

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Financial Statements

(Together with Independent Auditors' Report)

Years Ended October 31, 2014 and 2013

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

Years Ended October 31, 2014 and 2013

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Independent Auditors' Report

The Members

Hugh L. Carey Battery Park City Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of Hugh L. Carey Battery Park City Authority (the "Authority"), a component unit of the State of New York, which comprise the statements of net position (deficit) as of October 31, 2014 and 2013, and the related statements of revenues, expenses and changes in net position (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hugh L. Carey Battery Park City Authority as of October 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements as a whole. The supplementary information shown on pages 61 through 70 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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. The information has been subjected to the auditing procedures applied in the audits 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 Authority's internal control over financial reporting and compliance.



New York, NY
January 26, 2015

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Overview

The following is an overview of the financial activities of Hugh L. Carey Battery Park City Authority (the "Authority") and the Battery Park City Parks Conservancy (the "Conservancy"), a blended component unit of the Authority, collectively referred to as the "Organization" for the fiscal years ended October 31, 2014 and 2013. The basic financial statements, which include the statements of net position, the statements of revenues, expenses, and changes in net position (deficit), the statements of cash flows, and the notes to the financial statements, provide information about the Organization in accordance with accounting principles generally accepted in the United States of America. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Comparison of 2014 to 2013 and 2013 to 2012

Financial Highlights – 2014

- The fiscal year ended October 31, 2014 yielded a total of \$256 million in operating revenues, representing an increase of approximately \$19.9 million or 8.4% over the prior fiscal year. Payments in lieu of real estate taxes ("PILOT") revenue totaling approximately \$181.7 million (approximately 71% of the Authority's operating revenues for the fiscal year ended October 31, 2014) increased \$22.2 million or 14% compared to the fiscal year ended October 31, 2013. Base rent increased approximately \$454 thousand or 0.7% to \$62.7 million for the fiscal year ended October 31, 2014. Civic facilities and other operating revenues decreased \$2.5 million or 20% to \$10 million for the fiscal year ended October 31, 2014. Total operating expenses decreased a net \$871 thousand or 1.9% to \$44.1 million for the fiscal year ended October 31, 2014.
- A payment of \$111.5 million was made in June 2014 towards the provision for the transfer to The City of New York (the "City") for the fiscal year ended October 31, 2013. A \$124.5 million provision was recorded during the fiscal year ended October 31, 2014, representing the PILOT related portion of fiscal 2014 excess revenues to be transferred to the City (see note 13). Generally, the Authority's net position decreases with increases in the amount of excess revenues provided to the City, which has an adverse effect on the Authority's net position.
- Pursuant to the 2010 Agreement (see note 13), the Authority recorded a provision for the transfer of \$42.8 million for the fiscal year ended October 31, 2014. With this provision, the Authority has satisfied the \$200 million contractual obligation to the City Housing Development Corporation ("HDC") '421-A fund.' The provision includes \$10.2 million which is to be applied to the remaining \$261 million commitment to the City for 'pay-as-you-go' housing projects. A payment of \$45.8 million was made in April 2014 towards the provision for the transfer to the City for the fiscal year ended October 31, 2013.
- On October 23, 2013, the Authority issued \$356,085,000 (\$407,120,987 inclusive of net premium) of fixed-rate tax exempt Senior Revenue Bonds, Series 2013A (the "2013 Series A Bonds") and \$6,700,000 (\$6,889,064 inclusive of net premium) of federally taxable, fixed-rate Senior Revenue Bonds, Series 2013B (the "2013 Series B Bonds"), for a total of \$414,010,051 fixed rate bonds. In addition, the Authority directly placed \$609,530,000 variable-rate Junior Revenue Bonds with three banks and bank affiliates, comprising \$210,865,000 of Junior Revenue Bonds Series 2013C (the "2013 Series C Bonds"), \$199,330,000 of Junior Revenue Bonds Series 2013D (the "2013 Series D Bonds"), and \$199,335,000 of Junior Revenue Bonds Series 2013E (the "2013 Series E Bonds") for a total of \$1,023,540,051. Proceeds from the 2013 Bonds were used to currently refund all Senior 2003 Series A Bonds (with the exception of \$16.1 million, paid November 1, 2013) and all Junior 2003 Series B and C Bonds; to finance \$85 million of infrastructure and other capital

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improvements; and to finance approximately \$10.8 million of bond issuance costs (see note 12). As of October 31, 2014, approximately \$76 million remained in the 2013 project cost fund (see note 8).

- On December 22, 2009, the Authority issued the Senior Revenue Bonds (see note 11) in the total amount of \$89 million (inclusive of a \$1.8 million premium) to finance certain infrastructure and other capital improvements. As of October 31, 2014, approximately \$17.9 million remained in the 2009 Project Cost funds to be used for certain park, street and other infrastructure improvements, the community center and other capital expenditures (see note 8).
- As of October 31, 2014, the Authority has a net receivable of approximately \$726 thousand, having received \$11.5 million in insurance and Federal assistance advances and having paid out \$12.2 million for remediation work for damage caused by Superstorm Sandy. The Authority's management believes that all eligible claims with respect to this damage will be collected from its insurance carriers. Damages are being assessed and costs not covered by insurance are being submitted for reimbursement under Federal and State disaster relief programs, which management believes will cover the majority of these costs. Any unreimbursed damages will be paid by the Authority from the corporate insurance reserve fund or bond proceeds (see notes 14 and 20(g)).

Financial Highlights – 2013

- The fiscal year ended October 31, 2013 yielded a total of \$236 million in operating revenues, representing a decrease of approximately \$12.9 million or 5.2% over the prior fiscal year. PILOT revenue totaling approximately \$159.4 million (approximately 67.5% of the Authority's operating revenues for the fiscal year ended October 31, 2013) decreased \$4.6 million or 2.8% compared to the fiscal year ended October 31, 2012. Base rent increased approximately \$858 thousand or 1.4% to \$62.3 million for the fiscal year ended October 31, 2013. Civic facilities and other operating revenues decreased \$9.2 million or 42.4% to \$12.6 million for the fiscal year ended October 31, 2013. Total operating expenses increased a net \$1.9 million or 4.5% to \$45 million for the fiscal year ended October 31, 2013.
- An amount of \$103.3 million provided for the transfer to the City during the fiscal year ended October 31, 2012 was paid in June 2013. A \$112.1 million provision was recorded during the fiscal year ended October 31, 2013 representing the PILOT related portion of fiscal 2012 excess revenues to be transferred to the City. Generally, the Authority's net position decreases with increases in the amount of excess revenues provided to the City, which has an adverse effect on the Authority's net position.
- Pursuant to the 2010 Agreement, the Authority recorded a provision for the transfer of \$46 million for the fiscal year ended October 31, 2013, as an expected payment to the City HDC 421-A fund. An amount of \$46.1 million provided for the transfer to the City during fiscal year ended October 31, 2012 was paid in May 2013. The cumulative amount relating to the 421-A fund, including the provision for the fiscal year ended October 31, 2013, is \$167.4 million.
- On October 23, 2013, the Authority issued \$356,085,000 (\$407,120,987 inclusive of net premium) of fixed-rate tax exempt Senior Revenue Bonds, Series 2013A (the "2013 Series A Bonds") and \$6,700,000 (\$6,889,064 inclusive of net premium) of federally taxable, fixed-rate Senior Revenue Bonds, Series 2013B (the "2013 Series B Bonds"), for a total of \$414,010,051 fixed rate bonds. In addition, the Authority directly placed \$609,530,000 variable-rate Junior Revenue Bonds with three banks and bank affiliates, comprising \$210,865,000 of Junior Revenue Bonds Series 2013C (the "2013 Series C Bonds"), \$199,330,000 of Junior Revenue Bonds Series 2013D (the "2013 Series D Bonds"), and \$199,335,000 of Junior Revenue Bonds

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Series 2013E (the "2013 Series E Bonds") for a total of \$1,023,540,051. Proceeds from the 2013 Bonds were used to currently refund all Senior 2003 Series A Bonds (with the exception of \$16.1 million, paid November 1, 2013) and all Junior 2003 Series B and C Bonds; to finance \$85 million of infrastructure and other capital improvements; and to finance approximately \$10.8 million of bond issuance costs.

- On December 22, 2009, the Authority issued the Senior Revenue Bonds in the total amount of \$89 million (inclusive of a \$1.8 million premium) to finance certain infrastructure and other capital improvements. As of October 31, 2013, approximately \$26.7 million remained in the 2009 Project Cost funds to be used for certain park, street and other infrastructure improvements, the community center and other capital expenditures.
- The Authority's 2003 Series B and C Junior Revenue Bonds (variable-rate subordinate debt) auctions continued to fail (beginning on February 2008) in secondary markets. The 2003 Series B and C Junior Revenue Bonds were currently refunded on October 23, 2013. On any failed auction date, the reset rate is set at a percentage of the 30-day London InterBank Offered Rate ("LIBOR") based on the prevailing rating for the bond series. The rates applied to the 30-day LIBOR on the 2003 Series B and C Bonds are 175%, 200%, or 225% for bonds rated AAA/AAA/Aaa, AA/AA/Aa, and A/A/A, respectively, depending on the prevailing rating of the series of bonds outstanding. The reset rates on auctions that settled from November 1, 2012 through October 23, 2013 ranged from a low of 0.340% to a high of 0.428% on the 2003 Series B Bonds and from a low of 0.340% to a high of 0.426% on the 2003 Series C Bonds.
- As of October 31, 2013, the Authority had received \$8.8 million in insurance and Federal assistance advances and had paid out \$10.6 million for remediation work for damage caused by Superstorm Sandy. The Authority's management believes that all eligible claims with respect to this damage will be collected from its insurance carriers. Damages are being assessed and costs not covered by insurance are being submitted for reimbursement under Federal and State disaster relief programs, which management believes will cover the majority of these costs. Any unreimbursed damages will be paid by the Authority from the corporate insurance reserve fund or bond proceeds.
- In March 2012, the Governmental Accounting Standards Board ("GASB") issued GASB No. 65 *Items Previously Reported as Assets and Liabilities*. GASB No. 65 clarifies the appropriate reporting of deferred outflows and deferred inflows of resources to ensure consistency in financial reporting. In accordance with GASB No. 65, beginning with the year ended October 31, 2013, the Authority reclassified certain items that were previously classified as assets and liabilities to deferred outflows and deferred inflows of resources. In addition, GASB No. 65 requires that all lease and debt issuance costs, except any portion related to prepaid bond insurance costs, be recognized as an expense in the period incurred. In accordance with GASB No. 65, beginning with the year ended October 31, 2013, the Authority retroactively applied this statement to prior periods and adjusted the beginning balance of net position (deficit) for the earliest period presented for all lease and debt issuance costs except prepaid bond insurance costs, which are being reported as an asset and recognized as an expense over the duration of the related debt. The format of the financial statements for the year ended October 31, 2012 has been changed accordingly for comparative purposes.

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Summary Statement of Net Position

The summary statement of net position presents the financial position of the Organization. The net position (deficit) is the difference between total assets plus total deferred outflows of resources and total liabilities. A summarized comparison of the Organization's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (deficit) at October 31, 2014, 2013 and 2012 follows:

	<u>2014</u>	<u>October 31 2013</u>	<u>2012</u>	<u>2014 vs 2013</u>	<u>2013 vs 2012</u>
Assets:					
Bank deposits, investments and rents and other receivables	\$ 16,990,115	28,032,697	30,598,979	(11,042,582)	(2,566,282)
Bond resolution restricted assets (current and noncurrent)	389,400,700	399,210,547	328,669,994	(9,809,847)	70,540,553
Battery Park City project assets, net	485,217,744	483,510,743	488,320,929	1,707,001	(4,810,186)
Other current and noncurrent assets	100,055,880	104,243,584	129,051,541	(4,187,704)	(24,807,957)
Total assets	<u>991,664,439</u>	<u>1,014,997,571</u>	<u>976,641,443</u>	<u>(23,333,132)</u>	<u>38,356,128</u>
Deferred Outflows of Resources:					
Accumulated decrease in fair value of interest rate swaps	12,079,644	—	106,703,964	12,079,644	(106,703,964)
Unamortized loss on extinguishment of bonds	22,600,940	23,942,588	18,400,610	(1,341,648)	5,541,978
Deferred costs of refunding, less accumulated amortization	66,345,355	70,126,010	—	(3,780,655)	70,126,010
Total deferred outflows of resources	<u>101,025,939</u>	<u>94,068,598</u>	<u>125,104,574</u>	<u>6,957,341</u>	<u>(31,035,976)</u>
Total assets and deferred outflows of resources	<u>\$ 1,092,690,378</u>	<u>1,109,066,169</u>	<u>1,101,746,017</u>	<u>(16,375,791)</u>	<u>7,320,152</u>
Liabilities:					
Current liabilities	\$ 261,156,702	250,259,717	239,088,552	10,896,985	11,171,165
Long-term liabilities	1,497,561,750	1,526,134,156	1,511,858,176	(28,572,406)	14,275,980
Total liabilities	<u>1,758,718,452</u>	<u>1,776,393,873</u>	<u>1,750,946,728</u>	<u>(17,675,421)</u>	<u>25,447,145</u>
Deferred Inflows of Resources:					
Accumulated increase in fair value of interest rate swaps	—	1,624,655	—	(1,624,655)	1,624,655
Total deferred inflows of resources	<u>—</u>	<u>1,624,655</u>	<u>—</u>	<u>(1,624,655)</u>	<u>1,624,655</u>
Net Position (Deficit):					
Invested in capital assets, net of related debt	(24,494,670)	(6,333,642)	(9,633,572)	(18,161,028)	3,299,930
Restricted	68,407,586	103,053,163	88,095,527	(34,645,577)	14,957,636
Unrestricted	(709,940,990)	(765,671,880)	(727,662,666)	55,730,890	(38,009,214)
Total net deficit	<u>(666,028,074)</u>	<u>(668,952,359)</u>	<u>(649,200,711)</u>	<u>2,924,285</u>	<u>(19,751,648)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,092,690,378</u>	<u>1,109,066,169</u>	<u>1,101,746,017</u>	<u>(16,375,791)</u>	<u>7,320,152</u>

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Assets and Deferred Outflows of Resources

2014 vs. 2013

At October 31, 2014, the Organization maintained total assets and deferred outflows of resources of approximately \$1.09 billion, approximately \$16.4 million lower than \$1.12 billion at October 31, 2013.

2013 vs. 2012

At October 31, 2013, the Organization maintained total assets and deferred outflows of resources of approximately \$1.11 billion, approximately \$7.3 million higher than \$1.10 billion at October 31, 2012.

Bank Deposits, Investments, Rents and Other Receivables

2014 vs. 2013

Bank deposits, investments, and rents and other receivables held at October 31, 2014 decreased approximately \$11 million. Bank deposits and investments increased a net \$9.2 million and rents and other receivables decreased by approximately \$20.3 million (see note 14). The increase in bank deposits and investments primarily relates to an increase in transaction and administrative payments from 2013 held in the Unpledged Revenue Fund. Decreases in rents and other receivables due the Authority of \$20.3 million primarily relate to increases in amounts receivable from the Build America Bonds ("BABs") subsidy and rents receivable of approximately \$586 thousand and \$375 thousand, respectively, offset by decreases in receivables from the City for Pier A restoration expenses, Superstorm Sandy reimbursements, and estimated unused funds due from the Junior Bond defeasance escrow by approximately \$1.3 million, \$9.8 million, and \$10.1 million, respectively.

2013 vs. 2012

Bank deposits, investments, and rents and other receivables held at October 31, 2013 decreased approximately \$2.6 million. Bank deposits and investments decreased a net \$9.9 million and rents and other receivables increased by approximately \$7.4 million. The decrease in bank deposits and investments primarily relates to a decrease in transaction and administrative payments from 2012 held in the Unpledged Revenue Fund. Increases in rents and other receivables due the Authority of \$7.4 million primarily relate to decreases in amounts receivable from the City for Pier A restoration expenses and rents receivable of approximately \$12.1 million and \$1.7 million, respectively, offset by increases in receivables for Superstorm Sandy insurance, estimated unused funds due from the Junior Bond defeasance escrow, and miscellaneous receivables by approximately \$10.6 million, \$10.1 million, and \$800 thousand, respectively.

Bond Resolution Restricted Assets

2014 vs. 2013

Bond resolution restricted assets are funds and accounts established in accordance with the 2003, 2009 and 2013 Revenue Bond resolutions. Such assets of approximately \$389.4 million at October 31, 2014 were approximately \$9.8 million lower than the fair value of assets held at October 31, 2013 of \$399.2 million (see note 8). Funds held in the Pledged Revenue Fund ("PRF") at October 31, 2014 were approximately \$15.6 million more than funds held at October 31, 2013.

Funds held in the Project Operating Fund for payment of budgeted operating expenditures at October 31, 2014 were approximately \$81 thousand higher than at October 31, 2013.

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Funds held in the Residual Fund for the benefit of the City were also \$153 thousand higher at October 31, 2014.

Funds held under the resolutions for project infrastructure and certain other asset costs were \$93.9 million as of October 31, 2014, approximately \$22.3 million less than funds held at October 31, 2013. In addition, funds held in the debt service funds were approximately \$1.8 million lower at October 31, 2014 compared to 2013.

2013 vs. 2012

Bond resolution restricted assets are funds and accounts established in accordance with the 2003, 2009 and 2013 Revenue Bond resolutions. Such assets of approximately \$399.2 million at October 31, 2013 were approximately \$70.5 million higher than the fair value of assets held at October 31, 2012 of \$328.7 million. Funds held in the PRF at October 31, 2013 were approximately \$11.5 million more than funds held at October 31, 2012.

Funds held in the Project Operating Fund for payment of budgeted operating expenditures at October 31, 2013 were approximately \$2.2 million lower than at October 31, 2012.

Funds held in the Residual Fund for the benefit of the City were also \$9 thousand lower at October 31, 2013.

Funds held in the 2013 Cost of Issuance Fund were approximately \$1.6 million at October 31, 2013.

Funds held under the resolution for project infrastructure and certain other asset costs were \$116.1 million as of October 31, 2013, approximately \$85.5 million more than funds held at October 31, 2012. In addition, funds held in the debt service funds were approximately \$23.8 million lower at October 31, 2013 compared to 2012.

Project Assets

At October 31, 2014, the Authority's investment in project assets, net of accumulated depreciation, was approximately \$485.2 million, an increase of \$1.7 million over October 31, 2013.

The Battery Park City project ("Project") consists of approximately 92 acres of landfill created, owned, and operated by the Authority. The Project's plan of development included approximately 35 acres of parkland and open spaces and provides for the construction, by private developers, of approximately 10.2 million square feet of office space, a 500,000-square-foot commodities trading facility, retail space, a marina, two hotels, a multiplex cinema, museums, three public schools, a public library, and approximately 8,600 residential units.

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The Authority's project assets include land, site improvements, and a residential building constructed by the Authority on Site 22. Additionally, condo units owned by the Authority on Sites 1, 16/17, 3, and a community center on Sites 23 and 24, and related infrastructure improvements are included in project assets. The balances at October 31, 2014, 2013 and 2012 were as follows:

	<u>2014</u>	<u>October 31 2013</u>	<u>2012</u>	<u>2014 vs 2013</u>	<u>2013 vs 2012</u>
Land	\$ 83,015,653	83,015,653	83,015,653	—	—
Site improvements	386,612,538	376,856,244	374,131,317	9,756,294	2,724,927
Residential building and condominium units	<u>133,309,670</u>	<u>132,913,755</u>	<u>132,109,599</u>	<u>395,915</u>	<u>804,156</u>
	602,937,861	592,785,652	589,256,569	10,152,209	3,529,083
Less: accumulated depreciation	<u>(117,720,117)</u>	<u>(109,274,909)</u>	<u>(100,935,640)</u>	<u>(8,445,208)</u>	<u>(8,339,269)</u>
Total Battery Park City project assets	<u>\$ 485,217,744</u>	<u>483,510,743</u>	<u>488,320,929</u>	<u>1,707,001</u>	<u>(4,810,186)</u>

2014 vs. 2013

For the year ended October 31, 2014, the increase to site improvements of approximately \$9.8 million relates to park improvements in the north and south neighborhoods, the esplanade and restoration of piles, esplanade lighting, as well as work on bridges and other minor capital improvements.

The \$396 thousand increase in residential building and condominium units over October 31, 2013, primarily relates to mechanical system upgrades to the Conservancy's headquarters at Site 3, and work on the community center at Sites 23 and 24.

2013 vs. 2012

For the year ended October 31, 2013, the increase to site improvements of approximately \$2.7 million relates to the construction in progress of Pier A Plaza, park improvements in the north and south neighborhoods, the esplanade and restoration of piles, as well as work on bridges and other minor capital improvements.

The \$804 thousand increase in residential building and condominium units over October 31, 2012, primarily relates to the build out of a community center and ball field maintenance facility at Sites 23 and 24.

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Other Current and Noncurrent Assets

Other current and noncurrent assets at October 31, 2014, 2013 and 2012 were as follows:

	<u>October 31</u>			<u>2014 vs 2013</u>	<u>2013 vs 2012</u>
	<u>2014</u>	<u>2013</u>	<u>2012</u>		
Residential lease required funds	\$ 21,467,676	21,424,126	21,994,938	43,550	(570,812)
Corporate-designated, escrowed and OPEB funds	74,061,506	76,719,830	80,046,105	(2,658,324)	(3,326,275)
Bond insurance costs, net	—	—	21,518,913	—	(21,518,913)
Fair value of interest rate swaps	—	1,624,655	—	(1,624,655)	1,624,655
Other assets	<u>4,526,698</u>	<u>4,474,973</u>	<u>5,491,585</u>	<u>51,725</u>	<u>(1,016,612)</u>
Total other current and noncurrent assets	<u>\$ 100,055,880</u>	<u>104,243,584</u>	<u>129,051,541</u>	<u>(4,187,704)</u>	<u>(24,807,957)</u>

2014 vs. 2013

Total other current and noncurrent assets decreased approximately \$4.2 million from \$104.2 million at October 31, 2013 to \$100.1 million at October 31, 2014.

Residential lease required funds increased \$44 thousand from \$21.4 million at October 31, 2013 to \$21.5 million at October 31, 2014 primarily due to interest earned and gains on investments on all residential funds held.

Overall, corporate-designated, escrowed and OPEB funds decreased approximately \$2.7 million from October 31, 2013. Deposits and interest earnings on the Authority and Conservancy OPEB funds accounted for approximately a \$1.6 million increase. There was a \$5 million decrease resulting from withdrawals from the Special Fund for Route 9A pedestrian underpass and Pier A Plaza construction. In addition, insurance reserve funds of \$1.2 million were replenished from Superstorm Sandy receipts, offset by a decrease in advances and reserves of \$335 thousand and a decrease of approximately \$200 thousand in reserves.

