

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

Financial Statements

April 30, 2016 and 2015 (Unaudited)

(With Independent Auditors' Review Report Thereon)

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)

April 30, 2016 and 2015 (Unaudited)

Table of Contents

	Page
Independent Auditors' Review Report	1-2
Management's Discussion and Analysis	3-19
Basic Financial Statements:	
Statements of Net Position (Deficit)	20-21
Statements of Revenues, Expenses, and Changes in Net Position (Deficit)	22
Statements of Cash Flows	23-24
Notes to Financial Statements	25-63
Required Supplementary Information:	
Schedule of the Authority's Proportionate Share of the Net Pension Liability	64
Schedule of Employer Contributions	65
Schedule of Funding Progress for the Other Postemployment Benefits Plan	66
Other Supplementary Information:	
Combining Statements of Net Position (Deficit)	67-70
Combining Statements of Revenues, Expenses, and Changes in Net Position (Deficit)	71-72
Combining Statements of Cash Flows	73-76

Independent Auditors' Review Report

The Members

Hugh L. Carey Battery Park City Authority

We have reviewed 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 April 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position (deficit) and cash flows for the six-month periods then ended, and the related notes to the financial statements.

Management's Responsibility

The Authority's management is responsible for the preparation and fair presentation of the interim financial information in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditors' Responsibility

Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity 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 19, the schedule of the Authority's proportionate share of the net pension liability on page 64, the schedule of employer contributions on page 65, and the schedule of funding progress for the other postemployment benefits plan on page 66, 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. The supplementary information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but it has been compiled from financial information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, we do not express an opinion or provide any assurance on such supplementary information.

Report on Supplementary Information

The supplementary information included on pages 67 through 76 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.



New York, NY
September 27, 2016

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

April 30, 2016 and 2015 (Unaudited)

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 six-month periods ended April 30, 2016 and 2015. The basic financial statements, which include the statements of net position (deficit), 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. All transactions between the Authority and the Conservancy have been eliminated. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Comparison of 2016 to 2015 and 2015 to 2014

Financial Highlights – 2016

- The six-month period ended April 30, 2016 yielded total operating revenues of \$136.9 million, an increase of 5.7% or \$7.4 million compared to the six-month period ended April 30, 2015. Payments in lieu of taxes ("PILOT") revenue totaling \$100.2 million (73% of the Authority's operating revenues for the six-month period ended April 30, 2016), increased \$6.9 million or 7.4% compared to the six-month period ended April 30, 2015. Base rent increased \$1.2 million or 4.2% to \$30 million for the six-month period ended April 30, 2016. Civic facilities and other operating revenues decreased \$507 thousand or 7.7% to \$6.1 million for the six-month period ended April 30, 2016. Total operating expenses decreased \$7 million or 24% to \$22.4 million for the six-month period ended April 30, 2016.
- A payment of \$123.4 million was made in June 2016 towards the provision for the transfer to the City of New York (the "City") for the fiscal year ended October 31, 2015. A \$64.6 million provision was recorded representing the PILOT-related portion of fiscal year 2016 excess revenues that was charged to nonoperating expense for the six-month period ended April 30, 2016 (see note 13), an increase of \$6.8 million as compared to the six-month period ended April 30, 2015. Generally, the Authority's net position decreases with increases in the amount of excess revenues to be provided to the City, which has an adverse effect on the Authority's net position.
- As of April 30, 2016, the provision for the transfer to the City for the fiscal year ended October 31, 2015 in the amount of \$37.2 million is recorded as a liability. Pursuant to the 2010 Agreement (see note 13), the Authority recorded an additional provision for the transfer of \$16.2 million for the six-month period ended April 30, 2016, as an expected payment to the City, a decrease of \$1.5 million as compared to the six-month period ended April 30, 2015.
- As of April 30, 2016, \$71.9 million remained in the Project Cost funds to be used for certain park, street, other infrastructure improvements, and other capital expenditures (see note 8), as compared to \$87.6 million as of April 30, 2015.
- The Authority implemented GASB Statement No. 77, *Tax Abatement Disclosures*, which requires financial statements to disclose the nature and magnitude of the reduction in tax revenues through tax abatement programs. Accordingly, the financial statements include a tax abatement disclosure for both six-month periods ending April 30, 2016 and April 30, 2015 (see note 3(m)).

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

April 30, 2016 and 2015 (Unaudited)

Financial Highlights – 2015

- The six-month period ended April 30, 2015 yielded total operating revenues of \$129.5 million, an increase of 3.4% or \$4.3 million compared to the six-month period ended April 30, 2014. PILOT revenue totaling \$93.2 million (72% of the Authority's operating revenues for the six-month period ended April 30, 2015), increased \$5.3 million or 6.0% compared to the six-month period ended April 30, 2014. Base rent decreased \$2.7 million or 8.7% to \$28.8 million for the six-month period ended April 30, 2015. Civic facilities and other operating revenues increased \$1.5 million or 29.6% to \$6.6 million for the six-month period ended April 30, 2015. Total operating expenses increased \$8.4 million or 40% to \$29 million for the six-month period ended April 30, 2015.
- A provision for the transfer to the City of \$57.8 million in PILOT related to excess revenues was charged to nonoperating expense for the six-month period ended April 30, 2015, an increase of \$1.4 million as compared to the six-month period ended April 30, 2014. Generally, the Authority's net position decreases with increases in the amount of excess revenues to be 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 \$17.7 million for the six-month period ended April 30, 2015, as an expected payment to the City, a decrease of \$1.9 million as compared to the six-month period ended April 30, 2014.
- As of April 30, 2015, \$87.6 million remains in the Project Cost funds to be used for certain park, street, other infrastructure improvements, and other capital expenditures, as compared to \$104.5 million as of April 30, 2014.
- As of April 30, 2015, the Authority had a net receivable of approximately \$767 thousand, having received \$11.5 million in insurance and federal assistance while paying out \$12.3 million for remediation work caused by Superstorm Sandy. Subsequent to April 30, 2015, the Authority collected all eligible claims with respect to the damage from its insurance carriers and federal and state relief programs.
- The Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires the accounting and financial reporting for pensions. The Authority was required to restate its net position balance to the earliest year of implementation. Accordingly, the Authority restated the April 30, 2014 net position balance to include the accrued pension liability provided by the State of New York.
- The Authority implemented GASB No. 72, *Fair Value Measurement and Application*, which requires the reporting of all assets and liabilities measurable at fair value to be disclosed in accordance with a defined fair value hierarchy. The fair value hierarchy prioritizes the inputs used to measure fair value into three broad Levels (Levels 1, 2 and 3), moving from quoted prices in active markets in Level 1 to unobservable inputs in Level 3.

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 plus the deferred inflows of resources. A summarized comparison of the Organization's assets, deferred outflow of resources, liabilities, deferred inflows of resources and net position (deficit) at April 30, 2016, 2015 and 2014 is as follows:

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

April 30, 2016 and 2015 (Unaudited)

	April 30			2016 vs 2015	2015 vs 2014
	2016	2015	2014		
Assets:					
Bank deposits, investments and rents and other receivables	\$ 6,026,549	6,481,976	27,393,338	(455,427)	(20,911,362)
Bond resolution restricted assets (current and noncurrent)	464,578,019	465,029,967	422,868,200	(451,948)	42,161,767
Battery Park City project assets, net	490,635,680	485,824,760	480,036,921	4,810,920	5,787,839
Other current and noncurrent assets	99,220,176	97,753,300	103,474,216	1,466,876	(5,720,916)
Total assets	<u>1,060,460,424</u>	<u>1,055,090,003</u>	<u>1,033,772,675</u>	<u>5,370,421</u>	<u>21,317,328</u>
Deferred Outflows of Resources:					
Deferred pension outflows	2,039,017	106,951	—	1,932,066	106,951
Accumulated decrease in fair value of interest rate swaps	35,643,687	25,455,663	908,170	10,188,024	24,547,493
Unamortized loss on extinguishment of 1993, 1996, 2000, and 2003 bonds	20,612,074	21,937,984	23,263,895	(1,325,910)	(1,325,911)
Deferred costs of refunding, less accumulated amortization	60,674,374	64,455,028	68,235,682	(3,780,654)	(3,780,654)
Total deferred outflows of resources	<u>118,969,152</u>	<u>111,955,626</u>	<u>92,407,747</u>	<u>7,013,526</u>	<u>19,547,879</u>
Total assets and deferred outflows of resources	<u>\$ 1,179,429,576</u>	<u>1,167,045,629</u>	<u>1,126,180,422</u>	<u>12,383,947</u>	<u>40,865,207</u>
Liabilities:					
Current liabilities	\$ 356,487,114	347,719,511	295,803,413	8,767,603	51,916,098
Long-term liabilities	1,450,225,898	1,477,160,681	1,494,684,919	(26,934,783)	(17,524,238)
Total liabilities	<u>1,806,713,012</u>	<u>1,824,880,192</u>	<u>1,790,488,332</u>	<u>(18,167,180)</u>	<u>34,391,860</u>
Deferred Inflows of Resources:					
Deferred pension inflows	416,903	34,673	—	382,230	34,673
Total liabilities and deferred inflows of resources	<u>1,807,129,915</u>	<u>1,824,914,865</u>	<u>1,790,488,332</u>	<u>(17,784,950)</u>	<u>34,426,533</u>
Net Position (deficit):					
Invested in capital assets, net of related debt	(8,927,334)	(12,729,215)	(11,920,478)	3,801,881	(808,737)
Restricted	78,905,565	81,550,943	182,777,093	(2,645,378)	(101,226,150)
Unrestricted	(697,678,570)	(726,690,964)	(835,164,525)	29,012,394	108,473,561
Total net deficit	<u>(627,700,339)</u>	<u>(657,869,236)</u>	<u>(664,307,910)</u>	<u>30,168,897</u>	<u>6,438,674</u>
Total liabilities, deferred inflows of resources and net deficit	<u>\$ 1,179,429,576</u>	<u>1,167,045,629</u>	<u>1,126,180,422</u>	<u>12,383,947</u>	<u>40,865,207</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

April 30, 2016 and 2015 (Unaudited)

Assets and Deferred Outflows of Resources

2016 vs. 2015

At April 30, 2016, the Organization maintained total assets and deferred outflows of resources of \$1.18 billion, approximately \$12.4 million higher than \$1.17 billion at April 30, 2015.

2015 vs. 2014

At April 30, 2015, the Organization maintained total assets and deferred outflows of resources of \$1.17 billion, approximately \$40.8 million higher than \$1.13 billion at April 30, 2014.

Bank Deposits, Investments, Rents and Other Receivables

2016 vs. 2015

Bank deposits, investments, and rents and other receivables held at April 30, 2016 decreased by \$455 thousand over the same period last year. Investments and bank deposits increased by \$1.1 million as a result of the increase in the unpledged revenue fund account. Rents and other receivables decreased by \$1.5 million, primarily due to the decreases in receivables for Superstorm Sandy reimbursements and funds due from the Lower Manhattan Development Corporation of \$767 thousand and \$684 thousand, respectively (see note 14).

2015 vs. 2014

Bank deposits, investments, and rents and other receivables held at April 30, 2015 decreased by \$20.9 million over the same period last year. Investments and bank deposits decreased by \$10.4 million as a result of the decrease in the unpledged revenue fund account. Rents and other receivables decreased by \$10.5 million, primarily due to the decrease in Superstorm Sandy insurance receivables of \$11.1 million, offset by an increase in various other receivables of \$600 thousand.

Bond Resolution Restricted Assets

2016 vs. 2015

Bond resolution restricted assets are funds and accounts established in accordance with the 2003, 2009, and 2013 Revenue Bond resolutions. Such assets of \$464.6 million at April 30, 2016 were \$452 thousand lower than the \$465 million of assets held at April 30, 2015 (see note 8). Funds held in the Pledged Revenue Fund ("PRF") at April 30, 2016 were \$9 million more than funds held at April 30, 2015. Funds held in the Debt Service Funds at April 30, 2016 were \$17.4 million less than funds at April 30, 2015.

Funds held in the Project Operating Fund were approximately \$749 thousand lower at April 30, 2016 compared to 2015.

Funds held in the Residual Fund for payment to the City at April 30, 2016 were \$6.6 million lower than funds held at April 30, 2015.

Funds held under the resolution for project infrastructure and certain other asset costs were \$71.9 million as of April 30, 2016, or \$15.7 million less than April 30, 2015.

At April 30, 2016, there were receivable funds in transit in the amounts of \$27.3 million and \$3.7 million to the Debt Services Funds and Project Cost Funds, respectively, recorded as bond resolution restricted assets.

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

Management's Discussion and Analysis

April 30, 2016 and 2015 (Unaudited)

2015 vs. 2014

Bond resolution restricted assets are funds and accounts established in accordance with the 2003, 2009, and 2013 Revenue Bond resolutions. Such assets of \$465 million at April 30, 2015 were \$42.2 million higher than the \$423 million of assets held at April 30, 2014. Funds held in the PRF at April 30, 2015 were \$2.5 million more than funds held at April 30, 2014. Funds held in the Debt Service Fund at April 30, 2015 were \$2.2 million less than funds at April 30, 2014.

Funds held in the Project Operating Fund were approximately \$2.5 million higher at April 30, 2015 compared to 2014.

Funds held in the Residual Fund for payment to the City at April 30, 2015 were \$55.8 million higher due to the City requesting the payment of the excess revenue amount for the fiscal year ended October 31, 2014 of \$43 million after April 30, 2015. In addition, higher excess revenues, approximately \$12.8 million, were generated during the fiscal year ended October 31, 2014 compared to 2013.

Funds held under the resolution for project infrastructure and certain other asset costs were \$87.6 million as of April 30, 2015, or \$16.9 million less than April 30, 2014.

Project Assets

At April 30, 2016, the Authority's investment in project assets, net of accumulated depreciation was \$490.6 million, an increase of \$4.8 million over April 30, 2015. The Battery Park City project ("Project") consists of approximately 92 acres of landfill created, owned, and operated by the Authority. The Project's development plan includes approximately 35 acres of parkland and open spaces and provides for the construction, by private developers, of approximately 10.7 million square feet of office space, retail space, a marina, two hotels, a multiplex cinema, museums, three public schools, a public library, and approximately 8,600 residential units.

The Authority's project assets include land, site improvements, and a residential building constructed by the Authority on Site 22. Additionally, condominium units owned by the Authority in Sites 1, 3, 16/17 and a community center on Sites 23 and 24, and related infrastructure improvements are included in project assets. The balances at April 30, 2016, 2015, and 2014 were as follows:

	April 30			2016 vs 2015	2015 vs 2014
	2016	2015	2014		
Land	\$ 83,015,653	83,015,653	83,015,653	—	—
Site improvements	401,756,152	389,186,397	377,443,663	12,569,755	11,742,734
Residential building and condominium units	136,709,627	135,627,780	133,035,233	1,081,847	2,592,547
	621,481,432	607,829,830	593,494,549	13,651,602	14,335,281
Less accumulated depreciation	130,845,752	122,005,070	113,457,628	(8,840,682)	(8,547,442)
Total Battery Park City project assets	\$ 490,635,680	485,824,760	480,036,921	4,810,920	5,787,839

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

April 30, 2016 and 2015 (Unaudited)

2016 vs. 2015

At April 30, 2016, the increase to site improvements over April 30, 2015 of \$12.6 million relates to the esplanade and restoration of piles, work on Site 3 headquarters, as well as work on bridges and other minor capital improvements (see note 3(c)).

