

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

Financial Statements
(Together with Independent Auditors' Report)

Years Ended October 31, 2015 and 2014

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

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

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

Years Ended October 31, 2015 and 2014

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Independent Auditors' Report

The Members

Hugh L. Carey Battery Park City Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of Hugh L. Carey Battery Park City Authority (the "Authority"), a component unit of the State of New York and the Battery Park City Parks Conservancy (the "Conservancy") a blended component unit of the Authority, collectively referred to as the "Organization", which comprise the statements of net position (deficit) as of October 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net position (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Organization as of October 31, 2015 and 2014, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in Note 3(1), the Organization has restated its financial statements as of and for the year ended October 31, 2014 during the current year to retroactively implement Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements as a whole. The supplementary information shown on pages 65 through 74 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2016 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



New York, NY
January 28, 2016

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)

October 31, 2015 and 2014

Overview

The following is an overview of the financial activities of Hugh L. Carey Battery Park City Authority (the "Authority") and the Battery Park City Parks Conservancy (the "Conservancy"), a blended component unit of the Authority, collectively referred to as the "Organization" for the fiscal years ended October 31, 2015 and 2014. 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. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Comparison of 2015 to 2014 and 2014 to 2013

Financial Highlights – 2015

- The fiscal year ended October 31, 2015 yielded a total of \$266.4 million in operating revenues, representing an increase of approximately \$10.5 million or 4% over the prior fiscal year. Payments in lieu of real estate taxes ("PILOT") revenue totaling approximately \$195 million (approximately 73% of the Authority's operating revenues for the fiscal year ended October 31, 2015) increased \$13.4 million or 7.37% compared to the fiscal year ended October 31, 2014. Base rent decreased approximately \$4.7 million or 7.46% to \$58 million for the fiscal year ended October 31, 2015. Civic facilities and other operating revenues increased \$1.7 million or 16.6% to \$11.7 million for the fiscal year ended October 31, 2015. Total operating expenses increased a net \$9.6 million or 22% to \$53.7 million for the fiscal year ended October 31, 2015.
- A payment of \$124.5 million was made in June 2015 towards the provision for the transfer to The City of New York (the "City") for the fiscal year ended October 31, 2014. A \$123.4 million provision was recorded during the fiscal year ended October 31, 2015 representing the PILOT related portion of fiscal 2015 excess revenues to be transferred to the City (see note 13). Generally, the Authority's net position decreases with increases in the amount of excess revenues provided to the City, which has an adverse effect on the Authority's net position.
- A payment of \$42.8 million was made in May 2015 towards the provision for the transfer to the City for the fiscal year ended October 31, 2014. A \$37.2 million provision was recorded during the fiscal year ended October 31, 2015, representing the contractual obligation to the City Housing Development Corporation ("HDC") '421-A fund' for 'pay-as-you-go' housing projects. A total of \$47.2 million has been applied to the remaining \$261 million 'pay-as-you-go' capital fund to the City.
- The Authority has Project cost funds of approximately \$61.9 and \$12.1 million remaining from the 2013 and 2009 bond issuances, respectively. These funds are to be used for infrastructure and capital expenditures (see note 8).
- As of October 31, 2015, the Authority has been fully reimbursed for remediation work for damage caused by Superstorm Sandy. All eligible claims with respect to this damage have been collected from the Authority's insurance carriers and from FEMA.
- The Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires the accounting and financial reporting for pensions. The Authority is required to restate its net position balance to the earliest year of implementation. Accordingly, the Authority restated the October 31,

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2014 net position balance to include the accrued pension liability provided by the State of New York (see notes 3(l) and 17).

- The Authority implemented GASB Statement 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 (see note 3(k)).

Financial Highlights – 2014

- The fiscal year ended October 31, 2014 yielded a total of \$256 million in operating revenues, representing an increase of approximately \$19.9 million or 8.4% over the prior fiscal year. PILOT revenue totaling approximately \$181.7 million (approximately 71% of the Authority's operating revenues for the fiscal year ended October 31, 2014) increased \$22.2 million or 14% compared to the fiscal year ended October 31, 2013. Base rent increased approximately \$454 thousand or 0.7% to \$62.7 million for the fiscal year ended October 31, 2014. Civic facilities and other operating revenues decreased \$2.5 million or 20% to \$10 million for the fiscal year ended October 31, 2014. Total operating expenses decreased a net \$871 thousand or 1.9% to \$44.1 million for the fiscal year ended October 31, 2014.
- A payment of \$111.5 million was made in June 2014 towards the provision for the transfer to the City for the fiscal year ended October 31, 2013. A \$124.5 million provision was recorded during the fiscal year ended October 31, 2014 representing the PILOT related portion of fiscal 2014 excess revenues to be transferred to the City. Generally, the Authority's net position decreases with increases in the amount of excess revenues provided to the City, which has an adverse effect on the Authority's net position.
- Pursuant to the 2010 Agreement, the Authority recorded a provision for the transfer of \$42.8 million for the fiscal year ended October 31, 2014. With this provision, the Authority has satisfied the \$200 million contractual obligation to the City Housing Development Corporation ("HDC") '421-A fund.' The provision includes \$10.2 million which is to be applied to the remaining \$261 million to the City for 'pay-as-you-go' capital fund. A payment of \$45.8 million was made in April 2014 towards the provision for the transfer to the City for the fiscal year ended October 31, 2013.
- On October 23, 2013, the Authority issued \$356,085,000 (\$407,120,987 inclusive of net premium) of fixed-rate tax exempt Senior Revenue Bonds, Series 2013A (the "2013 Series A Bonds") and \$6,700,000 (\$6,889,064 inclusive of net premium) of federally taxable, fixed-rate Senior Revenue Bonds, Series 2013B (the "2013 Series B Bonds"), for a total of \$414,010,051 fixed rate bonds. In addition, the Authority directly placed \$609,530,000 variable-rate Junior Revenue Bonds with three banks and bank affiliates, comprising \$210,865,000 of Junior Revenue Bonds Series 2013C (the "2013 Series C Bonds"), \$199,330,000 of Junior Revenue Bonds Series 2013D (the "2013 Series D Bonds"), and \$199,335,000 of Junior Revenue Bonds Series 2013E (the "2013 Series E Bonds") for a total of \$1,023,540,051.
- Proceeds from the 2013 Bonds were used to currently refund all Senior 2003 Series A Bonds (with the exception of \$16.1 million, paid November 1, 2013) and all Junior 2003 Series B and C Bonds; to finance \$85 million of infrastructure and other capital improvements; and to finance approximately \$10.8 million of bond issuance costs. As of October 31, 2014, approximately \$76 million remained in the 2013 Project cost fund.

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- On December 22, 2009, the Authority issued the Senior Revenue Bonds in the total amount of \$89 million (inclusive of a \$1.8 million premium) to finance certain infrastructure and other capital improvements. As of October 31, 2014, approximately \$17.9 million remained in the 2009 Project Cost funds to be used for certain park, street and other infrastructure improvements, the community center and other capital expenditures.

As of October 31, 2014, the Authority had a net receivable of approximately \$726 thousand, having received \$11.5 million in insurance and Federal assistance advances and having paid out \$12.2 million for remediation work for damage caused by Superstorm Sandy. The Authority's management believes that all eligible claims with respect to this damage will be collected from its insurance carriers. Damages are being assessed and costs not covered by insurance are being submitted for reimbursement under Federal and State disaster relief programs, which management believes will cover the majority of these costs. Any unreimbursed damages will be paid by the Authority from the corporate insurance reserve fund or bond proceeds.

Summary Statement of Net Position

The summary statement of net position presents the financial position of the Organization. The net position (deficit) is the difference between total assets plus total deferred outflows of resources and total liabilities. A summarized comparison of the Organization's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (deficit) at October 31, 2015, 2014 and 2013 follows:

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October 31, 2015 and 2014

	October 31			2015 vs 2014	2014 vs 2013
	2015	2014 (restated) *	2013		
Assets:					
Bank deposits, investments and rents and other receivables	\$ 6,009,189	16,990,115	28,032,697	(10,980,926)	(11,042,582)
Bond resolution restricted assets (current and noncurrent)	380,529,375	389,400,700	399,210,547	(8,871,325)	(9,809,847)
Battery Park City project assets, net	493,250,767	485,217,744	483,510,743	8,033,023	1,707,001
Other current and noncurrent assets	100,351,863	100,055,880	104,243,584	295,983	(4,187,704)
Total assets	980,141,194	991,664,439	1,014,997,571	(11,523,245)	(23,333,132)
Deferred Outflows of Resources:					
Deferred pension outflows	106,951	—	—	106,951	—
Accumulated decrease in fair value of interest rate swaps	25,819,426	12,079,644	—	13,739,782	12,079,644
Unamortized loss on extinguishment of bonds	21,275,029	22,600,940	23,942,588	(1,325,911)	(1,341,648)
Deferred costs of refunding, less accumulated amortization	62,564,700	66,345,355	70,126,010	(3,780,655)	(3,780,655)
Total deferred outflows of resources	109,766,106	101,025,939	94,068,598	8,740,167	6,957,341
Total assets and deferred outflows of resources	\$ 1,089,907,300	1,092,690,378	1,109,066,169	(2,783,078)	(16,375,791)
Liabilities:					
Current liabilities	\$ 259,442,374	261,852,191	250,259,717	(2,409,817)	11,592,474
Long-term liabilities	1,474,878,803	1,497,561,750	1,526,134,156	(22,682,947)	(28,572,406)
Total liabilities	1,734,321,177	1,759,413,941	1,776,393,873	(25,092,764)	(16,979,932)
Deferred Inflows of Resources:					
Deferred pension inflows	34,673	—	—	34,673	—
Accumulated increase in fair value of interest rate swaps	—	—	1,624,655	—	(1,624,655)
Total deferred inflows of resources	34,673	—	1,624,655	34,673	(1,624,655)
Net Position (Deficit):					
Invested in capital assets, net of related debt	(13,840,713)	(24,494,670)	(6,333,642)	10,653,957	(18,161,028)
Restricted	64,593,562	68,407,586	103,053,163	(3,814,024)	(34,645,577)
Unrestricted	(695,201,399)	(710,636,479)	(765,671,880)	15,435,080	55,035,401
Total net deficit	(644,448,550)	(666,723,563)	(668,952,359)	22,275,013	2,228,796
Total liabilities, deferred inflows of resources and net position	\$ 1,089,907,300	1,092,690,378	1,109,066,169	(2,783,078)	(16,375,791)

* The restatement of the current liabilities and unrestricted net deficit in fiscal year 2014 is the result of the Authority implementing GASB Statement No. 68 in fiscal year 2015. The implementation is discussed in the above MD&A and note 3(l).

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Assets and Deferred Outflows of Resources

2015 vs. 2014

At October 31, 2015, the Organization maintained total assets and deferred outflows of resources of approximately \$1.09 billion, approximately \$2.8 million lower than \$1.1 billion at October 31, 2014.

2014 vs. 2013

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

Bank Deposits, Investments, Rents and Other Receivables

2015 vs. 2014

Bank deposits, investments, and rents and other receivables held at October 31, 2015 decreased approximately \$11 million. Bank deposits and investments decreased a net \$10.2 million and rents and other receivables decreased by approximately \$822 thousand (see note 14). The decrease in bank deposits and investments primarily relates to the return of the escrow bond defeasance that was included in the unpledged revenue fund.

2014 vs. 2013

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

Bond Resolution Restricted Assets

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 approximately \$380.5 million at October 31, 2015 were approximately \$8.9 million lower than the fair value of assets held at October 31, 2014 of \$389.4 million (see note 8). Funds held in the Pledged Revenue Fund ("PRF") at October 31, 2015 were approximately \$6.4 million more than funds held at October 31, 2014.

Funds held in the Project Operating Fund for payment of budgeted operating expenditures at October 31, 2015 were approximately \$337 thousand higher than at October 31, 2014.

Funds held in the Residual Fund for the benefit of the City at October 31, 2015 were approximately \$109 thousand lower than at October 31, 2014.

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Funds held under the resolutions for project infrastructure and certain other asset costs were \$78 million as of October 31, 2015, approximately \$15.9 million less than funds held at October 31, 2014. In addition, funds held in the debt service funds were approximately \$975 thousand higher at October 31, 2015 compared to 2014.

2014 vs. 2013

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

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

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

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

Project Assets

At October 31, 2015, the Authority's investment in project assets, net of accumulated depreciation, was approximately \$493.3 million, an increase of \$8 million over October 31, 2014. The Battery Park City project ("Project") consists of approximately 92 acres of landfill created, owned, and operated by the Authority. The Project's plan of development included approximately 35 acres of parkland and open spaces and provides for the construction, by private developers, of approximately 10.7 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, condo units owned by the Authority on Sites 1, 16/17, 3, and a community center on Sites 23 and 24, and related infrastructure improvements are included in project assets. The balances at October 31, 2015, 2014 and 2013 were as follows:

	<u>2015</u>	<u>October 31 2014</u>	<u>2013</u>	<u>2015 vs 2014</u>	<u>2014 vs 2013</u>
Land	\$ 83,015,653	83,015,653	83,015,653	—	—
Site improvements	400,143,567	386,612,538	376,856,244	13,531,029	9,756,294
Residential building and condominium units	<u>136,501,422</u>	<u>133,309,670</u>	<u>132,913,755</u>	<u>3,191,752</u>	<u>395,915</u>
	619,660,642	602,937,861	592,785,652	16,722,781	10,152,209
Less: accumulated depreciation	<u>(126,409,875)</u>	<u>(117,720,117)</u>	<u>(109,274,909)</u>	<u>(8,689,758)</u>	<u>(8,445,208)</u>
Total Battery Park City project assets	<u>\$ 493,250,767</u>	<u>485,217,744</u>	<u>483,510,743</u>	<u>8,033,023</u>	<u>1,707,001</u>

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2015 vs. 2014

For the year ended October 31, 2015, the increase to site improvements of approximately \$13.5 million relates to park improvements in the north and south neighborhoods, restoration of cement piles, as well as work on bridges and other minor capital improvements.

The \$3.2 million increase in residential building and condominium units over October 31, 2014, primarily relates to mechanical system upgrades to the Conservancy's headquarters at Site 3, and work on the community center at Sites 23 and 24.