The interest rate swap agreements, which continue in effect and continue as an effective hedge, had a positive fair value of \$1.6 million at October 31, 2013, which was recorded as an asset and a deferred inflow of resources. This value decreased \$13.7 million, to a negative fair value of \$12.1 million at October 31, 2014. The negative fair value of \$12.1 million is recorded as a deferred outflow of resources and a liability on the Authority's statement of net position.

2013 vs. 2012

Total other current and noncurrent assets decreased approximately \$24.8 million from \$129.1 million at October 31, 2012 to \$104.2 million at October 31, 2013.

Residential lease required funds decreased \$571 thousand from \$22 million at October 31, 2012 to \$21.4 million at October 31, 2013 primarily due to security deposits refunded to Mariner's Cove, net of security deposits received from Pier A, One Rector Park and AMEX, coupled with interest earned and gains on investments on all residential funds held.

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Overall, corporate-designated, escrowed and OPEB funds decreased approximately \$3.3 million from October 31, 2012. Deposits and interest earnings on the Authority and Conservancy OPEB funds accounted for approximately a \$961 thousand increase. A payment of \$3.8 million was made in January 2013 to the Port Authority of New York & New Jersey ("PANYNJ") from the Special Fund. In addition, insurance reserve funds of \$2.1 million were used for Superstorm Sandy, offset by an increase in the operating budget reserve of \$1.7 million.

On October 23, 2013, the Authority currently refunded its Series 2003 bonds. The interest rates on these bonds were effectively hedged by interest rate swaps, which were bifurcated as of the date of the current refunding. Accordingly, the fair value of the interest rate swaps on October 23, 2013 of negative \$70.1 million was recorded as an imputed borrowing by the Authority. The Authority also recorded the \$70.1 million as a deferred cost of refunding and reduced the deferred outflow of resources that had been recorded to offset the negative fair value of the interest rate swap to zero. Apart from the imputed borrowing, the interest rate swap agreements, which continue in effect and continue as an effective hedge, had a fair value of zero at October 23, 2013, which increased to \$1.6 million at October 31, 2013. This amount is recorded as an asset and a deferred inflow of resources on the Authority's statement of net position.

The unamortized bond insurance costs for the 2003 Bonds, which were refunded on October 23, 2013, have now become a component of the unamortized loss on extinguishment, which is being amortized over the remaining life of the original bonds. Other assets decreased by \$1 million primarily due to the transfer of equipment to the community center operator.

Deferred Outflows of Resources

Deferred outflows of resources at October 31, 2014, 2013, and 2012 are as follows:

	<u>October 31</u>			<u>2014 vs</u>	<u>2013 vs</u>
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Deferred Outflows of Resources:					
Accumulated decrease in fair value of interest rate swaps	\$ 12,079,644	—	106,703,964	12,079,644	(106,703,964)
Unamortized loss on extinguishment of bonds	22,600,940	23,942,588	18,400,610	(1,341,648)	5,541,978
Deferred costs of refunding, less accumulated amortization	66,345,355	70,126,010	—	(3,780,655)	70,126,010
Total deferred outflows of Resources	<u>\$ 101,025,939</u>	<u>94,068,598</u>	<u>125,104,574</u>	<u>6,957,341</u>	<u>(31,035,976)</u>

2014 vs. 2013

The interest rate swap agreements, which continue in effect and continue as an effective hedge, had a positive fair value of \$1.6 million at October 31, 2013, which was recorded as an asset and a deferred inflow of resources. This value decreased \$13.7 million, to a negative fair value of \$12.1 million at October 31, 2014. The negative fair value of \$12.1 million is recorded as a deferred outflow of resources and a liability on the Authority's statement of net position.

The unamortized loss on extinguishment of the 1993, 1996, 2000, and 2003 bonds decreased by \$1.3 million from October 31, 2013 to October 31, 2014. The decrease is a result of the current year amortization.

The deferred cost of refunding decreased by \$3.8 million from October 31, 2013 to October 31, 2014. The decrease is a result of the current year amortization.

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2013 vs. 2012

On October 23, 2013, the Authority currently refunded its Series 2003 bonds. The interest rates on these bonds were effectively hedged by interest rate swaps, which were bifurcated as of the date of the current refunding. Accordingly, the fair value of the interest rate swaps on October 23, 2013 of negative \$70.1 million was recorded as an imputed borrowing by the Authority. The Authority also recorded the \$70.1 million as a deferred cost of refunding and reduced the deferred outflow of resources that had been recorded to offset the negative fair value of the interest rate swap to zero. Apart from the imputed borrowing, the interest rate swap agreements, which continue in effect and continue as an effective hedge, had a fair value of zero at October 23, 2013, which increased to \$1.6 million at October 31, 2013. This amount is recorded as an asset and a deferred inflow of resources on the Authority's statement of net position.

The unamortized loss on extinguishment of the 1993, 1996, 2000, and 2003 bonds increased by \$5.5 million from October 31, 2012 to October 31, 2013. The unamortized bond insurance costs for the 2003 Bonds, which were refunded on October 23, 2013, have now become a component of the unamortized loss on extinguishment, which is being amortized over the remaining life of the original bonds. These costs coupled with the current period amortization are the factors resulting in the above mentioned increase.

In March 2012, GASB issued GASB No. 65 *Items Previously Reported as Assets and Liabilities*. GASB No. 65 clarifies the appropriate reporting of deferred outflows and deferred inflows of resources to ensure consistency in financial reporting. In accordance with GASB No. 65, beginning with the year ended October 31, 2013, the Authority reclassified certain items that were previously classified as assets and liabilities to deferred outflows and deferred inflows of resources. In addition, GASB No. 65 requires that all debt issuance costs, except any portion related to prepaid bond insurance costs, be recognized as an expense in the period incurred. In accordance with GASB No. 65, beginning with the year ended October 31, 2013, the Authority retroactively applied this statement to prior periods and adjusted the beginning balance of net position (deficit) for the earliest period presented for all debt issuance costs except prepaid bond insurance costs, which were being reported as an asset and recognized as an expense over the duration of the related debt.

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Liabilities

Total liabilities at October 31, 2014, 2013 and 2012 were as follows:

	<u>October 31</u>			<u>2014 vs 2013</u>	<u>2013 vs 2012</u>
	<u>2014</u>	<u>2013</u>	<u>2012</u>		
Current liabilities:					
Accrued interest on bonds	\$ 17,543,216	9,902,870	18,169,507	7,640,346	(8,266,637)
Accounts payable and other liabilities	6,102,998	21,808,760	5,200,281	(15,705,762)	16,608,479
Due to the City of New York	125,163,883	112,084,771	103,283,763	13,079,112	8,801,008
Due to the City of New York - 2010 Agreement	43,055,860	46,048,371	46,142,978	(2,992,511)	(94,607)
Due to the NYC School Construction Authority	—	1,898,808	1,898,808	(1,898,808)	—
Due to the Port Authority of NY & NJ	869,381	—	3,820,328	869,381	(3,820,328)
Unearned revenue	44,376,626	41,977,645	41,089,545	2,398,981	888,100
Security and other deposits	4,738	88,492	88,342	(83,754)	150
2003 Revenue Bonds	—	16,140,000	19,280,000	(16,140,000)	(3,140,000)
2009 Revenue Bonds	310,000	310,000	115,000	—	195,000
2013 Revenue Bonds	23,730,000	—	—	23,730,000	—
Total current liabilities	<u>261,156,702</u>	<u>250,259,717</u>	<u>239,088,552</u>	<u>10,896,985</u>	<u>11,171,165</u>
Noncurrent liabilities:					
Unearned revenue	280,607,063	292,473,891	304,341,304	(11,866,828)	(11,867,413)
Security and other deposits	21,963,822	21,925,297	22,367,627	38,525	(442,330)
OPEB - Battery Park City Authority	18,502,073	18,456,455	18,463,988	45,618	(7,533)
OPEB - Battery Park City Parks Conservancy	13,789,687	11,840,431	9,974,257	1,949,256	1,866,174
Fair value of interest rate swaps	12,079,644	—	106,703,964	12,079,644	(106,703,964)
Imputed borrowing	66,345,355	70,126,010	—	(3,780,655)	70,126,010
Bonds outstanding:					
2003 Revenue Bonds	—	—	961,784,095	—	(961,784,095)
2009 Revenue Bonds	87,457,244	87,840,093	88,222,941	(382,849)	(382,848)
2013 Revenue Bonds	996,816,862	1,023,471,979	—	(26,655,117)	1,023,471,979
Total noncurrent liabilities	<u>1,497,561,750</u>	<u>1,526,134,156</u>	<u>1,511,858,176</u>	<u>(28,572,406)</u>	<u>14,275,980</u>
Total liabilities	<u>\$ 1,758,718,452</u>	<u>1,776,393,873</u>	<u>1,750,946,728</u>	<u>(17,675,421)</u>	<u>25,447,145</u>

2014 vs. 2013

The Organization's total liabilities decreased approximately \$17.7 million from \$1.78 billion at October 31, 2013 to \$1.76 billion at October 31, 2014.

Total liabilities comprise amounts due to the City, accrued interest on bonds, unearned revenue, security and other deposits, OPEB, outstanding bonds, and accounts payable and accrued expenses.

The \$17.7 million decrease in total liabilities is due to:

- a \$7.6 million increase in accrued interest payable on bonds from \$9.9 million at October 31, 2013 to \$17.5 million at October 31, 2014, resulting primarily from the refunding of the 2003 bonds and the issuance of the 2013 revenue bonds in 2013 (see note 10).
- a \$15.7 million decrease in accounts payable and other liabilities from \$21.8 million at October 31, 2013 to \$6.1 million at October 31, 2014, primarily due to approximately \$9.3 million in outstanding bond issuance costs at October 31, 2013 from the 2013 revenue bonds which were paid during fiscal year 2014 and

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advances of \$8.8 million in funds received for ongoing remediation costs of damages caused by Superstorm Sandy which were applied towards Superstorm Sandy receivables as of October 31, 2014.

- a \$125.2 million liability was recorded for the fiscal year ended October 31, 2014, which includes fiscal 2014 PILOT related excess revenues to be transferred to the City (see note 13), an increase of \$13.1 million from the prior fiscal year provision of \$112.1 million, which was paid in June 2014.
- a \$43.1 million liability was recorded which includes the fiscal year ended October 31, 2014 for payment under the 2010 Agreement for the City HDC 421-A fund, a decrease of \$3 million from the \$46 million which was charged to operations for the fiscal year ended October 31, 2013 and paid in April 2014.
- a \$1.9 million amount was paid during the fiscal year ended October 31, 2014 for amounts due to the New York City School Construction Authority for the completion of three green building components.
- a \$869 thousand increase in amounts due to the PANYNJ relating to the Authority's agreement to pay up to \$40 million of Special Fund monies for the Route 9A pedestrian underpass (see note 20(e)).
- a \$9.5 million decrease to \$325 million in total unearned revenue from \$334.5 million at October 31, 2013 primarily due to revenue recognized on leases, such as the Goldman lease (\$2.7 million), Sites 23 and 24 (\$3.3 million), and Site 16/17 (\$2.4 million), as well as other upfront lease payments received during prior years (see note 3(d)).
- a \$45 thousand decrease in total security and other deposits to \$22 million at October 31, 2014.
- a \$46 thousand net increase in OPEB liability for the Authority relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits paid. The Authority had a \$18.5 million OPEB liability at October 31, 2014. The annual required OPEB obligation is increased by normal costs for current employees and interest expense and offset by an amortization credit and the actual cost of retiree benefits paid during the year (see note 18).
- a \$1.9 million net increase in OPEB liability for the Conservancy relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits. The Conservancy had an \$13.8 million OPEB liability at October 31, 2014. The annual required OPEB obligation is increased by normal costs for current employees and interest expense (see note 19).
- a \$3.8 million decrease represents the current period amortization of the fair value of the bifurcated Swaps of \$70.1 million on October 23, 2013. The \$70.1 million is being amortized using the straight-line method over the remaining life of the original 2003 bonds.
- a \$383 thousand decrease in 2009 Revenue Bonds outstanding relating to the retirement of principal of \$310 thousand and a \$73 thousand decrease due to the amortization of the net bond premium (see note 16).
- a \$2.9 million decrease in 2013 Revenue Bonds outstanding due to the amortization of the net bond premium (see note 16).

2013 vs. 2012

The Organization's total liabilities increased approximately \$25.4 million from \$1.75 billion at October 31, 2012 to \$1.78 billion at October 31, 2013.

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Total liabilities comprise amounts due to the City, accrued interest on bonds, unearned revenue, security and other deposits, OPEB, outstanding bonds, and accounts payable and accrued expenses.

The \$25.4 million increase in total liabilities is due to:

- a \$8.3 million decrease in accrued interest payable on bonds from \$18.2 million at October 31, 2012 to \$9.9 million at October 31, 2013, resulting primarily from the refunding of the 2003 bonds and the issuance of the 2013 revenue bonds.
- a \$16.6 million increase in accounts payable and other liabilities from \$5.2 million at October 31, 2012 to \$21.8 million at October 31, 2013, primarily due to approximately \$9.3 million in outstanding bond issuance costs from the 2013 revenue bonds and advances of \$8.8 million in funds received for ongoing remediation costs of damages caused by Superstorm Sandy.
- a \$112.1 million provision was recorded for the fiscal year ended October 31, 2013, representing fiscal 2013 PILOT related excess revenues to be transferred to the City, an increase of \$8.8 million from the prior fiscal year provision of \$103.3 million, which was paid in June 2013.
- a provision in the amount of \$46 million was recorded as a liability for the fiscal year ended October 31, 2013 for payment under the 2010 Agreement for the City HDC 421-A fund, a decrease of \$95 thousand over the \$46.1 million which was charged to operations for the fiscal year ended October 31, 2012 and paid in May 2013.
- a \$1.9 million amount remained outstanding as a liability for the fiscal year ended October 31, 2013 for amounts due to the New York City School Construction Authority for the completion of three green building components.
- a \$3.8 million decrease in amounts due to the PANYNJ relating to the Authority's agreement to pay up to \$40 million of Special Fund monies for the construction of a planned pedestrian concourse. The Authority paid \$3.8 million to the PANYNJ in January 2013.
- a \$11 million decrease to \$334.5 million in total unearned revenue from \$345.4 million at October 31, 2012 primarily due to revenue recognized on leases, such as the Goldman lease (\$2.7 million), Sites 23 and 24 (\$2.3 million), and Site 16/17 (\$2.4 million), as well as other upfront lease payments received during prior years.
- a \$442 thousand decrease in total security and other deposits to \$22 million at October 31, 2013, primarily due to security deposits refunded to Mariner's Cove, net of security deposits received from Pier A, One Rector Park and AMEX, coupled with interest earned and gains on investments on all residential funds held.
- a \$7 thousand net decrease in OPEB liability for the Authority relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits paid. The Authority had an \$18.5 million OPEB liability at October 31, 2013. The annual required OPEB obligation is increased by normal costs for current employees and interest expense and offset by an amortization credit and the actual cost of retiree benefits paid during the year.
- a \$1.9 million net increase in OPEB liability for the Conservancy relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits. The Conservancy had

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an \$11.8 million OPEB liability at October 31, 2013. The annual required OPEB obligation is increased by normal costs for current employees and interest expense.

- a \$70.1 million increase in Imputed Borrowing. On October 23, 2013, the Authority refunded the Series 2003 bonds, which terminated the hedge accounting treatment of the swaps and bifurcated the swap into "Imputed Borrowing" and an accounting swap, accounting for the \$106.7 million decrease in the Accumulated decrease in fair value of interest rate swaps. The Authority recorded a deferred cost of refunding and an imputed borrowing of approximately \$70.1 million, the fair value of the interest rate swaps on October 23, 2013.
- a \$964.9 million decrease in 2003 Revenue Bonds outstanding relating to the refunding of the 2003 bonds.
- a \$188 thousand decrease in 2009 Revenue Bonds outstanding relating to the retirement of principal of \$115 thousand and a \$73 thousand decrease due to the amortization of the net bond premium.
- a \$1.02 billion increase in 2013 Revenue Bonds outstanding relating to the issuance of the 2013 Revenue Bonds.

Deferred Inflows of Resources

	<u>October 31</u>			<u>2014 vs</u>	<u>2013 vs</u>
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Deferred Inflows of Resources:					
Accumulated increase in fair value of interest rate swaps	\$ —	1,624,655	—	(1,624,655)	1,624,655
Total deferred inflows of resources	<u>\$ —</u>	<u>1,624,655</u>	<u>—</u>	<u>(1,624,655)</u>	<u>1,624,655</u>

2014 vs. 2013

The interest rate swap agreements, which continue in effect and continue as an effective hedge, had a positive fair value of \$1.6 million at October 31, 2013, which was recorded as an asset and a deferred inflow of resources. This value decreased \$13.7 million, to a negative fair value of \$12.1 million at October 31, 2014. This \$12.1 million negative fair value is recorded as a deferred outflow of resources and a liability on the Authority's statement of net position.

2013 vs. 2012

On October 23, 2013, the Authority currently refunded its Series 2003 bonds. The interest rates on these bonds were effectively hedged by interest rate swaps, which were bifurcated as of the date of the current refunding. Accordingly, the fair value of the interest rate swaps on October 23, 2013 of negative \$70.1 million was recorded as an imputed borrowing by the Authority. The Authority also recorded the \$70.1 million as a deferred cost of refunding and reduced the deferred outflow of resources that had been recorded to offset the negative fair value of the interest rate swap to zero. Apart from the imputed borrowing, the interest rate swap agreements, which continue in effect and continue as an effective hedge, had a fair value of zero at October 23, 2013, which increased to \$1.6 million at October 31, 2013. This amount is recorded as an asset and a deferred inflow of resources on the Authority's statement of net position.

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Net Position (Deficit)

	<u>October 31</u>			<u>2014 vs</u>	<u>2013 vs</u>
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Net Position (deficit):					
Invested in capital assets, net of related debt	\$ (24,494,670)	(6,333,642)	(9,633,572)	(18,161,028)	3,299,930
Restricted	68,407,586	103,053,163	88,095,527	(34,645,577)	14,957,636
Unrestricted	<u>(709,940,990)</u>	<u>(765,671,880)</u>	<u>(727,662,666)</u>	<u>55,730,890</u>	<u>(38,009,214)</u>
Total net position (deficit)	\$ <u>(666,028,074)</u>	<u>(668,952,359)</u>	<u>(649,200,711)</u>	<u>2,924,285</u>	<u>(19,751,648)</u>

2014 vs. 2013

The change in total net position (deficit) from October 31, 2013 represents a decrease in the deficit position of \$2.9 million from \$669 million at October 31, 2013 to \$666 million at October 31, 2014.

The net position invested in capital assets, net of related debt, was a deficit of \$24.5 million and \$6.3 million at October 31, 2014 and 2013, respectively. Although investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets cannot be used to liquidate these liabilities. The Authority's \$68.4 million and \$103.1 million of restricted net assets at October 31, 2014 and 2013, respectively, represent resources that are subject to various external restrictions on how they may be used. These assets are generally restricted under bond resolutions and other agreements and for debt service. The remaining balance is classified as an unrestricted deficit totaling \$709.9 million at October 31, 2014 resulting primarily from debt issued for noncapital purposes of \$513.7 million, and upfront lease payments and deferred PILOT revenue, which are transferred to the City annually or held in the Joint Purpose Fund as restricted assets.

2013 vs. 2012

The change in total net position (deficit) from October 31, 2012 represents an increase in the deficit position of \$19.8 million from \$649.2 million at October 31, 2012 to \$669 million at October 31, 2013.

The net position invested in capital assets, net of related debt, was a deficit of \$6.3 million and \$9.6 million at October 31, 2013 and 2012, respectively. Although investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets cannot be used to liquidate these liabilities. The Authority's \$103.1 million and \$88.1 million of restricted net assets at October 31, 2013 and 2012, respectively, represent resources that are subject to various external restrictions on how they may be used. These assets are generally restricted under bond resolutions and other agreements and for debt service. The remaining balance is classified as an unrestricted deficit totaling \$765.7 million at October 31, 2013 resulting primarily from debt issued for noncapital purposes of \$515 million, and upfront lease payments and deferred PILOT revenue, which are transferred to the City annually or held in the Joint Purpose Fund as restricted assets.

GASB No. 65 requires that all lease and debt issuance costs, except any portion related to prepaid insurance costs, be recognized as an expense in the period incurred. In accordance with GASB No. 65, beginning with the year ended October 31, 2013, the Authority retroactively applied this statement to prior periods and adjusted the beginning balance of net position (deficit) for the earliest period presented for all lease and debt issuance costs except prepaid insurance costs, which are being reported as an asset and recognized as an expense over the

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duration of the related debt. The format of the financial statements for October 31, 2012 has been changed accordingly for comparative purposes.

