy

Title: Principal Accountant, Office of Audit & Quality Control

Telephone: 518-473-4770

E-mail Address: Daniel.Duffy@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 56

Prior-Year Finding Number: 2016-013

Status Report on Prior-Year Finding:

OCFS has developed a comprehensive list of federal funds that are passed through to subrecipients for each CFDA number. The Office of Audit and Quality Control (AQC) has begun tracking whether OCFS programs have been identified as a major program in subrecipient single audit reports. AQC will be providing information about all OCFS programs to other OCFS staff to be used for subrecipient risk assessment purposes. In addition, OCFS staff will document monitoring activities already in place. OCFS staff will then assess the risk of noncompliance for each subrecipient based on these factors and the factors identified in the Uniform Guidance. This risk assessment will be used to identify appropriate monitoring activities for each subrecipient. OCFS will develop monitoring procedures where risks are identified.

OCFS expects completion of this process by June 30, 2018.

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Office of Children and Family Services

Single Audit Contact: Daniel Duffy

Title: Principal Accountant, Office of Audit & Quality Control

Telephone: 518-473-4770

E-mail Address: Daniel.Duffy@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 58

Prior-Year Finding Number: 2016-014

Status Report on Prior-Year Finding:

OCFS has implemented the corrective action plan and OCFS has fully corrected this finding.

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Office of Children and Family Services

Single Audit Contact: Daniel Duffy

Title: Principal Accountant, Office of Audit & Quality Control

Telephone: 518-473-4770

E-mail Address: Daniel.Duffy@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 60

Prior-Year Finding Number: 2016-015

Status Report on Prior-Year Finding:

OCFS no longer advance these Federal Funds. Local districts will only be provided funding for claims that are settled. The last advance of Title IVB2 funds was September 2016.

Office of Children and Family Services

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Office of Children and Family Services

Single Audit Contact: Daniel Duffy

Title: Principal Accountant, Office of Audit & Quality Control

Telephone: 518-473-4770

E-mail Address: Daniel.Duffy@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 63

Prior-Year Finding Number: 2016-016

Status Report on Prior-Year Finding:

OCFS has implemented the corrective action plan and OCFS has fully corrected this finding.

Office of Children and Family Services

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Office of Children and Family Services

Single Audit Contact: Daniel Duffy

Title: Principal Accountant, Office of Audit & Quality Control

Telephone: 518-473-4770

E-mail Address: Daniel.Duffy@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 65

Prior-Year Finding Number: 2016-017

Status Report on Prior-Year Finding:

OCFS has implemented the corrective action plan and OCFS has fully corrected this finding.

Office of Children and Family Services

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Office of Children and Family Services

Single Audit Contact: Daniel Duffy

Title: Principal Accountant, Office of Audit & Quality Control

Telephone: 518-473-4770

E-mail Address: Daniel.Duffy@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 67

Prior-Year Finding Number: 2016-018

Status Report on Prior-Year Finding:

OCFS has implemented the corrective action plan and OCFS has fully corrected this finding.

ANDREW M. CUOMO
Governor

HOWARD A. ZUCKER, M.D., J.D.
Commissioner

SALLY DRESLIN, M.
Executive Deputy Cor

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Department of Health

Single Audit Contact: Diane Christensen

Title: Director of Audit Services

Telephone: 518-473-3920

E-mail Address: Diane.Christensen@health.ny.gov

Prior-Year Audit Report Page Reference: 70

Prior-Year Finding Number: 2016-019

Status Report on Prior-Year Finding:

Questioned costs for IT systems integration and quality assurance (CSC and Cognosante): Identified during the NYSoH 2015 financial audit and only applied to the A133 by KPMG as known item. They were both corrected in July of 2016 and the corrections were shared with KPMG during the A133 and the 2016 NYSoH financial Audit.

Questioned costs for Call Center Services (Maximus): Also identified during the 2015 financial audit. The final adjustment as reported in the A133 was made in October 2016

Questioned costs for Personal Service: This involved the timing of payroll transfers off grants. As payroll was required to post first to the grants and be manually allocated, this finding related to payroll that had not been moved off before the March 31 2016 end of FY 2015-16. The adjustment was made in April 2016.