2014 vs. 2013

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

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

Other Current and Noncurrent Assets

Other current and noncurrent assets at October 31, 2015, 2014 and 2013 were as follows:

	October 31			2015 vs 2014	2014 vs 2013
	2015	2014	2013		
Residential lease required funds	\$ 27,277,629	21,467,676	21,424,126	5,809,953	43,550
Corporate-designated, escrowed and OPEB funds	68,291,703	74,061,506	76,719,830	(5,769,803)	(2,658,324)
Fair value of interest rate swaps	—	—	1,624,655	—	(1,624,655)
Other assets	4,782,531	4,526,698	4,474,973	255,833	51,725
Total other current and noncurrent assets	\$ <u>100,351,863</u>	<u>100,055,880</u>	<u>104,243,584</u>	<u>295,983</u>	<u>(4,187,704)</u>

2015 vs. 2014

Total other current and noncurrent assets increased approximately \$296 thousand from \$100 million at October 31, 2014 to \$100.3 million at October 31, 2015.

Residential lease required funds increased \$5.8 million from \$21.5 million at October 31, 2014 to \$27.3 million at October 31, 2015 primarily due to River and Warren (Site 19) converting from a rental to a condominium building. There are security deposits held for condominiums and not rentals.

Overall, corporate-designated, escrowed and OPEB funds decreased approximately \$5.8 million from October 31, 2014. There was a decrease primarily due to the payment for the withdrawal from the Conservancy CIRS pension plan, which was funded from the Conservancy reserve account for approximately \$6.5 million. There was a \$3.4 million decrease resulting from withdrawals from the Special Fund for the Pier A Plaza construction. Deposits and

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interest earnings on the Authority and Conservancy OPEB funds accounted for approximately a \$1.7 million increase. There was an increase of approximately \$2 million in the contingency reserve accounts.

2014 vs. 2013

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

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

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

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

Deferred Outflows of Resources

Deferred outflows of resources at October 31, 2015, 2014, and 2013 are as follows:

	<u>October 31</u>			<u>2015 vs</u>	<u>2014 vs</u>
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Deferred Outflows of Resources:					
Deferred pension outflows	\$ 106,951	—	—	106,951	—
Accumulated decrease in fair value of interest rate swaps	25,819,426	12,079,644	—	13,739,782	12,079,644
Unamortized loss on extinguishment of bonds	21,275,029	22,600,940	23,942,588	(1,325,911)	(1,341,648)
Deferred costs of refunding, less accumulated amortization	62,564,700	66,345,355	70,126,010	(3,780,655)	(3,780,655)
Total deferred outflows of Resources	<u>\$ 109,766,106</u>	<u>101,025,939</u>	<u>94,068,598</u>	<u>8,740,167</u>	<u>6,957,341</u>

2015 vs. 2014

The \$107 thousand at October 31, 2015 represents the Authority's portion of the deferred pension outflows from the New York State pension plan, which resulted from the implementation of GASB Statement No. 68 (see note 17).

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The interest rate swap agreements, which continue in effect and continue as an effective hedge, had a negative fair value of \$25.8 million at October 31, 2015, which was recorded as an asset and a deferred inflow of resources. The negative fair value of \$25.8 million is recorded as a deferred outflow of resources and a liability on the Authority's statement of net position. This value increased \$13.7 million, from a negative fair value of \$12 million at October 31, 2014.

The unamortized loss on extinguishment of the 1993, 1996, 2000, and 2003 bonds decreased by \$1.3 million from October 31, 2014 to October 31, 2015. The decrease is a result of the current year amortization.

The deferred cost of refunding decreased by \$3.8 million from October 31, 2014 to October 31, 2015. The decrease is a result of the current year amortization.

2014 vs. 2013

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

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

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

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Liabilities

Total liabilities at October 31, 2015, 2014 and 2013 were as follows:

	<u>October 31</u>			<u>2015 vs 2014</u>	<u>2014 vs 2013</u>
	<u>2015</u>	<u>2014 (restated) *</u>	<u>2013</u>		
Current liabilities:					
Accrued interest on bonds	\$ 17,253,706	17,543,216	9,902,870	(289,510)	7,640,346
Accounts payable and other liabilities	7,356,275	6,102,998	21,808,760	1,253,277	(15,705,762)
Accrued pension payable	519,940	695,489	—	(175,549)	695,489
Due to the City of New York	124,019,949	125,163,883	112,084,771	(1,143,934)	13,079,112
Due to the City of New York - 2010 Agreement	37,443,333	43,055,860	46,048,371	(5,612,527)	(2,992,511)
Due to the NYC School Construction Authority	—	—	1,898,808	—	(1,898,808)
Due to the Port Authority of NY & NJ	869,381	869,381	—	—	869,381
Unearned revenue	46,465,052	44,376,626	41,977,645	2,088,426	2,398,981
Security and other deposits	4,738	4,738	88,492	—	(83,754)
2003 Revenue Bonds	—	—	16,140,000	—	(16,140,000)
2009 Revenue Bonds	315,000	310,000	310,000	5,000	—
2013 Revenue Bonds	25,195,000	23,730,000	—	1,465,000	23,730,000
	<u>259,442,374</u>	<u>261,852,191</u>	<u>250,259,717</u>	<u>(2,409,817)</u>	<u>11,592,474</u>
Noncurrent liabilities:					
Unearned revenue	268,740,158	280,607,063	292,473,891	(11,866,905)	(11,866,828)
Security and other deposits	27,598,354	21,963,822	21,925,297	5,634,532	38,525
OPEB - Battery Park City Authority	18,549,464	18,502,073	18,456,455	47,391	45,618
OPEB - Battery Park City Parks Conservancy	15,840,559	13,789,687	11,840,431	2,050,872	1,949,256
Fair value of interest rate swaps	25,819,426	12,079,644	—	13,739,782	12,079,644
Imputed borrowing	62,564,700	66,345,355	70,126,010	(3,780,655)	(3,780,655)
Bonds outstanding:					
2009 Revenue Bonds	87,069,396	87,457,244	87,840,093	(387,848)	(382,849)
2013 Revenue Bonds	968,696,746	996,816,862	1,023,471,979	(28,120,116)	(26,655,117)
	<u>1,474,878,803</u>	<u>1,497,561,750</u>	<u>1,526,134,156</u>	<u>(22,682,947)</u>	<u>(28,572,406)</u>
Total noncurrent liabilities	<u>1,474,878,803</u>	<u>1,497,561,750</u>	<u>1,526,134,156</u>	<u>(22,682,947)</u>	<u>(28,572,406)</u>
Total liabilities	<u>\$ 1,734,321,177</u>	<u>1,759,413,941</u>	<u>1,776,393,873</u>	<u>(25,092,764)</u>	<u>(16,979,932)</u>

* As noted earlier, the restatement relates to the Authority's adoption of GASB Statement No. 68 in fiscal year 2015.

2015 vs. 2014

The Organization's total liabilities decreased approximately \$25.1 million from \$1.76 billion at October 31, 2014 to \$1.73 billion at October 31, 2015.

Total liabilities comprise amounts due to the City, accrued interest on bonds, unearned revenue, security and other deposits, OPEB, outstanding bonds, fair value of interest rate swaps, imputed borrowing and accounts payable and accrued expenses.

The \$25.1 million decrease in total liabilities is due to:

- a \$289 thousand decrease in accrued interest payable on bonds from \$17.5 million at October 31, 2014 to \$17.3 million at October 31, 2015 (note 10).

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- a \$1.3 million increase in accounts payable and other liabilities from \$6.1 million at October 31, 2014 to \$7.4 million at October 31, 2015. The change is due to approximately \$2.6 million of accrued expenses for the Route 9A Betterment Agreement and other legal expenses, offset by a reduction in the accrued capital of approximately \$1.3 million.
- a \$175 thousand decrease in accrued pension payable relates to the implementation of GASB No. 68 and the current year payment made for the New York State Retirement System pension plan.
- a \$124 million liability was recorded for the fiscal year ended October 31, 2015, which includes fiscal 2015 PILOT related excess revenues to be transferred to the City, a decrease of \$1.1 million from the prior fiscal year provision of \$125.2 million.
- a \$37.4 million liability was recorded which includes the fiscal year ended October 31, 2015 for payment under the 2010 agreement, a decrease \$5.6 million over the \$43.1 million which was charged to operations for the fiscal year ended October 31, 2014 and paid in May 2015.
- a \$9.8 million decrease to \$315 million in total unearned revenue from \$325 million at October 31, 2014 primarily due to revenue recognized on leases, such as the Goldman lease (\$2.7 million), Sites 23 and 24 (\$3.3 million), and Site 16/17 (\$2.4 million), as well as other upfront lease payments received during prior years (see note 3(d)).
- a \$5.6 million increase in total security and other deposits to \$27.6 million at October 31, 2015, primarily due to River and Warren (Site 19) converting from a rental to a condominium building during the current fiscal year. There are security deposits held for condominiums and not rentals.
- a \$47 thousand net increase in OPEB liability for the Authority relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits paid. The Authority had an \$18.5 million OPEB liability at October 31, 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 year (see note 18).
- a \$2 million net increase in OPEB liability for the Conservancy relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits. The Conservancy had an \$15.8 million OPEB liability at October 31, 2015. The annual required OPEB obligation is increased by normal costs for current employees and interest expense (see note 19).
- a \$3.8 million decrease represents the current period amortization of the fair value of the bifurcated Swaps of \$70.1 million on October 23, 2013. The \$70.1 million is being amortized using the straight-line method over the remaining life of the original 2003 bonds.
- the interest rate swap agreements, which continue in effect and continue as an effective hedge, had a negative fair value of \$25.8 million at October 31, 2015, which was recorded as an asset and a deferred inflow of resources. The negative fair value of \$25.8 million is recorded as a deferred outflow of resources and a liability on the Authority's statement of net position. This value increased \$13.7 million, from a negative fair value of \$12 million at October 31, 2014.
- a \$383 thousand decrease in 2009 Revenue Bonds outstanding relating to the retirement of principal of \$310 thousand and a \$73 thousand decrease due to the amortization of the net bond premium (see note 16).

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- a \$26.6 million decrease in 2013 Revenue Bonds outstanding relating to the payment of \$23.7 million and a \$2.9 million decrease due to the amortization of the net bond premium (see note 16).

2014 vs. 2013

The Organization's total liabilities decreased approximately \$17 million from \$1.78 billion at October 31, 2013 to \$1.76 billion at October 31, 2014.

Total liabilities comprise amounts due to the City, accrued interest on bonds, unearned revenue, security and other deposits, OPEB, outstanding bonds, fair value of interest rate swaps, imputed borrowing and accounts payable and accrued expenses.

The \$17 million decrease in total liabilities is due to:

- a \$7.6 million increase in accrued interest payable on bonds from \$9.9 million at October 31, 2013 to \$17.5 million at October 31, 2014, resulting primarily from the refunding of the 2003 bonds and the issuance of the 2013 revenue bonds in 2013.
- a \$15.7 million decrease in accounts payable and other liabilities from \$21.8 million at October 31, 2013 to \$6.1 million at October 31, 2014, primarily due to approximately \$9.3 million in outstanding bond issuance costs at October 31, 2013 from the 2013 revenue bonds which were paid during fiscal year 2014 and advances of \$8.8 million in funds received for ongoing remediation costs of damages caused by Superstorm Sandy which were applied towards Superstorm Sandy receivables as of October 31, 2014.
- a \$125.2 million liability was recorded for the fiscal year ended October 31, 2014, which includes fiscal 2014 PILOT related excess revenues to be transferred to the City, an increase of \$13.1 million from the prior fiscal year provision of \$112.1 million, which was paid in June 2014.
- a \$43.1 million liability was recorded which includes the fiscal year ended October 31, 2014 for payment under the 2010 Agreement for the City HDC 421-A fund, a decrease of \$3 million over the \$46 million which was charged to operations for the fiscal year ended October 31, 2013 and paid in April 2014.
- a \$1.9 million amount was paid during the fiscal year ended October 31, 2014 for amounts due to the New York City School Construction Authority for the completion of three green building components.
- a \$869 thousand increase in amounts due to the PANYNJ relating to the Authority's agreement to pay up to \$40 million of Special Fund monies for the Route 9A pedestrian underpass.
- a \$9.5 million decrease to \$325 million in total unearned revenue from \$334.5 million at October 31, 2013 primarily due to revenue recognized on leases, such as the Goldman lease (\$2.7 million), Sites 23 and 24 (\$3.3 million), and Site 16/17 (\$2.4 million), as well as other upfront lease payments received during prior years.
- a \$45 thousand decrease in total security and other deposits to \$22 million at October 31, 2014.
- a \$46 thousand net increase in OPEB liability for the Authority relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits paid. The Authority had an \$18.5 million OPEB liability at October 31, 2014. The annual required OPEB obligation is increased by normal costs for current employees and interest expense and offset by an amortization credit and the actual cost of retiree benefits paid during the year.

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- a \$1.9 million net increase in OPEB liability for the Conservancy relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits. The Conservancy had an \$13.8 million OPEB liability at October 31, 2014. The annual required OPEB obligation is increased by normal costs for current employees and interest expense.
- a \$3.8 million decrease represents the current period amortization of the fair value of the bifurcated Swaps of \$70.1 million on October 23, 2013. The \$70.1 million is being amortized using the straight-line method over the remaining life of the original 2003 bonds.
- a \$383 thousand decrease in 2009 Revenue Bonds outstanding relating to the retirement of principal of \$310 thousand and a \$73 thousand decrease due to the amortization of the net bond premium.
- a \$26.7 million decrease in 2013 Revenue Bonds outstanding due to the amortization of the net bond premium.

Deferred Inflows of Resources

	October 31			2015 vs	2014 vs
	2015	2014	2013	2014	2013
Deferred Inflows of Resources:					
Deferred pension inflows	\$ 34,673	—	—	34,673	—
Accumulated increase in fair value of interest rate swaps	—	—	1,624,655	—	(1,624,655)
Total deferred inflows of resources	\$ 34,673	—	1,624,655	34,673	(1,624,655)

2015 vs. 2014

The \$35 thousand at October 31, 2015 represents the Authority's portion of the deferred pension inflows from the New York State pension plan, which resulted from the implementation of GASB Statement No. 68 (see note 17).

2014 vs. 2013

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

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Net Position (Deficit)

	October 31			2015 vs	2014 vs
	2015	2014 (restated) *	2013	2014	2013
Net Position (deficit):					
Invested in capital assets, net of related debt	\$ (13,840,713)	(24,494,670)	(6,333,642)	10,653,957	(18,161,028)
Restricted	64,593,562	68,407,586	103,053,163	(3,814,024)	(34,645,577)
Unrestricted	(695,201,399)	(710,636,479)	(765,671,880)	15,435,080	55,035,401
Total net position (deficit) \$	<u>(644,448,550)</u>	<u>(666,723,563)</u>	<u>(668,952,359)</u>	<u>22,275,013</u>	<u>2,228,796</u>

* As noted earlier, the restatement relates to the Authority's adoption of GASB Statement No. 68 in fiscal year 2015.