Summary Schedule of Revenues, Expenses, and Changes in Net Position (Deficit)

Below is a summary of the Organization's revenues, expenses, and changes in net deficit for the fiscal years ended October 31, 2014, 2013 and 2012:

	October 31			2014 vs	2013 vs
	2014	2013	2012	2013	2012
Operating revenues:					
Revenues from ground leases:					
Base rent	\$ 62,705,939	62,252,076	61,394,256	453,863	857,820
Supplemental rent	1,561,040	1,815,820	1,738,401	(254,780)	77,419
Payments in lieu of real estate taxes	181,660,585	159,416,916	163,987,502	22,243,669	(4,570,586)
Civic facilities payments and other	10,045,796	12,559,603	21,806,157	(2,513,807)	(9,246,554)
Total operating revenues	<u>255,973,360</u>	<u>236,044,415</u>	<u>248,926,316</u>	<u>19,928,945</u>	<u>(12,881,901)</u>
Operating expenses:					
Wages and related benefits	13,582,735	12,560,909	12,491,397	1,021,826	69,512
OPEB - Battery Park City Authority	534,711	439,037	1,220,823	95,674	(781,786)
OPEB - Battery Park City Parks Conservancy	2,022,063	1,901,745	1,224,990	120,318	676,755
Other operating and administrative expenses	12,527,194	12,136,017	10,963,056	391,177	1,172,961
New York State Cost wide recovery	5,853,000	5,852,795	5,236,364	205	616,431
Community Center	531,535	2,079,240	1,958,577	(1,547,705)	120,663
Depreciation and amortization	9,065,014	10,017,930	9,947,263	(952,916)	70,667
Total operating expenses	<u>44,116,252</u>	<u>44,987,673</u>	<u>43,042,470</u>	<u>(871,421)</u>	<u>1,945,203</u>
Operating income	<u>211,857,108</u>	<u>191,056,742</u>	<u>205,883,846</u>	<u>20,800,366</u>	<u>(14,827,104)</u>
Nonoperating revenues (expenses):					
Interest and other income	2,804,599	(586,205)	5,213,030	3,390,804	(5,799,235)
Other revenue	3,418	226,256	2,471	(222,838)	223,785
Interest expense, net	(35,124,886)	(36,446,093)	(37,795,116)	1,321,207	1,349,023
Bond issuance costs	(12,167)	(10,843,250)	—	10,831,083	(10,843,250)
Provision for transfer to NYC School Construction Authority	—	—	(1,898,808)	—	1,898,808
Provision for transfer to the Port Authority of NY & NJ	(2,103,519)	—	(3,801,977)	(2,103,519)	3,801,977
Provision for transfer to the City of New York	(124,547,666)	(112,084,771)	(103,283,763)	(12,462,895)	(8,801,008)
Provision for transfer to the City of New York - 2010 Agreement	(42,802,696)	(46,048,371)	(46,142,978)	3,245,675	94,607
Provision for transfer to New York State - Route 9A Agreement	(1,255,979)	—	—	(1,255,979)	—
Pier A and Pier A Plaza construction pass through NYC	(5,893,927)	(5,025,956)	—	(867,971)	(5,025,956)
Total nonoperating expenses, net	<u>(208,932,823)</u>	<u>(210,808,390)</u>	<u>(187,707,141)</u>	<u>1,875,567</u>	<u>(23,101,249)</u>
Change in net position (deficit)	<u>2,924,285</u>	<u>(19,751,648)</u>	<u>18,176,705</u>	<u>22,675,933</u>	<u>(37,928,353)</u>
Net (deficit), beginning of year	<u>(668,952,359)</u>	<u>(649,200,711)</u>	<u>(667,377,416)</u>	<u>(19,751,648)</u>	<u>18,176,705</u>
Net deficit, end of year	<u>\$ (666,028,074)</u>	<u>(668,952,359)</u>	<u>(649,200,711)</u>	<u>2,924,285</u>	<u>(19,751,648)</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)

October 31, 2014 and 2013

Operating Revenues

2014 vs. 2013

Overall operating revenues for the year ended October 31, 2014 totaled \$256 million, approximately \$19.9 million higher than the year ended October 31, 2013. Lease revenues consist primarily of base (land) rent and PILOT from long-term leaseholds.

Base rent increased \$454 thousand from \$62.3 million for the year ended October 31, 2013. PILOT revenue totaling approximately \$181.7 million (approximately 71% of the total operating revenues for the fiscal year ended October 31, 2014), increased by \$22.2 million over the fiscal year ended October 31, 2013, which primarily relates to a reduction in 467a real estate tax abatements for residential properties given in the prior year. The change in civic facility payments and other is a \$2.5 million decrease from \$12.6 million for the year ended October 31, 2013 to \$10 million for the year ended October 31, 2014, primarily due to a one-time transaction payment from Liberty View Site D during 2013 that was not repeated in 2014 and the decrease in percentage rents for commercial Towers B and D.

2013 vs. 2012

Overall operating revenues for the year ended October 31, 2013 totaled \$236 million, approximately \$12.9 million lower than the year ended October 31, 2012. Lease revenues consist primarily of base (land) rent and PILOT from long-term leaseholds.

Base rent increased \$858 thousand from \$61.4 million for the year ended October 31, 2012. PILOT revenue totaling approximately \$159.4 million (approximately 67.5% of the total operating revenues for the fiscal year ended October 31, 2013), decreased by \$4.6 million over the fiscal year ended October 31, 2012, and relates to 467a real estate tax abatements for residential properties given in the current year. The change in civic facility payments and other is a \$9.2 million decrease from \$21.8 million for the year ended October 31, 2012 to \$12.6 million in October 31, 2013 primarily due to a one-time transaction payment from residential Site 16/17 during 2012 that was not repeated in 2013.

Operating Expenses

2014 vs. 2013

Operating expenses totaled approximately \$44.1 million for the fiscal year ended October 31, 2014, representing a net \$871 thousand decrease compared to the fiscal year ended October 31, 2013. The expenses include: wages and related benefits; OPEB; operating and administrative expenses such as security, insurance, rent, maintenance, transportation, legal, financial, and promotional; planning/design expenditures; and depreciation and amortization.

Wages and related benefits totaling \$13.6 million increased \$1 million over the previous fiscal year ended October 31, 2013.

OPEB expenses for the Authority increased for the fiscal year ended October 31, 2014 by \$96 thousand. This was due to the lower normal and interest costs together with an ARC amortization credit determined by the triennial valuation. OPEB costs represent a pro rata share of annual interest and normal costs for postemployment medical benefits for all eligible current employees in accordance with GASB Statement No. 45 (see note 18).

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

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October 31, 2014 and 2013

The Conservancy recognized the normal and interest costs of approximately \$2 million for the plan for the fiscal year ended October 31, 2014 (see note 19) which was approximately \$120 thousand higher than the OPEB expenses for the year ended October 31, 2013.

Other operating and administrative expenses increased a net \$391 thousand due to the increase in insurance coverage and security and other site operations.

Expenses relating to the community center at Site 23/24 decreased by \$1.5 million from \$2.1 million for the fiscal year ended October 31, 2013. The prior year expense includes a one-time charge for furniture and equipment totaling approximately \$1.3 million purchased by the Authority and transferred to the operator of the community center in accordance with the operating agreement.

Depreciation and amortization expenses recorded for the fiscal year ended October 31, 2014 of \$9.1 million was \$953 thousand lower than the year ended October 31, 2013.

2013 vs. 2012

Operating expenses totaled approximately \$45 million for the fiscal year ended October 31, 2013, representing a \$1.9 million increase compared to the fiscal year ended October 31, 2012. The expenses include: wages and related benefits; OPEB; operating and administrative expenses such as security, insurance, rent, maintenance, transportation, legal, financial, and promotional; planning/design expenditures; and depreciation and amortization.

Wages and related benefits totaling \$12.6 million were commensurate with the previous fiscal year ended October 31, 2012.

OPEB expenses for the Authority decreased for the fiscal year ended October 31, 2013 by \$782 thousand. This was due to the lower normal and interest costs together with an ARC amortization credit determined by the triennial valuation. OPEB costs represent a pro rata share of annual interest and normal costs for postemployment medical benefits for all eligible current employees in accordance with GASB Statement No. 45.

The Conservancy recognized the normal and interest costs of approximately \$1.9 million for the plan for the fiscal year ended October 31, 2013 which was approximately \$677 thousand higher than the OPEB expenses for the year ended October 31, 2012.

Other operating and administrative expenses increased approximately \$1.2 million due to the increase in insurance coverage and security and other site operations.

Expenses relating to the community center at Site 23/24 increased by \$121 thousand from \$2 million for the fiscal year ended October 31, 2012. The current year expense includes a one-time charge for furniture and equipment totaling approximately \$1.3 million purchased by the Authority and transferred to the operator of the community center in accordance with the operating agreement.

Depreciation and amortization expenses recorded for the fiscal year ended October 31, 2013 of \$10 million was \$71 thousand higher than the year ended October 31, 2012.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)

October 31, 2014 and 2013

Nonoperating Revenues (Expenses)

2014 vs. 2013

Total nonoperating expenses, net, were approximately \$1.9 million lower for the year ended October 31, 2014 than the year ended October 31, 2013. A provision for a transfer to the City of \$124.5 million in excess revenues was charged to expense for the year ended October 31, 2014, an increase of approximately \$12.5 million from the year ended October 31, 2013. In addition, a provision for transfer to the City for a 421-A affordable housing fund of \$42.8 million was charged to expense for the year ended October 31, 2014, a decrease of approximately \$3.2 million from the year ended October 31, 2013. There was a provision for transfer to the PANYNJ of approximately \$2.1 million for the fiscal year ended October 31, 2014, an increase of \$2.1 million from the fiscal year ended October 31, 2013. The Authority expended approximately \$5.9 million of capital improvements to Pier A, which is a City-owned asset, and accordingly recorded a provision for transfer to the City for that amount for the fiscal year ended October 31, 2014.

Interest and other income increased by \$3.4 million primarily due to restructuring the long-term investment portfolio during the year ended October 31, 2014. Other revenue decreased \$223 thousand. Net interest expense related to outstanding bonds decreased \$1.3 million, primarily due to the lower costs of capital, compared to the year ended October 31, 2013. Bond issuance costs of approximately \$12 thousand related to the October 2013 bond offering were charged to expense for the fiscal year ended October 31, 2014 (see note 13).

2013 vs. 2012

Total nonoperating expenses, net, were approximately \$23.1 million higher for the year ended October 31, 2013 than the year ended October 31, 2012. A provision for a transfer to the City of \$112.1 million in excess revenues was charged to expense for the year ended October 31, 2013, an increase of approximately \$8.8 million from the year ended October 31, 2012. In addition, a provision for transfer to the City for a 421-A affordable housing fund of \$46 million was charged to expense for the year ended October 31, 2013, a decrease of approximately \$95 thousand from the year ended October 31, 2012. There was no provision for transfer to the PANYNJ or the NYC School Construction Authority for the fiscal year ended October 31, 2013, a decrease of \$5.7 million from the fiscal year ended October 31, 2012. The Authority expended approximately \$5 million of capital improvements to Pier A, which is a City-owned asset, and accordingly recorded a provision for transfer to the City for the amount for the fiscal year ended October 31, 2013.

Interest and other income decreased by \$5.8 million primarily due to the reduction in balances held and the composition of assets held during the year ended October 31, 2013 as compared to 2012. Other revenue increased \$224 thousand. Net interest expense related to outstanding bonds decreased \$1.3 million compared to the year ended October 31, 2012. Bond issuance costs of approximately \$10.8 million related to the October 2013 bond offering were charged to expense for the fiscal year ended October 31, 2013.

Change in Net Position (Deficit)

The total net deficits at October 31, 2014 and 2013 were \$666 million and \$669 million, respectively.

The total net deficits at October 31, 2013 and 2012 were \$669 million and \$649.2 million, respectively.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)

October 31, 2014 and 2013

Other Information

Debt Administration –The 2009 Revenue Bonds, issued in December 2009, totaling \$89 million, included \$56.6 million of federally taxable Build America Bonds and \$32.5 million (including a net premium) of tax-exempt bonds. At October 31, 2014, the Authority was responsible for debt service on the 2009 Revenue Bonds of \$87.8 million (see note 16).

	<u>Outstanding debt</u>	<u>Fitch</u>	<u>Moody's</u>	<u>Standard & Poor's (S&P)</u>
2009 Senior Revenue A Bonds	\$ 56,600,000	AAA	Aaa	Not rated
2009 Senior Revenue B Bonds	31,167,245	AAA	Aaa	Not rated

The 2013 Revenue Bonds, issued in October 2013, totaling \$1.02 billion, included \$407.1 million (inclusive of net premium) of fixed-rate tax exempt Senior Revenue Bonds Series A and \$6.9 million (inclusive of net premium) of federally taxable, fixed-rate Senior Revenue Bonds, Series B. In addition, the Authority directly placed \$609.5 million variable-rate Junior Revenue Bonds with three banks, comprising \$210.9 million of Series C, \$199.3 million of Series D, and \$199.3 million of Series E (see notes 12 and 16). At October 31, 2014, the Authority was responsible for debt service on the 2013 Revenue Bonds of \$1 billion.

	<u>Outstanding debt</u>	<u>Fitch</u>	<u>Moody's</u>	<u>Standard & Poor's (S&P)</u>
2013 Senior Revenue A Bonds	\$ 404,223,418	AAA	Aaa	Not Rated
2013 Senior Revenue B Bonds	6,793,444	AAA	Aaa	Not Rated
2013 Junior Revenue C Bonds	210,865,000	Not Rated	Aa2	Not Rated
2013 Junior Revenue D Bonds	199,330,000	Not Rated	Not Rated	Not Rated
2013 Junior Revenue E Bonds	199,335,000	Not Rated	Not Rated	Not Rated

Requests for Information – This financial report is designed to provide a general overview of the Organization's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the President, 200 Liberty Street, 24th Floor, New York, NY 10281. The Authority's Web site is: www.bpca.ny.gov.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)

Statements of Net Position

October 31, 2014 and 2013

Assets	<u>2014</u>	<u>2013</u>
Current assets:		
Bank deposits	\$ 31,798	66,758
Investments (note 3(e))	10,943,867	1,654,948
Restricted assets:		
Rents and other receivables (net of allowance for doubtful accounts of \$1,169,749 in 2014 and \$855,506 in 2013) (note 14)	6,014,450	26,310,991
2003 General Bond Resolution Funds (notes 3(e), 8, 9, and 10)	224,839,790	211,092,313
2009 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 11)	15,121,807	20,163,997
2013 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 12)	43,053,458	27,952,126
Corporate-designated, escrowed, and OPEB funds (note 3(e))	4,868,499	2,533,354
Total current assets	<u>304,873,669</u>	<u>289,774,487</u>
Noncurrent assets:		
Restricted assets:		
2003 General Bond Resolution Funds (notes 3(e), 8, 9, and 10)	70,684,389	70,362,648
2009 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 11)	2,737,566	6,536,405
2013 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 12)	32,963,690	63,103,058
Residential lease required funds (note 3(e))	21,467,676	21,424,126
Corporate-designated, escrowed, and OPEB funds (notes 3(e), 18 and 19)	69,193,007	74,186,476
Fair value of interest rate swaps (note 3(j))	—	1,624,655
Battery Park City project assets – at cost, less accumulated depreciation (notes 2, 3(c), and 4)	485,217,744	483,510,743
Other assets	4,526,698	4,474,973
Total noncurrent assets	<u>686,790,770</u>	<u>725,223,084</u>
Total assets	<u>991,664,439</u>	<u>1,014,997,571</u>
Deferred Outflows of Resources		
Accumulated decrease in fair value of interest rate swaps (notes 3(j) and 10)	12,079,644	—
Unamortized loss on extinguishment of 1993, 1996, 2000, and 2003 bonds (note 3(j))	22,600,940	23,942,588
Deferred costs of refunding, less accumulated amortization of \$3,870,057 in 2014 and \$89,402 in 2013 (note 10)	66,345,355	70,126,010
Total deferred outflows of resources	<u>101,025,939</u>	<u>94,068,598</u>
Total assets and deferred outflows of resources	<u>\$ 1,092,690,378</u>	<u>1,109,066,169</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)

Statements of Net Position
October 31, 2014 and 2013

Liabilities	2014	2013
Current liabilities:		
Accrued interest on bonds	\$ 17,543,216	9,902,870
Accounts payable and other liabilities (note 15)	6,102,998	21,808,760
Due to the City of New York (note 13)	125,163,883	112,084,771
Due to the City of New York - 2010 Agreement (note 13)	43,055,860	46,048,371
Due to the NYC School Construction Authority	—	1,898,808
Due to the Port Authority of New York & New Jersey (note 20(f))	869,381	—
Unearned revenue (note 3(d)):		
PILOT revenue	31,443,206	28,917,452
Base rent and other revenue	12,933,420	13,060,193
Security and other deposits	4,738	88,492
2003 Revenue Bonds (notes 8, 9, and 10)	—	16,140,000
2009 Revenue Bonds (notes 8, 9, and 11)	310,000	310,000
2013 Revenue Bonds (notes 8, 9, and 12)	23,730,000	—
Total current liabilities	261,156,702	250,259,717
Noncurrent liabilities:		
Unearned revenue (note 3(d)):		
Base rent and other revenue	280,607,063	292,473,891
Security and other deposits	21,963,822	21,925,297
OPEB - Battery Park City Authority (note 18)	18,502,073	18,456,455
OPEB - Battery Park City Parks Conservancy (note 19)	13,789,687	11,840,431
Fair value of interest rate swaps (notes 3(j) and 10)	12,079,644	—
Imputed borrowing (note 10)	66,345,355	70,126,010
Bonds outstanding (notes 8, 9, 10, 11, and 12):		
2009 Revenue Bonds, less accumulated amortization of \$353,763 in 2014 and \$280,915 in 2013	87,457,244	87,840,093
2013 Revenue Bonds, less accumulated amortization of \$2,993,189 in 2014 and \$68,073 in 2013	996,816,862	1,023,471,979
Total noncurrent liabilities	1,497,561,750	1,526,134,156
Total liabilities	1,758,718,452	1,776,393,873
Deferred Inflows of Resources		
Accumulated increase in fair value of interest rate swaps (note 3(j))	—	1,624,655
Total deferred inflows of resources	—	1,624,655
Net Position (Deficit)		
Invested in capital assets, net of related debt	(24,494,670)	(6,333,642)
Restricted:		
Debt service	58,890,717	90,724,972
Under bond resolutions and other agreements	9,516,869	12,328,191
Unrestricted (deficit)	(709,940,990)	(765,671,880)
Total net position (deficit)	(666,028,074)	(668,952,359)
Total liabilities and net position (deficit)	\$ 1,092,690,378	1,109,066,169

See accompanying notes to financial statements.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)

Statements of Revenues, Expenses, and Changes in Net Position (Deficit)
Years Ended October 31, 2014 and 2013

	2014	2013
Operating revenues:		
Revenues from ground leases (notes 5, 6, and 7):		
Base rent	\$ 62,705,939	62,252,076
Supplemental rent	1,561,040	1,815,820
Payments in lieu of real estate taxes	181,660,585	159,416,916
Civic facilities payments and other	10,045,796	12,559,603
Total operating revenues	255,973,360	236,044,415
Operating expenses:		
Wages and related benefits	13,582,735	12,560,909
OPEB - Battery Park City Authority (note 18)	534,711	439,037
OPEB - Battery Park City Parks Conservancy (note 19)	2,022,063	1,901,745
Other operating and administrative expenses	18,911,729	20,068,052
Depreciation of project assets	8,445,208	8,339,303
Other depreciation and amortization	619,806	1,678,627
Total operating expenses	44,116,252	44,987,673
Operating income	211,857,108	191,056,742
Nonoperating revenues (expenses):		
Investment income on funds relating to:		
2003 Revenue Bonds (note 10)	1,490,637	2,067,875
2009 Revenue Bonds (note 11)	152,298	100,621
2013 Revenue Bonds (note 12)	173,051	—
Corporate-designated, escrowed, and OPEB funds	1,704,420	2,010,542
Realized and unrealized gains and (losses)	(715,807)	(4,765,243)
Other revenue	3,418	226,256
Interest expense relating to:		
2003 Swap agreements – net expense	(12,367,662)	(12,450,273)
2003 Revenue Bonds (note 10)	(13,064)	(18,405,612)
2009 Revenue Bonds (note 11)	(3,791,681)	(3,797,570)
2013 Revenue Bonds (note 12)	(17,626,569)	(399,222)
Loss from extinguishment	(1,325,910)	(1,393,416)
Bond issuance costs	(12,167)	(10,843,250)
Provision for transfer to the Port Authority of New York & New Jersey (note 20(f))	(2,103,519)	—
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts (note 13)	(124,547,666)	(112,084,771)
Provision for transfer to the City of New York per 2010 agreement (note 13)	(42,802,696)	(46,048,371)
Provision for transfer to the City of New York - Pier A	(5,893,927)	(5,025,956)
Provision for transfer to the State of New York - Route 9A	(1,255,979)	—
Total nonoperating expenses	(208,932,823)	(210,808,390)
Change in net position (deficit)	2,924,285	(19,751,648)
Net (deficit), beginning of year	(668,952,359)	(649,200,711)
Net (deficit), end of year	\$ (666,028,074)	(668,952,359)

See accompanying notes to financial statements.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)
Statements of Cash Flows
Years Ended October 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Cash receipts from:		
Tenant payments	\$ 245,640,395	225,745,600
Miscellaneous receipts	737,115	993,612
Total cash receipts from operating activities	246,377,510	226,739,212
Cash payments for:		
Salaries and benefits	(14,038,475)	(12,933,831)
Services and supplies	(19,374,234)	(20,146,764)
Total cash payments for operating activities	(33,412,709)	(33,080,595)
Net cash provided by operating activities	212,964,801	193,658,617
Cash flows from noncapital financing activities:		
Receipts from the City of New York - Pier A	1,276,875	15,799,693
Payments to Pier A Contractors on behalf of the City of New York	(1,550,579)	(10,221,701)
Payments to Pier A Plaza Contractors on behalf of the City of New York	(2,403,542)	—
Payments for the New York City Public Library	(83,857)	—
Payments from lessees – site security deposits	10,772	630,799
Payments to lessees - site security deposits	—	(1,386,957)
Payment from Pier A for security deposit	—	275,000
Payments to the Port Authority of New York & New Jersey	(1,234,138)	(3,820,328)
Payments from LMDC West Thames St Pedestrian Bridge	1,017,647	—
Payments to NYC EDC - West Thames St Pedestrian Bridge	(1,017,647)	—
Payments from Security Betterment - Route 9A Agreement	434,984	—
Payments to NYS DOT & Contractors - Route 9A Agreement	(1,684,103)	—
Payments to NYC School Construction Authority	(1,898,808)	—
Payments to the City of New York	(111,468,554)	(103,283,763)
Payments to the City of New York - 2010 Agreement	(45,795,207)	(46,142,978)
Net cash used in noncapital financing activities	(164,396,157)	(148,150,235)
Cash flows from capital and related financing activities:		
Development costs – site improvements and construction	(9,310,639)	(4,030,051)
Capital asset expenditures	(523,166)	(604,454)
Receipts from the sale of capital assets	3,418	276
Payments for Superstorm Sandy	(1,617,725)	(10,285,753)
Proceeds from Superstorm Sandy	2,661,190	8,805,539
Payments for bond issuance costs	(9,722,672)	—
Auction fees for variable debt	(55,459)	(353,659)
Swap payment made on the 2003 Swap agreement	(12,844,892)	(13,033,026)
Swap interest payments received on the 2003 Swap agreement	389,081	496,785
Principal paydown on 2003 Revenue Bonds	(16,140,000)	(19,280,000)
Interest paid on 2003 Senior Revenue Bonds	(412,700)	(17,531,970)
Interest paid on 2003 Junior Revenue Bonds	—	(2,414,225)
Interest paid on 2009 Senior Revenue Bonds	(5,029,806)	(5,034,056)
Principal paydown on 2009 Senior Revenue Bonds	(310,000)	(115,000)
Proceeds from 2013 Bonds issuance	—	1,022,424,758
Interest paid on 2013 Senior Revenue Bonds	(8,670,299)	—
Interest paid on 2013 Bonds CDE	(3,694,231)	—
Transfer to Escrow Account for Bond Refunding	10,149,229	(948,854,807)
Receipt - JPMC Muni Bond Settlement	—	225,980
2009 Senior Revenue Bonds - Build America Bonds refund from US Treasury	585,980	1,162,488
Net cash (used in) provided by capital and related financing activities	(54,542,691)	11,578,825
Cash flows from investing activities:		
Interest and realized gains received on investment securities	3,416,974	6,715,262
Maturities and redemptions of investment securities	515,315,610	534,301,072
Purchases of investment securities	(670,827,511)	(501,071,344)
Net cash (used in) provided by investing activities	(152,094,927)	39,944,990
(Decrease) increase in cash and cash equivalents	(158,068,974)	97,032,197
Cash and cash equivalents, beginning of year	218,172,389	121,140,192
Cash and cash equivalents, end of year	\$ 60,103,415	218,172,389

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)

Statements of Cash Flows

Years Ended October 31, 2014 and 2013

	2014	2013
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 211,857,108	191,056,742
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for bad debt expense	314,243	213,341
Depreciation and amortization	9,065,014	10,017,930
Other	144,275	(106,597)
Changes in operating assets and liabilities:		
(Increase) decrease in rents and other receivables	(728,815)	1,514,988
(Increase) decrease in other assets	(106,332)	1,047,607
Decrease in accounts payable and other liabilities	(107,719)	(964,722)
Decrease in deferred revenue	(9,467,847)	(10,979,313)
Increase in OPEB	1,994,874	1,858,641
Net cash provided by operating activities	\$ 212,964,801	193,658,617
Reconciliation to cash and cash equivalents, end of year:		
Bank deposits	\$ 31,798	66,758
Cash and cash equivalents (note 3(e))	361,780	1,428,521
Investments with less than 91-day maturities (note 3(e))	59,709,837	216,677,110
Cash and cash equivalents, end of year	\$ 60,103,415	218,172,389

See accompanying notes to financial statements.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

October 31, 2014 and 2013

(1) General

Hugh L. Carey Battery Park City Authority (the “Authority”) is a public benefit corporation created in 1968 under the laws of the State of New York (the “State”) pursuant to the Battery Park City Authority Act (the “Act”) and is a legally separate entity from the State. The Authority has been doing business as the Hugh L. Carey Battery Park City Authority since 1999. For financial reporting purposes, the Authority is a component unit of the State and is included in the State’s comprehensive annual financial report.