2015 vs. 2014

At April 30, 2015, the increase to site improvements over April 30, 2014 of \$11.7 million relates to the esplanade and restoration of piles, work on Site 3 mechanical systems, route 9A frontage, as well as work on bridges and other minor capital improvements.

Other Current and Noncurrent Assets

Other current and noncurrent assets at April 30, 2016, 2015, and 2014 were as follows:

	April 30			2016 vs	2015 vs
	2016	2015	2014	2015	2014
Residential lease required funds	\$ 27,331,696	21,480,651	21,460,598	5,851,045	20,053
Corporate-designated, escrowed, and OPEB funds	68,365,202	71,978,973	77,810,111	(3,613,771)	(5,831,138)
Other assets	3,523,278	4,293,676	4,203,507	(770,398)	90,169
Total other current and noncurrent assets	\$ 99,220,176	97,753,300	103,474,216	1,466,876	(5,720,916)

2016 vs. 2015

Total other current and noncurrent assets increased \$1.5 million from \$97.8 million at April 30, 2015 to \$99.2 million at April 30, 2016.

Residential lease required funds, which include security deposits held for condominium buildings, increased \$5.9 million from \$21.5 million at April 30, 2015 to \$27.3 million at April 30, 2016, primarily due to River and Warren (Site 19) converting from a rental to a condominium building. Overall, corporate-designated, escrowed, and OPEB funds decreased \$3.6 million from April 30, 2015. The decrease was primarily due to the payment of approximately \$6.5 million from the Conservancy reserve account for the withdrawal of the Conservancy from the CIRS pension plan. There were increases of approximately \$1.7 million in the OPEB accounts and \$1.1 million in the BPCA Insurance fund related to additional funding and other interest earnings.

2015 vs. 2014

Total other current and noncurrent assets decreased \$5.7 million from \$103.5 million at April 30, 2014 to \$97.8 million at April 30, 2015.

Residential lease required funds increased \$20 thousand from \$21.46 million at April 30, 2014 to \$21.48 million at April 30, 2015.

Overall, corporate-designated, escrowed, and OPEB funds decreased \$5.8 million from April 30, 2014 resulting primarily from expenditures made from the Special Fund in accordance with the Pier A Plaza agreement for a

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

April 30, 2016 and 2015 (Unaudited)

decrease of \$6.7 million, an increase in OPEB plan assets of approximately \$1.9 million, and a decrease in the BPCA Insurance fund and Superstorm Sandy advances of approximately \$661 thousand and \$335 thousand, respectively.

Deferred Outflows of Resources

Deferred outflows of resources at April 30, 2016, 2015, and 2014 were as follows:

	<u>April 30</u>			<u>2016 vs</u>	<u>2015 vs</u>
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Deferred Outflows of Resources:					
Deferred pension outflows	\$ 2,039,017	106,951	—	1,932,066	106,951
Accumulated change in fair value of interest rate swaps	35,643,687	25,455,663	908,170	10,188,024	24,547,493
Unamortized loss on extinguishment of 1993, 1996, 2000, and 2003 bonds	20,612,074	21,937,984	23,263,895	(1,325,910)	(1,325,911)
Deferred costs of refunding, less accumulated amortization	60,674,374	64,455,028	68,235,682	(3,780,654)	(3,780,654)
Total deferred outflows of Resources	\$ 118,969,152	111,955,626	92,407,747	7,013,526	19,547,879

2016 vs. 2015

The \$2 million at April 30, 2016 represents the Authority's portion of the deferred pension outflows from the New York State pension plan (see note 17).

The interest rate swap agreements, which continue in effect and continue as an effective hedge, had a negative fair value of \$25.5 million at April 30, 2015, which increased by \$10.1 million to \$35.6 million at April 30, 2016. The negative fair value is recorded as a liability on the Authority's statement of net position.

The unamortized loss on extinguishment of 1993, 1996, 2000, and 2003 bonds decreased by \$1.3 million from April 30, 2015 to April 30, 2016. The decrease is a result of the current year amortization.

The deferred cost of refunding decreased by \$3.8 million from April 30, 2015 to April 30, 2016. The decrease is a result of the current year amortization.

2015 vs. 2014

The \$107 thousand at April 30, 2015 represents the Authority's portion of the deferred pension outflows from the New York State pension plan.

The interest rate swap agreements, which continue in effect and continue as an effective hedge, had a negative fair value of \$908 thousand at April 30, 2014, which increased by \$24.5 million to \$25.5 million at April 30, 2015. The negative fair value is recorded as a liability on the Authority's statement of net position.

The unamortized loss on extinguishment of 1993, 1996, 2000, and 2003 bonds decreased by \$1.3 million from April 30, 2014 to April 30, 2015. The decrease is a result of the current year amortization.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

April 30, 2016 and 2015 (Unaudited)

The deferred cost of refunding decreased by \$3.8 million from April 30, 2014 to April 30, 2015. The decrease is a result of the current year amortization.

Liabilities

Total liabilities at April 30, 2016, 2015 and 2014 were as follows:

	April 30			2016 vs 2015	2015 vs 2014
	2016	2015	2014		
Current liabilities:					
Accrued interest on bonds	\$ 16,976,110	17,226,701	17,889,367	(250,591)	(662,666)
Accounts payable and other liabilities	7,317,934	8,924,871	21,839,030	(1,606,937)	(12,914,159)
Accrued pension payable	2,357,307	7,041,365	695,489	(4,684,058)	6,345,876
Due to the City of New York - Pilot	188,641,141	183,005,346	168,572,145	5,635,795	14,433,201
Due to the City of New York - 2010 Agreement	53,662,141	60,731,398	19,853,905	(7,069,257)	40,877,493
Due to Port Authority of NY & NJ	869,381	869,381	869,381	—	—
Unearned revenue	45,974,676	44,405,711	41,955,516	1,568,965	2,450,195
Security and other deposits	4,738	4,738	88,580	—	(83,842)
2009 Revenue Bonds	335,000	315,000	310,000	20,000	5,000
2013 Revenue Bonds	25,890,000	25,195,000	23,730,000	695,000	1,465,000
Bond resolution fund payables	14,458,686	—	—	14,458,686	—
Total current liabilities	356,487,114	347,719,511	295,803,413	8,767,603	51,916,098
Noncurrent liabilities:					
Unearned revenue	262,806,865	274,673,610	286,540,273	(11,866,745)	(11,866,663)
Security and other deposits	27,662,844	21,976,589	21,956,870	5,686,255	19,719
Other post employment benefits	35,349,247	33,334,667	31,270,834	2,014,580	2,063,833
Fair value of interest rate swaps	35,643,687	25,455,663	908,170	10,188,024	24,547,493
Imputed borrowing	60,674,373	64,455,028	68,235,682	(3,780,655)	(3,780,654)
Bonds outstanding:					
2009 Revenue Bonds	86,697,972	87,105,820	87,493,669	(407,848)	(387,849)
2013 Revenue Bonds	941,390,910	970,159,304	998,279,421	(28,768,394)	(28,120,117)
Total noncurrent liabilities	1,450,225,898	1,477,160,681	1,494,684,919	(26,934,783)	(17,524,238)
Total liabilities	\$ 1,806,713,012	1,824,880,192	1,790,488,332	(18,167,180)	34,391,860

2016 vs. 2015

The Organization's total liabilities decreased approximately \$18.2 million from \$1.82 billion at April 30, 2015 to \$1.81 billion at April 30, 2016.

Total liabilities comprise amounts due to the City, accrued interest on bonds, unearned revenue, security and other deposits, postemployment benefits, outstanding debt, fair value of interest rate swaps, imputed borrowing, accounts payable and accrued expenses and bond resolution fund payables.

The \$18.2 million decrease in total liabilities is due to:

- a \$251 thousand decrease in accrued interest payable on bonds from \$17.2 million at April 30, 2015 to \$17 million at April 30, 2016 (see notes 11 and 13).
- a \$1.6 million decrease in accounts payable and other liabilities from \$8.9 million at April 30, 2015 to \$7.3 million at April 30, 2016, primarily due a decrease of accrued capital and operating expenses of approximately \$1.4 million (see note 15).

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

April 30, 2016 and 2015 (Unaudited)

- a \$4.7 million decrease in accrued pension payable from \$7 million at April 30, 2015 to \$2.4 million at April 30, 2016 was due to the payment of the Conservancy's withdrawal liability of \$5.5 million and employee time recoupment of \$1 million for the CIRS pension plan. There was an increase of \$1.8 million that offset the overall decrease for the Authority's liability portion of the New York State pension plan.
- the liability due to the City totaling \$188.6 includes a \$64.6 million provision recorded for the period ended April 30, 2016 representing approximately half of the estimated fiscal year 2016 PILOT-related excess revenues to be transferred to the City and \$124 million payable from the previous fiscal year ended October 31, 2015, which was not paid as of April 30, 2016. The \$188.6 million due to the City was \$5.6 million higher compared to the amount due at April 30, 2015 (see note 13).
- the liability due to the City under the 2010 Agreement totaling \$53.7 million includes a \$16.2 million provision recorded for the period ended April 30, 2016 representing approximately half of the estimated fiscal 2016 amount expected payable under the 2010 Agreement and \$37.5 million payable from the previous fiscal year ended October 31, 2015, which was not paid as of April 30, 2016. The \$53.7 million due to the City was \$7 million higher compared to the amount due at April 30, 2015 (see note 13).
- a \$10.3 million decrease to \$309 million in unearned revenue from \$319 million at April 30, 2015 primarily due to revenue recognized on leases, such as the Goldman lease (\$2.7 million), Sites 23 & 24 (\$2.3 million), Site 3 (\$1.8 million) and Site 16/17 (\$2.4 million), as well as other upfront lease payments received during prior years (see note 3(d)).
- a \$5.7 million increase in total security and other deposits to \$27.7 million at April 30, 2016, primarily due to River and Warren (Site 19) converting from a rental to a condominium building. There are security deposits held for condominiums but not rentals.
- a \$2 million increase in other postemployment benefits for the Organization relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits paid. In accordance with GASB Statement No. 45 (see note 3(i)), a \$35.3 million net accrued postemployment medical benefit liability for all eligible current and retired employees is reported as of April 30, 2016. 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 period (see note 18).
- the interest rate swap agreements, which continue in effect and continue as an effective hedge, had a negative fair value of \$35.6 million at April 30, 2016, which was recorded as an asset and a deferred inflow of resources. The negative fair value of \$35.6 million is recorded as a deferred outflow of resources and a liability on the Authority's statement of net position. This value increased \$10.2 million, from a negative fair value of \$25.4 million at April 30, 2015.
- a \$3.8 million decrease in the imputed borrowing represents the current period amortization of the fair value of the bifurcated Swaps. The \$70.1 million is being amortized using the straight-line method over the remaining life of the original 2003 bonds.
- a \$388 thousand decrease in 2009 Revenue Bonds outstanding relating to the payment of principal of \$315 thousand and a \$73 thousand decrease due to the amortization of the net bond premium (see note 16).
- a \$28.1 million decrease in 2013 Revenue Bonds outstanding relating to the payment of principal of \$25.2 million and a \$2.9 million decrease due to the amortization of the net bond premium (see note 16).

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

April 30, 2016 and 2015 (Unaudited)

- a \$14.5 million increase in bond resolution funds payable relates to purchases of securities that are considered in transit as of the six-month period ended April 30, 2016. These purchases of securities pertain to the 2003 Junior and Senior Debt Service accounts and the 2009A Project Cost account.

2015 vs. 2014

The Organization's total liabilities increased approximately \$34 million from \$1.79 billion at April 30, 2014 to \$1.82 billion at April 30, 2015.

Total liabilities comprise amounts due to the City and State, accrued interest on bonds, unearned revenue, security and other deposits, post-employment benefits, outstanding debt, and accounts payable and accrued expenses.

The \$34 million increase in total liabilities is due to:

- a \$663 thousand decrease in accrued interest payable on bonds from \$17.9 million at April 30, 2014 to \$17.2 million at April 30, 2015.
- a \$12.9 million decrease in accounts payable and other liabilities from \$21.8 million at April 30, 2014 to \$8.9 million at April 30, 2015, primarily due to the recognition of Superstorm Sandy insurance and Federal assistance advances of \$10.7 million, and the settlement of an investment transaction of \$2.5 million which was payable at April 30, 2014.
- a \$6.3 million increase in accrued pension payable from \$695 thousand at April 30, 2014 to \$7 million at April 30, 2015; primarily due to the recognition of the Conservancy's withdrawal liability of \$5.5 million and employee time recoupment of \$1 million for the CIRS pension plan.
- the liability due to the City totaling \$183 million includes a \$57.8 million provision recorded for the period ended April 30, 2015 representing approximately half of the estimated fiscal 2015 PILOT related excess revenues to be transferred to the City and \$124.6 million generated from the previous fiscal year ended October 31, 2014, which was not paid as of April 30, 2015. The \$183 million due to the City was \$14.4 million higher compared to the amount due at April 30, 2014.
- the liability due to the City under the 2010 Agreement totaling \$60.7 million includes a \$17.7 million provision recorded for the period ending April 30, 2015 representing approximately half of the estimated fiscal 2015 amount expected payable under the 2010 Agreement. The increase of \$40.9 million from the same period last year was due to the payment of the fiscal year ended October 31, 2013 amount before April 2014.
- a \$3.8 million decrease in the imputed borrowing represents the current period amortization of the fair value of the bifurcated Swaps. The \$70.1 million is being amortized using the straight-line method over the remaining life of the original 2003 bonds.
- a \$9.4 million decrease to \$319 million in unearned revenue from \$328 million at April 30, 2014 primarily due to revenue recognized on leases, such as the Goldman lease (\$2.7 million), Sites 23 & 24 (\$2.3 million) and Site 16/17 (\$2.4 million), as well as other upfront lease payments received during prior years.
- a \$64 thousand decrease in security and other deposits to \$22 million at April 30, 2015.
- a \$65 thousand increase in other post-employment benefits for the Authority relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits paid. In accordance with GASB Statement No. 45, a \$18.5 million net accrued postretirement medical benefit

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

April 30, 2016 and 2015 (Unaudited)

liability for all eligible current and retired employees is reported as of April 30, 2015. 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 period.

- a \$2 million increase in other post-employment benefits for the Conservancy relating to the annual normal cost incurred for current employees and interest expense. In accordance with GASB Statement No. 45, a \$14.8 million net accrued postretirement medical benefit liability for all eligible current and retired employees is reported as of April 30, 2015. The annual required OPEB obligation is increased by normal costs for current employees and interest expense.
- a \$383 thousand decrease in 2009 Revenue Bonds outstanding relating to the payment of principal of \$310 thousand and a \$73 thousand decrease due to the amortization of the net bond premium.
- a \$26.7 million decrease in 2013 Revenue Bonds outstanding relating to the payment of principal of \$23.7 million and a \$3 million decrease due to the amortization of the net bond premium.

Deferred Inflows of Resources

Deferred inflows of resources at April 30, 2016, 2015, and 2014 are as follows:

	<u>April 30</u>			<u>2016 vs</u>	<u>2015 vs</u>
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Deferred Inflows of Resources:					
Deferred pension inflows	\$ 416,903	34,673	—	382,230	34,673

2016 vs. 2015

The \$417 thousand at April 30, 2016 represents the Authority's portion of the deferred pension inflows from the New York State pension plan.