2015 vs. 2014

The change in total net position (deficit) from October 31, 2014 represents a decrease in the deficit position of \$22.3 million from \$667 million at October 31, 2014 to \$644 million at October 31, 2015.

The net position invested in capital assets, net of related debt, was a deficit of \$13.8 million and \$24.5 million at October 31, 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 \$64.6 million and \$68.4 million of restricted net assets at October 31, 2015 and 2014, respectively, represent resources that are subject to various external restrictions on how they may be used. These assets are generally restricted under bond resolutions and other agreements and for debt service.

The remaining balance is classified as an unrestricted deficit totaling \$695.2 million at October 31, 2015 resulting from the cumulative net excess revenues, which are transferred to the City annually.

2014 vs. 2013

The change in total net position (deficit) from October 31, 2013 represents a decrease in the deficit position of \$2.2 million from \$669 million at October 31, 2013 to \$667 million at October 31, 2014.

The net position invested in capital assets, net of related debt, was a deficit of \$24.5 million and \$6.3 million at October 31, 2014 and 2013, respectively. Although investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets cannot be used to liquidate these liabilities. The Authority's \$68.4 million and \$103.1 million of restricted net assets at October 31, 2014 and 2013, respectively, represent resources that are subject to various external restrictions on how they may be used. These assets are generally restricted under bond resolutions and other agreements and for debt service. The remaining balance is classified as an unrestricted deficit totaling \$710.6 million at October 31, 2014 resulting primarily from debt issued for noncapital purposes of \$513.7 million, and upfront lease payments and deferred PILOT revenue, which are transferred to the City annually or held in the Joint Purpose Fund as restricted assets.

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

Below is a summary of the Organization's revenues, expenses, and changes in net deficit for the fiscal years ended October 31, 2015, 2014 and 2013:

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	October 31			2015 vs 2014	2014 vs 2013
	2015	2014 (restated) *	2013		
Operating revenues:					
Revenues from ground leases:					
Base rent	\$ 58,025,998	62,705,939	62,252,076	(4,679,941)	453,863
Supplemental rent	1,652,149	1,561,040	1,815,820	91,109	(254,780)
Payments in lieu of real estate taxes	195,048,129	181,660,585	159,416,916	13,387,544	22,243,669
Civic facilities payments and other	11,707,540	10,045,796	12,559,603	1,661,744	(2,513,807)
Total operating revenues	<u>266,433,816</u>	<u>255,973,360</u>	<u>236,044,415</u>	<u>10,460,456</u>	<u>19,928,945</u>
Operating expenses:					
Wages and related benefits	20,922,843	13,582,735	12,560,909	7,340,108	1,021,826
OPEB - Battery Park City Authority	567,644	534,711	439,037	32,933	95,674
OPEB - Battery Park City Parks Conservancy	2,148,131	2,022,063	1,901,745	126,068	120,318
Other operating and administrative expenses	13,059,346	12,527,194	12,136,017	532,152	391,177
New York State Cost wide recovery	7,253,000	5,853,000	5,852,795	1,400,000	205
Community Center	446,288	531,535	2,079,240	(85,247)	(1,547,705)
Depreciation and amortization	9,332,348	9,065,014	10,017,930	267,334	(952,916)
Total operating expenses	<u>53,729,600</u>	<u>44,116,252</u>	<u>44,987,673</u>	<u>9,613,348</u>	<u>(871,421)</u>
Operating income	<u>212,704,216</u>	<u>211,857,108</u>	<u>191,056,742</u>	<u>847,108</u>	<u>20,800,366</u>
Nonoperating revenues (expenses):					
Interest and other income	2,890,713	2,804,599	(586,205)	86,114	3,390,804
Other revenue	4,406,019	3,418	226,256	4,402,601	(222,838)
Interest expense, net	(34,509,014)	(35,124,886)	(36,446,093)	615,872	1,321,207
Bond issuance costs	—	(12,167)	(10,843,250)	12,167	10,831,083
Provision for transfer to the Port Authority of NY & NJ	—	(2,103,519)	—	2,103,519	(2,103,519)
Provision for transfer to the City of New York	(123,403,732)	(124,547,666)	(112,084,771)	1,143,934	(12,462,895)
Provision for transfer to the City of New York - 2010 Agreement	(37,190,169)	(42,802,696)	(46,048,371)	5,612,527	3,245,675
Provision for transfer to New York State - Route 9A Agreement	(1,786,129)	(1,255,979)	—	(530,150)	(1,255,979)
Pier A and Pier A Plaza construction pass through NYC	(836,891)	(5,893,927)	(5,025,956)	5,057,036	(867,971)
Total nonoperating expenses, net	<u>(190,429,203)</u>	<u>(208,932,823)</u>	<u>(210,808,390)</u>	<u>18,503,620</u>	<u>1,875,567</u>
Change in net position (deficit)	<u>22,275,013</u>	<u>2,924,285</u>	<u>(19,751,648)</u>	<u>19,350,728</u>	<u>22,675,933</u>
Net deficit, beginning of year					
Effect of adoption of GASB 68	—	(695,489)	—	695,489	(695,489)
Net (deficit), beginning of year	<u>(666,723,563)</u>	<u>(668,952,359)</u>	<u>(649,200,711)</u>	<u>2,228,796</u>	<u>(19,751,648)</u>
Net deficit, end of year	<u>\$ (644,448,550)</u>	<u>(666,723,563)</u>	<u>(668,952,359)</u>	<u>22,275,013</u>	<u>2,228,796</u>

* As noted earlier, the restatement relates to the Authority's adoption of GASB Statement No. 68 in fiscal year 2015.

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Operating Revenues

2015 vs. 2014

Overall operating revenues for the year ended October 31, 2015 totaled \$266 million, approximately a net of \$10.5 million higher than the year ended October 31, 2014. Lease revenues consist primarily of base (land) rent and PILOT from long-term leaseholds.

Base rent decreased \$4.7 million from \$62.7 million for the year ended October 31, 2014, primarily due to scheduled rent reductions for Olympia Towers A, B and D. PILOT revenue totaling approximately \$195 million (approximately 73% of the total operating revenues for the fiscal year ended October 31, 2015), increased by \$13.4 million over the fiscal year ended October 31, 2014. The change in civic facility payments and other is a \$1.7 million increase from \$10 million for the year ended October 31, 2014 to \$11.7 million for the year ended October 31, 2015.

2014 vs. 2013

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

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

Operating Expenses

2015 vs. 2014

Operating expenses totaled approximately \$53.7 million for the fiscal year ended October 31, 2015, representing a net \$9.6 million increase compared to the fiscal year ended October 31, 2014. The expenses include: wages and related benefits; OPEB; operating and administrative expenses such as security, insurance, rent, maintenance, transportation, legal, financial, and promotional; planning/design expenditures; and depreciation and amortization.

Wages and related benefits totaling \$20.9 million increased \$7.3 million over the previous fiscal year ended October 31, 2014, primarily due to the payment of \$6.5 million to withdraw from the Conservancy's CIRS pension plan.

OPEB Authority - Expenses for the Authority increased for the fiscal year ended October 31, 2015 by \$33 thousand. This was due to the lower normal and interest costs together with an ARC amortization credit determined by the triennial valuation. OPEB costs represent a pro rata share of annual interest and normal costs for postemployment medical benefits for all eligible current employees in accordance with GASB Statement No. 45 (see note 18).

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OPEB Conservancy - The Conservancy recognized the normal and interest costs of approximately \$2.1 million for the plan for the fiscal year ended October 31, 2015 (see note 19) which was approximately \$126 thousand higher than the OPEB expenses for the year ended October 31, 2014.

Other operating and administrative expenses increased a net \$1.9 million primarily due to the cost increase of the annual New York State cost recovery fee of \$1.4 million.

Expenses relating to the community center at Site 23/24 decreased by \$85 thousand from \$531 thousand for the fiscal year ended October 31, 2014.

Depreciation and amortization expenses recorded for the fiscal year ended October 31, 2015 of \$9.3 million was \$267 thousand higher than the year ended October 31, 2014.

2014 vs. 2013

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

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

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

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

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

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

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

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Nonoperating Revenues (Expenses)

2015 vs. 2014

Total nonoperating expenses were approximately a net \$18.5 million lower for the year ended October 31, 2015 than the year ended October 31, 2014. A provision for a transfer to the City of \$123.4 million in excess revenues was charged to expense for the year ended October 31, 2015, a decrease of approximately \$1.1 million from the year ended October 31, 2014. In addition, a provision for transfer to the City for the 2010 Agreement of \$37.2 million was charged to expense for the year ended October 31, 2015, a decrease of approximately \$5.6 million from the year ended October 31, 2014. There was no provision for transfer to the PANYNJ for the fiscal year ended October 31, 2015. There was a provision for transfer to the PANYNJ of approximately \$2.1 million for the fiscal year ended October 31, 2014. The Authority expended approximately \$837 thousand of capital improvements to Pier A, which is a City-owned asset, and accordingly recorded a provision for transfer to the City for that amount for the fiscal year ended October 31, 2015. The amount expended for the fiscal year ended October 31, 2014 was approximately \$5.9 million, a decrease of approximately \$5.1 million for the year ended October 31, 2015. The Authority recorded approximately \$1.8 million for the year ended October 31, 2015 relating to the provision for transfer to New York State for the Route 9A Agreement which was approximately \$530 thousand higher than the year ended October 31, 2014.

Interest and other income increased by \$86 thousand primarily due to restructuring the long-term investment portfolio during the year ended October 31, 2014. Other revenue increased \$4.4 million as a result from 9/11 Insurance proceeds and Superstorm Sandy proceeds. Net interest expense related to outstanding bonds decreased \$616 thousand, primarily due to the lower costs of capital, compared to the year ended October 31, 2014. Bond issuance costs of approximately \$12 thousand related to the October 2013 bond offering were charged to expense for the fiscal year ended October 31, 2014 (see note 13).

2014 vs. 2013

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

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

Change in Net Position (Deficit)

The total net deficits at October 31, 2015 and 2014 were \$644 million and \$667 million, respectively.

The total net deficits at October 31, 2014 and 2013 were \$667 million and \$669 million, respectively.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)

October 31, 2015 and 2014

Other Information

Debt Administration –The 2009 Revenue Bonds, issued in December 2009, totaling \$89 million, included \$56.6 million of federally taxable Build America Bonds and \$32.5 million (including a net premium) of tax-exempt bonds. At October 31, 2015, the Authority was responsible for debt service on the 2009 Revenue Bonds of \$87.4 million (see note 16).

	<u>Outstanding debt</u>	<u>Fitch</u>	<u>Moody's</u>	<u>Standard & Poor's (S&P)</u>
2009 Senior Revenue A Bonds	\$ 56,600,000	AAA	Aaa	Not rated
2009 Senior Revenue B Bonds	30,784,396	AAA	Aaa	Not rated

The 2013 Revenue Bonds, issued in October 2013, totaling \$1.02 billion, included \$407.1 million (inclusive of net premium) of fixed-rate tax exempt Senior Revenue Bonds Series A and \$6.9 million (inclusive of net premium) of federally taxable, fixed-rate Senior Revenue Bonds, Series B. In addition, the Authority directly placed \$609.5 million variable-rate Junior Revenue Bonds with three banks, comprising \$210.9 million of Series C, \$199.3 million of Series D, and \$199.3 million of Series E (see notes 12 and 16). At October 31, 2015, the Authority was responsible for debt service on the 2013 Revenue Bonds of \$994 million.

	<u>Outstanding debt</u>	<u>Fitch</u>	<u>Moody's</u>	<u>Standard & Poor's (S&P)</u>
2013 Senior Revenue A Bonds	\$ 383,046,746	AAA	Aaa	Not Rated
2013 Senior Revenue B Bonds	5,695,000	AAA	Aaa	Not Rated
2013 Junior Revenue C Bonds	209,675,000	Not Rated	Aa2	Not Rated
2013 Junior Revenue D Bonds	197,735,000	Not Rated	Not Rated	Not Rated
2013 Junior Revenue E Bonds	197,740,000	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)

October 31, 2015 and 2014

Assets	<u>2015</u>	<u>2014</u>
Current assets:		
Bank deposits	\$ 221,484	31,798
Investments (note 3(e))	595,471	10,943,867
Restricted assets:		
Rents and other receivables (net of allowance for doubtful accounts of \$1,331,050 in 2015 and \$1,169,749 in 2014) (note 14(a))	5,192,234	6,014,450
2003 General Bond Resolution Funds (notes 3(e), 8, 9, and 10)	208,977,564	224,839,790
2009 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 11)	11,969,198	15,121,807
2013 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 12)	46,845,663	43,053,458
Bond resolution fund receivables (notes 3(e), 8, 9, 12 and 14(b))	65,632,000	—
Corporate-designated, escrowed, and OPEB funds (note 3(e))	1,187,090	4,868,499
Total current assets	<u>340,620,704</u>	<u>304,873,669</u>
Noncurrent assets:		
Restricted assets:		
2003 General Bond Resolution Funds (notes 3(e), 8, 9, and 10)	31,898,935	70,684,389
2009 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 11)	142,714	2,737,566
2013 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 12)	15,063,301	32,963,690
Residential lease required funds (note 3(e))	27,277,629	21,467,676
Corporate-designated, escrowed, and OPEB funds (notes 3(e), 18 and 19)	67,104,613	69,193,007
Battery Park City project assets – at cost, less accumulated depreciation (notes 2, 3(c), and 4)	493,250,767	485,217,744
Other assets	4,782,531	4,526,698
Total noncurrent assets	<u>639,520,490</u>	<u>686,790,770</u>
Total assets	<u>980,141,194</u>	<u>991,664,439</u>
Deferred Outflows of Resources		
Deferred pension outflows (note 17)	106,951	—
Accumulated decrease in fair value of interest rate swaps (notes 3(j) and 10)	25,819,426	12,079,644
Unamortized loss on extinguishment of 1993, 1996, 2000, and 2003 bonds (note 3(j))	21,275,029	22,600,940
Deferred costs of refunding, less accumulated amortization of \$7,650,711 in 2015 and \$3,870,057 in 2014 (note 10)	62,564,700	66,345,355
Total deferred outflows of resources	<u>109,766,106</u>	<u>101,025,939</u>
Total assets and deferred outflows of resources	<u>\$ 1,089,907,300</u>	<u>1,092,690,378</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Statements of Net Position (Deficit)