The Authority’s reporting entity comprises itself and the Battery Park City Parks Conservancy (the “Conservancy”). The Conservancy was incorporated on December 2, 1987 as a New York not-for-profit corporation and is a blended component unit of the Authority under the guidance included in Governmental Accounting Standards Board (“GASB”) Statement Nos. 14 and 39, and the Conservancy’s assets, liabilities, and results of operations are combined with the operations of the Authority for financial reporting purposes.

The Authority and its blended component unit, the Conservancy, are referred to collectively as “the Organization” in the financial statements. All significant transactions between the Authority and the Conservancy have been eliminated.

The Act sets forth the purposes of the Authority, including: the improvement of the Battery Park City project (the “Project”) area; the creation in such area, in cooperation with the City of New York (the “City”) and the private sector, of a mixed commercial and residential community; and the making of loans secured by first mortgages to any housing company organized to provide housing within the project area pursuant to the New York State Private Housing Finance Law. The Act also authorizes the Authority to pledge and assign revenues to secure financing for low- and moderate-income housing developments outside the project area, as well as issue bonds for the purposes of furthering the development of a commodities and futures exchange facility in Battery Park City, repaying certain State appropriations, and making a payment to the City and the State (see note 9).

The Act provides that the Authority and its corporate existence shall continue until terminated by law, provided, however, that no such law shall take effect so long as the Authority shall have bonds, notes, and other obligations outstanding, unless adequate provision has been made for the payment of those obligations.

(2) Description of Project

The Project consists of approximately 92 acres of landfill created, owned, and operated by the Authority (see note 4). The Project’s plan of development included approximately 35 acres of parkland and open spaces and provides for the construction, by private developers, of approximately 10.2 million square feet of office space, a 500,000-square-foot commodities trading facility, retail space, a marina, two hotels, a multiplex cinema, museums, three public schools, a community center, a public library, four not-for profit condos owned by the Authority and approximately 8,600 residential units (see notes 5, 6, and 7).

The Authority also owns and controls significant air rights throughout the Project. Ground rents, payments in lieu of real estate taxes (“PILOT”), and other lease payments are received under the ground leases, all expiring in 2069. All sites on the Project have been developed.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

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(3) Summary of Significant Accounting Policies

(a) Financial Reporting

The Organization follows accounting principles generally accepted in the United States of America as promulgated by GASB.

The Organization's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this basis, revenues are recognized in the period they are earned and expenses are recognized in the period they are incurred.

(b) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Estimates include reserves for doubtful accounts, depreciation, fair value of interest rate swaps and imputed borrowing, and other post-employment benefits. Actual results could differ from those estimates.

(c) Project Assets

Costs incurred by the Authority in developing the Project as of October 31, 2014 and 2013 are capitalized as project assets and are classified as follows:

	Balance at October 31, 2013	Additions	Deletions	Balance at October 31, 2014
Land	\$ 83,015,653	—	—	83,015,653
Site improvements	376,856,244	11,774,918	2,018,624	386,612,538
Residential building and condominiums	132,913,755	395,915	—	133,309,670
Total project assets	<u>592,785,652</u>	<u>12,170,833</u>	<u>2,018,624</u>	<u>602,937,861</u>
Less: accumulated depreciation:				
Site improvements	87,576,249	5,263,490	—	92,839,739
Residential building and condominiums	21,698,660	3,181,718	—	24,880,378
Total accumulated depreciation	<u>109,274,909</u>	<u>8,445,208</u>	<u>—</u>	<u>117,720,117</u>
Net project assets	<u>\$ 483,510,743</u>	<u>3,725,625</u>	<u>2,018,624</u>	<u>485,217,744</u>

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	Balance at October 31, 2012	Additions	Deletions	Balance at October 31, 2013
Land	\$ 83,015,653	—	—	83,015,653
Site improvements	374,131,317	2,726,927	2,000	376,856,244
Residential building and condominiums	132,109,599	804,156	—	132,913,755
Total project assets	<u>589,256,569</u>	<u>3,531,083</u>	<u>2,000</u>	<u>592,785,652</u>
Less: accumulated depreciation:				
Site improvements	82,406,877	5,169,372	—	87,576,249
Residential building and condominiums	18,528,763	3,169,897	—	21,698,660
Total accumulated depreciation	<u>100,935,640</u>	<u>8,339,269</u>	<u>—</u>	<u>109,274,909</u>
Net project assets	<u>\$ 488,320,929</u>	<u>(4,808,186)</u>	<u>2,000</u>	<u>483,510,743</u>

The Authority records project assets at historical cost. The costs of normal maintenance of the Project that do not add to the value of the Project or extend its useful life are not capitalized. Upon completion, site improvement costs, which consist principally of infrastructure, streets, and civic and public facilities, are being depreciated by the straight-line method over the remaining lease years (to 2069). Interest costs incurred during construction related to the cost of infrastructure and facilities for the phases being developed were capitalized until such phases were substantially completed and ready for the construction of buildings. The residential building is being depreciated over a useful life of 50 years and the condominium units through the first appraisal date of each lease.

(d) Revenue from Ground Leases

Revenue from ground leases is recognized as income as such amounts become receivable under the provisions of each lease, except that PILOT and upfront lease payments received in advance of the period to which they apply are unearned and recognized as income during future periods. Given the nature of the Organization's operations, revenue from ground leases and related fees and agreements are considered operating revenues. All other revenues are considered nonoperating. In accordance with the lease terms, the Authority received upfront lease payments in prior fiscal periods of \$40.7 million, \$60 million, \$42.5 million, \$22.5 million, \$33.9 million, and \$4.75 million from residential buildings on Site 22, Site 16/17, Site 3, Site 23, Site 24, and Site 2A, respectively.

In August 2005, the Site 26 commercial ground lease was signed providing for a one-time lump sum base rent payment of approximately \$161 million to be deposited with an escrow agent, which was paid in June 2007. In fiscal year ended October 31, 2010, the Authority received \$169.3 million from the escrow account as the project was completed and various conditions were performed by the City. Base rent revenue relating to the one-time payment is being recognized on a pro rata basis over the lease term, which ends in 2069.

(e) Investments and Deposits

The Organization carries all investments at fair value based on quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for*

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External Investment Pools. Deposit and inherent risks that could affect the Organization's ability to provide services and meet its obligations as they become due are reported in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The Authority's investments in securities are held by the Authority's financial institutions in the Authority's name. The Authority's investments in U.S. Treasury Securities are backed by the full faith and credit of the U.S. government; investments in commercial paper maintain a credit rating no lower than 'A-1' grade; investments in federal agency and mortgage backed securities have the highest credit rating of 'AAA' and are supported by the U.S. government or its agencies; investments in municipal bonds issued by the State of New York or a county, town or city of the State. General obligations of other states are rated in the highest category by at least one independent rating agency. All other deposits or investments are fully collateralized or backed by the Federal Deposit Insurance Corporation ("FDIC") or letters of credit. All investments held in funds and accounts established in accordance with bond resolutions are held as trust assets by the trustee banks in the Authority's name.

Total investments and deposits held by the Organization at October 31, 2014 and 2013 included within the balance sheet accounts: investments, corporate designated, escrowed and OPEB funds, bond resolution funds (see note 8) and residential lease required funds are as follows:

	October 31, 2014			October 31, 2013		
	Cost	Fair value	Weighted average maturity (years) (a)	Cost	Fair value	Weighted average maturity (years) (a)
U.S. Treasury securities:						
Treasury Bills	\$ 173,087,193	173,171,043	0.17	\$ 274,663,481	274,726,769	0.04
Treasury Bonds	132,835,500	132,359,025	2.17	92,604,450	92,271,761	2.43
Treasury Strips	—	—	0.54	282,780	549,700	0.54
Total						
U.S. Treasury securities	<u>305,922,693</u>	<u>305,530,068</u>		<u>367,550,711</u>	<u>367,548,230</u>	
Commercial paper	130,270,577	130,345,053	0.03	66,632,802	66,666,070	0.02
Federal agency securities	9,181,890	9,539,319	2.34	17,486,402	18,193,739	2.14
Federal agency mortgage backed securities	10,300,421	10,774,646	3.43	13,061,079	13,474,258	3.31
Municipal bonds	25,394,684	26,160,656	2.86	30,951,695	31,622,642	3.41
Small Business Administration	514,342	513,532	6.49	—	—	
Supra National Agency	<u>12,556,495</u>	<u>12,648,695</u>	3.33	<u>—</u>	<u>—</u>	
Total investments	<u>494,141,102</u>	<u>495,511,969</u>	1.01	<u>495,682,689</u>	<u>497,504,939</u>	0.86
Cash and cash equivalents	<u>361,780</u>	<u>361,780</u>		<u>1,504,511</u>	<u>1,504,511</u>	
Total investments and deposits	<u>\$ 494,502,882</u>	<u>495,873,749</u>		<u>\$ 497,187,200</u>	<u>499,009,450</u>	

As of October 31, 2014 and 2013, restricted assets included cash and cash equivalents and investments with less than 91-day maturities amounting to \$60,071,617 and \$218,105,631, respectively.

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The Organization's investment objectives for the portfolio are to generate a rate of return in excess of selected benchmarks, provide diversification to the total portfolio, and provide an appropriate level of liquidity for the Authority's operations.

The Organization's permitted investments include: (i) 100% U.S. government guaranteed securities (U.S. Treasury notes, bonds, strips, T-bills, Ginnie Mae securities); (ii) notes, bonds, debentures, and mortgages of U.S. government-sponsored agencies provided that its obligations receive the highest credit rating from all rating agencies that rate the obligation; (iii) obligations of any corporation organized under the laws of any state in the United States maturing within 270 days provided that such obligations receive the highest rating of two independent rating services (commercial paper), which as of October 31, 2014 were A1/P1; and (iv) municipal bonds issued by the State of New York, its counties, towns and cities and New York authorities. The general obligations of any state provided that it currently receives the highest rating by at least one rating agency (AAA/AAA long-term or VMIG1/A1+ short-term).

Interest rate risk is the probability of loss on investments from future changes in interest rates, which can adversely affect their fair value. Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. Effective duration takes into account the change in cash flow expectations of securities with embedded options such as callable bonds and mortgage-backed securities. The interest rate risk of the Organization's portfolio is measured according to effective duration.

Investments of amounts in funds and accounts established under the various 2003, 2009 and 2013 Revenue Bond Resolutions are presently restricted to obligations of the State, U.S. government and its agencies, or in any other obligations in which the Comptroller of the State of New York is authorized to invest pursuant to Section 98 of the State Finance Law.

Corporate-designated, escrowed and OPEB funds represent funds designated by the Authority's board of directors for specific purposes such as budget reserves, the Special Fund (see note 10), Project contingency reserves, restoration reserves, insurance reserves, and arbitrage reserves and funds designated for the payment of medical benefits to the Authority's retirees.

Residential lease required funds represent funds held by the Authority in accordance with its residential leases. These funds are largely comprised of security and escrow deposits held by the Authority for the residential buildings.

The Conservancy maintains its cash in bank deposits, which are guaranteed by the FDIC up to \$250,000. Additionally, collateral has been set aside by the custodian bank for balances in excess of \$250,000. All cash balances are placed into overnight interest bearing accounts.

(f) Net Position (Deficit)

The Organization's net position (deficit) is classified in the following categories: invested in capital assets, net of related debt, consisting of project assets, net of accumulated depreciation and deferred costs reduced by the outstanding balance of debt attributable to the acquisition, construction, or improvement of those assets; restricted assets, consisting of assets restricted for specific purposes by law or parties external to the Organization; and unrestricted assets, consisting of assets that are not classified as invested in capital assets, net of related debt or restricted. When both restricted and

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unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

(g) *Bond Insurance Costs*

The bond insurance costs for the 2003 Bonds are included in Loss on Extinguishment of Debt in deferred outflows of resources and are amortized using the straight-line method over the remaining period to maturity of the bonds (see note 3(j)).

(h) *Statements of Cash Flows*

For the purpose of the statements of cash flows, the Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

(i) *Defined Postemployment Benefits*

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("OPEB"). This Statement establishes standards for the measurement, recognition and financial statement presentation of OPEB expenses and related liabilities (assets), note disclosures and, if applicable, the required supplementary information in the financial reports of state and local governmental employers.

In accordance with GASB Statement No. 45, the Authority and the Conservancy (a) implemented a systematic, accrual basis measurement and recognition of OPEB cost (expense) over a period that approximates an employee's years of service and (b) provides information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan (see notes 18 and 19).

(j) *Accounting and Financial Reporting for Derivative Instruments, Deferred Outflows and Inflows of Resources, and Net Position*

On October 23, 2013, the Authority currently refunded its Series 2003 bonds. The interest rates on these bonds were effectively hedged by interest rate swaps, which were bifurcated as of the date of the current refunding. Accordingly, the fair value of the interest rate swaps on October 23, 2013 of negative \$70.1 million was recorded as an imputed borrowing by the Authority. The Authority also recorded the \$70.1 million as a deferred cost of refunding and reduced the deferred outflow of resources that had been recorded to offset the negative fair value of the interest rate swap to zero. Apart from the imputed borrowing, the interest rate swap agreements, which continue in effect and continue as an effective hedge, had a positive fair value of \$1.6 million at October 31, 2013, which was recorded as an asset and a deferred inflow of resources. This value decreased \$13.7 million, to a negative fair value of \$12.1 million at October 31, 2014. This negative fair value is recorded as a deferred outflow of resources and a liability on the Authority's statement of net position.

In March 2012, GASB issued GASB No. 65 *Items Previously Reported as Assets and Liabilities*. GASB No. 65 clarifies the appropriate reporting of deferred outflows and deferred inflows of resources to ensure consistency in financial reporting. In accordance with GASB No. 65, beginning with the year ended October 31, 2013, the Authority reclassified certain items that were previously classified as assets and liabilities to deferred outflows of resources. In addition, GASB No. 65 requires that all lease and debt issuance costs, except any portion related to prepaid insurance costs, be recognized as an expense in the period incurred. In accordance with GASB No. 65, beginning

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with the year ended October 31, 2013, the Authority retroactively applied this statement to prior periods and adjusted the beginning balance of net position (deficit) for the earliest period presented for all lease and debt issuance costs except prepaid insurance costs, which are being reported as an asset and recognized as an expense over the duration of the related debt.

(k) *New Accounting Pronouncements*

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") is effective for fiscal years beginning after June 15, 2014. GASB 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The Authority has not completed the process of evaluating the effect of GASB 68 on its financial statements.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* ("GASB 69") is effective for fiscal years beginning after December 15, 2013. GASB 69 establishes standards of accounting and financial reporting related to government combinations and disposals of government operations. GASB 69 requires the use of carrying values to measure the assets and liabilities in a government merger or transfer of operations, and gives accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. The Authority has not completed the process of evaluating GASB 69, but it is not expected it to have an impact on its financial statements.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* ("GASB 70") is effective for fiscal years beginning after June 15, 2013. GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. Management determined that GASB 70 does not have an impact on the Authority's financial statements.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* ("GASB No. 71") is effective for fiscal periods beginning after June 15, 2014. GASB No. 71 eliminates a potential source of understatement of restated beginning net position and expense in a government's first year of implementing GASB Statement No. 68, "Accounting and Financial Reporting for Pensions ("GASB No. 68")." To correct this potential understatement, GASB No. 71 requires a state or local government, when transitioning to the new pension standards, to recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions. The provisions are effective simultaneously with the provisions of GASB No. 68, which is required to be applied in fiscal years beginning after June 15, 2014. The Authority has not completed the process of evaluating the effect of GASB No. 71 on its financial statements.

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(4) Rights of City To Reacquire Project Site

The fee interest in the Project site formerly owned by the City was conveyed to the Authority in the early 1980s for a nominal consideration. The City has the right to reacquire the Project site at any time, subject to the then existing leases, for a nominal consideration after: (a) all notes, bonds, and other indebtedness incurred by the Authority, or for which the Authority's revenues have been pledged, have been repaid or defeased; and (b) satisfaction or provision for payment of its contractual obligations and other contingent liabilities. The City may provide for repayment or defeasance of indebtedness incurred by the Authority under its various bond resolutions. As of October 31, 2014, the City had not expressed its intent regarding its right to reacquire the Project site.

(5) Commercial Development

In 1981, the Authority and Olympia & York Battery Park Company ("O&Y"), an affiliate of Olympia & York Development Limited, entered into a lease, pursuant to which O&Y constructed four buildings, consisting of approximately 8,000,000 square feet of office space and a maximum of 280,000 square feet of commercial and retail space. These buildings are collectively known as Brookfield Place ("BP"). In 1983, the lease was replaced with four separate severance leases, one of which was assigned by O&Y to the American Express Company and certain of its affiliates ("American Express"). O&Y has been reorganized as a result of bankruptcy proceedings and has changed its name to Brookfield Financial Properties ("BFP"). In September 2002, BFP acquired an interest in approximately 50% of Brookfield Place 200 Vesey Street from American Express.

As of October 31, 2014, the BP leases, which expire in 2069, provide for future base rent payments aggregating approximately \$876 million over the lease terms in the following annual amount: base rent of \$16 million per annum from 2015 through 2069 payable by the BFP-affiliated lessees (see note 7). In addition, the leases provide for rent relating to retail and other space and, with respect to each building, percentage rent based on cash flow, as defined, which commenced in 1997 and continues to 2016. Annual PILOT is also required to be paid to the Authority based on the assessed value of each building and the tax rate then applicable to real property located in the borough of Manhattan, unless alternative PILOT arrangements are set forth in the ground lease. The City determines the assessed value of each building. Each lessee, or certain authorized tenants of the lessee, has the right to appeal the assessment to the New York City Tax Commission and bring tax certiorari proceedings in State court to seek reductions in the amounts of such assessments. A number of administrative and judicial appeals on some of the parcels are currently pending for the current and prior tax years. While any such proceedings are pending, the lessee is required to pay PILOT based upon the assessments established by the City. If a lessee is successful in any such proceedings, subsequent rental payments to the Authority will be reduced to the extent necessary to offset the prior overpayment of PILOT as a result of the revised assessment.

(6) Residential and Other Development

In 1980, the Authority entered into a lease with a limited profit housing company (the "Housing Company"), which constructed an apartment complex consisting of 1,712 rental apartment units (the "Gateway Project"). In addition to the Gateway Project, the Authority entered into leases in the south neighborhood, pursuant to which developers constructed 18 buildings consisting of approximately 3,785 condominium and rental units, including 113 condo units in a mixed-use building containing a museum and the Ritz-Carlton Hotel. The final site on the Project in the south neighborhood was designated as a public school. In the north neighborhood, 11 buildings consisting of 3,106 units have been constructed. All the leases expire in 2069.

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Future base rent payments are fixed through the first lease appraisal date, which varies among the projects, but is generally the first day of the calendar month next succeeding the twentieth or twenty-fifth anniversary of the date on which a temporary certificate of occupancy is issued. For lease years subsequent to the first appraisal date, the leases provide for base rent payments, subject to limitations, based upon a percentage of the fair market value of the land, but generally not less than an amount in excess of the highest base rent payable for any lease year ending prior to the first appraisal date. Reappraisal dates occur every 15 years, commencing on the fifteenth anniversary of the first appraisal date. Twelve leases for buildings in the south neighborhood with condominium units were modified to provide for increased fixed ground rents spread over the first two reappraisal periods. This modification reduced the ground rent increases from the original terms at 6% of fair market value.

Annual PILOT is also required to be paid to the Authority during the term of these leases. Many leases provide for an abatement equivalent to the real estate tax abatements provided for in the New York State's Real Property Tax Law, and are either 10 or 20 years in duration. Abatements for two recent developments in the south neighborhood will end before 2020 and abatements for the north neighborhood will end in 2020 or thereafter.

Certain residential leases also provide for supplemental rental payments, generally through the first appraisal date, which are to be paid if, and only to the extent, the PILOT payments are less than the minimum specified in each lease (see note 7).

The residential leases also provide for payments to the Authority for the operation and maintenance of civic facilities installed by the Authority and, in some cases, of percentage rent based on rentals from commercial facilities.

Certain leases also provide, among other matters, for the lessees to make payments to the Authority in the event of a conversion to a cooperative or condominium form of ownership.