2015 vs. 2014

The \$35 thousand at April 30, 2015 represents the Authority's portion of the deferred pension inflows from the New York State pension plan.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

April 30, 2016 and 2015 (Unaudited)

Net Position (Deficit)

	<u>April 30</u>			<u>2016 vs</u>	<u>2015 vs</u>
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net Position (deficit):					
Invested in capital assets, net of related debt	\$ (8,927,334)	(12,729,215)	(11,920,478)	3,801,881	(808,737)
Restricted	78,905,565	81,550,943	182,777,093	(2,645,378)	(101,226,150)
Unrestricted	(697,678,570)	(726,690,964)	(835,164,525)	29,012,394	108,473,561
Total net deficit	\$ <u>(627,700,339)</u>	<u>(657,869,236)</u>	<u>(664,307,910)</u>	<u>30,168,897</u>	<u>6,438,674</u>

2016 vs. 2015

The change in total net position from April 30, 2015 represents a positive change in the deficit position of \$30.2 million from \$657.9 million at April 30, 2015 to \$627.7 million at April 30, 2016.

Invested in capital assets, net of related debt, was a deficit of \$8.9 million and \$12.7 million at April 30, 2016 and 2015, 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 Organization's \$79 million of restricted net assets at April 30, 2016 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 \$697.7 million at April 30, 2016 resulting from the cumulative net excess revenues, which are transferred to the City annually.

2015 vs. 2014

The change in total net position from April 30, 2014 represents a positive change in the deficit position of \$6.4 million from \$664.3 million at April 30, 2014 to \$657.9 million at April 30, 2015.

Invested in capital assets, net of related debt, was a deficit of \$12.7 million and \$11.9 million at April 30, 2015 and 2014, 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 Organization's \$82 million of restricted net assets at April 30, 2015 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 \$726.7 million at April 30, 2015 resulting from the cumulative net excess revenues, which are transferred to the City annually.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

April 30, 2016 and 2015 (Unaudited)

Summary Schedule of Revenues, Expenses, and Changes in Net Deficit

Below is a summary of the Organization's revenues, expenses, and changes in net deficit for the six-month periods' ended April 30, 2016, 2015, and 2014:

	<u>2016</u>	<u>April 30 2015</u>	<u>2014</u>	<u>2016 vs 2015</u>	<u>2015 vs 2014</u>
Operating revenues:					
Revenues from ground leases:					
Base rent	\$ 29,951,813	28,752,904	31,492,689	1,198,909	(2,739,785)
Supplemental rent	660,543	911,058	728,883	(250,515)	182,175
Payments in lieu of real estate taxes	100,163,203	93,232,806	87,926,725	6,930,397	5,306,081
Civic facilities payments and other	6,084,306	6,591,230	5,085,909	(506,924)	1,505,321
Total operating revenues	<u>136,859,865</u>	<u>129,487,998</u>	<u>125,234,206</u>	<u>7,371,867</u>	<u>4,253,792</u>
Operating expenses:					
Wages and related benefits	7,668,908	13,694,936	6,759,192	(6,026,028)	6,935,744
OPEB	1,079,058	1,357,893	1,278,388	(278,835)	79,505
Other operating and administrative expenses	8,983,199	9,749,213	8,494,545	(766,014)	1,254,668
Depreciation and amortization	4,703,990	4,608,265	4,500,108	95,725	108,157
Total operating expenses	<u>22,435,155</u>	<u>29,410,307</u>	<u>21,032,233</u>	<u>(6,975,152)</u>	<u>8,378,074</u>
Operating income	<u>114,424,710</u>	<u>100,077,691</u>	<u>104,201,973</u>	<u>14,347,019</u>	<u>(4,124,282)</u>
Nonoperating revenues (expenses):					
Investment and other income	2,638,374	1,845,673	1,183,117	792,701	662,556
Other revenue	—	6,271	1,414	(6,271)	4,857
Loss on project assets	(201,351)	—	—	(201,351)	—
Interest expense, net	(17,099,821)	(17,215,972)	(17,547,567)	116,151	331,595
Bond issuance costs	—	—	1,750	—	(1,750)
Provision for transfer to the PANYNJ	—	—	(2,103,519)	—	2,103,519
Provision for transfer to the City of New York	(64,621,192)	(57,841,463)	(56,487,374)	(6,779,729)	(1,354,089)
Provision for transfer to the City of New York - 2010 Agreement	(16,218,808)	(17,675,538)	(19,600,741)	1,456,730	1,925,203
Provision for transfer to New York State:					
Route 9A Agreement	—	(70,104)	(1,068,196)	70,104	998,092
Eastern Border pass through NYC	(4,591)	—	—	(4,591)	—
West Thames Park pass through NYC	(1,549,149)	—	—	(1,549,149)	—
Pier A and Pier A Plaza pass through NYC	(619,961)	(272,228)	(3,240,919)	(347,733)	2,968,691
Total nonoperating expenses, net	<u>(97,676,499)</u>	<u>(91,223,361)</u>	<u>(98,862,035)</u>	<u>(6,453,138)</u>	<u>7,638,674</u>
Change in net position	16,748,211	8,854,330	5,339,938	7,893,881	3,514,392
Net deficit, beginning of period	(644,448,550)	(666,723,566)	(668,952,359)	22,275,016	2,228,793
Effect of adoption of GASB 68	—	—	(695,489)	—	695,489
Net deficit, beginning of period	<u>(644,448,550)</u>	<u>(666,723,566)</u>	<u>(669,647,848)</u>	<u>22,275,016</u>	<u>2,924,282</u>
Net deficit, end of period	<u>\$ (627,700,339)</u>	<u>(657,869,236)</u>	<u>(664,307,910)</u>	<u>30,168,897</u>	<u>6,438,674</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

April 30, 2016 and 2015 (Unaudited)

Operating Revenue

2016 vs. 2015

Overall operating revenues for the six-month period ended April 30, 2016 totaled \$136.9 million, \$7.4 million higher than the six-month period ended April 30, 2015 of \$129.5 million. Lease revenues consist primarily of base (land) rent and PILOT from long-term leaseholds.

Base rent increased \$1.2 million from \$28.8 million for the six-month period ended April 30, 2016 primarily due to the increase in contractual base rent for Pier A and North Cove Marina. PILOT revenue totaling \$100.2 million (73% of the total operating revenues for the six-month period ended April 30, 2016), increased by \$6.9 million over the six-month period ended April 30, 2015 primarily due to an increase in PILOT revenue from the commercial towers. The change in civic facility payments and other is a \$507 thousand decrease from \$6.6 million for the six-month period ended April 30, 2015 to \$6.1 million in April 30, 2016, primarily due to a decrease in miscellaneous income of approximately \$476 thousand.

2015 vs. 2014

Overall operating revenues for the six-month period ended April 30, 2015 totaled \$129.5 million, \$4.3 million higher than the six-month period ended April 30, 2014 of \$125.2 million. Lease revenues consist primarily of base (land) rent and PILOT from long-term leaseholds.

Base rent decreased \$2.7 million from \$31.5 million for the six-month period ended April 30, 2014 primarily due to contractual base rent resets for commercial Towers A, B, and D. PILOT revenue totaling \$93.2 million (72% of the total operating revenues for the six-month period ended April 30, 2015), increased by \$5.3 million over the six-month period ended April 30, 2014 primarily due to an increase in Pilot revenue from the commercial Towers and Goldman. The change in civic facility payments and other is a \$1.5 million increase from \$5.1 million for the six-month period ended April 30, 2014 to \$6.6 million in April 30, 2015, due to an increase in retail rents and additional miscellaneous income of approximately \$670 thousand and \$575 thousand, respectively.

Operating Expenses

2016 vs. 2015

Operating expenses totaled \$22.4 million for the six-month period ended April 30, 2016, representing a \$7 million decrease compared to the six-month period ended April 30, 2015. The expenses include: wages and related benefits; other postemployment benefits; 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 \$7.7 million were \$6 million lower than the prior six-month period ended April 30, 2015, primarily due to the payment of \$6.5 million to withdraw from the Conservancy's CIRS pension plan.

OPEB expenses for the Organization decreased for the six-month period ended April 30, 2016 by \$279 thousand as compared to the six-month period ended April 30, 2015. 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

(A Component Unit of the State of New York)

Management's Discussion and Analysis

April 30, 2016 and 2015 (Unaudited)

Other operating and administrative expenses of approximately \$9 million decreased by \$766 thousand for the six-month period ended April 30, 2016, primarily due to the decrease of approximately \$774 thousand for the New York statewide cost recovery expense.

Depreciation and amortization expenses recorded for the six-month period ended April 30, 2016 of \$4.7 million were \$96 thousand higher than the six-month period ended April 30, 2015.

2015 vs. 2014

Operating expenses totaled \$29.4 million for the six-month period ended April 30, 2015, representing a \$8.4 million increase compared to the six-month period ended April 30, 2014. The expenses include: wages and related benefits; other postemployment benefits; 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 \$13.7 million were \$6.9 million higher than the prior six-month period ended April 30, 2014 primarily due to the accrual of \$6.5 million to withdraw from the Conservancy's CIRS pension plan.

OPEB expenses for the Authority increased for the six-month period ended April 30, 2015 by \$16 thousand as compared to the six-month period ended April 30, 2014. 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.

OPEB expenses for the Conservancy increased for the six-month period ended April 30, 2015 by \$63 thousand as compared to the six-month period ended April 30, 2014. 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.

Other operating and administrative expenses of approximately \$9.7 million increased by \$1.3 million for the six-month period ended April 30, 2015. Depreciation and amortization expenses recorded for the six-month period ended April 30, 2015 of \$4.6 million were \$108 thousand higher than the six-month period ended April 30, 2014.

Nonoperating Revenues (Expenses)

2016 vs. 2015

Total nonoperating expenses, net, were \$6.5 million higher for the six-month period ended April 30, 2016 than the six-month period ended April 30, 2015. For the six-month period ended April 30, 2016, investment and other income was \$2.6 million or approximately \$793 thousand higher than the six-month period ended April 30, 2015. A provision for a transfer to the City of \$64.6 million in excess revenues was charged to expense for the six-month period ended April 30, 2016, an increase of \$6.8 million from the six-month period ended April 30, 2015. A provision for transfer to the City for a pay-as-you-go fund of \$16.2 million was charged to expense for the six-month period ended April 30, 2016, a decrease of \$1.5 million from the six-month period ended April 30, 2015. In addition, a provision for transfers to the City for the West Thames Park and Pier A and Pier A Plaza of \$1.5 million and \$620 thousand respectively were charged to expense for the six-month period ended April 30, 2016, a total decrease of \$1.9 million from the six-month period ended April 30, 2015.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

April 30, 2016 and 2015 (Unaudited)

Investment and other income increased by \$786 thousand primarily due to restructuring the long-term investments portfolio. Net interest expense related to outstanding bonds decreased \$117 thousand compared to the six-month period ended April 30, 2015.

2015 vs. 2014

Total nonoperating expenses, net, were \$7.6 million lower for the six-month period ended April 30, 2015 than the six-month period ended April 30, 2014. A provision for a transfer to the City of \$57.8 million in excess revenues was charged to expense for the six-month period ended April 30, 2015, an increase of \$1.4 million from the six-month period ended April 30, 2014. In addition, a provision for transfer to the City for a pay-as-you-go fund of \$17.7 million was charged to expense for the six-month period ended April 30, 2015, a decrease of \$1.9 million from the six-month period ended April 30, 2014.

Investment and other income increased by \$663 thousand primarily due to higher interest rates, the increase in balances held and the composition of assets held during the six-month period ended April 30, 2015 compared to 2014. Net interest expense related to outstanding bonds decreased \$332 thousand compared to the six-month period ended April 30, 2014.

Change in Net Position

The total net deficit at April 30, 2016 and 2015 was \$627.7 million and \$657.9 million, respectively.

The total net deficit at April 30, 2015 and 2014 was \$657.9 million and \$664.3 million, respectively.

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 (see notes 11 and 16). As of the six-month period ending April 30, 2016, outstanding bonds and ratings are as follows:

	<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	29,085,000	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). As of the six-month period ending April 30, 2016 outstanding bonds and ratings are as follows:

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

April 30, 2016 and 2015 (Unaudited)

	<u>Outstanding debt</u>	<u>Fitch</u>	<u>Moody's</u>	<u>Standard & Poor's (S&P)</u>
2013 Senior Revenue A Bonds	\$ 323,135,000	AAA	Aaa	Not Rated
2013 Senior Revenue B Bonds	—	AAA	Aaa	Not Rated
2013 Junior Revenue C Bonds	208,440,000	Not Rated	Aa2	Not Rated
2013 Junior Revenue D Bonds	195,905,000	Not Rated	Not Rated	Not Rated
2013 Junior Revenue E Bonds	195,910,000	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 (Deficit)

April 30, 2016 and 2015 (Unaudited)

Assets	2016	2015
Current assets:		
Bank deposits	\$ 503,989	375,362
Investments (notes 3(e) and 3(k))	1,116,538	168,304
Restricted assets:		
Rents and other receivables (net of allowance for doubtful accounts of \$1,480,874 in 2016 and \$1,243,884 in 2015 (note 14))	4,406,022	5,938,310
2003 General Bond Resolution Funds (notes 3(e), 3(k), 8, 9, and 10)	290,454,107	306,132,224
2009 Revenue Bond Resolution Funds (notes 3(e), 3(k), 8, 9, and 11)	8,641,029	9,643,525
2013 Revenue Bond Resolution Funds (notes 3(e), 3(k), 8, 9, and 12)	47,570,542	40,011,700
Bond resolution fund receivables (notes 3(e), 8, 9, 12 and 14(b))	30,980,000	—
Corporate-designated, escrowed, and OPEB funds (notes 3(e), 3(k), 18 and 19)	1,117,438	1,813,770
Total current assets	<u>384,789,665</u>	<u>364,083,195</u>
Noncurrent assets:		
Restricted assets:		
2003 General Bond Resolution Funds (notes 3(e), 3(k), 8, 9, and 10)	71,277,167	71,318,675
2009 Revenue Bond Resolution Funds (notes 3(e), 3(k), 8, 9, and 11)	898,918	4,281,551
2013 Revenue Bond Resolution Funds (notes 3(e), 3(k), 8, 9, and 12)	14,756,256	33,642,292
Residential lease required funds (note 3(e) and 3(k))	27,331,696	21,480,651
Corporate-designated, escrowed, and OPEB funds (notes 3(e), 3(k), 18 and 19)	67,247,764	70,165,203
Battery Park City project assets – at cost, less accumulated depreciation (notes 2, 3(c), and 4)	490,635,680	485,824,760
Other assets	3,523,278	4,293,676
Total noncurrent assets	<u>675,670,759</u>	<u>691,006,808</u>
Total assets	<u>1,060,460,424</u>	<u>1,055,090,003</u>
Deferred Outflows of Resources		
Deferred pension outflows (note 17)	2,039,017	106,951
Accumulated change in fair value of interest rate swaps (notes 3(j) and 10)	35,643,687	25,455,663
Unamortized loss on extinguishment of 1993, 1996, 2000, and 2003 bonds (note 12)	20,612,074	21,937,984
Deferred costs of refunding, less accumulated amortization of \$9,541,039 in 2016 (note 10)	60,674,374	64,455,028
Total deferred outflows of resources	<u>118,969,152</u>	<u>111,955,626</u>
Total assets and deferred outflows of resources	<u>\$ 1,179,429,576</u>	<u>1,167,045,629</u>

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

Statements of Net Position (Deficit)

April 30, 2016 and 2015 (Unaudited)