October 31, 2015 and 2014

Liabilities	2015	2014 (Restated)
Current liabilities:		
Accrued interest on bonds	\$ 17,253,706	17,543,216
Accounts payable and other liabilities (note 15)	7,356,275	6,102,998
Accrued pension payable (note 17)	519,940	695,489
Due to the City of New York (note 13)	124,019,949	125,163,883
Due to the City of New York - 2010 Agreement (note 13)	37,443,333	43,055,860
Due to the Port Authority of New York & New Jersey (note 20(f))	869,381	869,381
Unearned revenue (note 3(d)):		
PILOT revenue	33,205,356	31,443,206
Base rent and other revenue	13,259,696	12,933,420
Security and other deposits	4,738	4,738
2009 Revenue Bonds (notes 8, 9, and 11)	315,000	310,000
2013 Revenue Bonds (notes 8, 9, and 12)	25,195,000	23,730,000
Total current liabilities	<u>259,442,374</u>	<u>261,852,191</u>
Noncurrent liabilities:		
Unearned revenue (note 3(d)):		
Base rent and other revenue	268,740,158	280,607,063
Security and other deposits	27,598,354	21,963,822
OPEB - Battery Park City Authority (note 18)	18,549,464	18,502,073
OPEB - Battery Park City Parks Conservancy (note 19)	15,840,559	13,789,687
Fair value of interest rate swaps (notes 3(j) and 10)	25,819,426	12,079,644
Imputed borrowing (note 10)	62,564,700	66,345,355
Bonds outstanding (notes 8, 9, 10, 11, and 12):		
2009 Revenue Bonds, less accumulated amortization of \$426,611 in 2015 and \$353,763 in 2014	87,069,396	87,457,244
2013 Revenue Bonds, less accumulated amortization of \$5,918,305 in 2015 and \$2,993,189 in 2014	968,696,746	996,816,862
Total noncurrent liabilities	<u>1,474,878,803</u>	<u>1,497,561,750</u>
Total liabilities	<u>1,734,321,177</u>	<u>1,759,413,941</u>
Deferred Inflows of Resources		
Deferred pension inflows (note 17)	<u>34,673</u>	—
Total deferred inflows of resources	<u>34,673</u>	—
Net Position (Deficit)		
Invested in capital assets, net of related debt	(13,840,713)	(24,494,670)
Restricted:		
Debt service	58,071,243	58,890,717
Under bond resolutions and other agreements	6,522,319	9,516,869
Unrestricted (deficit)	<u>(695,201,399)</u>	<u>(710,636,479)</u>
Total net position (deficit)	<u>(644,448,550)</u>	<u>(666,723,563)</u>
Total liabilities and net position (deficit)	<u>\$ 1,089,907,300</u>	<u>1,092,690,378</u>

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position (Deficit)
Years Ended October 31, 2015 and 2014

	2015	2014 (Restated)
Operating revenues:		
Revenues from ground leases (notes 5, 6, and 7):		
Base rent	\$ 58,025,998	62,705,939
Supplemental rent	1,652,149	1,561,040
Payments in lieu of real estate taxes	195,048,129	181,660,585
Civic facilities payments and other	11,707,540	10,045,796
Total operating revenues	266,433,816	255,973,360
Operating expenses:		
Wages and related benefits	20,922,843	13,582,735
OPEB - Battery Park City Authority (note 18)	567,644	534,711
OPEB - Battery Park City Parks Conservancy (note 19)	2,148,131	2,022,063
Other operating and administrative expenses	20,758,634	18,911,729
Depreciation of project assets	8,689,758	8,445,208
Other depreciation and amortization	642,590	619,806
Total operating expenses	53,729,600	44,116,252
Operating income	212,704,216	211,857,108
Nonoperating revenues (expenses):		
Investment income on funds relating to:		
2003 Revenue Bonds (note 10)	1,908,610	1,490,637
2009 Revenue Bonds (note 11)	103,981	152,298
2013 Revenue Bonds (note 12)	725,858	173,051
Corporate-designated, escrowed, and OPEB funds	1,443,244	1,704,420
Realized and unrealized gains and (losses)	(1,290,980)	(715,807)
Other revenue	4,406,019	3,418
Interest expense relating to:		
2003 Swap agreements – net expense	(12,134,076)	(12,367,662)
2003 Revenue Bonds (note 10)	(11,823)	(13,064)
2009 Revenue Bonds (note 11)	(3,772,254)	(3,791,681)
2013 Revenue Bonds (note 12)	(17,264,951)	(17,626,569)
Loss from extinguishment	(1,325,910)	(1,325,910)
Bond issuance costs	—	(12,167)
Provision for transfer to the Port Authority of New York & New Jersey (note 20(f))	—	(2,103,519)
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts (note 13)	(123,403,732)	(124,547,666)
Provision for transfer to the City of New York per 2010 agreement (note 13)	(37,190,169)	(42,802,696)
Provision for transfer to the City of New York - Pier A	(836,891)	(5,893,927)
Provision for transfer to the State of New York - Route 9A	(1,786,129)	(1,255,979)
Total nonoperating expenses	(190,429,203)	(208,932,823)
Change in net position (deficit)	22,275,013	2,924,285
Net (deficit), beginning of year	(666,723,563)	(668,952,359)
Effect of adoption of GASB 68 (notes 3(l) and 17)	—	(695,489)
Net (deficit), beginning of year	(666,723,563)	(669,647,848)
Net (deficit), end of year	\$ (644,448,550)	(666,723,563)

See accompanying notes to financial statements.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
(A Component Unit of the State of New York)
Statements of Cash Flows
Years Ended October 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Cash receipts from:		
Tenant payments	\$ 254,397,777	245,640,395
Miscellaneous receipts	1,712,355	737,115
Total cash receipts from operating activities	256,110,132	246,377,510
Cash payments for:		
Salaries and benefits	(21,865,936)	(14,038,475)
Services and supplies	(19,862,900)	(19,374,234)
Total cash payments for operating activities	(41,728,836)	(33,412,709)
Net cash provided by operating activities	214,381,296	212,964,801
Cash flows from noncapital financing activities:		
Receipts from the City of New York - Pier A	1,295,262	1,276,875
Payments to Pier A Contractors on behalf of the City of New York	(717,500)	(1,550,579)
Payments to Pier A Plaza Contractors on behalf of the City of New York	(1,234,303)	(2,403,542)
Receipts from insurance proceeds escrow	3,921,712	—
Payments for the New York City Public Library	—	(83,857)
Payments from lessees – site security deposits	5,799,609	10,772
Payments to the Port Authority of New York & New Jersey	—	(1,234,138)
Payments from LMDC West Thames St Pedestrian Bridge	918,632	1,017,647
Payments to NYC EDC - West Thames St Pedestrian Bridge	(918,632)	(1,017,647)
Payments from Security Betterment - Route 9A Agreement	—	434,984
Payments to NYS DOT & Contractors - Route 9A Agreement	(76,964)	(1,684,103)
Payments to NYC School Construction Authority	—	(1,898,808)
Payments to the City of New York	(124,547,666)	(111,468,554)
Payments to the City of New York - 2010 Agreement	(42,802,696)	(45,795,207)
Net cash used in noncapital financing activities	(158,362,546)	(164,396,157)
Cash flows from capital and related financing activities:		
Development costs – site improvements and construction	(17,030,287)	(9,310,639)
Capital asset expenditures	(569,013)	(523,166)
Receipts from the sale of capital assets	16,133	3,418
Payments for Superstorm Sandy	(233,412)	(1,617,725)
Proceeds from Superstorm Sandy	—	2,661,190
Payments for bond issuance costs	—	(9,722,672)
Auction fees for variable debt	(11,823)	(55,459)
Swap payment made on the 2003 Swap agreement	(12,656,758)	(12,844,892)
Swap interest payments received on the 2003 Swap agreement	420,523	389,081
Principal paydown on 2003 Revenue Bonds	—	(16,140,000)
Interest paid on 2003 Senior Revenue Bonds	—	(412,700)
Interest paid on 2009 Senior Revenue Bonds	(5,022,831)	(5,029,806)
Principal paydown on 2009 Senior Revenue Bonds	(310,000)	(310,000)
Interest paid on 2013 Senior Revenue Bonds	(16,409,200)	(8,670,299)
Principal paydown on 2013 Senior Revenue Bonds	(19,350,000)	—
Interest paid on 2013 Bonds CDE	(3,972,435)	(3,694,231)
Principal paydown on 2013 Bonds CDE	(4,380,000)	—
Transfer to Escrow Account for Bond Refunding	—	10,149,229
Receipt - JPMC Muni Bond Settlement	137,000	—
2009 Senior Revenue Bonds - Build America Bonds refund from US Treasury	1,759,523	585,980
Net cash used in capital and related financing activities	(77,612,580)	(54,542,691)
Cash flows from investing activities:		
Interest and realized gains received on investment securities	3,663,872	3,416,974
Maturities and redemptions of investment securities	669,390,249	515,315,610
Purchases of investment securities	(665,035,396)	(670,827,511)
Net cash provided by (used in) investing activities	8,018,725	(152,094,927)
Decrease in cash and cash equivalents	(13,575,105)	(158,068,974)
Cash and cash equivalents, beginning of year	60,103,415	218,172,389
Cash and cash equivalents, end of year	\$ 46,528,310	60,103,415

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

Statements of Cash Flows

Years Ended October 31, 2015 and 2014

	2015	2014
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 212,704,216	211,857,108
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for bad debt expense	161,301	314,243
Depreciation and amortization	9,332,348	9,065,014
Other	118,142	144,275
Changes in operating assets and liabilities:		
Increase in rents and other receivables	(29,256)	(728,815)
Increase in other assets	(265,021)	(106,332)
Increase (decrease) in accounts payable and other liabilities	112,060	(107,719)
Decrease in deferred revenue	(9,778,479)	(9,467,847)
Increase in OPEB	2,098,263	1,994,874
Net cash provided by operating activities	\$ 214,453,574	212,964,801
Reconciliation to cash and cash equivalents, end of year:		
Bank deposits	\$ 221,484	31,798
Cash and cash equivalents (note 3(e))	510,860	361,780
Investments with less than 91-day maturities (note 3(e))	45,795,966	59,709,837
Cash and cash equivalents, end of year	\$ 46,528,310	60,103,415

See accompanying notes to financial statements.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

October 31, 2015 and 2014

(1) General

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

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

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

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

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

(2) Description of Project

The Project consists of approximately 92 acres of landfill created, owned, and operated by the Authority (see note 4). The Project’s 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.

(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.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

October 31, 2015 and 2014

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 post-employment benefits. Actual results could differ from those estimates.

(c) Project Assets

Costs incurred by the Authority in developing the Project as of October 31, 2015 and 2014 are capitalized as project assets and are classified as follows:

	Balance at October 31, 2014	Additions	Deletions	Balance at October 31, 2015
Land	\$ 83,015,653	—	—	83,015,653
Site improvements	386,612,538	13,531,029	—	400,143,567
Residential building and condominiums	133,309,670	3,191,752	—	136,501,422
Total project assets	<u>602,937,861</u>	<u>16,722,781</u>	<u>—</u>	<u>619,660,642</u>
Less: accumulated depreciation:				
Site improvements	92,839,739	3,217,641	—	96,057,380
Residential building and condominiums	24,880,378	5,472,117	—	30,352,495
Total accumulated depreciation	<u>117,720,117</u>	<u>8,689,758</u>	<u>—</u>	<u>126,409,875</u>
Net project assets	<u>\$ 485,217,744</u>	<u>8,033,023</u>	<u>—</u>	<u>493,250,767</u>

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

October 31, 2015 and 2014

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

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 2015 of \$40.7 million, \$60 million, \$42.5 million, \$22.5 million, \$33.9 million, and \$4.75 million from residential buildings on Site 22, Site 16/17, Site 3, Site 23, Site 24, and Site 2A, respectively.

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

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

October 31, 2015 and 2014

(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 October 31, 2015 and 2014 included within the balance sheet accounts: investments, corporate designated, escrowed and OPEB funds, bond resolution funds (see note 8) and residential lease required funds are as follows:

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

October 31, 2015 and 2014

	October 31, 2015			October 31, 2014		
	Cost	Fair value	Weighted average maturity (years) (a)	Cost	Fair value	Weighted average maturity (years) (a)
U.S. Treasury securities:						
Treasury Bills	\$ 37,268,232	37,271,691	0.04	\$ 173,087,193	173,171,043	0.17
Treasury Bonds	151,291,697	150,739,197	1.87	132,835,500	132,359,025	2.17
Treasury Strips	1,922,553	1,924,997	0.79	—	—	—
Total U.S. Treasury securities	<u>190,482,482</u>	<u>189,935,885</u>		<u>305,922,693</u>	<u>305,530,068</u>	
Commercial paper	134,597,671	134,695,588	0.03	130,270,577	130,345,053	0.03
Federal agency securities	25,650,572	25,633,851	0.75	9,181,890	9,539,319	2.34
Federal agency mortgage backed securities	10,510,365	10,726,389	2.98	10,300,421	10,774,646	3.43
Municipal bonds	28,094,684	28,564,699	2.09	25,394,684	26,160,656	2.86
Small Business Administration	2,930,503	2,949,636	6.94	514,342	513,532	6.49
Supra National Agency	17,902,119	18,045,270	2.34	12,556,495	12,648,695	3.33
Total investments	<u>410,168,396</u>	<u>410,551,318</u>	1.13	<u>494,141,102</u>	<u>495,511,969</u>	1.01
Cash and cash equivalents	<u>510,860</u>	<u>510,860</u>		<u>361,780</u>	<u>361,780</u>	
Total investments and deposits	<u>\$ 410,679,256</u>	<u>411,062,178</u>		<u>\$ 494,502,882</u>	<u>495,873,749</u>	

(a) Portfolio weighted average effective duration

As of October 31, 2015, there was \$65,632,000 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 October 31, 2015 and 2014, restricted assets included cash and cash equivalents and investments with less than 91-day maturities amounting to \$46,306,826 and \$60,071,617, 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

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of October 31, 2015 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.

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)).

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(h) *Statements of Cash Flows*

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

(i) *Defined Postemployment Benefits*

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

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

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

On October 23, 2013, the Authority currently refunded its Series 2003 bonds. The interest rates on these bonds were effectively hedged by interest rate swaps, which were bifurcated as of the date of the current refunding. Accordingly, the fair value of the interest rate swaps on October 23, 2013 of negative \$70.1 million was recorded as an imputed borrowing by the Authority. The Authority also recorded the \$70.1 million as a deferred cost of refunding and reduced the deferred outflow of resources that had been recorded to offset the negative fair value of the interest rate swap to zero. These amounts are being amortized on a straight line basis over the remaining life of the swaps. Apart from the imputed borrowing, the interest rate swap agreements, which continue in effect and continue as an effective hedge, had a positive fair value of \$12.1 million at October 31, 2014, which was recorded as an asset and a deferred inflow of resources. This value decreased \$13.7 million to a negative fair value of \$25.8 million at October 31, 2015. This negative fair value is recorded as a deferred outflow of resources and a liability on the Authority’s statement of net position.