Under the terms of the Gateway project lease, as amended, the tenant has agreed to pay: (i) a net annual land rent of \$305,440 in 1998 and thereafter, subject to renegotiation or reappraisal as provided in the lease upon the earlier of June 1, 2023 or repayment of the new FHA insured loan; (ii) an annual amount in lieu of real estate taxes which, as of February 16, 2016, increases by 20% per year from the pre-refinancing payments in lieu of real estate taxes to an equivalency payment equal to full PILOT starting on February 16, 2020; and (iii) amounts for the operation and maintenance of the civic facilities. The lease, as amended, expires in 2040 and may be extended at the option of the tenant through 2069. In July 2009, the Gateway lease was amended to set the amount of land rent, beginning in June 2023, at 8.125% of the aggregate amount of rent collected by the lessee less certain allowances, pass-throughs, and other municipal charges in excess of land rent.

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(7) Future Minimum Lease Revenue

The future minimum base rent and other minimum lease payments (including supplemental rent, as applicable, through the first appraisal date (see note 6)) to be received under the ground leases during each of the Authority's five fiscal years ending from October 31, 2015 through 2019 and through the end of the lease term (thereafter), are as follows (in 000s):

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Thereafter</u>	<u>Total</u>
Commercial development:							
Base rent	\$ 18,632	18,650	19,310	20,688	20,708	1,069,943	1,167,931
Residential developments:							
Gateway project base rent	305	305	305	305	305	6,312	7,837 (a)
S. Res. Neighborhood:							
Base rent	18,236	18,440	18,752	19,081	19,408	1,751,296	1,845,213
Other minimum payments	9,640	9,886	10,138	10,397	10,663	138,223	188,947
Subtotal S. Res.	<u>27,876</u>	<u>28,326</u>	<u>28,890</u>	<u>29,478</u>	<u>30,071</u>	<u>1,889,519</u>	<u>2,034,160</u>
N. Res. Neighborhood:							
Base rent	7,423	7,686	7,881	8,078	8,296	771,167	810,531
Other minimum payments	13,705	15,255	16,674	17,675	18,279	524,766	606,354
Subtotal N. Res.	<u>21,128</u>	<u>22,941</u>	<u>24,555</u>	<u>25,753</u>	<u>26,575</u>	<u>1,295,933</u>	<u>1,416,885</u>
Total	<u>\$ 67,941</u>	<u>70,222</u>	<u>73,060</u>	<u>76,224</u>	<u>77,659</u>	<u>4,261,707</u>	<u>4,626,813</u>

(a) Does not include extension period (see note 6).

Amounts in the above tabulation do not include PILOT (other than minimum supplemental, incremental or minimum PILOT rent payments under the residential leases) and other payments to be received under the ground leases. These minimum payments will be recorded as revenues (supplemental rents) only to the extent that minimum amounts exceed PILOT revenues due. Revenues to be paid on a percentage basis and other like contingent payments are also excluded from the above tabulation.

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(8) 2003 General Bond Resolution Funds and 2009 and 2013 Revenue Bond Resolution Funds

The current and noncurrent balance in the funds and accounts established in accordance with the Authority's 2003 General Bond Resolution Funds and held by trustees are as follows at October 31, 2014 and 2013:

2003 General Bond Resolution Funds				
October 31, 2014	General Bond Resolution	Senior Bonds	Junior Bonds	Total General Bond Resolution
Reserve Fund	\$ 70,684,389	—	—	70,684,389
Project Operating Fund	7,494,518	—	—	7,494,518
Debt Service Funds	—	34,961,223	26,574,960	61,536,183
Residual Fund	226,784	—	—	226,784
Pledged Revenue Fund	155,582,305	—	—	155,582,305
	\$ 233,987,996	34,961,223	26,574,960	295,524,179

2003 General Bond Resolution Funds				
October 31, 2013	General Bond Resolution	Senior Bonds	Junior Bonds	Total General Bond Resolution
Reserve Fund	\$ 70,362,648	—	—	70,362,648
Project Operating Fund	7,413,156	—	—	7,413,156
Debt Service Funds	—	21,505,484	42,097,909	63,603,393
Residual Fund	73,718	—	—	73,718
Pledged Revenue Fund	140,002,046	—	—	140,002,046
	\$ 217,851,568	21,505,484	42,097,909	281,454,961

In December 2009, as a result of the 2009 Senior Revenue Bonds issuance, funds and accounts were added to implement certain provisions of the 2003 General Bond Resolutions and were held by trustees as follows at October 31, 2014 and 2013:

2009 Revenue Bonds			
October 31, 2014	2009A Senior Revenue Bonds	2009B Senior Revenue Bonds	Total 2009 Bonds
Project Costs Fund	\$ 16,227,835	1,631,538	17,859,373

2009 Revenue Bonds			
October 31, 2013	2009A Senior Revenue Bonds	2009B Senior Revenue Bonds	Total 2009 Bonds
Project Costs Fund	\$ 24,723,744	1,976,658	26,700,402

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In October 2013, as a result of the 2013 Senior Revenue Bonds issuance, funds and accounts were added to implement certain provisions of the 2003 General Bond Resolutions and were held by trustees as follows at October 31, 2014 and 2013:

		2013 Revenue Bonds		
		2013A	2013B	Total
		Senior Revenue	Senior Revenue	2013
		Bonds	Bonds	Bonds
October 31, 2014				
Project Costs Fund	\$	<u>74,940,820</u>	<u>1,076,328</u>	<u>76,017,148</u>

		2013 Revenue Bonds		
		2013A	2013B	Total
		Senior Revenue	Senior Revenue	2013
		Bonds	Bonds	Bonds
October 31, 2013				
Cost of Issuance Fund	\$	<u>1,612,027</u>	<u>16,521</u>	<u>1,628,548</u>
Project Costs Fund		<u>86,299,500</u>	<u>3,127,136</u>	<u>89,426,636</u>
	\$	<u>87,911,527</u>	<u>3,143,657</u>	<u>91,055,184</u>

Investments of amounts in funds and accounts established under the various 2003 General Bond Resolutions and 2009 and 2013 Revenue Bond Resolutions are presently restricted to obligations of the State, U.S. government, and its agencies, or in any other obligations in which the Comptroller of the State of New York is authorized to invest pursuant to Section 98 of the State Finance Law.

Amounts in the Project Costs Fund may be used to pay for costs of certain park, street, community center and other infrastructure improvements, and other capital expenditures.

Amounts in the Debt Service Funds and dedicated funds established under the 2003 General Bond Resolutions are used to pay debt service on the 2003 Swap agreements (see note 10), 2009 and 2013 Revenue Bonds. To the extent not utilized to fund any future debt service deficiencies, the funds will be available to retire bonds issued there under in the last year of bond maturity.

A Reserve Fund is held for the payments of debt service, which holds an approximate amount of the maximum annual debt service of the 2003 Swap agreements (see note 10), 2009, and 2013 Revenue Bonds. In December 2009, upon the issuance of the 2009 Revenue Bonds, and in October 2013, upon the issuance of the 2013 Revenue Bonds, amounts of \$1.5 million and \$2.9 million, respectively, were added to the 2003 Reserve fund.

Amounts in the Project Operating Fund established under the 2003 General Bond Resolution Funds are not pledged to pay debt service and may be used by the Authority for and on certain additional indebtedness, which may be issued by the Authority for the funding of maintenance, repair, and restoration of the public open areas and civic facilities, and administrative and other expenditures, as defined.

Amounts held in the Pledged Revenue Fund ("PRF") are pledged and assigned for the payment of the debt service on the 2003 Swap agreements (see note 10), 2009, and 2013 Revenue Bonds and on certain additional indebtedness, which may be issued by the Authority and secured by the Authority's revenue.

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Each November, after meeting funding requirements, the entire balance of funds remaining on deposit in the PRF is transferred to the Residual Fund. These balances become general assets for lawful corporate purposes. From time to time, revenues not pledged to the bondholders are deposited to the PRF.

(9) Authority Bonds Authorized

The Act, as amended, authorizes the Authority to issue bonds and notes in amounts not to exceed: (a) \$300 million outstanding at any one time for the development of the Project; (b) another \$150 million for the purpose of financing capital costs in connection with development of the Project area, plus a principal amount of bonds and notes issued to fund any related debt service reserve fund and to provide a portion of interest on and costs of issuance related to such indebtedness; (c) \$400 million outstanding at any one time for the making of loans to housing companies organized to provide housing within the Project area pursuant to the New York State Private Housing Finance Law; (d) \$100 million for the purpose of repaying State appropriations including accrued interest thereon and funding the infrastructure of the Project, plus a principal amount of bonds and notes issued to fund any related debt service reserve fund and to provide a portion of interest on and costs of issuance related to such indebtedness; (e) \$150 million for the purpose of making a payment to the City, plus the principal amount of bonds and notes issued to fund any related debt service reserve fund and to provide a portion of interest on and costs of issuance related to such indebtedness; and (f) \$250 million for the purpose of making a payment to the State of New York. Such authorized amounts exclude bonds and notes issued to refund outstanding bonds and notes.

The Act, as amended, also authorizes the Authority to issue bonds for the purpose of furthering the development of a commodities and futures exchange facility in Battery Park City in an amount not to exceed \$110 million, plus the principal amount of bonds and notes issued to fund any related debt service reserve fund and to provide a portion of interest on and costs of issuance related to such indebtedness. As of October 31, 2014, no bonds were issued for this purpose.

The Act, as amended, authorized the Authority to enter into interest rate exchange agreements through December 31, 2003 in connection with the issuance of Authority debt or in connection with Authority debt already outstanding, to provide for an exchange of payments based upon fixed and/or variable interest rates. In October 2003, the Authority entered into \$400 million of Swaps (see note 10).

Issuance of additional bonds by the Authority is subject to meeting certain conditions, including approval by the City and the New York State Public Authorities Control Board.

(10) 2003 Revenue Bonds

On October 16, 2003, the Authority issued \$406,350,000 (\$433,345,972 inclusive of net premium) of fixed-rate Senior Revenue Bonds, Series 2003A (the "2003 Series A Bonds"), \$235,000,000 of variable-rate Junior Revenue Bonds, Series 2003B (the "2003 Series B Bonds") and \$400,000,000 of variable-rate Junior Revenue Bonds, Series 2003C (the "2003 Series C Bonds"), for a total of \$1,068,345,972 (collectively the "Series 2003 Bonds"). The Series 2003 Bonds were issued for the following purposes:

- A total of \$564,891,733 of bonds (including \$343,017,495 of the 2003 Series A Bonds, \$50,871,502 of the 2003 Series B Bonds, and \$171,002,776 of the 2003 Series C Bonds) were issued to currently refund all the outstanding 1993 Revenue Refunding Bonds, including \$324,045,000 of the 1993 Series A Senior Bonds, \$115,420,000 of the 1993 Series A Junior Bonds, and \$53,075,000 of the Junior Revenue Bonds, Series 2000.
- \$95,755,874 of the 2003 Series C Bonds was issued to advance refund \$74,385,000 of outstanding Junior Revenue Bonds, Series 1996A.

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- \$115,160,363 of the 2003 Series B Bonds was issued to finance certain infrastructure and other capital improvements. All of the 2003 Series B bond proceeds were utilized as of October 31, 2012.

In conjunction with the refunding of all of its outstanding revenue bonds on October 16, 2003, the Authority issued \$292,537,963 of bonds (including \$90,328,477 of the 2003 Series A Bonds, \$68,968,136 of the 2003 Series B Bonds, and \$133,241,350 of the 2003 Series C Bonds) to currently refund \$250,390,000 of outstanding 1993 HNYC Senior Bonds (see note 9).

The refundings resulted in the reacquisition price exceeding the net carrying amount of the refunded debt by \$39 million. The difference between the reacquisition price and the net carrying amount of the refunded debt is reflected on the Authority's balance sheet as an unamortized loss on extinguishment of debt and is being amortized over the life of the old debt with a pro rata charge to interest expense.

All 2003 Series A Bonds maturing after November 1, 2013 were currently refunded on October 23, 2013 and as of that date are no longer debt obligations of the Authority. All of the refunded 2003 Series A Bonds were redeemed on November 22, 2013.

The Authority issued certain of the 2003 Series A Bonds at a discount and others at a premium, resulting in an overall net premium of approximately \$27 million. All unamortized net bond premiums were reclassified to loss on extinguishment of debt in deferred outflows of resources on October 23, 2013, when the bonds were refunded.

All 2003 Series B Bonds and 2003 Series C Bonds were currently refunded on October 23, 2013 and, as of that date, are no longer debt obligations of the Authority. Redemptions of the Junior Series C hedged Bonds were completed between November 29, 2013 and December 26, 2013.

Swaps

On October 2, 2003, the Authority executed Swaps with three counterparties. The Swaps were executed in conjunction with the Authority's issuance of \$400 million of its 2003 Series C Bonds. The total notional amount of the Swaps was \$400 million. The effective date for the Swaps was October 16, 2003, which coincided with the delivery date of the 2003 Series C Bonds. The Authority executed the Swaps in order to effectively convert the variable-rate 2003 Series C Bonds to a net fixed rate. Based on the Swaps, the Authority owes interest calculated at a fixed rate of 3.452% to the counterparties that is paid semiannually. In return, the counterparties owe the Authority floating-rate interest equal to 65% of 30-day LIBOR, which is paid to the Authority on a monthly basis. The original notional amounts of the Swaps and the amortization thereof match the original principal amount of the refunded 2003 Series C Bonds and the amortization thereof. The Swaps were not terminated in connection with the issuance of the 2013 Series C, D, and E Bonds or the refunding of the 2003 Series C Bonds nor will the Swaps be treated as Qualified Hedges with respect to the 2013 Series C, D, and E Bonds (see note 12).

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	Deallocation of Swap Principal	Interest-rate swaps		
		Payment	Pro-Forma Receipts	Pro-Forma Net payment
Year ended October 31:				
2015	\$ 5,450,000	(12,656,758)	365,825	(12,290,933)
2016	5,450,000	(12,468,624)	360,387	(12,108,237)
2017	5,450,000	(12,280,490)	354,950	(11,925,540)
2018	5,450,000	(12,092,356)	349,512	(11,742,844)
2019	5,450,000	(11,904,222)	344,074	(11,560,148)
2020 – 2024	29,725,000	(56,562,315)	1,634,851	(54,927,464)
2025 – 2029	105,825,000	(48,533,826)	1,402,799	(47,131,027)
2030 – 2034	206,575,000	(16,565,717)	478,808	(16,086,909)
Totals	<u>\$ 369,375,000</u>	<u>(183,064,308)</u>	<u>5,291,206</u>	<u>(177,773,102)</u>

The above table shows payments based on the Authority's pay-fixed-rate interest rate Swap payment obligation at an effective interest rate of 3.452% while the Authority's variable-rate receipts are based on the floating rate equal to 65% of 30-day LIBOR on October 31, 2014, which the counterparties are obligated to pay the Authority on a monthly basis. Although the pro-forma receipts shown are projected based on the latest interest rate at October 31, 2014 (65% of 0.1535% or 0.0998%), actual receipts will depend on the actual fluctuation of 30-day LIBOR.

The Authority is exposed to a limited degree of counterparty credit risk associated with the Swaps. However, each of the counterparties carries a rating in the "Baa1" or higher category from at least one of the nationally recognized credit rating agencies. The counterparties are required to post collateral to the extent that they experience an appreciable decline in credit rating and the Swaps have positive fair value for the Authority.

The Swaps would expose the Authority to basis risk should its interest payments on the variable-rate Bonds significantly exceed the receipts, which are based on 65% of 30-day LIBOR. On October 23, 2013, the Authority currently refunded its Series 2003 bonds. The interest rates on these bonds were effectively hedged by interest rate swaps, which were bifurcated as of the date of the current refunding. Accordingly, the fair value of the interest rate swaps on October 23, 2013 of negative \$70.1 million was recorded as an imputed borrowing by the Authority. The Authority also recorded the \$70.1 million as a deferred cost of refunding and reduced the deferred outflow of resources that had been recorded to offset the negative fair value of the interest rate swap to zero. Apart from the imputed borrowing, the interest rate swap agreements, which continue in effect and continue an effective hedge, had a fair value of zero at October 23, 2013, which decreased to a negative fair value of \$12.1 million at October 31, 2014. The negative \$12.1 million is recorded as deferred outflow of resources and a liability on the Authority's statement of net position.

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(11) 2009 Revenue Bonds

On December 22, 2009, the Authority issued \$56,600,000 of fixed-rate Senior Revenue Bonds (federally taxable – Build America Bonds), Series A (the “2009 Series A Bonds”) and \$30,635,000 (\$32,446,008 inclusive of net premium) of various fixed-rate Senior Revenue Bonds, Series B (the “2009 Series B Bonds”), for a total of \$89,046,008. The bonds were issued for the following purposes:

- A total of \$85,000,000 of bonds (including \$55,000,000 of the 2009 Series A Bonds, \$30,000,000 of the 2009 Series B Bonds) was issued to finance certain infrastructure and other capital improvements.
- Funds aggregating \$1,544,849, representing the net proceeds of the bond issues after payment of underwriting fees, other issuance costs and allocation of funds to infrastructure and other capital improvements accounts, were deposited into a reserve fund (see note 8).

The payment of principal commences in November 2032 on the 2009 Series A Bonds, while payment on the 2009 Series B Bonds commenced in November 2010.

The 2009 Series A Bonds were issued as “Build America Bonds” (“BABs”) under section 54AA of the U.S. Tax Code for which the Authority expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable by the Authority on the bonds. For the fiscal years ended October 31, 2014 and 2013, the Authority received payments from the U.S. Treasury in the amount of \$576,508 and \$1,162,488, respectively, pursuant to the subsidy. BABs already issued will continue to receive subsidies. The Authority has no assurances about future legislation or changes that may affect the availability, amount, or receipt of such subsidy payments.

At October 31, 2014, the 2009 Series A Bonds consisted of the following term bonds:

	<u>Coupon rates</u>	<u>Principal amounts</u>	<u>Interest</u>	<u>BABs subsidy</u>	<u>Interest (net of BABs subsidy)</u>
Year ended October 31:					
2015	6.375%	\$ —	3,608,250	(1,262,888)	2,345,362
2016	6.375%	—	3,608,250	(1,262,888)	2,345,362
2017	6.375%	—	3,608,250	(1,262,888)	2,345,362
2018	6.375%	—	3,608,250	(1,262,888)	2,345,362
2019	6.375%	—	3,608,250	(1,262,888)	2,345,362
2020 – 2024	6.375%	—	18,041,250	(6,314,438)	11,726,812
2025 – 2029	6.375%	—	18,041,250	(6,314,438)	11,726,812
2030 – 2034	6.375%	90,000	18,034,238	(6,311,983)	11,722,255
2034 – 2038	6.375%	44,610,000	11,894,156	(4,162,955)	7,731,201
2039 – 2040	6.375%	11,900,000	379,313	(132,759)	246,554
Totals		\$ 56,600,000	84,431,457	(29,551,013)	54,880,444

The 2009 Series A Bonds maturing after November 1, 2019 are subject to redemption, in whole or in part, at any time on or after November 1, 2019 at the option of the Authority, at a redemption price of par plus interest to the redemption date.

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As of October 31, 2014, principal and interest payments due on the 2009 Series B Bonds were as follows:

	Coupon rates		Principal amounts	Interest
Year ended October 31:				
2015	2.50%	\$	310,000	1,414,581
2016	2.50%		315,000	1,406,769
2017	3.00%		335,000	1,397,806
2018	3.00%		340,000	1,387,681
2019	3.50%		355,000	1,376,369
2020 – 2024	3.50% - 5.00%		1,860,000	6,650,056
2025 – 2029	3.50% - 5.00%		2,085,000	6,182,856
2030 – 2034	4.00% - 5.00%		18,805,000	4,897,309
2035	5.00%		5,305,000	132,625
Totals		\$	29,710,000	24,846,052

The Authority issued certain of the 2009 Series B Bonds at a premium of approximately \$1.81 million, which is being amortized on a straight-line basis, over the lives of the 2009 Series B Bonds. At October 31, 2014 and 2013, the unamortized net bond premium was approximately \$1.5 million and \$1.5 million, respectively.

(12) 2013 Revenue Bonds

On October 23, 2013, the Authority issued \$356,085,000 (\$407,120,987 inclusive of net premium) of fixed-rate tax exempt Senior Revenue Bonds, Series 2013A (the “2013 Series A Bonds”) and \$6,700,000 (\$6,889,064 inclusive of net premium) of federally taxable, fixed-rate Senior Revenue Bonds, Series 2013B (the “2013 Series B Bonds”), for a total of \$414,010,051 fixed-rate bonds. In addition, the Authority directly placed \$609,530,000 of variable-rate Junior Revenue Bonds with three banks or bank affiliates, comprising \$210,865,000 of Junior Revenue Bonds, Series 2013C (the “2013 Series C Bonds”), \$199,330,000 of Junior Revenue Bonds, Series 2013D (the “2013 Series D Bonds”), and \$199,335,000 of Junior Revenue Bonds, Series 2013E (the “2013 Series E Bonds”) for a total of \$1,023,540,051 (collectively, the “2013 Series C, D, and E Bonds”). The 2013 Series C, D, and E Bonds were issued for the following purposes:

- A total of \$948,854,807 of bonds (including \$328,548,428 of the 2013 Series A Bonds and \$620,306,379 of the 2013 Series C, D, and E Bonds) was issued to currently refund \$319,435,000 of the outstanding 2003 Series A Bonds and \$609,825,000 variable-rate bonds, comprising \$235,000,000 of 2003 Series B Bonds and \$374,825,000 of the 2003 Series C Bonds. The balance of the 2003 Series A Bonds (\$16,140,000 outstanding) was retired by the Authority on November 1, 2013 from 2003 bond resolution debt service funds.
- A total of \$85,000,000 (including \$6,800,000 from the 2013 Series B Bonds and \$78,200,000 from the 2013 Series C, D, and E Bonds) was issued to finance certain infrastructure and other capital improvements.

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- A total of approximately \$10.8 million of 2013 Series A, B, C, D, and E bond proceeds were used to pay for costs of issuance.

The cumulative unamortized loss on extinguishment of the 1993, 1996, 2000, and 2003 bonds, including the unamortized 2003 bond insurance costs, collectively totaling approximately \$22.6 million at fiscal year-end October 31, 2014, is classified in the statement of net position as a deferred outflow of resources and is being amortized over the respective terms of the corresponding bonds.