Liabilities	2016	2015
Current liabilities:		
Accrued interest on bonds	\$ 16,976,110	17,226,701
Accounts payable and other liabilities (note 15a)	7,317,934	8,924,871
Accrued pension payable (note 17)	2,357,307	7,041,365
Due to the City of New York (note 13)	188,641,141	183,005,346
Due to the City of New York - 2010 Agreement (note 13)	53,662,141	60,731,398
Due to the Port Authority of New York & New Jersey (note 20(e))	869,381	869,381
Unearned revenue (note 3(d)):		
PILOT revenue	32,898,318	31,515,773
Base rent and other revenue	13,076,358	12,889,938
Security and other deposits	4,738	4,738
2009 Revenue Bonds (notes 8, 9, 11, and 16)	335,000	315,000
2013 Revenue Bonds (notes 8, 9, 12, and 16)	25,890,000	25,195,000
Bond resolution fund payables (notes 3(e), 8, 9, 12 and 15(b))	14,458,686	—
Total current liabilities	356,487,114	347,719,511
Noncurrent liabilities:		
Unearned revenue (note 3(d)):		
Base rent and other revenue	262,806,865	274,673,610
Security and other deposits	27,662,844	21,976,589
OPEB (note 18)	35,349,247	33,334,667
Fair value of interest rate swaps (notes 3(j) and 10)	35,643,687	25,455,663
Imputed borrowing (note 10)	60,674,373	64,455,028
Bonds outstanding (notes 8, 9, 10, 11, 12, and 16):		
2009 Revenue Bonds, less accumulated amortization of \$463,035 in 2016 and \$390,187 in 2015	86,697,972	87,105,820
2013 Revenue Bonds, less accumulated amortization of \$7,145,077 in 2016 and \$4,455,747 in 2015	941,390,910	970,159,304
Total noncurrent liabilities	1,450,225,898	1,477,160,681
Total liabilities	1,806,713,012	1,824,880,192
Deferred Inflows of Resources		
Deferred pension inflows (note 17)	416,903	34,673
Total deferred inflows of resources	416,903	34,673
Total liabilities and deferred inflows of resources	1,807,129,915	1,824,914,865
Net Position (Deficit):		
Invested in capital assets, net of related debt	(8,927,334)	(12,729,215)
Restricted:		
Debt service	76,672,308	77,594,505
Under bond resolutions and other agreements	2,233,257	3,956,438
Unrestricted (deficit)	(697,678,570)	(726,690,964)
Total net position (deficit)	(627,700,339)	(657,869,236)
Total liabilities and net position (deficit)	\$ 1,179,429,576	1,167,045,629

See accompanying notes to financial statements and independent auditors' review report.

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)

Six-month periods ended April 30, 2016 and 2015 (Unaudited)

	2016	2015
Operating revenues:		
Revenues from ground leases (notes 5, 6, and 7):		
Base rent	\$ 29,951,813	28,752,904
Supplemental rent	660,543	911,058
Payments in lieu of real estate taxes (note 13)	100,163,203	93,232,806
Civic facilities payments and other	6,084,306	6,591,230
Total operating revenues	136,859,865	129,487,998
Operating expenses:		
Wages and related benefits (note 17)	7,668,908	13,694,936
OPEB (note 18)	1,079,058	1,357,893
Other operating and administrative expenses	8,983,199	9,749,213
Depreciation of project assets	4,439,098	4,284,954
Other depreciation and amortization	264,892	323,311
Total operating expenses	22,435,155	29,410,307
Operating income	114,424,710	100,077,691
Nonoperating revenues (expenses):		
Investment income on funds relating to:		
2003 Revenue Bonds (note 10)	837,152	917,308
2009 Revenue Bonds (note 11)	40,615	54,724
2013 Revenue Bonds (note 12)	317,643	323,089
Corporate-designated, escrowed, and OPEB funds	661,182	750,987
Realized and unrealized gains and (losses)	781,782	(200,435)
Other revenue	—	6,271
Loss on project assets	(201,351)	—
Interest expense relating to:		
2003 Swap agreements – net expense (note 10)	(5,762,509)	(6,081,850)
2003 Revenue Bonds (note 10)	(5,846)	(5,944)
2009 Revenue Bonds (note 11)	(1,880,611)	(1,887,706)
2013 Revenue Bonds (note 12)	(8,787,900)	(8,577,517)
Loss from extinguishment	(662,955)	(662,955)
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts (note 13)	(64,621,192)	(57,841,463)
Provision for transfer to the City of New York per 2010 Agreement (note 13)	(16,218,808)	(17,675,538)
Provision for transfer to the State of New York - Route 9A	—	(70,104)
Provision for transfer to City of New York - Eastern Border	(4,591)	—
Provision for transfer to City of New York - West Thames Park	(1,549,149)	—
Provision for transfer to the City of New York - Pier A and Pier A Plaza	(619,961)	(272,228)
Total nonoperating expenses	(97,676,499)	(91,223,361)
Change in net position (deficit)	16,748,211	8,854,330
Net (deficit), beginning of period	(644,448,550)	(666,723,566)
Net (deficit), end of period	\$ (627,700,339)	(657,869,236)

See accompanying notes to financial statements and independent auditors' review report.

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

Statements of Cash Flows

Six-month periods ended April 30, 2016 and 2015 (Unaudited)

	2016	2015
Cash flows from operating activities:		
Cash receipts from:		
Tenant payments	\$ 128,564,250	121,798,551
Miscellaneous receipts	1,904,060	748,725
Total cash receipts from operating activities	130,468,310	122,547,276
Cash payments for:		
Salaries and benefits	(7,404,529)	(7,960,002)
Services and supplies	(4,340,938)	(3,446,067)
Total cash payments for operating activities	(11,745,467)	(11,406,069)
Net cash provided by operating activities	118,722,843	111,141,207
Cash flows from noncapital financing activities:		
Payments to Pier A Contractors on behalf of the City of New York	(380,425)	(380,170)
Payments to Pier A Plaza Contractors on behalf of NYC	(64,350)	(876,105)
Payments from LMDC West Thames St Pedestrian Bridge	338,248	175,057
Payments to NYC EDC - West Thames St Pedestrian Bridge	(338,248)	(175,057)
Payments from Security Betterment - Route 9A Agreement	513,000	—
Payments to NYS DOT & Contractors - Route 9A Agreement	(2,229,025)	(66,390)
Payments to New York City - West Thames Park	(1,334,761)	—
Net cash used in by noncapital financing activities	(3,495,561)	(1,322,665)
Cash flows from capital and related financing activities:		
Development costs – site improvements and construction	(3,605,780)	(6,412,832)
Capital asset expenditures	(49,687)	(256,742)
Receipts from the sale of capital assets	—	3,514
Payments for Superstorm Sandy	—	(46,840)
Auction fees for variable debt	5,846	(5,944)
Swap payment made on the 2003 Swap agreement	(6,287,192)	(6,375,413)
Swap interest payments received on the 2003 Swap agreement	379,364	195,921
Principal paydown on 2009 Senior Revenue Bonds	(315,000)	(310,000)
Interest paid on 2009 Senior Revenue Bonds	(2,509,478)	(2,513,353)
Principal paydown on 2013 Senior Revenue Bonds	(20,300,000)	(18,345,000)
Interest paid on 2013 Senior Revenue Bonds	(8,107,850)	(9,306,350)
Principal paydown on 2013 Bonds C, D, E	(4,895,000)	(4,380,000)
Interest paid on 2013 Bonds CDE	(2,275,478)	(1,957,297)
2009 Senior Revenue Bonds - Build America Bonds refund from US Treasury	588,506	1,171,017
Net cash used in capital and related financing activities	(47,371,749)	(48,539,319)
Cash flows from investing activities:		
Interest and realized gains received on investment securities	1,365,846	2,329,989
Maturities and redemptions of investment securities	342,731,384	408,247,057
Purchases of investment securities	(385,065,254)	(451,704,451)
Net cash used in investing activities	(40,968,024)	(41,127,405)
Increase in cash and cash equivalents	26,887,509	20,151,818
Cash and cash equivalents, beginning of period	46,529,824	60,103,415
Cash and cash equivalents, end of period	\$ 73,417,333	80,255,233

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

Statements of Cash Flows

Six-month periods ended April 30, 2016 and 2015 (Unaudited)

	2016	2015
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 114,424,710	100,077,691
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for bad debt expense	149,824	74,135
Depreciation and amortization	4,703,990	4,608,265
Other	(290,655)	4,983
Changes in operating assets and liabilities:		
Decrease (increase) in rents and other receivables	200,508	(1,021,591)
Decrease in other assets	893,204	193,771
Increase in accounts payable and other liabilities	4,016,814	5,791,816
(Decrease) in unearned revenue	(6,423,669)	(5,904,368)
Increase in OPEB	760,586	1,042,907
Increase in pension liability	1,837,367	6,345,876
(Increase) in deferred pension inflows/outflows	(1,549,836)	(72,278)
Net cash provided by operating activities	\$ 118,722,843	111,141,207
Reconciliation of cash and cash equivalents, end of period:		
Bank deposits	\$ 503,989	375,362
Cash and cash equivalents (note 3(e))	1,825,814	392,622
Investments with less than 91-day maturities (note 3(e))	71,087,530	79,487,249
Cash and cash equivalents, end of period	\$ 73,417,333	80,255,233

See accompanying notes to financial statements and independent auditors' review report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

(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 payments to the City and 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 development plan includes approximately 35 acres of parkland and open spaces and provides for the construction, by private developers, of approximately 10.7 million square feet of office space, 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

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

(3) Summary of Significant Accounting Policies

(a) Financial Reporting

The Organization follows accounting principles generally accepted in the United States of America (“U.S. GAAP”) 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, useful lives of project assets and other postemployment benefits. Actual results could differ from those estimates.

(c) Project Assets

Costs incurred by the Authority in developing the Project as of April 30, 2016 and 2015 are capitalized as project assets and classified as follows:

	Balance at October 31, 2015	Additions	Deletions	Balance at April 30, 2016
Land	\$ 83,015,653	—	—	83,015,653
Site improvements	400,143,567	3,235,433	1,622,848	401,756,152
Residential building and condominiums	136,501,422	208,205	—	136,709,627
Total project assets	<u>619,660,642</u>	<u>3,443,638</u>	<u>1,622,848</u>	<u>621,481,432</u>
Less accumulated depreciation:				
Site improvements	96,057,380	1,599,182	—	97,656,562
Residential building and condominiums	30,352,495	2,836,695	—	33,189,190
Total accumulated depreciation	<u>126,409,875</u>	<u>4,435,877</u>	<u>—</u>	<u>130,845,752</u>
Net project assets	<u>\$ 493,250,767</u>	<u>(992,239)</u>	<u>1,622,848</u>	<u>490,635,680</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

	Balance at October 31, 2014	Additions	Deletions	Balance at April 30, 2015
Land	\$ 83,015,653	—	—	83,015,653
Site improvements	386,612,538	2,615,761	41,900	389,186,399
Residential building and condominiums	133,309,670	2,318,112	—	135,627,782
Total project assets	<u>602,937,861</u>	<u>4,933,873</u>	<u>41,900</u>	<u>607,829,834</u>
Less accumulated depreciation:				
Site improvements	92,839,739	2,686,712	—	95,526,451
Residential building and condominiums	24,880,378	1,598,245	—	26,478,623
Total accumulated depreciation	<u>117,720,117</u>	<u>4,284,957</u>	<u>—</u>	<u>122,005,074</u>
Net project assets	<u>\$ 485,217,744</u>	<u>648,916</u>	<u>41,900</u>	<u>485,824,760</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 cost of infrastructure and facilities for phases being developed were capitalized until such phases were substantially completed and ready for 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 deferred 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 fiscal periods prior to 2016 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 the 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.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

(e) Investments and Deposits

The Organization carries all investments at fair value. 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 U.S. GAAP. 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 are 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 April 30, 2016 and 2015 included within the balance sheet accounts: investments, corporate designated, escrowed and OPEB funds, bond resolution funds (see note 8), and residential lease required funds were as follows:

	April 30, 2016			April 30, 2015		
	Cost	Fair value	Weighted average maturity (years) (a)	Cost	Fair value	Weighted average maturity (years) (a)
U.S. Treasury securities:						
Treasury Bills	\$ 113,073,029	113,204,032	0.10	\$ 165,538,003	165,611,738	0.27
Treasury Bonds	205,672,436	206,124,375	1.53	206,776,505	206,297,867	1.61
Treasury Strips	13,342,523	13,387,403	0.29	7,804,384	7,807,322	1.29
Total						
U.S. Treasury securities	332,087,988	332,715,810		380,118,892	379,716,927	
Commercial paper	38,307,633	38,364,436	0.11	114,952,871	115,023,775	0.12
Federal agency securities	98,852,806	98,949,021	0.38	5,871,089	5,958,852	2.46
Federal agency mortgage backed securities	12,371,119	12,635,319	3.75	12,749,304	13,043,546	4.05
Municipal bonds	23,590,674	24,005,696	1.97	28,094,684	28,780,869	2.56
Sovereign Bonds	21,708,823	21,915,359	2.90	15,550,317	15,741,304	2.95
Total investments	526,919,043	528,585,641	1.00	557,337,157	558,265,273	1.05
Cash and cash equivalents	1,825,814	1,825,814		392,622	392,622	
Total investments and deposits	\$ 528,744,857	530,411,455		\$ 557,729,779	558,657,895	

(a) Portfolio weighted average effective duration

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

As of April 30, 2016, there was \$30,980,000 of bond resolution funds in transit. These bond resolution funds have been excluded from the investment table above and are shown separately in the bond resolution fund receivables in the statement of net position.

As of April 30, 2016 and 2015, restricted assets included cash and cash equivalents and investments with less than 91-day maturities amounting to \$71,087,530 and \$79,487,249, respectively.

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 April 30, 2016 were A1+/P1/F1+; (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 VMIG/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 12), project contingency reserves, restoration reserves, insurance reserves, and arbitrage reserves and funds designated for the payment of medical benefits to the Organization'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.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

The Organization 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 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, required supplementary information in the financial reports of state and local governmental employers.

In accordance with GASB Statement No. 45, the Authority and 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.

For the period beginning November 1, 2015, a new bi-annual evaluation of the OPEB Cost was performed on a combined basis, consisting of the former Conservancy employee base and the Authority's employee base as a combined single reporting unit under the Authority. This results in only one valuation for the period ending April 30, 2016 (see note 18).

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

(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 (see note 10). Apart from the imputed borrowing, the interest rate swap agreements, which continue in effect and continue as an effective hedge, had a negative fair value of \$25.5 million at April 30, 2015, which was recorded as a liability and a deferred outflow of resources. This value decreased \$10.1 million to a negative fair value of \$35.6 million at April 30, 2016. This negative fair value is recorded as a deferred outflow of resources and a liability on the Authority's statement of net position.

(k) *Fair Value Measurement and Application*

GASB No. 72, *Fair Value Measurement and Application*, requires the reporting of all assets and liabilities measurable at fair value to be disclosed in accordance with a defined fair value hierarchy. The fair value hierarchy prioritizes the inputs used to measure fair value into three broad Levels (Levels 1, 2 and 3), moving from quoted prices in active markets in Level 1 to unobservable inputs in Level 3.

Level 1 inputs – observable, quoted prices for identical assets or liabilities in active markets.

Level 2 inputs – quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices e.g. interest rates and yield curves.