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(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.

The fair value measurement of the Organization’s assets and liabilities at October 31, 2015 and 2014 are as follows:

	October 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets at fair value:				
U.S. Treasury Securities:				
Treasury Bills	\$ 37,271,691	-	-	37,271,691
Treasury Bonds	150,739,197	-	-	150,739,197
Treasury Strips	1,924,997	-	-	1,924,997
Commercial Paper	-	134,695,588	-	134,695,588
Federal Agency Securities	-	25,633,851	-	25,633,851
Federal Agency Mortgage Backed Securities	-	10,726,389	-	10,726,389
Municipal Bonds	-	28,564,699	-	28,564,699
Small Business Administration	-	2,949,636	-	2,949,636
Supra National Bonds	-	18,045,270	-	18,045,270
Total assets at fair value	\$ <u>189,935,885</u>	<u>220,615,433</u>	<u>-</u>	<u>410,551,318</u>
Liabilities at fair value:				
Interest rate swaps	\$ <u>-</u>	<u>-</u>	<u>25,819,426</u>	<u>25,819,426</u>

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	October 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets at fair value:				
U.S. Treasury Securities:				
Treasury Bills	\$ 173,171,043	-	-	173,171,043
Treasury Bonds	132,359,025	-	-	132,359,025
Commercial Paper	-	130,345,053	-	130,345,053
Federal Agency Securities	-	9,539,319	-	9,539,319
Federal Agency Mortgage Backed Securities	-	10,774,646	-	10,774,646
Municipal Bonds	-	26,160,656	-	26,160,656
Small Business Administration	-	513,532	-	513,532
Supra National Bonds	-	12,648,695	-	12,648,695
Total assets at fair value	\$ <u>305,530,068</u>	<u>189,981,901</u>	<u>-</u>	<u>495,511,969</u>
Liabilities at fair value:				
Interest rate swaps	\$ -	-	12,079,644	12,079,644

(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 will 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 year and adjusted the beginning balance of net position (deficit) to reflect the accrued pension liability provided by the State of New York. As of October 31, 2014, the amount of the accrued pension liability was \$695,489 (see note 17).

(m) New Accounting Pronouncements

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

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* ("GASB 71") is effective for fiscal periods beginning after June 15, 2014. GASB 71 eliminates a potential source of understatement of restated beginning net position and expense in a government's first year of implementing GASB No. 68. To correct this

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potential understatement, GASB 71 requires a state or local government, when transitioning to the new pension standards, to recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions. The provisions are effective simultaneously with the provisions of GASB 68, which is required to be applied in fiscal years beginning after June 15, 2014. Management determined that GASB 71 does not have an impact on the Authority's financial statements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73") is effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. GASB 73 establishes requirements that will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and non-employer contributing entities. Management determined that GASB 73 does not have an impact on the Authority's financial statements.

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. The Authority has not completed the process of evaluating the effect of GASB 74 on its financial statements.

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.

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Management determined that GASB 76 does not have an impact on the Authority's financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*, ("GASB 77") is effective for fiscal years beginning after December 15, 2015. GASB 77 requires state and local governments for the first time to disclose information about tax abatement agreements. Statement 77 requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. Management determined that GASB 77 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 provide 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.

(4) Rights of City To Reacquire Project Site

The fee interest in the Project site formerly owned by the City was conveyed to the Authority in the early 1980s for a nominal consideration. The City has the right to reacquire the Project site at any time, subject to the then existing leases, for a nominal consideration after: (a) all notes, bonds, and other indebtedness incurred by the Authority, or for which the Authority's revenues have been pledged, have been repaid or defeased; and (b) satisfaction or provision for payment of its contractual obligations and other contingent liabilities. The City may provide for repayment or defeasance of indebtedness incurred by the Authority under its various bond resolutions. As of October 31, 2015, 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

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of its affiliates (“American Express”). O&Y has been reorganized as a result of bankruptcy proceedings and has changed its name to Brookfield Financial Properties (“BFP”). In September 2002, BFP acquired an interest in approximately 50% of Brookfield Place 200 Vesey Street from American Express.

As of October 31, 2015, the BP leases, which expire in 2069, provide for future base rent payments aggregating approximately \$805 million over the lease terms in the following annual amount: base rent of \$17 million per annum from 2016 through 2069 payable by the BFP-affiliated lessees (see note 7). In addition, the leases provide for rent relating to retail and other space and, with respect to each building, percentage rent based on cash flow, as defined, which commenced in 1997 and continues to 2016. Annual PILOT is also required to be paid to the Authority based on the assessed value of each building and the tax rate then applicable to real property located in the borough of Manhattan, unless alternative PILOT arrangements are set forth in the ground lease. The City determines the assessed value of each building. Each lessee, or certain authorized tenants of the lessee, has the right to appeal the assessment to the New York City Tax Commission and bring tax certiorari proceedings in State court to seek reductions in the amounts of such assessments. A number of administrative and judicial appeals on some of the parcels are currently pending for the current and prior tax years. While any such proceedings are pending, the lessee is required to pay PILOT based upon the assessments established by the City. If a lessee is successful in any such proceedings, subsequent rental payments to the Authority will be reduced to the extent necessary to offset the prior overpayment of PILOT as a result of the revised assessment.

(6) Residential and Other Development

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

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.

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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 the Authority's five fiscal years ending from October 31, 2016 through 2020 and through the end of the lease term (thereafter), are as follows (in 000s):

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Thereafter</u>	<u>Total</u>
Commercial development:							
Base rent	\$ 18,046	18,289	19,667	19,687	19,707	999,591	1,094,987
Residential developments:							
Gateway project base rent	305	305	305	305	305	6,007	7,532 (a)
S. Res. Neighborhood:							
Base rent	18,440	18,752	19,081	19,408	19,684	1,731,612	1,826,977
Other minimum payments	9,886	10,138	10,397	10,663	10,936	127,287	179,307
Subtotal S. Res.	<u>28,326</u>	<u>28,890</u>	<u>29,478</u>	<u>30,071</u>	<u>30,620</u>	<u>1,858,899</u>	<u>2,006,284</u>
N. Res. Neighborhood:							
Base rent	7,686	7,881	8,078	8,296	8,582	762,585	803,108
Other minimum payments	15,255	16,674	17,675	18,279	18,282	506,484	592,649
Subtotal N. Res.	<u>22,941</u>	<u>24,555</u>	<u>25,753</u>	<u>26,575</u>	<u>26,864</u>	<u>1,269,069</u>	<u>1,395,757</u>
Total	<u>\$ 69,618</u>	<u>72,039</u>	<u>75,203</u>	<u>76,638</u>	<u>77,496</u>	<u>4,133,566</u>	<u>4,504,560</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

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ground leases. These minimum payments will be recorded as revenues (supplemental rents) only to the extent that minimum amounts exceed PILOT revenues due. Revenues to be paid on a percentage basis and other like contingent payments are also excluded from the above tabulation.

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

The current and noncurrent balance in the funds and accounts established in accordance with the Authority's 2003 General Bond Resolution Funds and held by trustees are as follows at October 31, 2015 and 2014:

2003 General Bond Resolution Funds				
October 31, 2015	General Bond Resolution	Senior Bonds	Junior Bonds	Total General Bond Resolution
Reserve Fund	\$ 70,380,727	—	—	70,380,727
Project Operating Fund	7,831,814	—	—	7,831,814
Debt Service Funds	—	361,385	169,649	531,034
Residual Fund	117,890	—	—	117,890
Pledged Revenue Fund	162,015,034	—	—	162,015,034
	\$ 240,345,465	361,385	169,649	240,876,499

There was an additional \$61,676,000 of 2003 debt service bond resolution funds in transit as of October 31, 2015. Accordingly, this amount has been included in the bond resolution fund receivable amount in the statement of net position.

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

In December 2009, as a result of the 2009 Senior Revenue Bonds issuance, funds and accounts were added to implement certain provisions of the 2003 General Bond Resolutions and were held by trustees as follows at October 31, 2015 and 2014:

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2009 Revenue Bonds			
	2009A	2009B	Total
	Senior Revenue	Senior Revenue	2009
	Bonds	Bonds	Bonds
October 31, 2015			
Project Costs Fund	\$ 10,591,580	1,520,332	12,111,912

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

There was an additional \$232,000 of 2009 project cost bond resolution funds in transit as of October 31, 2015. Accordingly, this amount has been included in the bond resolution fund receivable amount 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 October 31, 2015 and 2014:

2013 Revenue Bonds			
	2013A	2013B	Total
	Senior Revenue	Senior Revenue	2013
	Bonds	Bonds	Bonds
October 31, 2015			
Project Costs Fund	\$ 61,573,533	335,431	61,908,964

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

There was an additional \$3,724,000 of 2013 project cost bond resolution funds in transit as of October 31, 2015. Accordingly, this amount has been included in the bond resolution fund receivable amount in the statement of net position.

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.

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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 and other unpledged funds. These balances become general assets for lawful corporate purposes. From time to time, revenues not pledged to the bondholders are deposited to the PRF.

(9) Authority Bonds Authorized

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

The Act, as amended, also authorizes the Authority to issue bonds for the purpose of furthering the development of a commodities and futures exchange facility in Battery Park City in an amount not to exceed \$110 million, plus the principal amount of bonds and notes issued to fund any related debt service reserve fund and to provide a portion of interest on and costs of issuance related to such indebtedness. As of October 31, 2015, 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

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already outstanding, to provide for an exchange of payments based upon fixed and/or variable interest rates. In October 2003, the Authority entered into \$400 million of Swaps (see note 10).

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

(10) 2003 Revenue Bonds

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

- A total of \$564,891,733 of bonds (including \$343,017,495 of the 2003 Series A Bonds, \$50,871,502 of the 2003 Series B Bonds, and \$171,002,776 of the 2003 Series C Bonds) were issued to currently refund all the outstanding 1993 Revenue Refunding Bonds, including \$324,045,000 of the 1993 Series A Senior Bonds, \$115,420,000 of the 1993 Series A Junior Bonds, and \$53,075,000 of the Junior Revenue Bonds, Series 2000.
- \$95,755,874 of the 2003 Series C Bonds were issued to advance refund \$74,385,000 of outstanding Junior Revenue Bonds, Series 1996A.
- \$115,160,363 of the 2003 Series B Bonds was issued to finance certain infrastructure and other capital improvements. All of the 2003 Series B bond proceeds were utilized as of October 31, 2012.

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

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

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

The Authority issued certain of the 2003 Series A Bonds at a discount and others at a premium, resulting in an overall net premium of approximately \$27 million. All unamortized net bond premiums were reclassified to Gain (Loss) on Extinguishment of Debt on October 23, 2013, when the bonds were refunded.

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

Swaps

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

	Deallocation of Swap Principal	Interest-rate swaps		
		Payment	Pro-Forma Receipts	Pro-Forma Net payment
Year ended October 31:				
2016	\$ 5,450,000	(12,468,624)	456,647	(12,011,977)
2017	5,450,000	(12,280,490)	449,757	(11,830,733)
2018	5,450,000	(12,092,356)	442,867	(11,649,489)
2019	5,450,000	(11,904,222)	435,977	(11,468,245)
2020	5,500,000	(11,715,225)	429,055	(11,286,170)
2021 – 2025	30,825,000	(55,517,222)	2,033,246	(53,483,976)
2026 – 2030	144,225,000	(44,217,963)	1,619,425	(42,598,538)
2031 – 2034	161,575,000	(10,211,448)	373,981	(9,837,467)
Totals	<u>\$ 363,925,000</u>	<u>(170,407,550)</u>	<u>6,240,955</u>	<u>(164,166,595)</u>

The above table shows payments based on the Authority's pay-fixed-rate interest rate Swap payment obligation at an effective interest rate of 3.452% while the Authority's variable-rate receipts are based on the floating rate equal to 65% of 30-day LIBOR on October 31, 2015, which the counterparties are obligated to pay the Authority on a monthly basis. Although the pro-forma receipts shown are projected based on the latest interest rate at October 31, 2015 (65% of 0.1945% or 0.1264%), 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.

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The Swaps would expose the Authority to basis risk should its interest payments on the variable-rate Bonds significantly exceed the receipts, which are based on 65% of 30-day LIBOR. On October 23, 2013, the Authority currently refunded its Series 2003 bonds. The interest rates on these bonds were effectively hedged by interest rate swaps, which were bifurcated as of the date of the current refunding. Accordingly, the fair value of the interest rate swaps on October 23, 2013 of negative \$70.1 million was recorded as an imputed borrowing by the Authority. The Authority also recorded the \$70.1 million as a deferred cost of refunding and reduced the deferred outflow of resources that had been recorded to offset the negative fair value of the interest rate swap to zero. Apart from the imputed borrowing, the interest rate swap agreements, which continue in effect and continue an effective hedge, had a fair value of zero at October 23, 2013, which decreased to a negative fair value of \$25.8 million at October 31, 2015. The change between the year ended October 31, 2015 and 2014 is a negative \$13.7 million, which is recorded as deferred outflow of resources and a liability on the Authority's statement of net position 2009 Revenue Bonds.

(11) 2009 Revenue Bonds

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

- A total of \$85,000,000 of bonds (including \$55,000,000 of the 2009 Series A Bonds, \$30,000,000 of the 2009 Series B Bonds) 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 fiscal years ended October 31, 2015 and 2014, the Authority received payments from the U.S. Treasury in the amount of \$1,759,523 and \$585,980, respectively, pursuant to the subsidy. BABs already issued will continue to receive subsidies. The Authority has no assurances about future legislation or changes that may affect the availability, amount, or receipt of such subsidy payments.

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At October 31, 2015, the 2009 Series A Bonds consisted of the following term bonds:

	<u>Coupon rates</u>		<u>Principal amounts</u>	<u>Interest</u>	<u>BABs subsidy</u>	<u>Interest (net of BABs subsidy)</u>
Year ended October 31:						
2016	6.375%	\$	—	3,608,250	(1,219,949)	2,388,301
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
			<u>\$ 56,600,000</u>	<u>80,823,207</u>	<u>(28,245,187)</u>	<u>52,578,020</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 October 31, 2015, 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>
Year ended October 31:				
2016	2.50%	\$	315,000	1,406,769
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
			<u>\$ 29,400,000</u>	<u>23,431,472</u>

The Authority issued certain of the 2009 Series B Bonds at a premium of approximately \$1.81 million, which is being amortized on a straight-line basis, over the lives of the 2009 Series B Bonds. At October 31, 2015 and 2014, the unamortized net bond premium was approximately \$1.4 million and \$1.5 million, respectively.