As of October 31, 2014, principal and interest payments due on the 2013 Series A Bonds and 2013 Series B Bonds, which are all fixed-rate bonds, were as follows (see note 11):

2013 A Senior Bonds:

	<u>Coupon Rate</u>	<u>Principal amount</u>	<u>Interest</u>
Year ended October 31:			
2015	2.00%	\$ 18,345,000	16,285,250
2016	2.00% - 3.00%	14,605,000	15,907,725
2017	3.00% - 5.00%	20,995,000	15,238,775
2018	3.00% - 5.00%	22,160,000	14,259,900
2019	3.00% - 5.00%	23,360,000	13,221,900
2020 – 2024	3.00% - 5.00%	135,480,000	47,430,125
2025 – 2029	5.00%	93,705,000	15,314,375
2030 – 2032	4.00% - 5.00%	27,435,000	1,924,750
Totals		<u>\$ 356,085,000</u>	<u>139,582,800</u>

2013 B Senior Bonds:

	<u>Coupon Rate</u>	<u>Principal amount</u>	<u>Interest</u>
Year ended October 31:			
2015	2.00%	\$ 1,005,000	123,950
2016	2.00%	5,695,000	56,950
Totals		<u>\$ 6,700,000</u>	<u>180,900</u>

Each series of the 2013 C, D, and E Bonds initially bears interest monthly at a variable rate based on a percentage of one-month LIBOR plus a spread. The Authority has the right to cause the 2013 C, D, and E Bonds to be repurchased from the initial purchasers thereof and remarketed at other variable rates or fixed rates, and also has the right to otherwise purchase or redeem the 2013 C, D, and E Bonds, on certain dates. Any 2013 C, D, and E Bonds that are not so remarketed (or purchased or redeemed) by November 1, 2019 will bear interest thereafter at stepped-up rates that for 180 days will equal 7.5% per annum (or, if greater, a specified prime rate plus 1.5% per annum or a specified federal funds rate plus 2% per annum) and after 180 days will equal 12% per annum (or, if greater, a specified prime rate plus 3.5% per annum or a specified federal funds rate plus 4% per annum). The 2013 C, D, and E Bonds also will bear interest at rates higher than the foregoing if an event of default occurs under the Authority's agreements with the initial

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purchasers of the 2013 C, D, and E Bonds or if interest on the 2013 C, D, and E Bonds is determined to be includable in gross income for federal income tax purposes. The estimated interest payments for the 2013 C, D, and E Bonds shown in the table titled "2013 C, D, and E Bonds" below are based upon the November 2014 LIBOR rate and the respective variable rates in effect on November 1, 2014 and do not reflect the increased interest payments that would result from such stepped-up rates, default rates or taxable rates becoming effective. In addition, pursuant to agreements between the Authority and the respective initial purchasers of the 2013 C, D, and E Bonds, various additional fees and other amounts may be payable by the Authority from time to time, each on a basis subordinate to payment of annual debt service on Senior Bonds and Junior Bonds of any Series.

2013 C, D, and E Junior Bonds:

	Junior C		Junior D		Junior E		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Year ended October 31:								
2015	\$ 1,190,000	1,471,890	1,595,000	1,393,698	1,595,000	919,229	4,380,000	3,784,817
2016	1,235,000	1,463,403	1,830,000	1,381,676	1,830,000	911,300	4,895,000	3,756,379
2017	1,185,000	1,454,933	1,855,000	1,368,742	1,855,000	902,769	4,895,000	3,726,444
2018	1,235,000	1,446,463	1,825,000	1,355,825	1,830,000	894,238	4,890,000	3,696,526
2019	1,185,000	1,437,993	1,260,000	1,344,997	1,255,000	887,096	3,700,000	3,670,086
2020 – 2024	6,590,000	7,057,295	6,895,000	6,586,533	6,895,000	4,344,132	20,380,000	17,987,960
2025 – 2029	21,320,000	6,712,265	32,975,000	5,988,639	32,975,000	3,949,888	87,270,000	16,650,792
2030 – 2034	21,310,000	5,635,245	66,440,000	4,295,468	66,440,000	2,833,143	154,190,000	12,763,856
2035 – 2039	60,155,000	4,426,748	69,105,000	1,800,437	69,110,000	1,187,526	198,370,000	7,414,711
2040 – 2043	95,460,000	1,417,080	15,550,000	54,581	15,550,000	35,998	126,560,000	1,507,659
Total	<u>\$ 210,865,000</u>	<u>32,523,315</u>	<u>199,330,000</u>	<u>25,570,596</u>	<u>199,335,000</u>	<u>16,865,319</u>	<u>609,530,000</u>	<u>74,959,230</u>

Debt service on the 2003 Swap agreements (see note 10) and the 2009 and 2013 Bonds (see notes 10 and 11) is secured by and is payable, after satisfaction of certain administrative, operating, and maintenance obligations of the Authority, solely from certain pledged lease revenues and Swap receipts which are required to be deposited and maintained in the Pledged Revenue Fund ("PRF") established under the 2003 General Bond Resolution. The PRF, including income and earnings on investments thereof, has been pledged and assigned to a trustee for the benefit of the owners of the 2009 Bonds and the 2013 Bonds and certain other beneficiaries, as their respective interest may appear. In addition, the Bonds, and certain swap payments and reimbursement obligations, are secured by the Reserve Fund established under the 2003 General Bond Resolution. The rights to payment of the 2009 and 2013 Senior Bonds, senior swap payments, and senior reimbursement obligations from amounts in the PRF and the Reserve Fund are senior to the rights to payment of the 2013 Junior Bonds, junior swap payments, and junior reimbursement obligations from such amounts. As of each November 1, amounts in the PRF in excess of funding requirements for project operating expenses and certain other amounts will be transferred into an unpledged Residual Fund and may be used by the Authority for other purposes (see notes 8 and 9).

Special Fund

In September 2003, the Authority entered into an agreement with the City, which supplemented the Settlement Agreement, to provide for the custody of the Special Fund. The Authority established a new Special Fund to the credit of which shall be deposited approximately \$46 million. The Special Fund was funded from the proceeds of the former Special Fund created pursuant to a former 1993 Master Revenue

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Resolution upon the dissolution of such existing Special Fund in connection with the 2003 refunding of outstanding Authority bonds. The Special Fund may only be used by the Authority, as necessary: (i) to pay debt service obligations of the Authority on its bonds, or (ii) for purposes that are jointly agreed upon between the City and the Authority, as the same may be amended from time to time. Neither the Special Fund nor the monies on deposit from time to time therein may be pledged to secure any obligation pursuant to any Resolutions authorizing additional bonds or other bonds or debt obligations of the Authority. Income and earnings actually received by or for the account of the Authority from investments of monies on deposit from time to time in the Special Fund shall be treated as revenues. In addition to a \$40 million commitment from the Special Fund (see note 20(e)), in November 2013, the Authority entered into an amendment with the City committing up to \$5 million dollars of funds held in the Special Fund for the construction of Pier A Plaza project and any balances remaining to flow through to the City. As of October 31, 2014, approximately \$2.3 million has been included in the amounts to be transferred to the City.

(13) Agreements with the City of New York Relating to Disposition of Revenue

The Authority entered into the Settlement Agreement with the City which provides, in effect, that: (i) all PILOT received by the Authority from its tenants remaining after operating and administrative expenses, payment of a proportionate part of principal and interest on the 2003 Swap agreements (see note 10), 2009, and 2013 Revenue Bonds (see notes 10, 11 and 12), certain site development costs and any agreed-upon commitments, will be remitted to the City; and (ii) all other rent payments and other revenue received by the Authority, remaining after payment of a proportionate part of the aforementioned items, will be retained by the Authority and spent in such manner and for such purposes as the Authority and the City shall jointly determine.

A payment of \$111.5 million was made in June 2014 towards the provision for the transfer to the City for the fiscal year ended October 31, 2013. A provision in the amount of \$124.5 million has been charged to nonoperating expenses for the fiscal year ended October 31, 2014.

In January 2010, the City and the Authority signed an amendment to the Settlement agreement (the "2010 Agreement") to distribute \$861 million of accumulated and future excess revenues from the Joint Purpose Fund. The City and State were each allocated \$200 million to be distributed in a pari passu basis. After meeting that \$400 million obligation, an additional amount of up to \$200 million is to be distributed by the Authority to a City 421-A affordable housing fund followed by a \$261 million distribution to a City pay-as-you-go capital fund. All funds are to be paid as available in the Joint Purpose Fund and there is no time limit or a minimum for the amount that needs to be paid or accrued over time.

Of the \$200 million due to the City 421-A fund, payments totaling \$167.2 million have been made through October 31, 2014. A provision in the amount of \$42.8 million has been charged to nonoperating expenses for the fiscal year ended October 31, 2014.

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(14) Rents and Other Receivables

Rents and other receivables consisted of the following at October 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Swap interest receivable	\$ 31,426	37,344
Miscellaneous receivables	1,931,870	1,895,886
Interest receivable	1,366,261	819,720
Due from NYC Pier A - Restoration	—	1,276,875
Due from bond defeasance escrow	—	10,133,491
Superstorm Sandy remediation (See note 20(g))	725,720	10,563,489
Rents receivable	3,128,922	2,439,692
	<u>7,184,199</u>	<u>27,166,497</u>
Total receivables	7,184,199	27,166,497
Less allowance for doubtful accounts	<u>(1,169,749)</u>	<u>(855,506)</u>
Net receivables	<u>\$ 6,014,450</u>	<u>26,310,991</u>

(15) Accounts Payable and Other Liabilities

Accounts payable and other liabilities consisted of the following at October 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Amounts due to vendors	\$ 3,495,254	1,287,226
Contract retention costs	1,752,347	1,587,294
Due to developers	42,624	27,416
Accrued payroll and benefits	812,773	781,709
Bond issuance costs payable	—	9,284,150
Superstorm Sandy remediation (See note 20(g))	—	8,840,965
	<u>6,102,998</u>	<u>21,808,760</u>
Total	<u>\$ 6,102,998</u>	<u>21,808,760</u>

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(16) Long-Term Liabilities

The Organization's bonds and other long-term liabilities as of October 31, 2014 and 2013 were comprised of the following obligations:

	<u>October 31, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2014</u>	<u>Due within one year</u>
<u>Authority bonds outstanding:</u>					
<u>2003 Revenue Bonds:</u>					
Series 2003A	\$ 16,140,000	—	16,140,000	—	—
Subtotal 2003 Bonds	<u>16,140,000</u>	<u>—</u>	<u>16,140,000</u>	<u>—</u>	<u>—</u>
<u>2009 Revenue Bonds:</u>					
Series 2009A	56,600,000	—	—	56,600,000	—
Series 2009B	30,020,000	—	310,000	29,710,000	310,000
Subtotal	<u>86,620,000</u>	<u>—</u>	<u>310,000</u>	<u>86,310,000</u>	<u>310,000</u>
Unamortized net premiums	1,530,093	—	72,849	1,457,244	—
Subtotal 2009 Bonds	<u>88,150,093</u>	<u>—</u>	<u>382,849</u>	<u>87,767,244</u>	<u>310,000</u>
<u>2013 Revenue Bonds:</u>					
Series 2013A	356,085,000	—	—	356,085,000	18,345,000
Series 2013B	6,700,000	—	—	6,700,000	1,005,000
Series 2013C	210,865,000	—	—	210,865,000	1,190,000
Series 2013D	199,330,000	—	—	199,330,000	1,595,000
Series 2013E	199,335,000	—	—	199,335,000	1,595,000
Subtotal	<u>972,315,000</u>	<u>—</u>	<u>—</u>	<u>972,315,000</u>	<u>23,730,000</u>
Unamortized net premiums	51,156,979	—	2,925,117	48,231,862	—
Subtotal 2013 Bonds	<u>1,023,471,979</u>	<u>—</u>	<u>2,925,117</u>	<u>1,020,546,862</u>	<u>23,730,000</u>
Total bonds outstanding	<u>1,127,762,072</u>	<u>—</u>	<u>19,447,966</u>	<u>1,108,314,106</u>	<u>24,040,000</u>
<u>Other long-term liabilities:</u>					
OPEB - Authority	18,456,455	1,325,490	1,279,872	18,502,073	—
OPEB - Conservancy	11,840,431	1,949,256	—	13,789,687	—
Imputed Borrowing	70,126,010	—	3,780,655	66,345,355	—
Fair value of interest rate swap	—	12,079,644	—	12,079,644	—
Unearned revenue	334,451,536	771,389	10,239,236	324,983,689	44,376,626
Security and other deposits	22,013,789	38,525	83,754	21,968,560	4,738
Total other long-term liabilities	<u>456,888,221</u>	<u>16,164,304</u>	<u>15,383,517</u>	<u>457,669,008</u>	<u>44,381,364</u>
Total long-term liabilities	<u>\$ 1,584,650,293</u>	<u>16,164,304</u>	<u>34,831,483</u>	<u>1,565,983,114</u>	<u>68,421,364</u>

Security and other deposits classified as due within one year represent amounts held on behalf of others and are callable on demand.

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The Organization's bonds and other long-term liabilities as of October 31, 2013 and 2012 are comprised of the following obligations:

	<u>October 31, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2013</u>	<u>Due within one year</u>
<u>Authority bonds outstanding:</u>					
<u>2003 Revenue Bonds:</u>					
Series 2003A	\$ 350,780,000	—	334,640,000	16,140,000	16,140,000
Series 2003B	235,000,000	—	235,000,000	—	—
Series 2003C	378,900,000	—	378,900,000	—	—
Subtotal	<u>964,680,000</u>	<u>—</u>	<u>948,540,000</u>	<u>16,140,000</u>	<u>16,140,000</u>
Unamortized net premiums	<u>16,384,095</u>	<u>—</u>	<u>16,384,095</u>	<u>—</u>	<u>—</u>
Subtotal 2003 Bonds	<u>981,064,095</u>	<u>—</u>	<u>964,924,095</u>	<u>16,140,000</u>	<u>16,140,000</u>
<u>2009 Revenue Bonds:</u>					
Series 2009A	56,600,000	—	—	56,600,000	—
Series 2009B	<u>30,135,000</u>	<u>—</u>	<u>115,000</u>	<u>30,020,000</u>	<u>310,000</u>
Subtotal	<u>86,735,000</u>	<u>—</u>	<u>115,000</u>	<u>86,620,000</u>	<u>310,000</u>
Unamortized net premiums	<u>1,602,941</u>	<u>—</u>	<u>72,848</u>	<u>1,530,093</u>	<u>—</u>
Subtotal 2009 Bonds	<u>88,337,941</u>	<u>—</u>	<u>187,848</u>	<u>88,150,093</u>	<u>310,000</u>
<u>2013 Revenue Bonds:</u>					
Series 2013A	—	356,085,000	—	356,085,000	—
Series 2013B	—	6,700,000	—	6,700,000	—
Series 2013C	—	210,865,000	—	210,865,000	—
Series 2013D	—	199,330,000	—	199,330,000	—
Series 2013E	<u>—</u>	<u>199,335,000</u>	<u>—</u>	<u>199,335,000</u>	<u>—</u>
Subtotal	<u>—</u>	<u>972,315,000</u>	<u>—</u>	<u>972,315,000</u>	<u>—</u>
Unamortized net premiums	<u>—</u>	<u>51,225,052</u>	<u>68,073</u>	<u>51,156,979</u>	<u>—</u>
Subtotal 2013 Bonds	<u>—</u>	<u>1,023,540,052</u>	<u>68,073</u>	<u>1,023,471,979</u>	<u>—</u>
Total bonds					
outstanding	<u>1,069,402,036</u>	<u>1,023,540,052</u>	<u>965,180,016</u>	<u>1,127,762,072</u>	<u>16,450,000</u>
<u>Other long-term liabilities:</u>					
OPEB - Authority	18,463,988	1,209,954	1,217,487	18,456,455	—
OPEB - Conservancy	9,974,257	1,866,174	—	11,840,431	—
Imputed Borrowing	—	70,215,412	89,402	70,126,010	—
Fair value of interest rate swap	106,703,964	—	106,703,964	—	—
Unearned revenue	345,430,849	—	10,979,313	334,451,536	41,977,645
Security and other deposits	<u>22,455,969</u>	<u>940,038</u>	<u>1,382,218</u>	<u>22,013,789</u>	<u>88,492</u>
Total other long-term liabilities	<u>503,029,027</u>	<u>74,231,578</u>	<u>120,372,384</u>	<u>456,888,221</u>	<u>42,066,137</u>
Total long-term liabilities	<u>\$ 1,572,431,063</u>	<u>1,097,771,630</u>	<u>1,085,552,400</u>	<u>1,584,650,293</u>	<u>58,516,137</u>

Security and other deposits classified as due within one year represent amounts held on behalf of others and are callable on demand.

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(17) Retirement Costs

The Authority – The Authority participates in the New York State and Local Employees’ Retirement System (“ERS”), and the Public Employees’ Group Life Insurance Plan (the “Plan”). These are cost-sharing multiple-employer, defined benefit retirement systems. The ERS and the Plan provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (“NYSRSSL”). As set forth in the NYSRSSL, the Comptroller of the State of New York (the “Comptroller”) serves as sole trustee and administrative head of the ERS and the Plan. The Comptroller adopts and may amend rules and regulations for the administration and transaction of the business of the ERS and the Plan, and for the custody and control of their funds. The ERS and the Plan issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees’ Retirement Systems, 110 State Street, Albany, NY 12236.

The ERS is noncontributory for employees in Tiers 1 or 2, who joined the ERS prior to July 27, 1976. Employees who joined the ERS after July 27, 1976 entered into Tiers 3 or 4, which require a 3% contribution of their salary for their first 10 years of service. Employees who joined the ERS after December 31, 2009 entered into Tier 5, which requires a 3% contribution of their salary for all years of service. Employees who joined ERS after March 31, 2012 entered into Tier 6, which requires a contribution ranging between 3 to 6% of their salary, based on their wages, for all years of service. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension fund.

The Authority is required to contribute at an actuarially determined rate. The required contributions for the current fiscal year and two preceding fiscal years were:

<u>Year</u>	<u>Amount</u>
2014	\$ 604,682
2013	540,874
2012	526,582
	<u>\$ 1,672,138</u>

The Authority’s contributions made to the systems were equal to 100% of the contributions required for each year.

Beginning July 1, 2013, New York State made the Voluntary Defined Contribution plan (“VDC”) option available to all unrepresented (non-union) employees of NYS public employers who are paid at a rate of \$75,000 or more on an annual basis as an alternative to the ERS/TRS defined benefit plan systems. The NYS VDC is a defined contribution plan. Defined contribution plans are retirement savings vehicles that provide benefits "defined" by employer and employee contributions to the plan and the investment earnings on those contributions.

The Conservancy – In March 2007, the Conservancy entered into a retirement benefit plan administered by Cultural Institutions Retirement System (“CIRS”) for all eligible employees. CIRS’ retirement benefit plan is a cost-sharing multiple-employer sponsored plan consisting of a defined benefit plan (“CIRS Pension Plan”) and a Section 401(k) defined contribution plan (“CIRS Savings Plan”). CIRS is responsible for administering all aspects of the CIRS Pension Plan, including the investment of CIRS Plan assets that are

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held in trust for beneficiaries of the CIRS Pension Plan. The CIRS Savings Plan allows participants to select their own investments from a range of options. CIRS issues an annual financial summary report for the Plans. The report can be obtained by contacting Cultural Institutions Retirement System or on its website at www.cirsplans.org.

To be eligible under the CIRS Pension Plan, employees must be over the age of 21 and be employed for a minimum of one year at regular status. Benefits paid to retirees are based on age at retirement, years of credited service, and average compensation. The CIRS Pension Plan is a private pension plan governed by ERISA, and is characterized as a multi-employer plan by the U.S. Department of Labor. In the event of CIRS Pension Plan insolvency, the CIRS Pension Plan is covered under the Pension Benefit Guaranty Corporation. The total CIRS Pension Plan costs for eligible employees amounted to \$390 thousand and \$340 thousand for the years ended October 31, 2014 and 2013, respectively. The Conservancy began participation in the CIRS Savings Plan during fiscal 2007. Under the CIRS Savings Plan, participants are required to contribute at least 2% of their base salary and direct the investment of their funds based on the investment options offered by the Savings Plan. To be eligible under this plan, employees must be over the age of 21 and be employed for a minimum of 3 months. Total contributions made by participants for the fiscal years ended October 31, 2014 and 2013 were approximately \$236 thousand and \$192 thousand, respectively.

(18) Postemployment Healthcare Plan – Battery Park City Authority

(a) Plan Description

The Authority is a participating employer in the New York State Health Insurance Program (“NYSHIP”), which is administered by the State as an agent multi-employer defined benefit plan. Under the plan, the Authority provides certain healthcare benefits for eligible retired employees and their dependents under a single-employer noncontributory healthcare plan. Article XI of the New York State Civil Service Law assigns the authority to NYSHIP to establish and amend the benefit provisions of the plan and to establish maximum obligations of the plan members to contribute to the plan. The Authority’s Board is authorized to establish contribution rates for employees and retirees below those set by Civil Service Law. The Authority’s plan states that employees and/or their dependents become eligible for these benefits at 55 years of age when the employee has 10 years of State service. In calculating the 10-year service requirement, all of the employee’s service need not be with the Authority, but may be a composite of New York State service elsewhere, with a minimum of 3 years with the Authority. Employees with no prior State service must work a minimum of 10 years before they and their dependents are eligible for the retirement medical benefits. Eligible retirees hired on or after November 1, 2001, contribute 10% of the cost of single coverage and 25% of the cost of dependent coverage for health insurance benefits. The Authority covers 100% of the cost of single and dependent coverage for employees hired before November 1, 2001. A vestee is an Authority employee vested as a member of the retirement system administered by the State, has withdrawn from State service after meeting the Authority’s minimum service requirement, but has not met the age requirement for continuing health insurance. As of October 31, 2014, 79 participants, including 47 employees, 0 vestees and 32 retired and/or spouses of retired employees were eligible to receive these benefits. NYSHIP does not issue a stand-alone financial report and NYSHIP’s agent activities are included within the financial statements of the State.

Effective November 1, 2006, the Authority implemented accrual accounting for its OPEB obligations, based on the approach provided in GASB Statement No. 45. Through the fiscal year ended October 31, 2006, OPEB provisions were financed on a pay-as-you-go basis. The first actuarial

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valuation date was November 1, 2006. As an employer with less than 200 members, the Authority is required to perform an actuarial valuation at least triennially, unless there are significant changes in benefit provisions, the size or composition of the population covered by the plan, and/or the factors that impact the long-term assumptions. As such, during 2012 an updated actuarial valuation was completed for the valuation date of November 1, 2012. Actuarial valuations involve estimates of the value of reported amounts, assumptions about the probability of events in the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Examples include assumptions about employment, mortality and the healthcare cost trend.