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Department of Health

Single Audit Contact: Diane Christensen

Title: Director of Audit Services

Telephone: 518-473-3920

E-mail Address: Diane.Christensen@health.ny.gov

Prior-Year Audit Report Page Reference: 73

Prior-Year Finding Number: 2016-020

Status Report on Prior-Year Finding:

The Department has finalized the contract extension with the third-party provider (provider) for the 2014 Institutional Cost Reports (ICR) process. The Department has updated its policy and procedures related to the review of the annual audits to ensure the accuracy of the ICRs. The new process will task the provider with ensuring the audit findings are properly reflected in the ICRs before submitting the final audited reports to the Department. In addition, the Department will continue to maintain oversight of the ICR data as it pertains to rate setting activities (i.e., operating and capital rates, Disproportionate Share and Upper Payment Limit calculations). Department analysts will review this data and follow up with providers, if needed, on any significant variations. This will ensure that ICRs are accurate and the data included in the reports can be utilized for rate setting purposes.

The staffing issue is being addressed, by increasing the third-party provider role in the ICR review process. The new process will task provider with ensuring the audit findings are properly reflected in the ICRs after they are resubmitted. Provider will provide to the Department summary reports and reconciliations of the status of each cost report and the changes made between the initial and final submissions. A new analytical report that compares specific lines on the ICR between submissions has been developed, beginning with the review of the 2014 ICR.

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Department of Health

Single Audit Contact: Diane Christensen

Title: Director of Audit Services

Telephone: 518-473-3920

E-mail Address: Diane.Christensen@health.ny.gov

Prior-Year Audit Report Page Reference: 75

Prior-Year Finding Number: 2016-021

Status Report on Prior-Year Finding:

As previously noted, we had asked and never received a response from CMS on this sub-recipient versus contractor question. We heard from CMS, as they follow up on single audit findings and they were following up on this finding. They acknowledged receiving the question from us, and not responding. They stated they intend to respond, however to decide that recipients were sub-recipients, and subject to single audit requirement now would be virtually impossible for some sub-recipients to comply with as it is long past when a single audit would have been due.

As noted last year, when we did not hear back from CMS, senior leadership decided to consult with other states receiving DSRIP funds, and the DSRIP Director consulted with New Jersey, Texas and California as they had DSRIP programs prior to New York. None of these DSRIP states required A133 audits from their downstream recipients. Based on the practice of other DSRIP states and lack of contradicting information from external auditors or CMS we did not require A133 audits of DSRIP recipients.

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Department of Health

Single Audit Contact: Diane Christensen

Title: Director of Audit Services

Telephone: 518-473-3920

E-mail Address: Diane.Christensen@health.ny.gov

Prior-Year Audit Report Page Reference: 78

Prior-Year Finding Number: 2016-022

Status Report on Prior-Year Finding:

The Department developed BHP Trust Fund Reconciliation Protocols that were intended to formalize reconciliation processes both at the end of any given fiscal quarter, and upon CMS' final review of each quarter's BHP claims. Upon confirmation of appropriate BHP charges each quarter, the Department will transfer all appropriate charges either to or from the Trust Fund via General Ledger Journal Entry. However, since the Department had developed these protocols based on the assumption that Trust Fund charging and claiming would be handled in a similar manner to federal Medicaid, and since the Department subsequently received direction from CMS that the Trust Fund could simply be charged for any BHP-allowable costs for any period (not confined to quarterly claiming periods), the Department's protocols will need to be revised.

In March 2017 a general ledger journal entry was processed that charged the amount of the finding to the State BHP appropriation, to offset a larger $55.3 M transfer that otherwise would have been fully charged to the Trust Fund. This transaction was intended to fully reconcile charges across both BHP and Medicaid funding sources for SFY 2015-16.

NEW YORK STATE OF OPPORTUNITY. | Homes and Community Renewal | Housing Trust Fund Corporation

ANDREW M. CUOMO
Governor

RUTHANNE VISNAUSKAS
Commissioner/CEO

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Housing Trust Fund Corporation

Single Audit Contact: Michael DeMarco

Title: Director of Internal Audit

Telephone: 518-473-8443

E-mail Address: Michael.Demarco@nyshcr.org

Prior-Year Audit Report Page Reference: 81

Prior-Year Finding Number: 2016-023

Status Report on Prior-Year Finding:

HTFC has retained outside counsel to research this issue. Counsel has provided an opinion which concludes that the Local Administrator Agreements are contracts, as the term is defined in the Uniform Guidance and do not constitute subaward/subrecipient agreements. The opinion document is attached separately.