Level 3 inputs – unobservable inputs for the asset or liability. These should be based on the best information available. The company should utilize all reasonably available information, but need not incur excessive cost or effort to do so. However, it should not ignore information that can be obtained without undue cost and effort. As such, the reporting entity's own data should be adjusted if information is reasonably available without undue cost and effort.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

The fair value measurement of the Organization's assets and liabilities at April 30, 2016 and 2015 are as follows:

	April 30, 2016			
	Level 1	Level 2	Level 3	Total
Assets at fair value:				
U.S. Treasury Securities:				
Treasury Bills	\$ 113,204,032	-	-	113,204,032
Treasury Bonds	206,124,375	-	-	206,124,375
Treasury Strips	13,387,403	-	-	13,387,403
Commercial Paper	-	38,364,436	-	38,364,436
Federal Agency Securities	-	98,949,021	-	98,949,021
Federal Agency Mortgage Backed Securities	-	12,635,319	-	12,635,319
Municipal Bonds	-	24,005,696	-	24,005,696
Sovereign Bonds	-	21,915,359	-	21,915,359
Total assets at fair value	\$ <u>332,715,810</u>	<u>195,869,831</u>	<u>-</u>	<u>528,585,641</u>
Liabilities at fair value:				
Interest rate swaps	-	-	35,643,687	35,643,687
Total liabilities at fair value	\$ <u>-</u>	<u>-</u>	<u>35,643,687</u>	<u>35,643,687</u>

	April 30, 2015			
	Level 1	Level 2	Level 3	Total
Assets at fair value:				
U.S. Treasury Securities:				
Treasury Bills	\$ 165,611,738	-	-	165,611,738
Treasury Bonds	214,105,189	-	-	214,105,189
Commercial Paper	-	115,023,775	-	115,023,775
Federal Agency Securities	-	5,958,852	-	5,958,852
Federal Agency Mortgage Backed Securities	-	13,043,546	-	13,043,546
Municipal Bonds	-	28,780,869	-	28,780,869
Sovereign Bonds	-	15,741,304	-	15,741,304
Total assets at fair value	\$ <u>379,716,927</u>	<u>178,548,346</u>	<u>-</u>	<u>558,265,273</u>
Liabilities at fair value:				
Interest rate swaps	-	-	25,455,663	25,455,663
Total liabilities at fair value	\$ <u>-</u>	<u>-</u>	<u>25,455,663</u>	<u>25,455,663</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

(l) Accounting and Financial Reporting for Pensions

In fiscal year 2015, the Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"). The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, GASB 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, prior to implementing GASB 68, employers participating in a cost-sharing plan recognized annual pension expense equal to their contractually required contribution to the plan. Upon the adoption of GASB 68, employers participating in cost-sharing plans recognize their proportionate share of the collective pension amounts for all benefits provided through the plan based on an allocation methodology. In accordance with GASB 68, the Authority retroactively applied this statement to the prior period and adjusted the beginning balance of net position (deficit) to reflect the accrued pension liability provided by the State of New York (see note 17).

(m) Tax Abatements

In fiscal year 2016, the Authority implemented GASB Statement No. 77, *Tax Abatement Disclosures* ("GASB 77"). The primary objective of GASB 77 is to disclose the nature and magnitude of the reduction in tax revenues through tax abatement programs. The New York State Real Property Tax Code, Article 4, Title 2, allows for partial City property tax exemptions, namely 421a abatements for residential condominiums and 467a tax abatements for residential real property held in the cooperative or condominium form of ownership. The City determines the properties within the Project eligible for the tax abatements and the Authority administers the abatements to qualified properties by reducing the PILOT billings.

The 421a tax abatements for the six-month periods ended April 30, 2016 and 2015 were \$13 million, and \$12.5 million, respectively.

The 467a tax abatements for the six-month periods ended April 30, 2016 and 2015 were \$3.4 million, and \$4.3 million, respectively.

(n) New Accounting Pronouncements

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* ("GASB 74") is effective for fiscal years beginning after June 15, 2016. GASB 74 establishes requirements that will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. Management determined that GASB 74 does not have an impact on the Authority's financial statements.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other than Pensions* ("GASB 75") is effective for fiscal years beginning after June 15, 2017. GASB 75 requires the liability of employers and non-employer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The Authority has not completed the process of evaluating the effect of GASB 75 on its financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* ("GASB 76") is effective for fiscal years beginning after June 15, 2015. The objective of Statement 76 is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management determined that GASB 76 does not have an impact on the Authority's financial statements.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, ("GASB 78") is effective for fiscal years beginning after December 15, 2015. GASB 78 amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). Management determined that GASB 78 does not have an impact on the Authority's financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, ("GASB 79") is effective for fiscal years beginning after December 15, 2015. GASB 79 will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. Management determined that GASB 79 does not have an impact on the Authority's financial statements.

GASB Statement No. 80, *Blending Requirement for Certain Component Units – an amendment of GASB Statement No. 14*, ("GASB 80") is effective for reporting period beginning after June 15, 2016.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

GASB 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Management determined that GASB 80 does not have an impact on the Authority's financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, ("GASB 81") is effective for periods beginning after December 15, 2016. GASB 81 will seek to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Management determined that GASB 81 does not have an impact on the Authority's financial statements.

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No.73*, ("GASB 82") is effective for periods beginning after June 15, 2016. GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management determined that GASB 82 does not have an impact on the Authority's financial statements.

(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 April 30, 2016, 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 325,000 square feet of 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. In November 2013, BFP acquired the lease hold interest in the New York Mercantile Exchange ("NYMEX") lease consisting of approximately 502,000 additional square feet.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

As of April 30, 2016, the BP leases (including NYMEX), which expire in 2069, provide for future base rent payments aggregating approximately \$1.1 billion over the lease terms in the following annual amounts: (i) base rent of \$18 million per annum from 2017 through 2069 payable by the BFP-affiliated leases (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 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.

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.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

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.

(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

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

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

the Authority's five fiscal years ending from October 31, 2017 through 2021 and through the end of the lease term (thereafter), are as follows (in 000s):

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Thereafter</u>	<u>Total</u>
Commercial development:							
Base rent	\$ 18,289	19,667	19,687	19,707	20,158	979,433	1,076,941
Residential developments:							
Gateway project base rent	305	305	305	305	305	5,701	7,226 (a)
S. Res. Neighborhood:							
Base rent	18,752	19,081	19,408	19,684	20,030	1,711,582	1,808,537
Other minimum payments	10,138	10,397	10,663	10,936	11,216	116,071	169,421
Subtotal S. Res.	<u>28,890</u>	<u>29,478</u>	<u>30,071</u>	<u>30,620</u>	<u>31,246</u>	<u>1,827,653</u>	<u>1,977,958</u>
N. Res. Neighborhood:							
Base rent	7,881	8,078	8,296	8,582	8,923	753,662	795,422
Other minimum payments	16,674	17,675	18,279	18,282	18,100	488,384	577,394
Subtotal N. Res.	<u>24,555</u>	<u>25,753</u>	<u>26,575</u>	<u>26,864</u>	<u>27,023</u>	<u>1,242,046</u>	<u>1,372,816</u>
Total	<u>\$ 72,039</u>	<u>75,203</u>	<u>76,638</u>	<u>77,496</u>	<u>78,732</u>	<u>4,054,833</u>	<u>4,434,941</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. The 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.

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

The current and noncurrent balances in the funds and accounts established in accordance with the Authority's 2003 General Bond Resolution Funds and held by the trustee at April 30, 2016 and 2015 are as follows:

	2003 General Bond Resolution Funds			
	General Bond Resolution	Senior Bonds	Junior Bonds	Total 2003 Bonds
April 30, 2016				
Reserve Fund	\$ 71,277,167	—	—	71,277,167
Project Operating Fund	7,024,320	—	—	7,024,320
Debt Service Funds	—	33,964,397	30,023,342	63,987,739
Residual Fund	160,899,882	—	—	160,899,882
Pledged Revenue Fund	58,542,166	—	—	58,542,166
	<u>\$ 297,743,535</u>	<u>33,964,397</u>	<u>30,023,342</u>	<u>361,731,274</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

As of April 30, 2016, there were in transit 2003 debt service bond resolution fund receivables and payables of \$27,295,000 and \$10,766,745, respectively after the payment of debt service. Accordingly these amounts have been included in the bond resolution funds receivable and payable amounts in the statement of net position.

	2003 General Bond Resolution Funds			
	General Bond Resolution	Senior Bonds	Junior Bonds	Total 2003 Bonds
April 30, 2015				
Reserve Fund	\$ 71,318,676	—	—	71,318,676
Project Operating Fund	7,773,344	—	—	7,773,344
Debt Service Funds	—	44,043,770	37,338,677	81,382,447
Residual Fund	167,458,616	—	—	167,458,616
Pledged Revenue Fund	49,517,816	—	—	49,517,816
	<u>\$ 296,068,452</u>	<u>44,043,770</u>	<u>37,338,677</u>	<u>377,450,899</u>

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 Bonds Resolutions and were held by trustees as follows at April 30, 2016 and 2015:

	2009 Revenue Bonds		
	2009A Senior Revenue Bonds	2009B Senior Revenue Bonds	Total 2009 Bonds
April 30, 2016			
Project Costs Fund	\$ 8,044,649	1,495,298	9,539,947
April 30, 2015			
Project Costs Fund	\$ 12,373,449	1,551,627	13,925,076

As of April 30, 2016, there were in transit 2009 Project Cost Fund receivables and payables of \$3,685,000 and \$3,685,044, respectively. Accordingly, these amounts have been included in the bond resolution fund receivable and payable amounts in the statement of net position.

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 April 30, 2016 and 2015:

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

	2013 Revenue Bonds		
	2013A	2013B	Total
April 30, 2016	Senior Revenue	Senior Revenue	2013
	Bonds	Bonds	Bonds
<u>Project Costs Fund</u>	<u>\$ 62,312,219</u>	<u>14,579</u>	<u>62,326,798</u>
April 30, 2015			
<u>Project Costs Fund</u>	<u>\$ 72,722,475</u>	<u>931,517</u>	<u>73,653,992</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.

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.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

(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 April 30, 2016, 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 interest 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 Interest Rate Exchange Agreements (Swaps)

On October 2, 2003, the Authority executed six Swaps with three counterparties. The Swaps were executed in conjunction with the Authority's issuance of \$400 million of its 2003 Series C Bonds (see note 12). 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 amounts 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,

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

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).

	Deallocation of Swap Principal	Interest-rate swaps		
		Payment	Pro-Forma Receipts	Pro-Forma Net payment
Fiscal Year ended:				
2016 (1/2 year)	\$ —	(6,187,279)	509,590	(5,677,689)
2017	5,450,000	(12,280,490)	1,011,433	(11,269,057)
2018	5,450,000	(12,092,356)	995,938	(11,096,418)
2019	5,450,000	(11,904,222)	980,443	(10,923,779)
2020	5,500,000	(11,715,225)	964,877	(10,750,348)
2021 – 2025	30,825,000	(55,517,222)	4,572,451	(50,944,771)
2026 – 2030	144,225,000	(44,217,963)	3,641,833	(40,576,130)
2031 – 2034	161,575,000	(10,211,448)	841,025	(9,370,423)
Totals	\$ 358,475,000	(164,126,205)	13,517,590	(150,608,615)

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 April 30, 2016, 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 April 30, 2016 (65% of 0.4374% or 0.28431%), 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 liability by the Authority and a corresponding deferred cost of refunding asset. The \$70.1 million is being amortized using the straight-line method over the remaining life of the original 2003 bonds. As of period ended April 30, 2016, the unamortized value of the deferred asset and corresponding imputed borrowing liability of the fair value of the bifurcated Swaps is \$60.7 million.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

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 negative \$35.6 million at April 30, 2016. The change between the period ended April 30, 2016 and 2015 is a negative \$10.1 million, which is recorded as deferred outflow of resources and a liability on the Authority's statement of net position.

(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 variable 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) were 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 six-month period ended April 30, 2016, the Authority received the April 2016 payment from the U.S. Treasury in the amount of \$588,506 pursuant to the subsidy. The Authority can give no assurances about future legislation or changes that may affect the availability, amount or receipt of such subsidy payments.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

At April 30, 2016, the 2009 Series A Bonds consist of the following serial bonds:

	<u>Coupon rates</u>	<u>Principal amounts</u>	<u>Interest</u>	<u>BABs subsidy</u>	<u>Interest (net of BABs subsidy)</u>
Fiscal Year ended:					
2016 (1/2 year)	6.375%	\$ —	1,804,125	(588,506)	1,215,619
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	6.375%	—	3,608,250	(1,262,888)	2,345,362
2021 – 2025	6.375%	—	18,041,250	(6,314,438)	11,726,812
2026 – 2030	6.375%	—	18,041,250	(6,314,438)	11,726,812
2031 – 2035	6.375%	13,290,000	17,900,363	(6,265,127)	11,635,236
2036 – 2040	6.375%	43,310,000	8,799,094	(3,079,683)	5,719,411
Totals		\$ <u>56,600,000</u>	<u>79,019,082</u>	<u>(27,613,744)</u>	<u>51,405,338</u>

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.

As of April 30, 2016, principal and interest payments due on the 2009 Series B Bonds were as follows:

	<u>Coupon rates</u>	<u>Principal amounts</u>	<u>Interest</u>
Fiscal Year ended:			
2016 (1/2 year)	2.50%	\$ —	701,416
2017	2.50%	335,000	1,397,806
2018	3.00%	340,000	1,387,681
2019	3.50%	355,000	1,376,369
2020	3.50%	335,000	1,364,294
2021 – 2025	3.50% - 5.00%	1,920,000	6,559,569
2026 – 2030	4.00% - 5.00%	2,125,000	6,092,706
2031 – 2035	4.125% - 5.00%	23,675,000	3,846,278
Totals		\$ <u>29,085,000</u>	<u>22,726,119</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

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 April 30, 2016 and 2015, the unamortized net bond premium was approximately \$1.3 million and \$1.4 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) were 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.
- 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 \$20.6 million at April 30, 2016, is classified in the statement of net position as a deferred outflow of resources and is being amortized over the respective useful life of the corresponding bonds.

As of April 30, 2016, principal and interest payments due on the 2013 Series A Bonds, which are all fixed-rate bonds were as follows:

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

2013 A Senior Bonds:

	<u>Coupon Rate</u>		<u>Principal amount</u>	<u>Interest</u>
Fiscal Year ended:				
2016 (1/2 year)	3.00%	\$	—	7,856,825
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	4.00% - 5.00%		24,590,000	12,098,150
2021-2025	4.00% - 5.00%		139,630,000	40,599,525
2026 – 2030	5.00%		73,670,000	11,130,000
2031 – 2032	4.00% - 5.00%		18,730,000	841,575
Totals		\$	<u>323,135,000</u>	<u>115,246,650</u>

2013 B Senior Bonds:

As of April 30, 2016, the 2013 Series B Bond principal and interest obligations were fulfilled.