The Authority's annual OPEB cost for the plan is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Since the Authority used a one-year amortization period, the ARC in future years represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any interest on the unfunded actuarial accrued liability. The Authority's current period ARC is approximately \$535 thousand as detailed in the chart in the OPEB Status and Funding Progress section of this note. The 2012 triennial valuation includes an actuarial accrual liability ("AAL") adjustment calculation of \$2.1 million credit due primarily to overestimated increases in premiums. It is consistent with the amortization methodology used to calculate the Amortization of the Unfunded AAL, as permitted by GASB Technical Bulletin No. 2008-1, "*Determining the Annual Required Contribution Adjustment for Postemployment Benefits*," issued on December 15, 2008.

(b) Funding

The contribution requirements (funding) of the Authority's net OPEB obligation are at the discretion of management as approved by the members of the Board. The Authority's net OPEB obligation continues to be financed on a pay-as-you-go basis from assets segregated for the exclusive purpose of paying OPEB obligations.

(c) 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. In the November 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.70% (net of administrative expenses) including inflation, declining approximately 0.5% each year to an ultimate trend rate of 4.75%. Both rates include a 2.75% inflation assumption.

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(d) OPEB Status and Funding Progress

The Authority's OPEB obligation and the funded status of the plan as of October 31, 2014 and 2013 are as follows:

	2014	2013
Actuarial Accrued Liability (AAL):		
Net OPEB obligation beginning of year	\$ 18,456,455	18,463,988
Annual Required Contribution (ARC):		
Normal cost	621,675	529,493
Interest to year-end	703,815	673,581
Payments for retirees during year	(489,093)	(446,570)
ARC amortization	(790,779)	(764,037)
Net OPEB obligation end of year	\$ 18,502,073	18,456,455
Actuarial Accrued Liability (AAL) November 1, 2013 and 2012	\$ 18,456,455	\$18,463,988
Funded OPEB plan assets	—	—
Unfunded Actuarial Accrued Liability (UAAL) November 1, 2013 and 2012	\$ 18,456,455	18,463,988
Funded ratio (actuarial value of plan assets/AAL)	—%	—%
Covered payroll	\$ 4,571,005	4,199,848
UAAL as percentage of covered payroll	404%	440%

Corporate assets held at October 31, 2014 and 2013 in a separate corporate OPEB account for the exclusive purpose of paying OPEB obligations were approximately \$20.4 million and \$20 million, respectively. The OPEB assets are included in the statements of net position within the other corporate designated, escrowed, and postemployment benefit funds financial statement classification. The Authority's policy is to contribute the annual ARC to the designated account each year and pay all OPEB expenses from such account.

(19) Postemployment Healthcare Plan – Battery Park City Parks Conservancy

(a) Plan Description

The Conservancy decided, effective February 1, 2010, to provide its retirees with health benefits as a participating employer in the NYSHIP, which is administered by the State as an agent multiple employer defined benefit plan. Under the plan, the Conservancy provides certain healthcare benefits for eligible retired employees and their dependents under a single-employer noncontributory healthcare plan. Article XI of the New York State Civil Service Law 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 to the plan. The Conservancy's Board is authorized to establish contribution rates for employees and retirees below those set by Civil Service Law. The Conservancy's Plan states that employees and/or their dependents become eligible for these benefits when the employee reaches 55 years of age and has 10 years of service. In calculating the 10-year

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service requirement, all of the employee's service needs to be with the Conservancy. Employees must work a minimum of 10 years before they and their dependents are eligible for the retirement medical benefits. Eligible retirees contribute 10% of the cost of single coverage and 25% of the cost of dependent coverage for health insurance benefits which may be offset with sick leave benefits. A vestee is a Conservancy employee vested as a member of the retirement system administered by the CIRS, has withdrawn from service after meeting the Conservancy's minimum service requirement, but has not met the age requirement for continuing health insurance. As of October 31, 2014, 90 participants, comprising 78 current employees, 6 vestees, and 6 retired employees with their spouses, were eligible to receive these benefits. NYSHIP does not issue a stand-alone financial report and NYSHIP's agent activities are included within the financial statements of the State.

Effective February 1, 2010, the Conservancy implemented accrual accounting for its OPEB obligations, based on the approach provided in GASB Statement No. 45. A new triennial actuarial valuation was performed in fiscal year 2013 with the results rolled into the fiscal year ended October 31, 2013. Actuarial valuations involve estimates of the value of reported amounts, assumptions about the probability of events in the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Examples include assumptions about employment mortality and the healthcare cost trend.

The Conservancy's annual OPEB cost for the plan is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Since the Conservancy used a one-year amortization period, the ARC in future years represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any interest on the unfunded actuarial accrued liability. The Conservancy's current period ARC is approximately \$1.95 million as detailed in the chart in the OPEB Status and Funding Progress section of this note.

(b) Funding

The contribution requirements (funding) of the Conservancy's net OPEB obligation are at the discretion of management as approved by the members of the Board. The Conservancy's net OPEB obligation is expected to be financed on a pay-as-you-go basis from assets segregated for the exclusive purpose of paying OPEB obligations.

(c) 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. In the November 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.70% (net of administrative expenses) including inflation, declining approximately 0.5% each year to an ultimate trend rate of 4.75%. Both rates include a 2.75% inflation assumption.

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(d) OPEB Status and Funding Progress

The Conservancy's OPEB obligation and the funded status of the plan as of October 31, 2014 and 2013 are as follows:

	2014	2013
Actuarial Accrued Liability (AAL):		
Net OPEB obligation beginning of year	\$ 11,840,431	9,974,257
Annual Required Contribution (ARC):		
Normal cost	1,174,351	1,121,099
Interest to year-end	453,720	399,978
Payments for retirees during year	(72,807)	(35,571)
ARC amortization	393,992	380,668
Net OPEB obligation end of year	\$ 13,789,687	11,840,431
Actuarial Accrued Liability (AAL) November 1, 2013 and November 1, 2012	\$ 11,840,431	9,974,257
Funded OPEB plan assets	—	—
Unfunded Actuarial Accrued Liability (UAAL) November 1, 2013 & November 1, 2012	\$ 11,840,431	9,974,257
Funded ratio (actuarial value of plan assets/AAL)	—%	—%
Covered payroll	\$ 3,999,798	3,738,962
UAAL as percentage of covered payroll	296%	267%

Corporate assets held at October 31, 2014 and 2013 in a separate corporate OPEB account for the exclusive purpose of paying OPEB obligations were approximately \$12.6 million and \$11.4 million, respectively. The OPEB assets are included in the statements of net position within the other corporate designated, escrowed and postemployment benefit funds financial statement classification. The Conservancy's policy is to contribute the annual ARC to the designated account each year and pay all OPEB expenses from such account.

(20) Commitments and Other Matters

- (a) The Authority has entered into construction and other related contracts, having unexpended balances aggregating approximately \$19.9 million as of October 31, 2014.
- (b) The Authority rents office space in Brookfield Place 200 Liberty Street, as well as community meeting space, field offices and maintenance space in condominium buildings in Battery Park City. Total rent expense amounted to approximately \$1.5 million in each fiscal years ended October 31, 2014 and 2013, respectively. The future minimum lease payments are as follows:

Year ended October 31:	
2015	\$ 1,059,422
2016	648,275
Total minimum payments required	\$ 1,707,697

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- (c) The terrorist attack on the World Trade Center on September 11, 2001 destroyed the North Bridge and severely damaged the South Bridge owned by the Authority. After commencing suit against the insurers of the bridges to obtain funds for physical loss and damage to the bridges, a settlement was reached in the sum of \$38 million. Pursuant to a written agreement made in December 2005, the insurance monies were deposited, in May 2006, into an interest-bearing account (“Insurance Fund”), jointly controlled by the Authority and the Management Committee of the World Financial Center (currently known as Brookfield Place), (comprised of Brookfield Financial Properties, American Express Company, and Merrill Lynch & Co.), for the purposes of: (i) improving pedestrian access to the World Financial Center in the area where the North Bridge had been destroyed, (ii) restoring the South Bridge, and (iii) the construction of the World Financial Center Pavilion. These funds are not recorded as assets of the Authority in the accompanying statements of net position.

In March 2009, the Authority and the Management Committee entered into an agreement permitting the following withdrawals from the Insurance Fund: (i) up to \$1,747,000 to fund the cost of the foundation of a structure, proposed by Brookfield, which would shelter the escalator bank in front of, and provide access to, the Winter Garden, from a pedestrian concourse which The Port Authority of New York & New Jersey (“PANYNJ”), and now Brookfield, is constructing under West Street, connecting the World Trade Center site and the World Financial Center, (ii) up to \$4,405,000 to fund the Authority’s construction of an eastern extension of the South Bridge, as part of a project to renovate the Bridge. The Authority’s only withdrawal was in March 2010 of \$483,288 to fund certain soft costs of the Authority for the South Bridge extension.

At October 31, 2014, Brookfield had withdrawn all of its allocated funds under the agreement for the construction of the World Financial Center Pavilion.

- (d) The City owns Pier A (a three-story historic landmark building), and a contiguous upland area (together, the “Pier”), which are located adjacent to the Project at its southern tip. In December 2007, the Authority and the City executed a nonbinding Term Sheet, providing for their negotiation in good faith of a long-term lease of the Pier (the “Lease”), based on the major terms described in the Term Sheet. The lease was executed in October 2008. In accordance with the Lease, the Authority is redeveloping the Pier with both funding provided by the City and Authority-generated funds. Upon completion, the Pier will be used for commercial, recreational, maritime, and ancillary uses under the terms of an operating lease. In October 2008, the Authority signed a “Funding Agreement” with EDC for the reimbursement of eligible expenditures up to \$30 million as well as the prefunding of quarterly projected redevelopment costs of Pier A. As of October 31, 2014, the Authority has received the total \$30 million from the City for Pier A related costs.
- (e) On October 23, 2007, the members of the Authority approved a proposal by the Governor to pay up to \$40 million of Special Fund monies (see note 10) to the PANYNJ for the the pedestrian underpass under Route 9A. The concourse will connect the Winter Garden (on the west, at the edge of Battery Park City) and the World Trade Center site on the east. As of October 31, 2014, the Authority disbursed a total sum of \$39,130,619 to the PANYNJ.
- (f) Pursuant to its ground lease with Goldman providing for construction by Goldman of a new world headquarters building in Battery Park City, the Authority entered into an arrangement as of July 18, 2007, under which Goldman may make purchases related to construction, furnishing, and equipping the building without liability for New York State and City sales tax, for an aggregate sales tax exemption of up \$60 million. To qualify for the exemption, the Authority is liable for payment of Goldman’s purchases in connection with the building, in an amount not to exceed \$100 million (in

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addition to the value of goods delivered to the building), which purchases Goldman is to make as agent of the Authority, but which Goldman is obligated to pay pursuant to its ground lease. The Goldman Sachs Group, Inc (the corporate parent of Goldman) executed a guaranty to assure reimbursement of any amounts paid by the Authority as a consequence of this arrangement. The likelihood of any payments made directly by the Authority resulting from this arrangement is considered remote.

- (g) As of October 31, 2014, the Authority had expended approximately \$726 thousand more than received in insurance and Federal assistance for remediation work for damage caused by Superstorm Sandy. The Authority has submitted and received payment for all eligible claims with respect to this damage from its insurance carriers. Costs not covered by insurance were and continue to be submitted for reimbursement under Federal and State disaster relief programs, which management believes will cover the remaining amounts of these costs. Any unreimbursed damages will be paid by the Authority from the corporate insurance reserve fund.

(21) Battery Park City Parks Conservancy

The Conservancy was incorporated on December 2, 1987 as a New York not-for-profit corporation. The Authority, as sole member of the Conservancy, designated the Authority's members to serve as the Conservancy's Board of Directors. The Conservancy was formed by the Authority to comply with certain requirements of agreements between the Authority and the City pursuant to which the Authority is obligated to maintain and repair the parks and open spaces in and around Battery Park City's residential areas. In March 1988, the Authority entered into a management agreement with the Conservancy, which authorized the Conservancy to undertake all responsibilities, related to the operation, maintenance, and repair of such parks and open spaces. For the fiscal years ended October 31, 2014 and 2013, the Authority paid the Conservancy approximately \$8.7 million and \$8.5 million, respectively, for services, which are included in the Authority's operating expenses. Additionally, approximately \$13 thousand and \$178 thousand at October 31, 2014 and 2013, respectively, is payable by the Authority to the Conservancy. Both are eliminated in the blending of the Conservancy's financial statements into the Authority's financial statements (see Other Supplementary Information – Combining Statement of Net Position).

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(22) Litigation

9/11 Litigation

Approximately 800 claims have been asserted against the Authority in the United States District Court for the Southern District of New York (the “Court”) by Plaintiffs who worked in and around the World Trade Center site after the September 11th attack (collectively, the “9/11 Claims”). Some of the Plaintiffs had performed clean-up activities for ground lessees of the Authority and for the tenants of commercial and residential buildings in Battery Park City. Plaintiffs seek damages arising from the alleged failure of the Authority and others to adequately protect them against exposure to potential toxins. The Authority’s ground leases provide for ground lessees to indemnify the Authority against certain claims. To date, Brookfield, Merrill Lynch and Lefrak, the lessee under the Gateway Plaza Sublease, have agreed to assume the defense of the 9/11 Claims related to the premises that they control. The Authority is pursuing the tender of the remaining claims to its other ground lessees. Certain of the Authority’s insurers have taken the position that their insurance policies for the applicable period do not provide coverage to the Authority for these claims.

In November 2010, off-site cases (i.e. cases in the area surrounding the World Trade Center site, such as those in Battery Park City) were permitted to proceed with litigation. However, the James Zadroga 9/11 Health and Compensation Act of 2010 (the “Zadroga Act”) bars Plaintiffs participating in the amended 2001 Victim Compensation Fund (the “amended VCF”) from suing the Authority and requires them to drop their lawsuits, thereby reducing the Authority’s potential exposure. A total of 153 Plaintiffs with claims against the Authority chose to drop their lawsuits and participate in the amended VCF. The Court has so ordered these dismissals and 153 cases against the Authority have been dismissed with prejudice.

The Court subsequently dismissed an additional 81 cases against the Authority with prejudice due to the Plaintiff’s failure to properly verify their responses under oath as required by the Court ordered database of off-site cases. The Second Circuit, Court of Appeals recently affirmed the dismissal of these cases. Out of 81 cases, 74 of those cases had also elected to participate in the VCF and were included in the Court’s order dismissing the 153 cases referenced above.

As a result of a motion to dismiss those cases where the Plaintiffs did not allege a physical injury, alleged only a fear of cancer or only sought medical monitoring, the Court dismissed a further 104 cases against the Authority with prejudice. The dismissal of these cases was appealed by the Plaintiffs to the Second Circuit, Court of Appeals. The Second Circuit affirmed the dismissals in part, but revived many of the cases and remanded them to the Court for further analysis as to whether the cases should be dismissed per the Second Circuit’s guidelines.

As a result of the revival of some of the cases referenced above, there are 133 cases involving Stuyvesant High School and 132 cases involving Hudson View East.

The Authority is named as a defendant in 7 of the 9 first phase cases and discovery has been completed on those cases. The Authority has successfully tendered its defense to its lessees in 3 of those cases. The Court ordered a second phase of discovery, which has been completed. The second phase consists of 30 cases and the Authority is named as a defendant in 25 of those cases. However, many of these Plaintiffs are making claims against the Authority for locations where the Authority is receiving a defense and indemnification from Brookfield, Merrill Lynch or Lefrak. The Court has recently ordered a third phase of discovery to consist of an additional 30 cases. Of the cases that were selected for the third phase, the Authority is a defendant in 7 cases. The third phase of discovery has recently commenced.

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All fact discovery on all Plaintiffs in Phase I and Phase II discovery is completed. Fifteen cases from the combined Phase I and Phase II Plaintiffs have been selected for trial. Of the 15 cases selected for trial, the Authority was a defendant in 7 of those cases in which its defense has not been assumed by another entity.

The Authority submitted a motion for summary judgment on each of the 7 trial cases in which it is a defendant. As a result of the filing of that motion, Plaintiffs' counsel agreed to discontinue 2 of the cases. One of those cases was the first case set for trial. All of the motions have been fully submitted, and the Authority is awaiting a decision.

The first trial has been adjourned from November 13, 2014 to March 2, 2015. The Court also intends for a second case to be assigned for trial on March 2, 2015. The Court extended the time for completion of expert discovery for the first trial group to December 31, 2014, including the completion of all expert depositions. As counsel has not concluded whether the likelihood of an unfavorable outcome is either probable or remote, counsel did not express an opinion as to the likely outcome of the matter.

Crana Electric, Inc. Litigation

Crana Electric, Inc. ("Crana") entered into a contract with the Authority to perform work in connection with the renovation of Pier A, a landmark property located on the Hudson River. After the conclusion of Crana's work on the project, it submitted a claim for extra work and delay damages in the amount of \$1,551,129. On February 4, 2014, Crana commenced this purported "hybrid" action/proceeding alleging that the Authority had failed to render a determination on Crana's claim in accordance with the terms of the contract, and seeking an award of the damages stated in Crana's claim. The Authority denies all of the allegations stated in Crana's petition, and is vigorously defending the proceeding. The Authority has filed a motion to dismiss the proceeding, which is still pending. The Authority and Crana have agreed to mediate this dispute, and a mediation is scheduled to begin on January 21, 2015. The court proceeding is presently stayed pending mediation. An evaluation of the potential for an unfavorable result cannot be made at this time, as it is early in the process.

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Other Supplementary Information – Combining Statement of Net Position

October 31, 2014

Assets	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current assets:				
Bank deposits	\$ 5,002	26,796	—	31,798
Investments	10,943,867	—	—	10,943,867
Restricted assets:				
Rents and other receivables (net of allowance for doubtful accounts of \$1,169,749)	5,989,420	37,631	(12,601)	6,014,450
2003 General Bond Resolution Funds	224,839,790	—	—	224,839,790
2009 Revenue Bond Resolution Funds	15,121,807	—	—	15,121,807
2013 Revenue Bond Resolution Funds	43,053,458	—	—	43,053,458
Corporate-designated, escrowed, and OPEB funds	4,868,499	—	—	4,868,499
Total current assets	<u>304,821,843</u>	<u>64,427</u>	<u>(12,601)</u>	<u>304,873,669</u>
Noncurrent assets:				
Restricted assets:				
2003 General Bond Resolution Funds	70,684,389	—	—	70,684,389
2009 Revenue Bond Resolution Funds	2,737,566	—	—	2,737,566
2013 Revenue Bond Resolution Funds	32,963,690	—	—	32,963,690
Residential lease required funds	21,467,676	—	—	21,467,676
Corporate-designated, escrowed, and OPEB funds	69,193,007	—	—	69,193,007
Battery Park City project assets – at cost, less accumulated depreciation	485,217,744	—	—	485,217,744
Other assets	3,993,910	532,788	—	4,526,698
Total noncurrent assets	<u>686,257,982</u>	<u>532,788</u>	<u>—</u>	<u>686,790,770</u>
Total assets	<u>991,079,825</u>	<u>597,215</u>	<u>(12,601)</u>	<u>991,664,439</u>
Deferred Outflows of Resources				
Accumulated decrease in fair value of interest rate swaps	12,079,644	—	—	12,079,644
Unamortized loss on extinguishment of 1993, 1996, 2000, and 2003 bonds	22,600,940	—	—	22,600,940
Deferred costs of refunding, less accumulated amortization of \$3,870,057	66,345,355	—	—	66,345,355
Total deferred outflows of resources	<u>101,025,939</u>	<u>—</u>	<u>—</u>	<u>101,025,939</u>
Total assets and deferred outflows of resources	<u>\$ 1,092,105,764</u>	<u>597,215</u>	<u>(12,601)</u>	<u>1,092,690,378</u>

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Other Supplementary Information – Combining Statement of Net Position

October 31, 2014

Liabilities	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current liabilities:				
Accrued interest on bonds	\$ 17,543,216	—	—	17,543,216
Accounts payable and other liabilities	5,529,769	585,830	(12,601)	6,102,998
Due to the City of New York	125,163,883	—	—	125,163,883
Due to the City of New York - 2010 Agreement	43,055,860	—	—	43,055,860
Due to the Port Authority of New York & New Jersey	869,381	—	—	869,381
Unearned revenue:				
PILOT revenue	31,443,206	—	—	31,443,206
Base rent and other revenue	12,933,420	—	—	12,933,420
Security and other deposits	4,738	—	—	4,738
2009 Revenue Bonds	310,000	—	—	310,000
2013 Revenue Bonds	23,730,000	—	—	23,730,000
Total current liabilities	<u>260,583,473</u>	<u>585,830</u>	<u>(12,601)</u>	<u>261,156,702</u>
Noncurrent liabilities:				
Unearned revenue:				
Base rent and other revenue	280,607,063	—	—	280,607,063
Security and other deposits	21,963,822	—	—	21,963,822
OPEB - Battery Park City Authority	18,502,073	—	—	18,502,073
OPEB - Battery Park City Parks Conservancy	—	13,789,687	—	13,789,687
Fair value of interest rate swaps	12,079,644	—	—	12,079,644
Imputed borrowing	66,345,355	—	—	66,345,355
Bonds outstanding:				
2009 Revenue Bonds, less accumulated amortization of \$353,763	87,457,244	—	—	87,457,244
2013 Revenue Bonds, less accumulated amortization of \$2,993,189	996,816,862	—	—	996,816,862
Total noncurrent liabilities	<u>1,483,772,063</u>	<u>13,789,687</u>	<u>—</u>	<u>1,497,561,750</u>
Total liabilities	<u>1,744,355,536</u>	<u>14,375,517</u>	<u>(12,601)</u>	<u>1,758,718,452</u>
Net Position (Deficit)				
Invested in capital assets, net of related debt	(24,494,670)	—	—	(24,494,670)
Restricted:				
Debt service	58,890,717	—	—	58,890,717
Under bond resolutions and other agreements	9,516,869	—	—	9,516,869
Unrestricted (deficit)	<u>(696,162,688)</u>	<u>(13,778,302)</u>	<u>—</u>	<u>(709,940,990)</u>
Total net position (deficit)	<u>(652,249,772)</u>	<u>(13,778,302)</u>	<u>—</u>	<u>(666,028,074)</u>
Total liabilities, deferred inflows of resources and net position (deficit)	<u>\$ 1,092,105,764</u>	<u>597,215</u>	<u>(12,601)</u>	<u>1,092,690,378</u>

See accompanying independent auditors' report.