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(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 \$21.9 million at fiscal year-end October 31, 2015, 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 October 31, 2015, principal and interest payments due on the 2013 Series A Bonds and 2013 Series B Bonds, which are all fixed-rate bonds, were as follows (see note 11):

2013 A Senior Bonds:

	<u>Coupon Rate</u>	<u>Principal amount</u>	<u>Interest</u>
Year ended October 31:			
2016	3.00%	\$ 14,605,000	15,907,725
2017	3.00% - 5.00%	20,995,000	15,238,775
2018	3.00% - 5.00%	22,160,000	14,259,900
2019	3.00% - 5.00%	23,360,000	13,221,900
2020	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>\$ 337,740,000</u>	<u>123,297,550</u>

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2013 B Senior Bonds:

	<u>Coupon Rate</u>	<u>Principal amount</u>	<u>Interest</u>
Year ended October 31:			
2016	2.00%	\$ <u>5,695,000</u>	<u>56,950</u>
Totals		\$ <u><u>5,695,000</u></u>	<u><u>56,950</u></u>

2013 C, D, and E Junior Bonds:

Each series of the 2013 C, D, and E Bonds initially bears interest monthly at a variable rate based on a percentage of one-month LIBOR plus a spread. The Authority has the right to cause the 2013 C, D, and E Bonds to be repurchased from the initial purchasers thereof and remarketed at other variable rates or fixed rates, and also has the right to otherwise purchase or redeem the 2013 C, D, and E Bonds, on certain dates. Any 2013 C, D, and E Bonds that are not so remarketed (or purchased or redeemed) by November 1, 2019 will bear interest thereafter at stepped-up rates that for 180 days will equal 7.5% per annum (or, if greater, a specified prime rate plus 1.5% per annum or a specified federal funds rate plus 2% per annum) and after 180 days will equal 12% per annum (or, if greater, a specified prime rate plus 3.5% per annum or a specified federal funds rate plus 4% per annum). The 2013 C, D, and E Bonds also will bear interest at rates higher than the foregoing if an event of default occurs under the Authority's agreements with the initial purchasers of the 2013 C, D, and E Bonds or if interest on the 2013 C, D, and E Bonds is determined to be includable in gross income for federal income tax purposes. The estimated interest payments for the 2013 C, D, and E Bonds shown in the table titled "2013 C, D, and E Bonds" below are based upon the November 2015 LIBOR rate and the respective variable rates in effect on November 1, 2015 and do not reflect the increased interest payments that would result from such stepped-up rates, default rates or taxable rates becoming effective. In addition, pursuant to agreements between the Authority and the respective initial purchasers of the 2013 C, D, and E Bonds, various additional fees and other amounts may be payable by the Authority from time to time, each on a basis subordinate to payment of annual debt service on Senior Bonds and Junior Bonds of any Series.

	<u>Junior C</u>		<u>Junior D</u>		<u>Junior E</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ended October 31:								
2016	\$ 1,235,000	1,672,460	1,830,000	1,426,945	1,830,000	962,474	4,895,000	4,061,879
2017	1,185,000	1,662,780	1,855,000	1,413,587	1,855,000	953,464	4,895,000	4,029,831
2018	1,235,000	1,653,100	1,825,000	1,400,247	1,830,000	944,455	4,890,000	3,997,802
2019	1,185,000	1,643,420	1,260,000	1,389,064	1,255,000	936,912	3,700,000	3,969,396
2020	1,220,000	1,633,800	1,250,000	1,379,965	1,255,000	930,775	3,725,000	3,944,540
2021 – 2025	6,820,000	8,011,840	8,505,000	6,746,506	8,500,000	4,550,438	23,825,000	19,308,784
2026 – 2030	28,730,000	7,470,960	39,485,000	5,922,181	39,490,000	3,994,519	107,705,000	17,387,660
2031 – 2035	23,560,000	6,260,800	69,585,000	3,943,112	69,580,000	2,659,671	162,725,000	12,863,583
2036– 2040	62,555,000	4,568,300	72,140,000	1,347,413	72,145,000	908,843	206,840,000	6,824,556
2041– 2043	81,950,000	909,880					81,950,000	909,880
Total	\$ <u>209,675,000</u>	<u>35,487,340</u>	<u>197,735,000</u>	<u>24,969,020</u>	<u>197,740,000</u>	<u>16,841,551</u>	<u>605,150,000</u>	<u>77,297,911</u>

Debt service on the 2003 Swap agreements (see note 10) and the 2009 and 2013 Bonds (see note 10, 11 and 12) 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

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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 debt service, along with certain other unpledged amounts will be transferred into the 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. In addition to a \$40 million commitment from the special fund (see note 20(e)), in November 2013, the Authority entered into an amendment with the City committing up to \$5 million dollars of funds held in the Special Fund for the construction of Pier A Plaza project and any balances remaining to flow through to the City. As of October 31, 2015, approximately \$4.9 million has been included in the amounts to be transferred to the City.

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

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

A payment of \$124.5 million was made in June 2015 towards the provision for the transfer to the City for the fiscal year ended October 31, 2014. A provision in the amount of \$123.4 million has been charged to nonoperating expenses for the fiscal year ended October 31, 2015.

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.

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Of the \$200 million due to the City 421-A fund, payments totaling \$200 million have been made through October 31, 2015, thus satisfying the City 421-A fund obligation. The Authority transferred the first payment of approximately \$10 million against the \$261 million City pay-as-you-go capital fund. A provision towards the \$261 million City pay-as-you-go capital fund in the amount of \$37.2 million has been charged to nonoperating expenses for the year ended October 31, 2015.

(14) (A) Rents and Other Receivables

Rents and other receivables consisted of the following at October 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Swap interest receivable	\$ 39,517	31,426
Miscellaneous receivables	1,466,992	1,931,870
Interest receivable	787,961	1,366,261
Due from Brookfield - Route 9A Agreement	513,000	—
Superstorm Sandy remediation (See note 20(g))	—	725,720
Rents receivable	3,715,814	3,128,922
Total receivables	6,523,284	7,184,199
Less allowance for doubtful accounts	<u>(1,331,050)</u>	<u>(1,169,749)</u>
Net receivables	<u>\$ 5,192,234</u>	<u>6,014,450</u>

(B) Bond Resolution Fund Receivables

As of October 31, 2015, there was \$65,632,000 of bond resolution funds invested with a maturity of October 31, 2015 (see note 8). The proceeds were received on November 2, 2015 and were used to pay debt service with the balance reinvested. These bond resolution funds have been shown separately as bond resolution fund receivables in the statement of net position.

(15) Accounts Payable and Other Liabilities

Accounts payable and other liabilities consisted of the following at October 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Amounts due to vendors	\$ 2,405,227	3,495,254
Contract retention costs	1,737,558	1,752,347
Due to developers	37,416	42,624
NYS DOT - Route 9A	2,229,025	—
Accrued rent	75,427	—
Accrued payroll and benefits	871,622	812,773
Total	<u>\$ 7,356,275</u>	<u>6,102,998</u>

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(16) Long-Term Liabilities

The Organization's bonds and other long-term liabilities as of October 31, 2015 and 2014 were comprised of the following obligations:

	<u>October 31, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2015</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	29,710,000	—	310,000	29,400,000	315,000
Subtotal	<u>86,310,000</u>	<u>—</u>	<u>310,000</u>	<u>86,000,000</u>	<u>315,000</u>
Unamortized net premiums	1,457,244	—	72,848	1,384,396	—
Subtotal 2009 Bonds	<u>87,767,244</u>	<u>—</u>	<u>382,848</u>	<u>87,384,396</u>	<u>315,000</u>
<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	<u>972,315,000</u>	<u>—</u>	<u>23,730,000</u>	<u>948,585,000</u>	<u>25,195,000</u>
Unamortized net premiums	48,231,862	—	2,925,116	45,306,746	—
Subtotal 2013 Bonds	<u>1,020,546,862</u>	<u>—</u>	<u>26,655,116</u>	<u>993,891,746</u>	<u>25,195,000</u>
Total bonds outstanding	<u>1,108,314,106</u>	<u>—</u>	<u>27,037,964</u>	<u>1,081,276,142</u>	<u>25,510,000</u>
<u>Other long-term liabilities:</u>					
OPEB - Authority	18,502,073	1,386,100	1,338,709	18,549,464	—
OPEB - Conservancy	13,789,687	2,148,141	97,269	15,840,559	—
Imputed Borrowing	66,345,355	—	3,780,655	62,564,700	—
Fair value of interest rate swap	12,079,644	13,739,782	—	25,819,426	—
Unearned revenue	324,983,689	460,646	10,239,125	315,205,210	46,465,052
Security and other deposits	21,968,560	5,812,888	178,356	27,603,092	4,738
Total other long-term liabilities	<u>457,669,008</u>	<u>23,547,557</u>	<u>15,634,114</u>	<u>465,582,451</u>	<u>46,469,790</u>
Total long-term liabilities	<u>\$ 1,565,983,114</u>	<u>23,547,557</u>	<u>42,672,078</u>	<u>1,546,858,593</u>	<u>71,979,790</u>

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

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

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

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

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(17) Retirement Costs

Plan Descriptions and Benefits Provided

The Authority relies on the New York State and Local Retirement System (the “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 the 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:

<u>Year</u>	<u>ERS</u>
2015	\$ 709,709
2014	604,682
2013	540,874
	<u>\$ 1,855,265</u>

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

At October 31, 2015, the Authority reported a liability of \$519,940 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, 2015,

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and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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 October 31, 2015, the Authority's proportion was 0.0153908%.

For the period ended October 31, 2015, the Authority recognized pension expense of \$461,881. At October 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience Changes of assumptions	\$ 16,644	
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 LG contributions subsequent to the measurement date		34,673
Total	<u>\$ 106,951</u>	<u>34,673</u>

As of October 31, 2015, \$106,951 was reported as a deferred outflow of resources and \$34,673 was reported as a deferred inflow of resources 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:

Year ended March 31:	
2016	\$ 18,069
2017	18,069
2018	18,069
2019	18,069
2020	—
Thereafter	—

Actuarial Assumptions

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

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

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, 2005 – March 31, 2011 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2011 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

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, 2015 are summarized below.

Long Term Expected Rate of Return 2015

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

Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. 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.

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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 7.5 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:

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
Authorities' share of the Net Pension Liability (Asset)	3,465,617	519,939	(1,966,944)

Pension plan fiduciary net position

The components of the current-year net pension liability of the New York State System's employers plan year end of March 31, 2015, were as follows:

SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

NYSLRS Pension Plan *
(Dollar amounts in thousands)

	2015
Authority's proportion of the net pension liability (asset)	0.0153908%
Authority's proportionate share of the net pension liability (asset)	\$ 519
Authority's covered-employee payroll	3,843
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	13.51%
Plan fiduciary net position as a percentage of the total pension liability	

* The amounts presented for each fiscal year were determined as of 4/30

(Dollars in Thousands)

	Employees' Retirement System
Employers' total pension liability	\$ 164,591,504
Plan net position	(161,213,259)
Employers' net pension liability	\$ 3,378,245
Ration of plan net position to the employers' total pension liability	97.9%

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SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS

NYSLRS Pension Plan
(Dollar amounts in thousands)

	<u>2015</u>
Contractually required contribution	\$ 695
Contributions in relation to the contractually required contribution	709
Contribution deficiency (excess)	(14)
Authority's covered-employee payroll	3,843
Contributions as a percentage of covered-employee payroll	18.45%

Beginning July 1, 2013, New York State made the Voluntary Defined Contribution plan ("VDC") option be 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 its website at www.cirsplans.org.

To be eligible under the CIRS Pension Plan, employees must be over the age of 21 and be employed for a minimum of one year at regular status. Benefits paid to retirees are based on age at retirement, years of credited service, and average compensation. The CIRS Pension Plan is a private pension plan governed by ERISA, and is characterized as a multi-employer plan by the U.S. Department of Labor. In the event of CIRS Pension Plan insolvency, the CIRS Pension Plan is covered under the Pension Benefit Guaranty Corporation. The total CIRS Pension Plan costs for eligible employees amounted to approximately \$6.8 million and \$390 thousand for the years ended October 31, 2015 and 2014, respectively. The Conservancy began participation in the CIRS Savings Plan during fiscal 2007. Under the CIRS Savings Plan, participants are required to contribute at least 2% of their base salary and direct the investment of their funds based on the investment options offered by the Savings Plan. To be eligible under this plan, employees must be over the age of 21 and be employed for a minimum of 3 months. Total contributions made by participants for the fiscal years ended October 31, 2015 and 2014 were approximately \$210 thousand and \$236 thousand, respectively.

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The Conservancy has withdrawn from the CIRS Pension at fiscal year-end, October 31, 2015. Accordingly, expenses were recorded for the year ended October 31, 2015 in the amount of approximately \$6.5 million. This payment included all accrued pension obligations through the pension withdrawal date of October 31, 2015.

(18) Postemployment Healthcare Plan – Battery Park City Authority

(a) Plan Description

The Authority is a participating employer in the New York State Health Insurance Program (“NYSHIP”), which is administered by the State as an agent multi-employer defined benefit plan. Under the plan, the Authority provides certain healthcare benefits for eligible retired employees and their dependents under a single-employer noncontributory healthcare plan. Article XI of the New York State Civil Service Law assigns the authority to NYSHIP to establish and amend the benefit provisions of the plan and to establish maximum obligations of the plan members to contribute to the plan. The Authority’s Board is authorized to establish contribution rates for employees and retirees below those set by Civil Service Law. The Authority’s plan states that employees and/or their dependents become eligible for these benefits at 55 years of age when the employee has 10 years of State service. In calculating the 10-year service requirement, all of the employee’s service need not be with the Authority, but may be a composite of New York State service elsewhere, with a minimum of 3 years with the Authority. Employees with no prior State service must work a minimum of 10 years before they and their dependents are eligible for the retirement medical benefits. Eligible retirees hired on or after November 1, 2001, contribute 10% of the cost of single coverage and 25% of the cost of dependent coverage for health insurance benefits. The Authority covers 100% of the cost of single and dependent coverage for employees hired before November 1, 2001. A vestee is an Authority employee vested as a member of the retirement system administered by the State, has withdrawn from State service after meeting the Authority’s minimum service requirement, but has not met the age requirement for continuing health insurance. As of October 31, 2015, 80 participants, including 51 employees, 0 vestees and 31 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 size or composition of the population covered by the plan, and/or the factors that impact the long-term assumptions. As such, during 2012 an updated actuarial valuation was completed for the valuation date of November 1, 2012. Actuarial valuations involve estimates of the value of reported amounts, assumptions about the probability of events in the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Examples include assumptions about employment, mortality and the healthcare cost trend.