2013 C, D, and E Junior Bonds:

Each series of the 2013 C, D, and E Junior 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 Junior 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 Junior Bonds, on certain dates. Any 2013 C, D, and E Junior 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 Junior 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 purchasers of the 2013 C, D, and E Junior Bonds or if interest on the 2013 C, D, and E Junior 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 Junior Bonds shown in the table titled "2013 C, D, and E Junior Bonds" below are based upon the April 29, 2016 LIBOR rate 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 Junior 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.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

	Junior C		Junior D		Junior E		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Fiscal Year ended:								
2016 (1/2 year) \$	—	937,980	—	866,880	—	648,462	—	2,453,322
2017	1,185,000	1,870,628	1,855,000	1,725,551	1,855,000	1,290,784	4,895,000	4,886,963
2018	1,235,000	1,859,738	1,825,000	1,709,267	1,830,000	1,278,587	4,890,000	4,847,592
2019	1,185,000	1,848,848	1,260,000	1,695,616	1,255,000	1,268,375	3,700,000	4,812,839
2020	1,220,000	1,838,025	1,250,000	1,684,509	1,255,000	1,260,067	3,725,000	4,782,601
2021 – 2025	6,820,000	9,013,320	8,505,000	8,235,390	8,500,000	6,160,307	23,825,000	23,409,017
2026 – 2030	28,730,000	8,404,830	39,485,000	7,229,145	39,490,000	5,407,713	107,705,000	21,041,688
2031 – 2035	23,560,000	7,043,400	69,585,000	4,813,316	69,580,000	3,600,618	162,725,000	15,457,334
2036 – 2040	62,555,000	5,139,338	72,140,000	1,644,773	72,145,000	1,230,377	206,840,000	8,014,488
2041 – 2043	81,950,000	1,023,615	—	—	—	—	81,950,000	1,023,615
Total	\$ 208,440,000	38,979,722	195,905,000	29,604,447	195,910,000	22,145,290	600,255,000	90,729,459

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 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

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

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 the City. As of April 30, 2016, the full \$5 million had been used for the construction of Pier A Plaza and 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.

The \$123.4 million of PILOT-related receipts provided for the transfer to the City during the year ended October 31, 2015 was transferred in June 2016. A provision in the amount of \$64.6 million has been charged as a nonoperating expense for the six-month period ended April 30, 2016.

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 \$200 million have been made through April 30, 2016, thus satisfying the City 421-A fund obligation. The Authority has provided from operations a total of approximately \$47.5 million against the \$261 million City pay-as-you-go capital fund obligation. A provision towards the \$261 million City pay-as-you-go capital fund in the amount of \$16.2 million has been charged to nonoperating expenses for the six-month period ended April 30, 2016.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

(14) (A) Rents and Other Receivables

Rents and other receivables consisted of the following at April 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Swap interest receivable	\$ 84,922	35,000
Miscellaneous receivables	463,739	3,007,120
Interest receivable	1,179,507	787,974
Rents receivable	4,158,728	3,352,100
Total receivables	5,886,896	7,182,194
Less allowance for doubtful accounts	<u>(1,480,874)</u>	<u>(1,243,884)</u>
Net receivables	<u>\$ 4,406,022</u>	<u>5,938,310</u>

(B) Bond Resolution Fund Receivables

As of April 30, 2016, there was \$30,980,000 of bond resolution funds invested with a maturity of April 30, 2016 (see note 8). The proceeds were received on May 2, 2016 and were used to pay debt service and project costs with the balance reinvested. These bond resolution funds have been recorded separately as bond resolution fund receivables in the statement of net position.

(15) (A) Accounts Payable and Other Liabilities

Accounts payable and other liabilities consisted of the following at April 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Amounts due to vendors	\$ 1,778,364	2,260,967
Contract retention	1,092,881	1,524,014
Due to developers	—	42,624
State recovery costs	3,426,500	4,200,000
Accrued payroll and benefits	1,020,189	897,266
Total	<u>\$ 7,317,934</u>	<u>8,924,871</u>

(B) Bond Resolution Fund Payables

As of April 30, 2016, \$14,458,686 of bond resolution funds from the debt service and project cost accounts were used to purchase investments on April 30, 2016 (see note 8). The securities were received by the Authority on May 2, 2016. These bond resolution funds have been recorded separately as bond resolution fund payables in the statement of net position.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

(16) Long-Term Liabilities

The Organization's bonds and other long-term liabilities as of April 30, 2016 and 2015 are comprised of the following obligations:

	<u>October 31, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>April 30, 2016</u>	<u>Due within one year</u>
<u>Authority bonds outstanding:</u>					
<u>2009 Revenue Bonds:</u>					
Series 2009A	\$ 56,600,000	—	—	56,600,000	—
Series 2009B	29,400,000	—	315,000	29,085,000	335,000
Subtotal	86,000,000	—	315,000	85,685,000	335,000
Unamortized net premiums	1,384,396	—	36,424	1,347,972	—
Subtotal 2009 Bonds	87,384,396	—	351,424	87,032,972	335,000
<u>2013 Revenue Bonds:</u>					
Series 2013A	337,740,000	—	14,605,000	323,135,000	20,995,000
Series 2013B	5,695,000	—	5,695,000	—	—
Series 2013C	209,675,000	—	1,235,000	208,440,000	1,185,000
Series 2013D	197,735,000	—	1,830,000	195,905,000	1,855,000
Series 2013E	197,740,000	—	1,830,000	195,910,000	1,855,000
Subtotal	948,585,000	—	25,195,000	923,390,000	25,890,000
Unamortized net premiums	45,306,746	—	1,415,836	43,890,910	—
Subtotal 2013 Bonds	993,891,746	—	26,610,836	967,280,910	25,890,000
Total bonds outstanding	1,081,276,142	—	26,962,260	1,054,313,882	26,225,000
<u>Other long-term liabilities:</u>					
OPEB	34,390,023	1,454,793	495,569	35,349,247	—
Imputed Borrowing	62,564,700	—	1,890,327	60,674,373	—
Fair value of interest rate swap	25,819,426	9,824,261	—	35,643,687	—
Unearned revenue	315,205,210	—	6,423,669	308,781,541	45,974,676
Security and other deposits	27,603,092	64,490	—	27,667,582	4,738
Total other long-term liabilities	465,582,451	11,343,544	8,809,565	468,116,430	45,979,414
Total long-term liabilities	\$ 1,546,858,593	11,343,544	35,771,825	1,522,430,312	72,204,414

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

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

	October 31,			April 30,	Due within
	2014	Additions	Deletions	2015	one year
<u>Authority bonds outstanding:</u>					
<u>2009 Revenue Bonds:</u>					
Series 2009A	\$ 56,600,000	—	—	56,600,000	—
Series 2009B	29,710,000	—	310,000	29,400,000	315,000
Subtotal	86,310,000		310,000	86,000,000	315,000
Unamortized net premiums	1,457,244	—	36,424	1,420,820	—
Subtotal 2009 Bonds	87,767,244	—	346,424	87,420,820	315,000
<u>2013 Revenue Bonds:</u>					
Series 2013A	356,085,000	—	18,345,000	337,740,000	14,605,000
Series 2013B	6,700,000	—	1,005,000	5,695,000	5,695,000
Series 2013C	210,865,000	—	1,190,000	209,675,000	1,235,000
Series 2013D	199,330,000	—	1,595,000	197,735,000	1,830,000
Series 2013E	199,335,000	—	1,595,000	197,740,000	1,830,000
Subtotal	972,315,000	—	23,730,000	948,585,000	25,195,000
Unamortized net premiums	48,231,862		1,462,558	46,769,304	—
Subtotal 2013 Bonds	1,020,546,862	—	25,192,558	995,354,304	25,195,000
Total bonds outstanding	1,108,314,106	—	25,538,982	1,082,775,124	25,510,000
<u>Other long-term liabilities:</u>					
OPEB - Authority	18,502,073	693,050	686,242	18,508,881	—
OPEB - Conservancy	13,789,687	1,074,071	37,972	14,825,786	—
Imputed Borrowing	66,345,355	—	1,890,327	64,455,028	—
Fair value of interest rate swaps	12,079,644	13,376,019	—	25,455,663	—
Unearned revenue	324,983,689	—	5,904,368	319,079,321	44,405,711
Security and other deposits	21,968,560	12,767	—	21,981,327	4,738
Total other long-term liabilities	457,669,008	15,155,907	8,518,909	464,306,006	44,410,449
Total long-term liabilities	\$ 1,565,983,114	15,155,907	34,057,891	1,547,081,130	69,920,449

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

(17) Retirement Costs

Plan Description and Benefits Provided

The Authority relies on the New York State and Local Retirement System for certain information included below:

The Authority – The Battery Park City Authority participates in the New York State and Local Employees’ Retirement System (“ERS”), and the New York State and Local Police and Fire Retirement System (“PFRS”) which are collectively referred to as New York State and Local Retirement System (the

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

“System”). These are cost-sharing multiple-employer retirement systems. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Authority also participates in the Public Employees’ Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State’s financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees’ Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the Systems’ fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

Year	ERS
2016	\$ 518,071
2015	709,709
2014	604,682
	\$ 1,832,462

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At April 30, 2016 and 2015, the Authority reported a liability of \$2,357,307 and \$519,940, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of the Systems’ fiscal year end at March 31, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At April 30, 2016 and 2015, the Authority's proportion was 0.0146870% and 0.0153908%, respectively.

For the six-month periods ended April 30, 2016 and 2015, the Authority recognized pension expense of \$805,602 and \$461,881, respectively. At April 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

April 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,912	279,419
Changes of assumptions	628,622	
Net difference between projected and actual earnings on pension plan investments	1,398,483	
Changes in proportion and differences between LG contributions and proportionate share of contributions		137,484

April 30, 2015

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,644	
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	90,307	
Changes in proportion and differences between LG contributions and proportionate share of contributions		34,673

As of April 30, 2016 and 2015, \$2,039,017 and \$106,951 was reported as a deferred outflow of resources, respectively and \$416,903 and \$34,673 was reported as a deferred inflow of resources, respectively, related to pensions resulting from the Authority's contributions subsequent to the measurement date and was recognized as a reduction of the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

Year ended March 31:	
2017	\$ 410,963
2018	410,963
2019	410,963
2020	389,225
2021	—
Thereafter	—

Actuarial Assumptions

The total pension liability at the New York State System's year end of March 31, 2016 and 2015 was determined by using an actuarial valuation as of April 1, 2016 and 2015, with updated procedures used to roll forward the total pension liability to the New York State System's year end of March 31, 2016 and 2015. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2016 and 2015 valuation were as follows:

	<u>2016</u>
Interest rate	7.0%
Salary scale	
ERS	3.8%
PFRS	4.5%
Decrement tables	April 1, 2010 – March 31, 2015
System's Experience	
Inflation rate	2.5%

	<u>2015</u>
Interest rate	7.5%
Salary scale	
ERS	4.9%
PFRS	6.0%
Decrement tables	April 1, 2005 – March 31, 2010
System's Experience	
Inflation rate	2.7%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 and 2015 are summarized below.

Long Term Expected Rate of Return

Asset Type	2016	2015
	Long Term Expected Real Rate	Long Term Expected Real Rate
Domestic Equity	7.30%	7.30%
International Equity	8.55%	8.50%
Private Equity	11.00%	11.00%
Real Estate	8.25%	8.25%
Absolute Return	6.75%	6.75%
Opportunistic Portfolio	8.60%	8.60%
Real Asset	8.65%	8.65%
Bonds, Cash & Mortgages	6.25%	6.25%
Inflation Indexed Bonds	4.00%	4.00%

Discount Rate

The discount rate used to calculate the total pension liability as of March 31, 2016 and 2015 was 7.0% and 7.5%, respectively. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS

NYSLRS Pension Plan
(Dollar amounts in thousands)

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 518	709
Contributions in relation to the contractually required contribution	518	709
Contribution deficiency (excess)	-	-
Authority's covered-employee payroll	5,664	3,843
Contributions as a percentage of covered-employee payroll	9.15%	18.45%

Beginning July 1, 2013, New York State made the Voluntary Defined Contribution ("VDC") plan 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 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 their 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 multiemployer 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 \$203 thousand for the period ended April 30, 2015. 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

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

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 six-month period ended April 30, 2015 was \$107,582.

Management withdrew from the CIRS Conservancy Pension at fiscal year-end October 31, 2015. Accordingly, a withdrawal liability and a related expense were recorded for the six-month period ended April 30, 2015 in the amount of approximately \$6.5 million. This payment was made and included all accrued pension obligations through the pension withdrawal date of October 31, 2015.

(18) Postemployment Healthcare Plan

As of November 1, 2015, all Battery Park City Parks Conservancy employees were transferred to the Battery Park City Authority payroll. Accordingly, the Conservancy postemployment healthcare plan has been transferred and all liabilities and expenses have been combined with the Authority postemployment healthcare plan.

(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 multiple 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 April 30, 2016, 165 participants, including 123 employees and 42 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 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

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

size or composition of the population covered by the plan, and/or the factors that impact the long-term assumptions. As such, during 2015 an updated biannual actuarial valuation was completed for the valuation date of November 1, 2015. This valuation report also reflects postemployment benefits that have been extended to Battery Park City Parks Conservancy current and future retirees and their dependents. 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 \$1.28 million as detailed in the chart in the OPEB Status and Funding Progress section of this note. 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, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.155% discount rate (net of administrative expenses). The annual healthcare cost trend rates vary based on type of health coverage valued; initial trends start at 5.34% to 7.06%, declining approximately 0.5% each year to an ultimate trend rate of 4.75%. The trend rates reflect a general inflation level of 2.75%.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

(d) OPEB Status and Funding Progress

The Authority's OPEB obligation and the funded status of the plan as of April 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Actuarial Accrued Liability (AAL):		
Net OPEB obligation beginning of year	\$ 34,390,024	32,291,760
Annual Required Contribution (ARC):		
Normal cost	928,143	940,670
Interest to period end	526,650	622,560
Payments for retirees during period	(318,472)	(314,986)
ARC amortization	<u>(177,097)</u>	<u>(205,337)</u>
Net OPEB obligation end of period	<u>\$ 35,349,248</u>	<u>33,334,667</u>
Actuarial Accrued Liability (AAL) November 1, 2015 and 2014	\$ 34,390,024	32,291,760
Funded OPEB plan assets	<u>—</u>	<u>—</u>
Unfunded Actuarial Accrued Liability (UAAL) November 1, 2015 and 2014	<u>\$ 34,390,024</u>	<u>32,291,760</u>
Funded ratio (actuarial value of plan assets/AAL)	—%	—%
Covered payroll	\$ 7,285,054	8,825,922
UAAL as percentage of covered payroll	472%	366%

Corporate assets held at April 30, 2016 and 2015 in separate corporate OPEB accounts for the exclusive purpose of paying OPEB obligations were approximately \$35.2 million and \$33.4 million, respectively. The Authority has segregated assets for the exclusive purpose of paying OPEB obligations, the funds cannot be irrevocably dedicated for that purpose and therefore cannot be held as a funded OPEB asset. The OPEB assets are therefore included in the statement of net position within the other corporate designated, escrowed, and postemployment benefit funds financial statement classification.

(19) Commitments and Other Matters

- (a) The Authority has entered into construction and other related contracts, having unexpended balances aggregating approximately \$13 million as of April 30, 2016.
- (b) The Authority rents office space in One World Financial Center, as well as community meeting space, field offices, and maintenance space in condominium buildings in Battery Park City. Total rent expense amounted to \$708 thousand and \$747 thousand for the six-month periods ended April 30, 2016 and 2015, respectively.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

The future minimum lease payments are as follows:

2016	\$	162,068
2017		192,200
2018		192,200
2019		192,200
2020		192,200
2021		192,200
Thereafter		<u>1,023,000</u>
Total minimum payments required	\$	<u>2,146,068</u>

- (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, (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. As of April 30, 2016, Brookfield and the Authority had withdrawn all of their 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. Under the lease, the Authority is redeveloping the Pier with funding provided by the City, which will then be used for recreational, maritime, and ancillary uses, including retail purposes. 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 April 30, 2016, the Authority

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

had received the entire \$30 million from the City for Pier A related costs. In October 2013, the Authority bonded an additional \$6.8 million to complete the project.