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Housing Trust Fund Corporation

Single Audit Contact: Michael DeMarco

Title: Director of Internal Audit

Telephone: 518-473-8443

E-mail Address: Michael.Demarco@nyshcr.org

Prior-Year Audit Report Page Reference: 84

Prior-Year Finding Number: 2016-024

Status Report on Prior-Year Finding:

The Office of Community Renewal (OCR) has reviewed internal controls and policies and developed a tracking mechanism to ensure staff perform an in-depth review and ensure the financial reports are submitted accurately and timely in accordance with the grant agreements with HUD.

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Housing Trust Fund Corporation

Single Audit Contact: Michael DeMarco

Title: Director of Internal Audit

Telephone: 518-473-8443

E-mail Address: Michael.Demarco@nyshcr.org

Prior-Year Audit Report Page Reference: 87

Prior-Year Finding Number: 2016-025

Status Report on Prior-Year Finding:

Upon learning of the finding regarding the CFDA number, OCR immediately changed the related policy and procedure. All subrecipients are provided the CFDA title and number at the time grant agreements between OCR and the subrecipient are sent for execution by the Chief Elected Official

OCR has developed a formal risk assessment procedure. Each application received is evaluated and results documented to determine appropriate subrecipient monitoring procedures, as required by 2 CFR 200.331 of the Uniform Guidance.

NEW YORK STATE OF OPPORTUNITY. | Homes and Community Renewal | Housing Trust Fund Corporation

ANDREW M. CUOMO
Governor

RUTHANNE VISNAUSKAS
Commissioner/CEO

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Housing Trust Fund Corporation

Single Audit Contact: Michael DeMarco

Title: Director of Internal Audit

Telephone: 518-473-8443

E-mail Address: Michael.Demarco@nyshcr.org

Prior-Year Audit Report Page Reference: 90

Prior-Year Finding Number: 2016-026

Status Report on Prior-Year Finding:

OCR has been reviewing internal policies and procedures to address the receipt and expenditure of program income received by units of local government and sub-recipients.

NEW YORK STATE OF OPPORTUNITY. | Homes and Community Renewal | Housing Trust Fund Corporation

ANDREW M. CUOMO
Governor

RUTHANNE VISNAUSKAS
Commissioner/CEO

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Housing Trust Fund Corporation

Single Audit Contact: Cassiah Ward

Title: Senior Counsel/Audit Manager

Telephone: 212-480-6457

E-mail Address: Cassiah.Ward@stormrecovery.ny.gov

Prior-Year Audit Report Page Reference: 92

Prior-Year Finding Number: 2016-027

Status Report on Prior-Year Finding:

As recommended by the Auditor, GOSR has continued to review its existing policies and procedures over cash management. GOSR continues to perform analyses to determine whether any changes can be made which will further reduce the time elapsing between the transfer of funds from the United States Treasury and their disbursal by GOSR. In addition, GOSR continues to focus its efforts on streamlining and improving its existing workflow for check distribution. Quality control efforts have reduced the number of checks that were voided after being issued and held; thus reducing the amount of Federal Funds drawn and held by GOSR. Process improvements focused on applicant outreach and check distribution have decreased the time elapsing between the issuance of checks and the distribution of checks to applicants who have executed grant agreements. As result, the $ value and number of checks held by GOSR as of March 31, 2017, is significantly lower than the $ value and number of checks held by GOSR as of March 31, 2016.

NEW YORK STATE OF OPPORTUNITY. | Homes and Community Renewal | Housing Trust Fund Corporation

ANDREW M. CUOMO
Governor

RUTHANNE VISNAUSKAS
Commissioner/CEO

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Housing Trust Fund Corporation

Single Audit Contact: Cassiah Ward

Title: Senior Counsel/Audit Manager

Telephone: 212-480-6457

E-mail Address: Cassiah.Ward@stormrecovery.ny.gov

Prior-Year Audit Report Page Reference: 94

Prior-Year Finding Number: 2016-028

Status Report on Prior-Year Finding:

As previously mentioned, GOSR has sent notification letters to subrecipients informing them that they are required to follow the Uniform Guidance. Additionally, in that notification, subrecipients were provided with informational materials pertaining to 2 C.F.R. 200, as well as a link to the GOSR webpage, where further reference materials are available. Further, GOSR has incorporated 2 C.F.R. 200 into all new subrecipient agreements and all amendments updating the terms and conditions of existing subrecipient agreements.