The Authority’s annual OPEB cost for the plan is calculated based on the annual required contribution (“ARC”), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Since the Authority used a one-year amortization period, the ARC in future years represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any

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interest on the unfunded actuarial accrued liability. The Authority's current period ARC is approximately \$535 thousand as detailed in the chart in the OPEB Status and Funding Progress section of this note. The 2012 triennial valuation includes an actuarial accrual liability ("AAL") adjustment calculation of \$2.1 million credit due primarily to overestimated increases in premiums. It is consistent with the amortization methodology used to calculate the Amortization of the Unfunded AAL, as permitted by GASB Technical Bulletin No. 2008-1, "*Determining the Annual Required Contribution Adjustment for Postemployment Benefits*," issued on December 15, 2008.

(b) Funding

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

(c) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the November 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.70% (net of administrative expenses) including inflation, declining approximately 0.5% each year to an ultimate trend rate of 4.75%. Both rates include a 2.75% inflation assumption.

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(d) OPEB Status and Funding Progress

The Authority's OPEB obligation and the funded status of the plan as of October 31, 2015 and 2014 are as follows:

	2015	2014
Actuarial Accrued Liability (AAL):		
Net OPEB obligation beginning of year	\$ 18,502,073	18,456,455
Annual Required Contribution (ARC):		
Normal cost	651,205	621,675
Interest to year-end	734,895	703,815
Payments for retirees during year	(520,253)	(489,093)
ARC amortization	(818,456)	(790,779)
Net OPEB obligation end of year	\$ 18,549,464	18,502,073
Actuarial Accrued Liability (AAL) November 1, 2014 and 2013	\$ 18,549,464	18,502,073
Funded OPEB plan assets	—	—
Unfunded Actuarial Accrued Liability (UAAL) November 1, 2014 and 2013	\$ 18,549,464	18,502,073
Funded ratio (actuarial value of plan assets/AAL)	—%	—%
Covered payroll	\$ 5,254,643	4,571,005
UAAL as percentage of covered payroll	353%	405%

Corporate assets held at October 31, 2015 and 2014 in a separate corporate OPEB account for the exclusive purpose of paying OPEB obligations were approximately \$21.8 million and \$20.4 million, respectively. The OPEB assets are included in the statements of net position within the other corporate designated, escrowed, and postemployment benefit funds financial statement classification. The Authority's policy is to contribute the annual ARC to the designated account each year and pay all OPEB expenses from such account.

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

(a) Plan Description

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

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employee's service needs to be with the Conservancy. Employees must work a minimum of 10 years before they and their dependents are eligible for the retirement medical benefits. Eligible retirees contribute 10% of the cost of single coverage and 25% of the cost of dependent coverage for health insurance benefits which may be offset with sick leave benefits. A vestee is a Conservancy employee vested as a member of the retirement system administered by the CIRS, has withdrawn from service after meeting the Conservancy's minimum service requirement, but has not met the age requirement for continuing health insurance. As of October 31, 2015, 79 participants, comprising 65 current employees, 6 vestees, and 8 retired employees with their spouses, were eligible to receive these benefits. NYSHIP does not issue a stand-alone financial report and NYSHIP's agent activities are included within the financial statements of the State.

Effective February 1, 2010, the Conservancy implemented accrual accounting for its OPEB obligations, based on the approach provided in GASB Statement No. 45. A new triennial actuarial valuation was performed April 26, 2013 with results rolled into fiscal years 2013, 2014 and 2015. Actuarial valuations involve estimates of the value of reported amounts, assumptions about the probability of events in the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Examples include assumptions about employment mortality and the healthcare cost trend.

The Conservancy's annual OPEB cost for the plan is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Since the Conservancy used a one-year amortization period, the ARC in future years represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any interest on the unfunded actuarial accrued liability. The Conservancy's current period ARC is approximately \$2.05 million as detailed in the chart in the OPEB Status and Funding Progress section of this note.

(b) *Funding*

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

(c) *Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the November 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.70% (net of administrative expenses) including inflation, declining approximately 0.5% each year to an ultimate trend rate of 4.75%. Both rates include a 2.75% inflation assumption.

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(d) OPEB Status and Funding Progress

The Conservancy's OPEB obligation and the funded status of the plan as of October 31, 2015 and 2014 are as follows:

	2015	2014
Actuarial Accrued Liability (AAL):		
Net OPEB obligation beginning of year	\$ 13,789,687	11,840,431
Annual Required Contribution (ARC):		
Normal cost	1,230,133	1,174,351
Interest to year-end	510,226	453,720
Payments for retirees during year	(97,269)	(72,807)
ARC amortization	407,782	393,992
Net OPEB obligation end of year	\$ 15,840,559	13,789,687
Actuarial Accrued Liability (AAL) November 1, 2014 and November 1, 2013	\$ 15,840,559	13,789,687
Funded OPEB plan assets	—	—
Unfunded Actuarial Accrued Liability (UAAL) November 1, 2014 & November 1, 2013	\$ 15,840,559	13,789,687
Funded ratio (actuarial value of plan assets/AAL)	—%	—%
Covered payroll	\$ 3,786,661	3,999,798
UAAL as percentage of covered payroll	418%	345%

Corporate assets held at October 31, 2015 and 2014 in a separate corporate OPEB account for the exclusive purpose of paying OPEB obligations were approximately \$12.8 million and \$12.6 million, respectively. The OPEB assets are included in the statements of net position within the other corporate designated, escrowed and postemployment benefit funds financial statement classification. The Conservancy's policy is to contribute the annual ARC to the designated account each year and pay all OPEB expenses from such account.

(20) Commitments and Other Matters

- (a) The Authority has entered into construction and other related contracts, having unexpended balances aggregating approximately \$10.6 million as of October 31, 2015.
- (b) The Authority rents office space in Brookfield Place 200 Liberty Street, as well as community meeting space, field offices and maintenance space in condominium buildings in Battery Park City. Total rent expense amounted to approximately \$1.5 million in each fiscal years ended October 31, 2015 and 2014, respectively. The future minimum lease payments are as follows:

Year ended October 31:	
2016	\$ <u>648,275</u>

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

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

At October 31, 2015, the Authority has received all funds allocated under the agreement.

- (d) The City owns Pier A (a three-story historic landmark building), and a contiguous upland area (together, the “Pier”), which are located adjacent to the Project at its southern tip. In December 2007, the Authority and the City executed a nonbinding Term Sheet, providing for their negotiation in good faith of a long-term lease of the Pier (the “Lease”), based on the major terms described in the Term Sheet. The lease was executed in October 2008. In accordance with the Lease, the Authority is redeveloping the Pier with both funding provided by the City and Authority-generated funds. Upon completion, the Pier will be used for commercial, recreational, maritime, and ancillary uses under the terms of an operating lease. In October 2008, the Authority signed a “Funding Agreement” with EDC for the reimbursement of eligible expenditures up to \$30 million as well as the prefunding of quarterly projected redevelopment costs of Pier A. As of October 31, 2014, the Authority has received the total \$30 million from the City for Pier A related costs.
- (e) On October 23, 2007, the members of the Authority approved a proposal by the Governor to pay up to \$40 million of Special Fund monies (see note 10) to the PANYNJ for the the pedestrian underpass under Route 9A. The concourse will connect the Winter Garden (on the west, at the edge of Battery Park City) and the World Trade Center site on the east. As of October 31, 2015, the Authority disbursed a total sum of \$39,130,619 to the PANYNJ.
- (f) Pursuant to its ground lease with Goldman providing for construction by Goldman of a new world headquarters building in Battery Park City, the Authority entered into an arrangement as of July 18, 2007, under which Goldman may make purchases related to construction, furnishing, and equipping the building without liability for New York State and City sales tax, for an aggregate sales tax exemption of up \$60 million. To qualify for the exemption, the Authority is liable for payment of Goldman’s purchases in connection with the building, in an amount not to exceed \$100 million (in addition to the value of goods delivered to the building), which purchases Goldman is to make as agent

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

- (g) As of October 31, 2015, the Authority has been fully reimbursed for remediation work for damage caused by Superstorm Sandy. All eligible claims with respect to this damage have been collected from the Authority's insurance carriers and from FEMA.

(21) Battery Park City Parks Conservancy

The Conservancy was incorporated on December 2, 1987 as a New York not-for-profit corporation. The Authority, as sole member of the Conservancy, designated the Authority's members to serve as the Conservancy's Board of Directors. The Conservancy was formed by the Authority to comply with certain requirements of agreements between the Authority and the City pursuant to which the Authority is obligated to maintain and repair the parks and open spaces in and around Battery Park City's residential areas. In March 1988, the Authority entered into a management agreement with the Conservancy, which authorized the Conservancy to undertake all responsibilities, related to the operation, maintenance, and repair of such parks and open spaces. For the fiscal years ended October 31, 2015 and 2014, the Authority paid the Conservancy approximately \$10.3 million and \$8.7 million, respectively, for services, which are included in the Authority's operating expenses. Additionally, approximately \$2.4 thousand and \$13 thousand at October 31, 2015 and 2014, respectively, is payable by the Authority to the Conservancy. Both are eliminated in the blending of the Conservancy's financial statements into the Authority's financial statements (see Other Supplementary Information – Combining Statement of Net Position). As of November 1, 2015, all Conservancy employees were hired as Authority employees.

(22) 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.

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

October 31, 2015

Assets	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current assets:				
Bank deposits	\$ 4,047	217,437	—	221,484
Investments	595,471	—	—	595,471
Restricted assets:				
Rents and other receivables (net of allowance for doubtful accounts of \$1,331,050)	5,158,157	36,441	(2,364)	5,192,234
2003 General Bond Resolution Funds	208,977,564	—	—	208,977,564
2009 Revenue Bond Resolution Funds	11,969,198	—	—	11,969,198
2013 Revenue Bond Resolution Funds	46,845,663	—	—	46,845,663
Bond resolution fund receivables	65,632,000	—	—	65,632,000
Corporate-designated, escrowed, and OPEB funds	1,187,090	—	—	1,187,090
Total current assets	<u>340,369,190</u>	<u>253,878</u>	<u>(2,364)</u>	<u>340,620,704</u>
Noncurrent assets:				
Restricted assets:				
2003 General Bond Resolution Funds	31,898,935	—	—	31,898,935
2009 Revenue Bond Resolution Funds	142,714	—	—	142,714
2013 Revenue Bond Resolution Funds	15,063,301	—	—	15,063,301
Residential lease required funds	27,277,629	—	—	27,277,629
Corporate-designated, escrowed, and OPEB funds	67,104,613	—	—	67,104,613
Battery Park City project assets – at cost, less accumulated depreciation	493,250,767	—	—	493,250,767
Other assets	4,288,580	493,951	—	4,782,531
Total noncurrent assets	<u>639,026,539</u>	<u>493,951</u>	<u>—</u>	<u>639,520,490</u>
Total assets	<u>979,395,729</u>	<u>747,829</u>	<u>(2,364)</u>	<u>980,141,194</u>
Deferred Outflows of Resources				
Deferred pension outflows	106,951	—	—	106,951
Accumulated decrease in fair value of interest rate swaps	25,819,426	—	—	25,819,426
Unamortized loss on extinguishment of 1993, 1996, 2000, and 2003 bonds	21,275,029	—	—	21,275,029
Deferred costs of refunding, less accumulated amortization of \$7,650,711	62,564,700	—	—	62,564,700
Total deferred outflows of resources	<u>109,766,106</u>	<u>—</u>	<u>—</u>	<u>109,766,106</u>
Total assets and deferred outflows of resources	<u>\$ 1,089,161,835</u>	<u>747,829</u>	<u>(2,364)</u>	<u>1,089,907,300</u>

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

October 31, 2015

Liabilities	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current liabilities:				
Accrued interest on bonds	\$ 17,253,706	—	—	17,253,706
Accounts payable and other liabilities	6,934,789	423,850	(2,364)	7,356,275
Accrued pension payable	519,940	—	—	519,940
Due to the City of New York	124,019,949	—	—	124,019,949
Due to the City of New York - 2010 Agreement	37,443,333	—	—	37,443,333
Due to the Port Authority of New York & New Jersey	869,381	—	—	869,381
Unearned revenue:				
PILOT revenue	33,205,356	—	—	33,205,356
Base rent and other revenue	13,259,696	—	—	13,259,696
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>259,020,888</u>	<u>423,850</u>	<u>(2,364)</u>	<u>259,442,374</u>
Noncurrent liabilities:				
Unearned revenue:				
Base rent and other revenue	268,740,158	—	—	268,740,158
Security and other deposits	27,598,354	—	—	27,598,354
OPEB - Battery Park City Authority	18,549,464	—	—	18,549,464
OPEB - Battery Park City Parks Conservancy	—	15,840,559	—	15,840,559
Fair value of interest rate swaps	25,819,426	—	—	25,819,426
Imputed borrowing	62,564,700	—	—	62,564,700
Bonds outstanding:				
2009 Revenue Bonds, less accumulated amortization of \$426,611	87,069,396	—	—	87,069,396
2013 Revenue Bonds, less accumulated amortization of \$5,918,305	968,696,746	—	—	968,696,746
Total noncurrent liabilities	<u>1,459,038,244</u>	<u>15,840,559</u>	<u>—</u>	<u>1,474,878,803</u>
Total liabilities	<u>1,718,059,132</u>	<u>16,264,409</u>	<u>(2,364)</u>	<u>1,734,321,177</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	(13,840,713)	—	—	(13,840,713)
Restricted:				
Debt service	58,071,243	—	—	58,071,243
Under bond resolutions and other agreements	6,522,319	—	—	6,522,319
Unrestricted (deficit)	(679,684,819)	(15,516,580)	—	(695,201,399)
Total net position (deficit)	<u>(628,931,970)</u>	<u>(15,516,580)</u>	<u>—</u>	<u>(644,448,550)</u>
Total liabilities, deferred inflows of resources and net position (deficit)	<u>\$ 1,089,161,835</u>	<u>747,829</u>	<u>(2,364)</u>	<u>1,089,907,300</u>

See accompanying independent auditors' report.