- (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 construction of a planned pedestrian concourse running under Route 9A. The concourse connects the Winter Garden (on the west, at the edge of Battery Park City) and the World Trade Center site on the east. As of April 30, 2016, the Authority had disbursed a total sum of \$39,130,618 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 to \$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 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 April 30, 2016, the Authority received all its insurance and Federal assistance advances and has paid out approximately \$12.3 million for remediation work for damage caused by Superstorm Sandy. The Authority has collected all eligible claims with respect to this damage from its insurance carriers. Damages not covered by insurance have been submitted for reimbursement under Federal and State disaster relief programs, which reimbursed substantially all of these costs.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

April 30, 2016 and 2015 (Unaudited)

(20) Battery Park City Parks Conservancy Corporation

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. By approval of the Board of Directors, the Conservancy added the Authority's President as an additional director. 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 six-month periods ended April 30, 2016 and 2015, the Authority paid the Conservancy approximately \$421 thousand and \$5 million, respectively, for services, which are included in the Authority's operating expenses. Additionally, approximately \$16 thousand and \$248 thousand at April 30, 2016 and 2015, 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 Balance Sheet). As of November 1, 2015, all Conservancy employees were hired as Authority employees.

(21) Litigation

The Authority is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. Authority management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the Authority, and that any potential losses would in any event be covered by the Authority's various insurance policies.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Required Supplementary Information – Schedule of the Authority's Proportionate Share of the Net Pension Liability
April 30, 2016 and 2015 (Unaudited)

Schedule of The Authority's Proportionate Share of the Net Pension Liability

New York State and Local Employees' Retirement System

(Dollar amounts in thousands)

	2016	2015
The Authority's proportion of the net pension liability (asset)	0.01468700%	0.01539080%
The Authority's proportionate share of the net pension liability (asset)	\$ 2,357	\$ 519
The Authority's covered employee payroll	\$ 5,664	\$ 3,843
The Authority's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	41.61%	13.51%
Plan fiduciary net position as a percentage of the total pension liability	90.7%	97.9%

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)
Required Supplementary Information – Schedule of Employer Contributions
Six-Month Periods Ended April 30 (Unaudited)

Schedule of Employer Contributions

New York State and Local Retirement System
(Dollar amounts in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 518	\$ 709	\$ 605	\$ 541	\$ 527	\$ 624	\$ 357	\$ 397	\$ 455	\$ 393
Contribution in relation to the actuarially determined contribution	\$ 518	\$ 709	\$ 605	\$ 541	\$ 527	\$ 624	\$ 357	\$ 397	\$ 455	\$ 393
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The Authority's covered employee payroll	\$ 5,664	\$ 3,843	\$ 4,427	\$ 4,220	\$ 3,061	\$ 4,589	\$ 5,245	\$ 5,001	\$ 5,002	\$ 5,107
Contribution as a percentage of covered employee payroll	9.15%	18.45%	13.67%	12.82%	17.22%	13.60%	6.81%	7.94%	9.10%	7.70%

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)
Required Supplementary Information – Schedule of Funding Progress for
the Other Postemployment Benefits Plan
April 30, 2016, 2015 and 2014 (Unaudited)

(Dollar amounts in thousands)

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
April 30, 2016	November 1, 2015	\$ -	\$ 34,390	\$ 34,390	0%	\$ 7,285	472.1%
April 30, 2015	November 1, 2015	-	32,292	32,292	0%	8,826	365.9%
April 30, 2014	November 1, 2012	-	30,296	30,296	0%	8,166	371.0%

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Net Position (Deficit)

April 30, 2016 (Unaudited)

Assets	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Current assets:				
Bank deposits	\$ 408,373	95,616	—	503,989
Investments	1,116,538	—	—	1,116,538
Restricted assets:				
Rents and other receivables (net of allowance for doubtful accounts of \$1,480,874)	4,405,772	16,354	(16,104)	4,406,022
2003 Revenue Bond Resolution Funds	290,454,107	—	—	290,454,107
2009 Revenue Bond Resolution Funds	8,641,029	—	—	8,641,029
2013 Revenue Bond Resolution Funds	47,570,542	—	—	47,570,542
Bond resolution fund receivables	30,980,000	—	—	30,980,000
Corporate-designated and escrowed funds	1,117,438	—	—	1,117,438
Total current assets	<u>384,693,799</u>	<u>111,970</u>	<u>(16,104)</u>	<u>384,789,665</u>
Noncurrent assets:				
Restricted assets:				
2003 Revenue Bond Resolution Funds	71,277,167	—	—	71,277,167
2009 Revenue Bond Resolution Funds	898,918	—	—	898,918
2013 Revenue Bond Resolution Funds	14,756,256	—	—	14,756,256
Residential lease required funds	27,331,696	—	—	27,331,696
Corporate-designated, escrowed, and OPEB funds	67,247,764	—	—	67,247,764
Battery Park City project assets – at cost, less accumulated depreciation	490,635,680	—	—	490,635,680
Other assets	3,130,906	392,372	—	3,523,278
Total noncurrent assets	<u>675,278,387</u>	<u>392,372</u>	<u>—</u>	<u>675,670,759</u>
Total assets	<u>1,059,972,186</u>	<u>504,342</u>	<u>(16,104)</u>	<u>1,060,460,424</u>
Deferred Outflows of Resources				
Deferred pension outflows	2,039,017	—	—	2,039,017
Accumulated change in fair value of interest rate swaps	35,643,687	—	—	35,643,687
Unamortized loss on extinguishment of 1993, 1996, 2000, and 2003 bonds	20,612,074	—	—	20,612,074
Deferred costs of refunding, less accumulated amortization of \$9,541,039	60,674,374	—	—	60,674,374
Total deferred outflows of resources	<u>118,969,152</u>	<u>—</u>	<u>—</u>	<u>118,969,152</u>
Total assets and deferred outflows of resources	<u>\$ 1,178,941,338</u>	<u>504,342</u>	<u>(16,104)</u>	<u>1,179,429,576</u>

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

Other Supplementary Information – Combining Statement of Net Position (Deficit)

April 30, 2016 (Unaudited)

Liabilities	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current liabilities:				
Accrued interest on bonds	\$ 16,976,110	—	—	16,976,110
Accounts payable and other liabilities	7,266,521	67,517	(16,104)	7,317,934
Accrued pension payable	2,357,307	—	—	2,357,307
Due to the City of New York	188,641,141	—	—	188,641,141
Due to the City of New York - 2010 Agreement	53,662,141	—	—	53,662,141
Due to the Port Authority of New York & New Jersey	869,381	—	—	869,381
Unearned revenue:				
PILOT revenue	32,898,318	—	—	32,898,318
Base rent and other revenue	13,076,358	—	—	13,076,358
Security and other deposits	4,738	—	—	4,738
2009 Revenue Bonds	335,000	—	—	335,000
2013 Revenue Bonds	25,890,000	—	—	25,890,000
Bond resolution fund payables	14,458,686	—	—	14,458,686
Total current liabilities	356,435,701	67,517	(16,104)	356,487,114
Noncurrent liabilities:				
Unearned revenue:				
Base rent and other revenue	262,806,865	—	—	262,806,865
Security and other deposits	27,662,844	—	—	27,662,844
OPEB	35,349,247	—	—	35,349,247
Fair value of interest rate swaps	35,643,687	—	—	35,643,687
Imputed borrowing	60,674,373	—	—	60,674,373
Bonds outstanding:				
2009 Revenue Bonds, less accumulated amortization of \$463,035	86,697,972	—	—	86,697,972
2013 Revenue Bonds, less accumulated amortization of \$7,145,077	941,390,910	—	—	941,390,910
Total noncurrent liabilities	1,450,225,898	—	—	1,450,225,898
Total liabilities	1,806,661,599	67,517	(16,104)	1,806,713,012
Deferred Inflows of Resources				
Deferred pension inflows	416,903	—	—	416,903
Total deferred inflows of resources	416,903	—	—	416,903
Net Position (Deficit):				
Invested in capital assets, net of related debt	(8,927,334)	—	—	(8,927,334)
Restricted:				
Debt service	76,672,308	—	—	76,672,308
Under bond resolutions and other agreements	2,233,257	—	—	2,233,257
Unrestricted (deficit)	(698,115,395)	436,825	—	(697,678,570)
Total net position (deficit)	(628,137,164)	436,825	—	(627,700,339)
Total liabilities and net position (deficit)	\$ 1,178,941,338	504,342	(16,104)	1,179,429,576

See independent auditors' review report.

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

Other Supplementary Information – Combining Statement of Net Position (Deficit)

April 30, 2015 (Unaudited)

Assets	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current assets:				
Bank deposits	\$ 191,083	184,279	—	375,362
Investments	168,304	—	—	168,304
Restricted assets:				
Rents and other receivables (net of allowance for doubtful accounts of \$1,243,884)	5,933,291	253,072	(248,053)	5,938,310
2003 General Bond Resolution Funds	306,132,224	—	—	306,132,224
2009 Revenue Bond Resolution Funds	9,643,525	—	—	9,643,525
2013 Revenue Bond Resolution Funds	40,011,700	—	—	40,011,700
Corporate-designated, escrowed, and OPEB funds	1,813,770	—	—	1,813,770
Total current assets	<u>363,893,897</u>	<u>437,351</u>	<u>(248,053)</u>	<u>364,083,195</u>
Noncurrent assets:				
Restricted assets:				
2003 General Bond Resolution Funds	71,318,675	—	—	71,318,675
2009 Revenue Bond Resolution Funds	4,281,551	—	—	4,281,551
2013 Revenue Bond Resolution Funds	33,642,292	—	—	33,642,292
Residential lease required funds	21,480,651	—	—	21,480,651
Corporate-designated, escrowed, and OPEB funds	70,165,203	—	—	70,165,203
Battery Park City project assets – at cost, less accumulated depreciation	485,824,760	—	—	485,824,760
Other assets	3,623,894	669,782	—	4,293,676
Total noncurrent assets	<u>690,337,026</u>	<u>669,782</u>	<u>—</u>	<u>691,006,808</u>
Total assets	<u>1,054,230,923</u>	<u>1,107,133</u>	<u>(248,053)</u>	<u>1,055,090,003</u>
Deferred Outflows of Resources				
Deferred pension outflows	106,951	—	—	106,951
Accumulated change in fair value of interest rate swaps	25,455,663	—	—	25,455,663
Unamortized loss on extinguishment of 1993, 1996, 2000, and 2003 bonds	21,937,984	—	—	21,937,984
Deferred costs of refunding, less accumulated amortization of \$5,760,384	64,455,028	—	—	64,455,028
Total deferred outflows of resources	<u>111,955,626</u>	<u>—</u>	<u>—</u>	<u>111,955,626</u>
Total assets and deferred outflows of resources	<u>\$ 1,166,186,549</u>	<u>1,107,133</u>	<u>(248,053)</u>	<u>1,167,045,629</u>

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

Other Supplementary Information – Combining Statement of Net Position (Deficit)

April 30, 2015 (Unaudited)

Liabilities	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current liabilities:				
Accrued interest on bonds	\$ 17,226,701	—	—	17,226,701
Accounts payable and other liabilities	8,575,657	597,267	(248,053)	8,924,871
Accrued pension payable	519,940	6,521,425	—	7,041,365
Due to the City of New York	183,005,346	—	—	183,005,346
Due to the City of New York - 2010 Agreement	60,731,398	—	—	60,731,398
Due to the Port Authority of New York & New Jersey	869,381	—	—	869,381
Unearned revenue:				
PILOT revenue	31,515,773	—	—	31,515,773
Base rent and other revenue	12,889,938	—	—	12,889,938
Security and other deposits	4,738	—	—	4,738
2009 Revenue Bonds	315,000	—	—	315,000
2013 Revenue Bonds	25,195,000	—	—	25,195,000
Total current liabilities	<u>340,848,872</u>	<u>7,118,692</u>	<u>(248,053)</u>	<u>347,719,511</u>
Noncurrent liabilities:				
Unearned revenue:				
Base rent and other revenue	274,673,610	—	—	274,673,610
Security and other deposits	21,976,589	—	—	21,976,589
OPEB	18,508,881	14,825,786	—	33,334,667
Fair value of interest rate swaps	25,455,663	—	—	25,455,663
Imputed borrowing	64,455,028	—	—	64,455,028
Bonds outstanding:				
2009 Revenue Bonds, less accumulated amortization of \$390,187	87,105,820	—	—	87,105,820
2013 Revenue Bonds, less accumulated amortization of \$4,455,747	970,159,304	—	—	970,159,304
Total noncurrent liabilities	<u>1,462,334,895</u>	<u>14,825,786</u>	<u>—</u>	<u>1,477,160,681</u>
Total liabilities	<u>1,803,183,767</u>	<u>21,944,478</u>	<u>(248,053)</u>	<u>1,824,880,192</u>
Deferred Inflows of Resources				
Deferred pension inflows	34,673	—	—	34,673
Total deferred inflows of resources	<u>34,673</u>	<u>—</u>	<u>—</u>	<u>34,673</u>
Net Position (Deficit):				
Invested in capital assets, net of related debt	(12,729,215)	—	—	(12,729,215)
Restricted:				
Debt service	77,594,505	—	—	77,594,505
Under bond resolutions and other agreements	3,956,438	—	—	3,956,438
Unrestricted (deficit)	<u>(705,853,619)</u>	<u>(20,837,345)</u>	<u>—</u>	<u>(726,690,964)</u>
Total net position (deficit)	<u>(637,031,891)</u>	<u>(20,837,345)</u>	<u>—</u>	<u>(657,869,236)</u>
Total liabilities, deferred outflows of resources and net position (deficit)	<u>\$ 1,166,186,549</u>	<u>1,107,133</u>	<u>(248,053)</u>	<u>1,167,045,629</u>

See independent auditors' review 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)

Six-month period ended April 30, 2016 (Unaudited)

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Operating revenues:				
Revenues from ground leases:				
Base rent	\$ 29,951,813	—	—	29,951,813
Supplemental rent	660,543	—	—	660,543
Payments in lieu of real estate taxes	100,163,203	—	—	100,163,203
Civic facilities payments and other	6,064,798	16,479,298	(16,459,790)	6,084,306
Total operating revenues	<u>136,840,357</u>	<u>16,479,298</u>	<u>(16,459,790)</u>	<u>136,859,865</u>
Operating expenses:				
Wages and related benefits	7,668,908	—	—	7,668,908
OPEB	17,118,255	—	(16,039,197)	1,079,058
Other operating and administrative expenses	8,986,309	417,483	(420,593)	8,983,199
Depreciation of project assets	4,439,098	—	—	4,439,098
Other depreciation and amortization	156,482	108,410	—	264,892
Total operating expenses	<u>38,369,052</u>	<u>525,893</u>	<u>(16,459,790)</u>	<u>22,435,155</u>
Operating income	<u>98,471,305</u>	<u>15,953,405</u>	<u>—</u>	<u>114,424,710</u>
Nonoperating revenues (expenses):				
Investment income on funds relating to:				
2003 Revenue Bonds	837,152	—	—	837,152
2009 Revenue Bonds	40,615	—	—	40,615
2013 Revenue Bonds	317,643	—	—	317,643
Corporate-designated, escrowed, and OPEB funds	661,182	—	—	661,182
Realized and unrealized gains and losses	781,782	—	—	781,782
Other revenue	—	—	—	—
Gain (loss) on project assets	(201,351)	—	—	(201,351)
Interest expense relating to:				
2003 Swap agreements – net expense	(5,762,509)	—	—	(5,762,509)
2003 Revenue Bonds	(5,846)	—	—	(5,846)
2009 Revenue Bonds	(1,880,611)	—	—	(1,880,611)
2013 Revenue Bonds	(8,787,900)	—	—	(8,787,900)
Loss from extinguishment	(662,955)	—	—	(662,955)
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts	(64,621,192)	—	—	(64,621,192)
Provision for transfer to the City of New York per 2010 agreement	(16,218,808)	—	—	(16,218,808)
Provision for transfer to City of New York - Eastern Border	(4,591)	—	—	(4,591)
Provision for transfer to City of New York - West Thames Park	(1,549,149)	—	—	(1,549,149)
Provision for transfer to City of New York - Pier A and Pier A Plaza	(619,961)	—	—	(619,961)
Total nonoperating expenses	<u>(97,676,499)</u>	<u>—</u>	<u>—</u>	<u>(97,676,499)</u>
Change in net position (deficit)	794,806	15,953,405	—	16,748,211
Net (deficit), beginning of period	<u>(628,931,970)</u>	<u>(15,516,580)</u>	<u>—</u>	<u>(644,448,550)</u>
Net (deficit), end of period	\$ <u>(628,137,164)</u>	<u>436,825</u>	<u>—</u>	<u>(627,700,339)</u>