Regarding risk assessment and subrecipient monitoring procedures, GOSR's Monitoring and Compliance Department's (MCD) current monitoring approach includes an annual risk assessment, which is performed between April 1st and June 30th of each year.

The first annual risk assessment was conducted in April of 2016 and incorporated the factors required by 2 C.F.R. 200. After the risk assessment was conducted, subrecipients were designated as high, medium, or low risk, and a twelve-month monitoring schedule was set based on the results of the risk assessment. The MCD is currently in the process of completing the annual risk assessment for 2017 and finalizing a twelve month subrecipient monitoring schedule.

Finally, as recommended, the MCD has updated its departmental policy manual to more accurately describe its annual risk assessment and subrecipient monitoring functions.

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Housing Trust Fund Corporation

Single Audit Contact: Cassiah Ward

Title: Senior Counsel/Audit Manager

Telephone: 212-480-6457

E-mail Address: Cassiah.Ward@stormrecovery.ny.gov

Prior-Year Audit Report Page Reference: 98

Prior-Year Finding Number: 2016-029

Status Report on Prior-Year Finding:

As previously stated, as a grantee who receives a CDBG Disaster Recovery grant, HTFC must comply with requirements defined within Federal Register Notices issued for the named appropriation. Specifically, Disaster Recovery Grantees who received an allocation under PL 113-2 are required to follow the requirements of the March 5, 2013 Federal Register Notice.

Within that notice there are a number of requirements that grantees establish certain financial and performance data for their disaster recovery grant within HUD's Disaster Recovery Grant Reporting (DRGR) System by developing a DRGR Action Plan. Grantees are also required to report progress, both financial and performance, on a quarterly basis through the DRGR Quarterly Performance Report (QPR). HTFC and HUD rely on this data, since the information is much more detailed than the SF-425 report, and HTFC is already required to comply with those reporting processes through the respective Federal Register Notices for its disaster appropriations.

At this time, HTFC continues to consult with HUD regarding review HTFC's policies, procedures, and internal controls pertaining to financial reporting, including current practices with regard to the SF-425. In HUD's monitoring report dated June 13, 2017, HUD stated that they are aware of this finding and are "working on guidance to assist the grantee in resolving [the] issue." If necessary, HTFC will implement new policies and procedures with regard financial reporting, after that review and consultation.

NEW YORK STATE | Homeland Security and Emergency Services

ANDREW M. CUOMO
Governor

ROGER L. PARRINO, SR.
Commissioner

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Division of Homeland Security and Emergency Services

Single Audit Contact: Susan A. Picarillo

Title: Director for Disaster Recovery Finance

Telephone: 518-292-2324

E-mail Address: Susan.Mutch@dhses.ny.gov

Prior-Year Audit Report Page Reference: 100

Prior-Year Finding Number: 2016-030

Status Report on Prior-Year Finding:

DHSES has met the recommended course of action regarding reporting accurate figures and ensuring supporting documentation is in place to support costs. DHSES considers this action closed.

DHSES is in the process of hiring and training new and existing staff to better ensure timely submission of reports. It is anticipated that this corrective action will be satisfied and closed for quarter ending 3/31/18.

NEW YORK STATE OF OPPORTUNITY. Department of Transportation

ANDREW M. CUOMO
Governor

PAUL A. KARAS
Acting Commissioner

CATHY CALHOUN
Chief of Staff

2016-17 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Department of Transportation

Single Audit Contact: Theresa Vottis

Title: Director, Office of Audit

Telephone: 518-457-4671

E-mail Address: Theresa.Vottis@dot.ny.gov

Prior-Year Audit Report Page Reference: 102

Prior-Year Finding Number: 2016-031

Status Report on Prior-Year Finding:

Corrective action implemented for the 2017 reporting period.