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(A Component Unit of the State of New York)

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

October 31, 2014

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

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

October 31, 2014 (Restated)

Liabilities	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current liabilities:				
Accrued interest on bonds	\$ 17,543,216	—	—	17,543,216
Accounts payable and other liabilities	5,529,769	585,830	(12,601)	6,102,998
Accrued pension payable	695,489	—	—	695,489
Due to the City of New York	125,163,883	—	—	125,163,883
Due to the City of New York - 2010 Agreement	43,055,860	—	—	43,055,860
Due to the Port Authority of New York & New Jersey (note 19(f))	869,381	—	—	869,381
Unearned revenue:				
PILOT revenue	31,443,206	—	—	31,443,206
Base rent and other revenue	12,933,420	—	—	12,933,420
Security and other deposits	4,738	—	—	4,738
2009 Revenue Bonds	310,000	—	—	310,000
2013 Revenue Bonds	23,730,000	—	—	23,730,000
Total current liabilities	<u>261,278,962</u>	<u>585,830</u>	<u>(12,601)</u>	<u>261,852,191</u>
Noncurrent liabilities:				
Unearned revenue:				
Base rent and other revenue	280,607,063	—	—	280,607,063
Security and other deposits	21,963,822	—	—	21,963,822
OPEB - Battery Park City Authority	18,502,073	—	—	18,502,073
OPEB - Battery Park City Parks Conservancy	—	13,789,687	—	13,789,687
Fair value of interest rate swaps	12,079,644	—	—	12,079,644
Imputed borrowing	66,345,355	—	—	66,345,355
Bonds outstanding:				
2009 Revenue Bonds, less accumulated amortization of \$353,763	87,457,244	—	—	87,457,244
2013 Revenue Bonds, less accumulated amortization of \$2,993,189	996,816,862	—	—	996,816,862
Total noncurrent liabilities	<u>1,483,772,063</u>	<u>13,789,687</u>	<u>—</u>	<u>1,497,561,750</u>
Total liabilities	<u>1,745,051,025</u>	<u>14,375,517</u>	<u>(12,601)</u>	<u>1,759,413,941</u>
Net Position (Deficit)				
Invested in capital assets, net of related debt	(24,494,670)	—	—	(24,494,670)
Restricted:				
Debt service	58,890,717	—	—	58,890,717
Under bond resolutions and other agreements	9,516,869	—	—	9,516,869
Unrestricted (deficit)	<u>(696,858,177)</u>	<u>(13,778,302)</u>	<u>—</u>	<u>(710,636,479)</u>
Total net position (deficit)	<u>(652,945,261)</u>	<u>(13,778,302)</u>	<u>—</u>	<u>(666,723,563)</u>
Total liabilities, deferred inflows of resources and net position (deficit)	<u>\$ 1,092,105,764</u>	<u>597,215</u>	<u>(12,601)</u>	<u>1,092,690,378</u>

See accompanying independent auditors' report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
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Other Supplementary Information – Combining Statement of Revenues, Expenses, and Changes in Net Position (Deficit)
Year Ended October 31, 2015

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Operating revenues:				
Revenues from ground leases:				
Base rent	\$ 58,025,998	—	—	58,025,998
Supplemental rent	1,652,149	—	—	1,652,149
Payments in lieu of real estate taxes	195,048,129	—	—	195,048,129
Civic facilities payments and other	11,222,599	17,123,622	(16,638,681)	11,707,540
Total operating revenues	<u>265,948,875</u>	<u>17,123,622</u>	<u>(16,638,681)</u>	<u>266,433,816</u>
Operating expenses:				
Wages and related benefits	13,682,644	7,240,199	—	20,922,843
OPEB - Battery Park City Authority	567,644	—	—	567,644
OPEB - Battery Park City Parks Conservancy	—	2,148,131	—	2,148,131
Other operating and administrative expenses	28,122,444	9,479,564	(16,843,374)	20,758,634
Depreciation of project assets	8,689,758	—	—	8,689,758
Other depreciation and amortization	436,653	205,937	—	642,590
Total operating expenses	<u>51,499,143</u>	<u>19,073,831</u>	<u>(16,843,374)</u>	<u>53,729,600</u>
Operating income	<u>214,449,732</u>	<u>(1,950,209)</u>	<u>204,693</u>	<u>212,704,216</u>
Nonoperating revenues (expenses):				
Investment income on funds relating to:				
2003 Revenue Bonds	1,908,610	—	—	1,908,610
2009 Revenue Bonds	103,981	—	—	103,981
2013 Revenue Bonds	725,858	—	—	725,858
Corporate-designated, escrowed, and OPEB funds	1,443,244	—	—	1,443,244
Realized and unrealized gains and (losses)	(1,290,980)	—	—	(1,290,980)
Other revenue	4,398,781	211,931	(204,693)	4,406,019
Interest expense relating to:				
2003 Swap agreements – net expense	(12,134,076)	—	—	(12,134,076)
2003 Revenue Bonds	(11,823)	—	—	(11,823)
2009 Revenue Bonds	(3,772,254)	—	—	(3,772,254)
2013 Revenue Bonds	(17,264,951)	—	—	(17,264,951)
Loss from extinguishment	(1,325,910)	—	—	(1,325,910)
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts	(123,403,732)	—	—	(123,403,732)
Provision for transfer to the City of New York per 2010 agreement	(37,190,169)	—	—	(37,190,169)
Provision for transfer to the City of New York - Pier A	(836,891)	—	—	(836,891)
Provision for transfer to the State of New York - Route 9A	(1,786,129)	—	—	(1,786,129)
Total nonoperating expenses	<u>(190,436,441)</u>	<u>211,931</u>	<u>(204,693)</u>	<u>(190,429,203)</u>
Change in net position (deficit)	24,013,291	(1,738,278)	—	22,275,013
Net (deficit), beginning of year	<u>(652,945,261)</u>	<u>(13,778,302)</u>	<u>—</u>	<u>(666,723,563)</u>
Net (deficit), end of year	\$ <u>(628,931,970)</u>	\$ <u>(15,516,580)</u>	<u>—</u>	\$ <u>(644,448,550)</u>

See accompanying independent auditors' report.

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

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

Year Ended October 31, 2014 (Restated)

	<u>Battery Park City Authority</u>	<u>Battery Park City Parks Conservancy</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues:				
Revenues from ground leases:				
Base rent	\$ 62,705,939	—	—	62,705,939
Supplemental rent	1,561,040	—	—	1,561,040
Payments in lieu of real estate taxes	181,660,585	—	—	181,660,585
Civic facilities payments and other	10,045,796	9,621,385	(9,621,385)	10,045,796
Total operating revenues	<u>255,973,360</u>	<u>9,621,385</u>	<u>(9,621,385)</u>	<u>255,973,360</u>
Operating expenses:				
Wages and related benefits	6,348,532	7,234,203	—	13,582,735
OPEB - Battery Park City Authority	534,711	—	—	534,711
OPEB - Battery Park City Parks Conservancy	—	2,022,063	—	2,022,063
Other operating and administrative expenses	26,500,234	2,492,816	(10,081,321)	18,911,729
Depreciation of project assets	8,445,208	—	—	8,445,208
Other depreciation and amortization	469,150	150,656	—	619,806
Total operating expenses	<u>42,297,835</u>	<u>11,899,738</u>	<u>(10,081,321)</u>	<u>44,116,252</u>
Operating income	<u>213,675,525</u>	<u>(2,278,353)</u>	<u>459,936</u>	<u>211,857,108</u>
Nonoperating revenues (expenses):				
Investment income on funds relating to:				
2003 Revenue Bonds	1,490,637	—	—	1,490,637
2009 Revenue Bonds	152,298	—	—	152,298
2013 Revenue Bonds	173,051	—	—	173,051
Corporate-designated, escrowed, and OPEB funds	1,704,420	—	—	1,704,420
Realized and unrealized gains and (losses)	(715,807)	—	—	(715,807)
Other revenue	—	463,354	(459,936)	3,418
Interest expense relating to:				
2003 Swap agreements – net expense	(12,367,662)	—	—	(12,367,662)
2003 Revenue Bonds	(13,064)	—	—	(13,064)
2009 Revenue Bonds	(3,791,681)	—	—	(3,791,681)
2013 Revenue Bonds	(17,626,569)	—	—	(17,626,569)
Loss from extinguishment	(1,325,910)	—	—	(1,325,910)
Bond issuance costs	(12,167)	—	—	(12,167)
Provision for transfer to the Port Authority of New York and New Jersey	(2,103,519)	—	—	(2,103,519)
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts	(124,547,666)	—	—	(124,547,666)
Provision for transfer to the City of New York per 2010 agreement	(42,802,696)	—	—	(42,802,696)
Provision for transfer to the City of New York - Pier A	(5,893,927)	—	—	(5,893,927)
Provision for transfer to the State of New York - Route 9A	(1,255,979)	—	—	(1,255,979)
Total nonoperating expenses	<u>(208,936,241)</u>	<u>463,354</u>	<u>(459,936)</u>	<u>(208,932,823)</u>
Change in net position (deficit)	4,739,284	(1,814,999)	—	2,924,285
Net (deficit), beginning of year	(656,989,056)	(11,963,303)	—	(668,952,359)
Effect of adoption of GASB 68	(695,489)	—	—	(695,489)
Net (deficit), end of year	\$ <u>(652,945,261)</u>	<u>(13,778,302)</u>	<u>—</u>	<u>(666,723,563)</u>

See accompanying independent auditors' report.

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

Other Supplementary Information – Combining Statement of Cash Flows
Year Ended October 31, 2015

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Cash flows from operating activities:				
Cash receipts from:				
Tenant payments	\$ 254,397,777	—	—	254,397,777
Receipts from the Authority	—	9,244,106	(9,244,106)	—
Miscellaneous receipts	1,219,017	493,338	—	1,712,355
Total cash receipts from operating activities	<u>255,616,794</u>	<u>9,737,444</u>	<u>(9,244,106)</u>	<u>256,110,132</u>
Cash payments for:				
Salaries and benefits	(14,358,439)	(7,507,497)	—	(21,865,936)
Services and supplies	(27,218,667)	(2,093,032)	9,448,799	(19,862,900)
Total cash payments for operating activities	<u>(41,577,106)</u>	<u>(9,600,529)</u>	<u>9,448,799</u>	<u>(41,728,836)</u>
Net cash provided by operating activities	<u>214,039,688</u>	<u>136,915</u>	<u>204,693</u>	<u>214,381,296</u>
Cash flows from noncapital financing activities:				
Receipts from FEMA	1,295,262	—	—	1,295,262
Payments to Pier A Contractors on behalf of the City of New York	(717,500)	—	—	(717,500)
Payments to Pier A Plaza Contractors on behalf of the City of New York	(1,234,303)	—	—	(1,234,303)
Receipts from insurance proceeds escrow	3,921,712	—	—	3,921,712
Payments from lessees – site security deposits	5,799,609	—	—	5,799,609
Payments from LMDC West Thames St Pedestrian Bridge	918,632	—	—	918,632
Payments to NYC EDC - West Thames St Pedestrian Bridge	(918,632)	—	—	(918,632)
Payments to NYS DOT & Contractors - Route 9A Agreement	(76,964)	—	—	(76,964)
Payments to the City of New York	(124,547,666)	—	—	(124,547,666)
Payments to the City of New York - 2010 Agreement	(42,802,696)	—	—	(42,802,696)
Net cash used in noncapital financing activities	<u>(158,362,546)</u>	<u>—</u>	<u>—</u>	<u>(158,362,546)</u>
Cash flows from capital and related financing activities:				
Development costs – site improvements and construction	(17,030,287)	—	—	(17,030,287)
Capital asset expenditures	(401,913)	(167,100)	—	(569,013)
Receipt from the sale of capital assets	—	220,826	(204,693)	16,133
Payments for Superstorm Sandy	(233,412)	—	—	(233,412)
Auction fees for variable debt	(11,823)	—	—	(11,823)
Swap payment made on the 2003 Swap agreement	(12,656,758)	—	—	(12,656,758)
Swap interest payments received on the 2003 Swap agreement	420,523	—	—	420,523
Interest paid on 2009 Senior Revenue Bonds	(5,022,831)	—	—	(5,022,831)
Principal paydown on 2009 Senior Revenue Bonds	(310,000)	—	—	(310,000)
Interest paid on 2013 Senior Revenue Bonds	(16,409,200)	—	—	(16,409,200)
Principal paydown on 2013 Senior Revenue Bonds	(19,350,000)	—	—	(19,350,000)
Interest paid on 2013 Bonds CDE	(3,972,435)	—	—	(3,972,435)
Principal paydown on 2013 Bonds CDE	(4,380,000)	—	—	(4,380,000)
Receipt - Citi Bond Settlement	137,000	—	—	137,000
2009 Senior Revenue Bonds - Build America Bonds refund from US Treasury	1,759,523	—	—	1,759,523
Net cash provided by (used in) capital and related financing activities	<u>(77,461,613)</u>	<u>53,726</u>	<u>(204,693)</u>	<u>(77,612,580)</u>
Cash flows from investing activities:				
Interest and realized gains received on investment securities	3,663,872	—	—	3,663,872
Maturities and redemptions of investment securities	669,390,249	—	—	669,390,249
Purchases of investment securities	(665,035,396)	—	—	(665,035,396)
Net cash provided by investing activities	<u>8,018,725</u>	<u>—</u>	<u>—</u>	<u>8,018,725</u>
Increase in cash and cash equivalents	(13,765,746)	190,641	—	(13,575,105)
Cash and cash equivalents, beginning of year	60,076,619	26,796	—	60,103,415
Cash and cash equivalents, end of year	\$ <u>46,310,873</u>	<u>217,437</u>	<u>—</u>	<u>46,528,310</u>

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

Other Supplementary Information – Combining Statement of Cash Flows
Year Ended October 31, 2015

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income	\$ 214,449,732	(1,950,209)	204,693	212,704,216
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Provision for bad debt expense	161,301	—	—	161,301
Depreciation and amortization	9,126,411	205,937	—	9,332,348
Other	118,142	—	—	118,142
Changes in operating assets and liabilities:				
Decrease in rents and other receivables	(30,394)	11,375	(10,237)	(29,256)
(Increase) decrease in other assets	(245,940)	(19,081)	—	(265,021)
Increase (decrease) in accounts payable and other liabilities	263,802	(161,979)	10,237	112,060
Decrease in revenue received in advance	(9,778,479)	—	—	(9,778,479)
Increase (decrease) in OPEB	47,391	2,050,872	—	2,098,263
Decrease in deferred pension resources	(72,278)	—	—	(72,278)
Net cash provided by operating activities	\$ 214,039,688	136,915	204,693	214,381,296
Reconciliation to cash and cash equivalents, end of year:				
Bank deposits	\$ 4,047	217,437	—	221,484
Cash and cash equivalents	510,860	—	—	510,860
Investments with less than 91-day maturities	45,795,966	—	—	45,795,966
Cash and cash equivalents, end of year	\$ 46,310,873	217,437	—	46,528,310

See accompanying independent auditors' report.

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

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

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

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

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

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

See accompanying independent auditors' report.