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(A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Net Position

October 31, 2013

Assets	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current assets:				
Bank deposits	\$ 9,422	57,336	—	66,758
Investments	1,654,948	—	—	1,654,948
Restricted assets:				
Rents and other receivables (net of allowance for doubtful accounts of \$855,506)	26,283,331	206,031	(178,371)	26,310,991
2003 General Bond Resolution Funds	211,092,313	—	—	211,092,313
2009 Revenue Bond Resolution Funds	20,163,997	—	—	20,163,997
2013 Revenue Bond Resolution Funds	27,952,126	—	—	27,952,126
Corporate-designated, escrowed, and OPEB funds	2,533,354	—	—	2,533,354
Total current assets	<u>289,689,491</u>	<u>263,367</u>	<u>(178,371)</u>	<u>289,774,487</u>
Noncurrent assets:				
Restricted assets:				
2003 General Bond Resolution Funds	70,362,648	—	—	70,362,648
2009 Revenue Bond Resolution Funds	6,536,405	—	—	6,536,405
2013 Revenue Bond Resolution Funds	63,103,058	—	—	63,103,058
Residential lease required funds	21,424,126	—	—	21,424,126
Corporate-designated, escrowed, and OPEB funds	74,186,476	—	—	74,186,476
Fair value of interest rate swaps	1,624,655	—	—	1,624,655
Battery Park City project assets – at cost, less accumulated depreciation	483,510,743	—	—	483,510,743
Other assets	4,148,900	326,073	—	4,474,973
Total noncurrent assets	<u>724,897,011</u>	<u>326,073</u>	<u>—</u>	<u>725,223,084</u>
Total assets	<u>1,014,586,502</u>	<u>589,440</u>	<u>(178,371)</u>	<u>1,014,997,571</u>
Deferred Outflows of Resources				
Unamortized loss on extinguishment of 1993, 1996, 2000, and 2003 bonds	23,942,588	—	—	23,942,588
Deferred costs of refunding, less accumulated amortization of \$89,402	70,126,010	—	—	70,126,010
Total deferred outflows of resources	<u>94,068,598</u>	<u>—</u>	<u>—</u>	<u>94,068,598</u>
Total assets and deferred outflows of resources	<u>\$ 1,108,655,100</u>	<u>589,440</u>	<u>(178,371)</u>	<u>1,109,066,169</u>

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October 31, 2013

Liabilities	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current liabilities:				
Accrued interest on bonds	\$ 9,902,870	—	—	9,902,870
Accounts payable and other liabilities	21,274,819	712,312	(178,371)	21,808,760
Due to the City of New York	112,084,771	—	—	112,084,771
Due to the City of New York - 2010 Agreement	46,048,371	—	—	46,048,371
Due to the NYC School Construction Authority	1,898,808	—	—	1,898,808
Unearned revenue:				
PILOT revenue	28,917,452	—	—	28,917,452
Base rent and other revenue	13,060,193	—	—	13,060,193
Security and other deposits	88,492	—	—	88,492
2003 Revenue Bonds	16,140,000	—	—	16,140,000
2009 Revenue Bonds	310,000	—	—	310,000
Total current liabilities	249,725,776	712,312	(178,371)	250,259,717
Noncurrent liabilities:				
Unearned revenue:				
Base rent and other revenue	292,473,891	—	—	292,473,891
Security and other deposits	21,925,297	—	—	21,925,297
OPEB - Battery Park City Authority	18,456,455	—	—	18,456,455
OPEB - Battery Park City Parks Conservancy	—	11,840,431	—	11,840,431
Imputed borrowing	70,126,010	—	—	70,126,010
Bonds outstanding:				
2009 Revenue Bonds, less accumulated amortization of \$280,915	87,840,093	—	—	87,840,093
2013 Revenue Bonds, less accumulated amortization of \$68,073	1,023,471,979	—	—	1,023,471,979
Total noncurrent liabilities	1,514,293,725	11,840,431	—	1,526,134,156
Total liabilities	1,764,019,501	12,552,743	(178,371)	1,776,393,873
Deferred Inflows of Resources				
Accumulated increase in fair value of interest rate swaps	1,624,655	—	—	1,624,655
Total deferred inflows of resources	1,624,655	—	—	1,624,655
Net Position (Deficit)				
Invested in capital assets, net of related debt	(6,333,642)	—	—	(6,333,642)
Restricted:				
Debt service	90,724,972	—	—	90,724,972
Under bond resolutions and other agreements	12,328,191	—	—	12,328,191
Unrestricted (deficit)				
Total net position (deficit)	(753,708,577)	(11,963,303)	—	(765,671,880)
Total net position (deficit)	(656,989,056)	(11,963,303)	—	(668,952,359)
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 1,108,655,100	589,440	(178,371)	1,109,066,169

See accompanying independent auditors' report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
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Other Supplementary Information – Combining Statement of Revenues, Expenses, and Changes in Net Position (Deficit)

Year Ended October 31, 2014

	<u>Battery Park City Authority</u>	<u>Battery Park City Parks Conservancy</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues:				
Revenues from ground leases:				
Base rent	\$ 62,705,939	—	—	62,705,939
Supplemental rent	1,561,040	—	—	1,561,040
Payments in lieu of real estate taxes	181,660,585	—	—	181,660,585
Civic facilities payments and other	10,045,796	9,621,385	(9,621,385)	10,045,796
Total operating revenues	<u>255,973,360</u>	<u>9,621,385</u>	<u>(9,621,385)</u>	<u>255,973,360</u>
Operating expenses:				
Wages and related benefits	6,348,532	7,234,203	—	13,582,735
OPEB - Battery Park City Authority	534,711	—	—	534,711
OPEB - Battery Park City Parks Conservancy	—	2,022,063	—	2,022,063
Other operating and administrative expenses	26,500,234	2,492,816	(10,081,321)	18,911,729
Depreciation of project assets	8,445,208	—	—	8,445,208
Other depreciation and amortization	469,150	150,656	—	619,806
Total operating expenses	<u>42,297,835</u>	<u>11,899,738</u>	<u>(10,081,321)</u>	<u>44,116,252</u>
Operating income	<u>213,675,525</u>	<u>(2,278,353)</u>	<u>459,936</u>	<u>211,857,108</u>
Nonoperating revenues (expenses):				
Investment income on funds relating to:				
2003 Revenue Bonds	1,490,637	—	—	1,490,637
2009 Revenue Bonds	152,298	—	—	152,298
2013 Revenue Bonds	173,051	—	—	173,051
Corporate-designated, escrowed, and OPEB funds	1,704,420	—	—	1,704,420
Realized and unrealized gains and (losses)	(715,807)	—	—	(715,807)
Other revenue	—	463,354	(459,936)	3,418
Interest expense relating to:				
2003 Swap agreements – net expense	(12,367,662)	—	—	(12,367,662)
2003 Revenue Bonds	(13,064)	—	—	(13,064)
2009 Revenue Bonds	(3,791,681)	—	—	(3,791,681)
2013 Revenue Bonds	(17,626,569)	—	—	(17,626,569)
Loss from extinguishment	(1,325,910)	—	—	(1,325,910)
Bond issuance costs	(12,167)	—	—	(12,167)
Provision for transfer to the Port Authority of New York and New Jersey				
	(2,103,519)	—	—	(2,103,519)
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts				
	(124,547,666)	—	—	(124,547,666)
Provision for transfer to the City of New York per 2010 agreement				
	(42,802,696)	—	—	(42,802,696)
Provision for transfer to the City of New York - Pier A				
	(5,893,927)	—	—	(5,893,927)
Provision for transfer to the State of New York - Route 9A				
	(1,255,979)	—	—	(1,255,979)
Total nonoperating expenses	<u>(208,936,241)</u>	<u>463,354</u>	<u>(459,936)</u>	<u>(208,932,823)</u>
Change in net position (deficit)	4,739,284	(1,814,999)	—	2,924,285
Net (deficit), beginning of year	(656,989,056)	(11,963,303)	—	(668,952,359)
Net (deficit), end of year	\$ <u>(652,249,772)</u>	<u>(13,778,302)</u>	—	<u>(666,028,074)</u>

See accompanying independent auditors' report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Revenues, Expenses, and Changes in Net Position (Deficit)

Year Ended October 31, 2013

	<u>Battery Park City Authority</u>	<u>Battery Park City Parks Conservancy</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues:				
Revenues from ground leases:				
Base rent	\$ 62,252,076	—	—	62,252,076
Supplemental rent	1,815,820	—	—	1,815,820
Payments in lieu of real estate taxes	159,416,916	—	—	159,416,916
Civic facilities payments and other	12,559,603	9,241,612	(9,241,612)	12,559,603
Total operating revenues	<u>236,044,415</u>	<u>9,241,612</u>	<u>(9,241,612)</u>	<u>236,044,415</u>
Operating expenses:				
Wages and related benefits	5,854,487	6,706,422	—	12,560,909
OPEB - Battery Park City Authority	439,037	—	—	439,037
OPEB - Battery Park City Parks Conservancy	—	1,901,745	—	1,901,745
Other operating and administrative expenses	26,957,284	2,468,884	(9,358,116)	20,068,052
Depreciation of project assets	8,339,303	—	—	8,339,303
Other depreciation and amortization	1,575,032	103,595	—	1,678,627
Total operating expenses	<u>43,165,143</u>	<u>11,180,646</u>	<u>(9,358,116)</u>	<u>44,987,673</u>
Operating income	<u>192,879,272</u>	<u>(1,939,034)</u>	<u>116,504</u>	<u>191,056,742</u>
Nonoperating revenues (expenses):				
Investment income on funds relating to:				
2003 Revenue Bonds	2,067,875	—	—	2,067,875
2009 Revenue Bonds	100,621	—	—	100,621
Corporate-designated, escrowed, and OPEB funds	2,010,542	—	—	2,010,542
Realized and unrealized gains and (losses)	(4,765,243)	—	—	(4,765,243)
Other revenue	225,980	116,780	(116,504)	226,256
Interest expense relating to:				
2003 Swap agreements – net expense	(12,450,273)	—	—	(12,450,273)
2003 Revenue Bonds	(18,405,612)	—	—	(18,405,612)
2009 Revenue Bonds	(3,797,570)	—	—	(3,797,570)
2013 Revenue Bonds	(399,222)	—	—	(399,222)
Loss from extinguishment	(1,393,416)	—	—	(1,393,416)
Bond issuance costs	(10,843,250)	—	—	(10,843,250)
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts	(112,084,771)	—	—	(112,084,771)
Provision for transfer to the City of New York per 2010 agreement	(46,048,371)	—	—	(46,048,371)
Provision for transfer to the City of New York - Pier A	(5,025,956)	—	—	(5,025,956)
Total nonoperating expenses	<u>(210,808,666)</u>	<u>116,780</u>	<u>(116,504)</u>	<u>(210,808,390)</u>
Change in net position (deficit)	(17,929,394)	(1,822,254)	—	(19,751,648)
Net (deficit), beginning of year	<u>(639,059,662)</u>	<u>(10,141,049)</u>	<u>—</u>	<u>(649,200,711)</u>
Net (deficit), end of year	\$ <u>(656,989,056)</u>	<u>(11,963,303)</u>	<u>—</u>	<u>(668,952,359)</u>

See accompanying independent auditors' report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Cash Flows
Year Ended October 31, 2014

	<u>Battery Park City Authority</u>	<u>Battery Park City Parks Conservancy</u>	<u>Eliminations</u>	<u>Total</u>
Cash flows from operating activities:				
Cash receipts from:				
Tenant payments	\$ 245,640,395	—	—	245,640,395
Receipts from the Authority	—	8,716,340	(8,716,340)	—
Miscellaneous receipts	289,289	447,826	—	737,115
Total cash receipts from operating activities	<u>245,929,684</u>	<u>9,164,166</u>	<u>(8,716,340)</u>	<u>246,377,510</u>
Cash payments for:				
Salaries and benefits	(6,751,410)	(7,287,065)	—	(14,038,475)
Services and supplies	(26,536,886)	(2,013,624)	9,176,276	(19,374,234)
Total cash payments for operating activities	<u>(33,288,296)</u>	<u>(9,300,689)</u>	<u>9,176,276</u>	<u>(33,412,709)</u>
Net cash provided by (used in) operating activities	<u>212,641,388</u>	<u>(136,523)</u>	<u>459,936</u>	<u>212,964,801</u>
Cash flows from noncapital financing activities:				
Receipts from the City of New York – Pier A	1,276,875	—	—	1,276,875
Payments to Pier A Contractors on behalf of the City of New York	(1,550,579)	—	—	(1,550,579)
Payments to Pier A Plaza Contractors on behalf of the City of New York	(2,403,542)	—	—	(2,403,542)
Payments for the New York City Public Library	(83,857)	—	—	(83,857)
Payments from lessees – site security deposits	10,772	—	—	10,772
Payments to the Port Authority of New York & New Jersey	(1,234,138)	—	—	(1,234,138)
Payments from LMDC West Thames St Pedestrian Bridge	1,017,647	—	—	1,017,647
Payments to NYC EDC - West Thames St Pedestrian Bridge	(1,017,647)	—	—	(1,017,647)
Payments from Security Betterment - Route 9A Agreement	434,984	—	—	434,984
Payments to NYS DOT & Contractors - Route 9A Agreement	(1,684,103)	—	—	(1,684,103)
Payments to NYC School Construction Authority	(1,898,808)	—	—	(1,898,808)
Payments to the City of New York	(111,468,554)	—	—	(111,468,554)
Payments to the City of New York - 2010 Agreement	(45,795,207)	—	—	(45,795,207)
Net cash used in noncapital financing activities	<u>(164,396,157)</u>	<u>—</u>	<u>—</u>	<u>(164,396,157)</u>
Cash flows from capital and related financing activities:				
Development costs – site improvements and construction	(9,310,639)	—	—	(9,310,639)
Capital asset expenditures	(165,795)	(357,371)	—	(523,166)
Receipt from the sale of capital assets	—	463,354	(459,936)	3,418
Payments for Superstorm Sandy	(1,617,725)	—	—	(1,617,725)
Proceeds from Superstorm Sandy	2,661,190	—	—	2,661,190
Payments for bond issuance costs	(9,722,672)	—	—	(9,722,672)
Auction fees for variable debt	(55,459)	—	—	(55,459)
Swap payment made on the 2003 Swap agreement	(12,844,892)	—	—	(12,844,892)
Swap interest payments received on the 2003 Swap agreement	389,081	—	—	389,081
Principal paydown on 2003 Revenue Bonds	(16,140,000)	—	—	(16,140,000)
Interest paid on 2003 Senior Revenue Bonds	(412,700)	—	—	(412,700)
Interest paid on 2009 Senior Revenue Bonds	(5,029,806)	—	—	(5,029,806)
Principal paydown on 2009 Senior Revenue Bonds	(310,000)	—	—	(310,000)
Interest paid on 2013 Senior Revenue Bonds	(8,670,299)	—	—	(8,670,299)
Interest paid on 2013 Bonds CDE	(3,694,231)	—	—	(3,694,231)
Transfer to Escrow Account for Bond Refunding	10,149,229	—	—	10,149,229
2009 Senior Revenue Bonds - Build America Bonds refund from US Treasury	585,980	—	—	585,980
Net cash provided by (used in) capital and related financing activities	<u>(54,188,738)</u>	<u>105,983</u>	<u>(459,936)</u>	<u>(54,542,691)</u>
Cash flows from investing activities:				
Interest and realized gains received on investment securities	3,416,974	—	—	3,416,974
Maturities and redemptions of investment securities	515,315,610	—	—	515,315,610
Purchases of investment securities	(670,827,511)	—	—	(670,827,511)
Net cash used in investing activities	<u>(152,094,927)</u>	<u>—</u>	<u>—</u>	<u>(152,094,927)</u>
Decrease in cash and cash equivalents	<u>(158,038,434)</u>	<u>(30,540)</u>	<u>—</u>	<u>(158,068,974)</u>
Cash and cash equivalents, beginning of year	<u>218,115,053</u>	<u>57,336</u>	<u>—</u>	<u>218,172,389</u>
Cash and cash equivalents, end of year	\$ <u>60,076,619</u>	<u>26,796</u>	<u>—</u>	<u>60,103,415</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)
Other Supplementary Information – Combining Statement of Cash Flows
Year Ended October 31, 2014

	<u>Battery Park City Authority</u>	<u>Battery Park City Parks Conservancy</u>	<u>Eliminations</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income	\$ 213,675,525	(2,278,353)	459,936	211,857,108
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Provision for bad debt expense	314,243	—	—	314,243
Depreciation and amortization	8,914,358	150,656	—	9,065,014
Other	144,275	—	—	144,275
Changes in operating assets and liabilities:				
Decrease in rents and other receivables	(727,842)	164,797	(165,770)	(728,815)
(Increase) decrease in other assets	(109,935)	3,603	—	(106,332)
Increase (decrease) in accounts payable and other liabilities	(147,007)	(126,482)	165,770	(107,719)
Decrease in revenue received in advance	(9,467,847)	—	—	(9,467,847)
Increase (decrease) in OPEB	45,618	1,949,256	—	1,994,874
Net cash provided by (used in) operating activities	<u>\$ 212,641,388</u>	<u>(136,523)</u>	<u>459,936</u>	<u>212,964,801</u>
Reconciliation to cash and cash equivalents, end of year:				
Bank deposits	\$ 5,002	26,796	—	31,798
Cash and cash equivalents	361,780	—	—	361,780
Investments with less than 91-day maturities	59,709,837	—	—	59,709,837
Cash and cash equivalents, end of year	<u>\$ 60,076,619</u>	<u>26,796</u>	<u>—</u>	<u>60,103,415</u>

See accompanying independent auditors' report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Cash Flows
Year Ended October 31, 2013

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Cash flows from operating activities:				
Cash receipts from:				
Tenant payments	\$ 225,745,600	—	—	225,745,600
Receipts from the Authority	—	8,482,871	(8,482,871)	—
Miscellaneous receipts	675,942	317,670	—	993,612
Total cash receipts from operating activities	<u>226,421,542</u>	<u>8,800,541</u>	<u>(8,482,871)</u>	<u>226,739,212</u>
Cash payments for:				
Salaries and benefits	(6,214,904)	(6,718,927)	—	(12,933,831)
Services and supplies	(26,820,807)	(1,925,332)	8,599,375	(20,146,764)
Total cash payments for operating activities	<u>(33,035,711)</u>	<u>(8,644,259)</u>	<u>8,599,375</u>	<u>(33,080,595)</u>
Net cash provided by operating activities	<u>193,385,831</u>	<u>156,282</u>	<u>116,504</u>	<u>193,658,617</u>
Cash flows from noncapital financing activities:				
Receipts from the City of New York – Pier A	15,799,693	—	—	15,799,693
Payments to Pier A Contractors on behalf of the City of New York	(10,221,701)	—	—	(10,221,701)
Payments from lessees – site security deposits	630,799	—	—	630,799
Payments to lessees - site security deposits	(1,386,957)	—	—	(1,386,957)
Payment from Pier A for security deposit	275,000	—	—	275,000
Payments to the Port Authority of New York & New Jersey	(3,820,328)	—	—	(3,820,328)
Payments to the City of New York	(103,283,763)	—	—	(103,283,763)
Payments to the City of New York - 2010 Agreement	(46,142,978)	—	—	(46,142,978)
Net cash used in noncapital financing activities	<u>(148,150,235)</u>	<u>—</u>	<u>—</u>	<u>(148,150,235)</u>
Cash flows from capital and related financing activities:				
Development costs – site improvements and construction	(4,030,051)	—	—	(4,030,051)
Capital asset expenditures	(376,490)	(227,964)	—	(604,454)
Receipt from the sale of capital assets	—	116,780	(116,504)	276
Payments for Superstorm Sandy	(10,285,753)	—	—	(10,285,753)
Proceeds from Superstorm Sandy	8,805,539	—	—	8,805,539
Auction fees for variable debt	(353,659)	—	—	(353,659)
Swap payment made on the 2003 Swap agreement	(13,033,026)	—	—	(13,033,026)
Swap interest payments received on the 2003 Swap agreement	496,785	—	—	496,785
Principal paydown on 2003 Revenue Bonds	(19,280,000)	—	—	(19,280,000)
Interest paid on 2003 Senior Revenue Bonds	(17,531,970)	—	—	(17,531,970)
Interest paid on 2003 Junior Revenue Bonds	(2,414,225)	—	—	(2,414,225)
Interest paid on 2009 Senior Revenue Bonds	(5,034,056)	—	—	(5,034,056)
Principal paydown on 2009 Senior Revenue Bonds	(115,000)	—	—	(115,000)
Proceeds from 2013 Bonds issuance	1,022,424,758	—	—	1,022,424,758
Transfer to Escrow Account for Bond Refunding	(948,854,807)	—	—	(948,854,807)
Receipt - JPMC Muni Bond Settlement	225,980	—	—	225,980
2009 Senior Revenue Bonds - Build America Bonds refund from US Treasury	1,162,488	—	—	1,162,488
Net cash provided by (used in) capital and related financing activities	<u>11,806,513</u>	<u>(111,184)</u>	<u>(116,504)</u>	<u>11,578,825</u>
Cash flows from investing activities:				
Interest and realized gains received on investment securities	6,715,262	—	—	6,715,262
Maturities and redemptions of investment securities	534,301,072	—	—	534,301,072
Purchases of investment securities	(501,071,344)	—	—	(501,071,344)
Net cash provided by investing activities	<u>39,944,990</u>	<u>—</u>	<u>—</u>	<u>39,944,990</u>
Increase in cash and cash equivalents	96,987,099	45,098	—	97,032,197
Cash and cash equivalents, beginning of year	121,127,954	12,238	—	121,140,192
Cash and cash equivalents, end of year	\$ <u>218,115,053</u>	<u>57,336</u>	<u>—</u>	<u>218,172,389</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Cash Flows
Year Ended October 31, 2013

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income	\$ 192,879,272	(1,939,034)	116,504	191,056,742
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Provision for bad debt expense	213,341	—	—	213,341
Depreciation and amortization	9,914,335	103,595	—	10,017,930
Other	(106,597)	—	—	(106,597)
Changes in operating assets and liabilities:				
Decrease in rents and other receivables	1,435,400	973	78,615	1,514,988
(Increase) decrease in other assets	1,033,660	13,947	—	1,047,607
Increase (decrease) in accounts payable and other liabilities	(996,734)	110,627	(78,615)	(964,722)
Decrease in revenue received in advance	(10,979,313)	—	—	(10,979,313)
Increase (decrease) in OPEB	(7,533)	1,866,174	—	1,858,641
Net cash provided by operating activities	\$ 193,385,831	156,282	116,504	193,658,617
Reconciliation to cash and cash equivalents, end of year:				
Bank deposits	\$ 9,422	57,336	—	66,758
Cash and cash equivalents	1,428,521	—	—	1,428,521
Investments with less than 91-day maturities	216,677,110	—	—	216,677,110
Cash and cash equivalents, end of year	\$ 218,115,053	57,336	—	218,172,389

See accompanying independent auditors' report.