See independent auditors' review 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)

Six-month period ended April 30, 2015 (Unaudited)

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Operating revenues:				
Revenues from ground leases:				
Base rent	\$ 28,752,904	—	—	28,752,904
Supplemental rent	911,058	—	—	911,058
Payments in lieu of real estate taxes	93,232,806	—	—	93,232,806
Civic facilities payments and other	6,342,484	5,215,789	(4,967,043)	6,591,230
Total operating revenues	<u>129,239,252</u>	<u>5,215,789</u>	<u>(4,967,043)</u>	<u>129,487,998</u>
Operating expenses:				
Wages and related benefits	3,607,104	10,087,832	—	13,694,936
OPEB	283,822	1,074,071	—	1,357,893
Other operating and administrative expenses	13,694,734	1,045,996	(4,991,517)	9,749,213
Depreciation of project assets	4,284,954	—	—	4,284,954
Other depreciation and amortization	225,633	97,678	—	323,311
Total operating expenses	<u>22,096,247</u>	<u>12,305,577</u>	<u>(4,991,517)</u>	<u>29,410,307</u>
Operating income	<u>107,143,005</u>	<u>(7,089,788)</u>	<u>24,474</u>	<u>100,077,691</u>
Nonoperating revenues (expenses):				
Investment income on funds relating to:				
2003 Revenue Bonds	917,308	—	—	917,308
2009 Revenue Bonds	54,724	—	—	54,724
2013 Revenue Bonds	323,089	—	—	323,089
Corporate-designated, escrowed, and OPEB funds	750,987	—	—	750,987
Realized and unrealized gains and (losses)	(200,435)	—	—	(200,435)
Other revenue	—	30,745	(24,474)	6,271
Interest expense relating to:				
2003 Swap agreements – net expense	(6,081,850)	—	—	(6,081,850)
2003 Revenue Bonds	(5,944)	—	—	(5,944)
2009 Revenue Bonds	(1,887,706)	—	—	(1,887,706)
2013 Revenue Bonds	(8,577,517)	—	—	(8,577,517)
Loss from extinguishment	(662,955)	—	—	(662,955)
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts				
	(57,841,463)	—	—	(57,841,463)
Provision for transfer to the City of New York per 2010 agreement				
	(17,675,538)	—	—	(17,675,538)
Provision for transfer to New York State - Route 9A				
	(70,104)	—	—	(70,104)
Provision for transfer to City of New York - Pier A				
	(272,228)	—	—	(272,228)
Total nonoperating expenses	<u>(91,229,632)</u>	<u>30,745</u>	<u>(24,474)</u>	<u>(91,223,361)</u>
Change in net position (deficit)	15,913,373	(7,059,043)	—	8,854,330
Net (deficit), beginning of period	<u>(652,945,264)</u>	<u>(13,778,302)</u>	<u>—</u>	<u>(666,723,566)</u>
Net (deficit), end of period	<u>\$ (637,031,891)</u>	<u>(20,837,345)</u>	<u>—</u>	<u>(657,869,236)</u>

See independent auditors' review 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

Six-month period ended April 30, 2016 (Unaudited)

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Cash flows from operating activities:				
Cash receipts from:				
Tenant payments	\$ 128,564,250	—	—	128,564,250
Receipts from the Authority	—	423,350	(423,350)	—
Miscellaneous receipts	1,884,056	20,004	—	1,904,060
Total cash receipts from operating activities	<u>130,448,306</u>	<u>443,354</u>	<u>(423,350)</u>	<u>130,468,310</u>
Cash payments for:				
Salaries and benefits	(7,220,928)	(183,601)	—	(7,404,529)
Services and supplies	(4,387,511)	(376,777)	423,350	(4,340,938)
Total cash payments for operating activities	<u>(11,608,439)</u>	<u>(560,378)</u>	<u>423,350</u>	<u>(11,745,467)</u>
Net cash provided by operating activities	<u>118,839,867</u>	<u>(117,024)</u>	<u>—</u>	<u>118,722,843</u>
Cash flows from noncapital financing activities:				
Payments to Pier A Contractors on behalf of the City of New York	(380,425)	—	—	(380,425)
Payments to Pier A Plaza Contractors on behalf of NYC	(64,350)	—	—	(64,350)
Payments from lessees – site security deposits	—	—	—	—
Payments to lessees - site security deposits	—	—	—	—
Payments to The Port Authority of New York & New Jersey	—	—	—	—
Payments from LMDC West Thames St Pedestrian Bridge	338,248	—	—	338,248
Payments to NYC EDC - West Thames St Pedestrian Bridge	(338,248)	—	—	(338,248)
Payments from Security Betterment - Route 9A Agreement	513,000	—	—	513,000
Payments to NYS DOT - Route 9A Agreement	(2,229,025)	—	—	(2,229,025)
Payments to New York City - West Thames Park	(1,334,761)	—	—	(1,334,761)
Payments to NYC School Construction Authority	—	—	—	—
Payments to New York City - 2010 Agreement	—	—	—	—
Payments to New York State - 2010 Agreement	—	—	—	—
Net cash used in noncapital financing activities	<u>(3,495,561)</u>	<u>—</u>	<u>—</u>	<u>(3,495,561)</u>
Cash flows from capital and related financing activities:				
Development costs – site improvements and construction	(3,605,780)	—	—	(3,605,780)
Capital asset expenditures	(44,890)	(4,797)	—	(49,687)
Auction fees for variable debt	5,846	—	—	5,846
Swap payment made on the 2003 Swap agreement	(6,287,192)	—	—	(6,287,192)
Swap interest payments received on the 2003 Swap agreement	379,364	—	—	379,364
Principal paydown on 2009 Senior Revenue Bonds	(315,000)	—	—	(315,000)
Interest paid on 2009 Senior Revenue Bonds	(2,509,478)	—	—	(2,509,478)
Principal paydown on 2013 Senior Revenue Bonds	(20,300,000)	—	—	(20,300,000)
Interest paid on 2013 Senior Revenue Bonds	(8,107,850)	—	—	(8,107,850)
Principal paydown on 2013 Bonds C, D, E	(4,895,000)	—	—	(4,895,000)
Interest paid on 2013 Bonds C, D, E	(2,275,478)	—	—	(2,275,478)
2009 Senior Revenue Bonds - Build America Bonds refund from U.S. Treasury	588,506	—	—	588,506
Net cash used in capital and related financing activities	<u>(47,366,952)</u>	<u>(4,797)</u>	<u>—</u>	<u>(47,371,749)</u>
Cash flows from investing activities:				
Interest and realized gains received on investment securities	1,365,846	—	—	1,365,846
Maturities and redemptions of investment securities	342,731,384	—	—	342,731,384
Purchases of investment securities	(385,065,254)	—	—	(385,065,254)
Net cash used in investing activities	<u>(40,968,024)</u>	<u>—</u>	<u>—</u>	<u>(40,968,024)</u>
Increase (decrease) in cash and cash equivalents	27,009,330	(121,821)	—	26,887,509
Cash and cash equivalents, beginning of period	46,312,387	217,437	—	46,529,824
Cash and cash equivalents, end of period	<u>\$ 73,321,717</u>	<u>95,616</u>	<u>—</u>	<u>73,417,333</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

Six-month period ended April 30, 2016 (Unaudited)

	<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 operating activities:				
Operating income	\$ 98,471,305	15,953,405	—	114,424,710
Adjustments to reconcile operating income to net cash provided by operating activities:				
Bad debt expense	149,824	—	—	149,824
Depreciation and amortization	4,595,580	108,410	—	4,703,990
Other	(290,655)	—	—	(290,655)
Changes in operating assets and liabilities:				—
Decrease (increase) in rents and other receivables	226,392	(12,529)	(13,355)	200,508
Decrease in other assets	862,621	30,583	—	893,204
Increase (decrease) in accounts payable and other liabilities	4,161,155	(157,696)	13,355	4,016,814
(Decrease) in unearned revenue	(6,423,669)	—	—	(6,423,669)
Increase (decrease) in OPEB	16,799,783	(16,039,197)	—	760,586
Increase (decrease) in pension liability	1,837,367	—	—	1,837,367
(Increase) decrease in deferred pension inflows/outflows	(1,549,836)	—	—	(1,549,836)
Net cash provided by operating activities	<u>\$ 118,839,867</u>	<u>(117,024)</u>	<u>—</u>	<u>118,722,843</u>
Reconciliation of cash and cash equivalents, end of period:				
Bank deposits	\$ 408,373	95,616	—	503,989
Cash and cash equivalents	1,825,814	—	—	1,825,814
Investments with less than 91-day maturities	71,087,530	—	—	71,087,530
Cash and cash equivalents, end of period	<u>\$ 73,321,717</u>	<u>95,616</u>	<u>—</u>	<u>73,417,333</u>

See independent auditors' review 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

Six-month period ended April 30, 2015 (Unaudited)

	<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	\$ 121,798,551	—	—	121,798,551
Receipts from the Authority	—	4,349,909	(4,349,909)	—
Miscellaneous receipts	<u>502,163</u>	<u>246,562</u>	—	<u>748,725</u>
Total cash receipts from operating activities	<u>122,300,714</u>	<u>4,596,471</u>	<u>(4,349,909)</u>	<u>122,547,276</u>
Cash payments for:				
Salaries and benefits	(4,087,421)	(3,872,581)	—	(7,960,002)
Services and supplies	<u>(7,267,731)</u>	<u>(552,719)</u>	<u>4,374,383</u>	<u>(3,446,067)</u>
Total cash payments for operating activities	<u>(11,355,152)</u>	<u>(4,425,300)</u>	<u>4,374,383</u>	<u>(11,406,069)</u>
Net cash provided by operating activities	<u>110,945,562</u>	<u>171,171</u>	<u>24,474</u>	<u>111,141,207</u>
Cash flows from noncapital financing activities:				
Payments to Pier A Contractors on behalf of the City of New York	(380,170)	—	—	(380,170)
Payments to Pier A Plaza Contractors on behalf of NYC	(876,105)	—	—	(876,105)
Payments from LMDC West Thames St Pedestrian Bridge	175,057	—	—	175,057
Payments to NYC EDC - West Thames St Pedestrian Bridge	(175,057)	—	—	(175,057)
Payments to NYS DOT - Route 9A Agreement	<u>(66,390)</u>	—	—	<u>(66,390)</u>
Net cash used by noncapital financing activities	<u>(1,322,665)</u>	—	—	<u>(1,322,665)</u>
Cash flows from capital and related financing activities:				
Development costs – site improvements and construction	(6,412,832)	—	—	(6,412,832)
Capital asset expenditures	(215,066)	(41,676)	—	(256,742)
Receipts from the sale of capital assets	—	27,988	(24,474)	3,514
Payments for Superstorm Sandy	(46,840)	—	—	(46,840)
Auction fees for variable debt	(5,944)	—	—	(5,944)
Swap payment made on the 2003 Swap agreement	(6,375,413)	—	—	(6,375,413)
Swap interest payments received on the 2003 Swap agreement	195,921	—	—	195,921
Principal paydown on 2009 Senior Revenue Bonds	(310,000)	—	—	(310,000)
Interest paid on 2009 Senior Revenue Bonds	(2,513,353)	—	—	(2,513,353)
Principal paydown on 2013 Senior Revenue Bonds	(18,345,000)	—	—	(18,345,000)
Interest paid on 2013 Senior Revenue Bonds	(9,306,350)	—	—	(9,306,350)
Principal paydown on 2013 Bonds C, D, E	(4,380,000)	—	—	(4,380,000)
Interest paid on 2013 Bonds C, D, E	(1,957,297)	—	—	(1,957,297)
2009 Senior Revenue Bonds - Build America Bonds refund from U.S. Treasury	<u>1,171,017</u>	—	—	<u>1,171,017</u>
Net cash used in capital and related financing activities	<u>(48,501,157)</u>	<u>(13,688)</u>	<u>(24,474)</u>	<u>(48,539,319)</u>
Cash flows from investing activities:				
Interest and realized gains received on investment securities	2,329,989	—	—	2,329,989
Maturities and redemptions of investment securities	408,247,057	—	—	408,247,057
Purchases of investment securities	<u>(451,704,451)</u>	—	—	<u>(451,704,451)</u>
Net cash used in investing activities	<u>(41,127,405)</u>	—	—	<u>(41,127,405)</u>
Increase (decrease) in cash and cash equivalents	19,994,335	157,483	—	20,151,818
Cash and cash equivalents, beginning of period	<u>60,076,619</u>	<u>26,796</u>	—	<u>60,103,415</u>
Cash and cash equivalents, end of period	<u>\$ 80,070,954</u>	<u>184,279</u>	—	<u>80,255,233</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

Six-month period ended April 30, 2015 (Unaudited)

	<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 operating activities:				
Operating income	\$ 107,143,005	(7,089,788)	24,474	100,077,691
Adjustments to reconcile operating income to net cash provided by operating activities:				
Bad debt expense	74,135	—	—	74,135
Depreciation and amortization	4,510,587	97,678	—	4,608,265
Other	4,983	—	—	4,983
Changes in operating assets and liabilities:				
(Increase) decrease in rents and other receivables	(551,024)	(235,115)	(235,452)	(1,021,591)
(Increase) decrease in other assets	364,337	(170,566)	—	193,771
Increase (decrease) in accounts payable and other liabilities	5,544,926	11,438	235,452	5,791,816
Decrease in unearned revenue	(5,904,368)	—	—	(5,904,368)
(Decrease) increase in OPEB	6,808	1,036,099	—	1,042,907
Increase (decrease) in pension liability	(175,549)	6,521,425	—	6,345,876
(Increase) decrease in deferred pension inflows/outflows	(72,278)	—	—	(72,278)
Net cash provided by operating activities	<u>\$ 110,945,562</u>	<u>171,171</u>	<u>24,474</u>	<u>111,141,207</u>
Reconciliation of cash and cash equivalents, end of period:				—
Bank deposits	\$ 191,083	184,279	—	375,362
Cash and cash equivalents	392,622	—	—	392,622
Investments with less than 91-day maturities	<u>79,487,249</u>	<u>—</u>	<u>—</u>	<u>79,487,249</u>
Cash and cash equivalents, end of period	<u>\$ 80,070,954</u>	<u>184,279</u>	<u>—</u>	<u>80,255,233</u>

See independent auditors' review report.