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, 2011 and 2010

Marks Paneth & Shron LLP
Certified Public Accountants & Consultants
IT ALL ADDS UP.

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Independent Auditors' Report

The Members
Hugh L. Carey Battery Park City Authority:

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, as of and for the years ended October 31, 2011 and 2010, as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of October 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2012 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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

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Our audits were made for the purpose of forming an opinion on the financial statements as a whole. The other supplementary information (shown on pages 59 to 68) is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the 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 financial statements as a whole.

Marks Paneth & Shron LLP

New York, NY
January 31, 2012

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, 2011, 2010 and 2009. The basic financial statements, which include the balance sheets, the statements of revenues, expenses, and changes in net assets (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 2011 to 2010 and 2010 to 2009

Financial Highlights – 2011

- The fiscal year ended October 31, 2011 yielded a total of $230.2 million in operating revenues, representing an increase of approximately $669 thousand or 0.3% over the prior fiscal year. Payment in Lieu of Taxes ("PILOT") revenue totaling approximately $154 million (approximately 67% of the Authority's operating revenues for the fiscal year ended October 31, 2011) increased $4 million or 2.7% compared to the fiscal year ended October 31, 2010. Base rent decreased approximately $4.6 million or 7.2% to $59.2 million for the fiscal year ended October 31, 2011. Supplemental rent increased $838 thousand. Civic facilities and other operating revenues increased $425 thousand or 2.9% to $15.2 million for the fiscal year ended October 31, 2011. Total operating expenses decreased a net $9.4 million or 18.2% to $42.1 million for the fiscal year ended October 31, 2011.

- An amount of $110.2 million provided for the transfer to the City of New York ("the City") during the fiscal year ended October 31, 2010 was paid in June 2011. A $87.6 million provision was recorded for the fiscal year ended October 31, 2011 representing the PILOT related portion of fiscal 2011 excess revenues to be transferred to the City (see note 12). Generally, the Authority's net assets decrease with increases in the amount of excess revenues provided to the City, which has an adverse effect on the Authority's net asset position.

- Amounts of $104.4 million and $66.2 million were paid by the Authority to the City and the State of New York (the "State") respectively during the fiscal year ended October 31, 2011, pursuant to the 2010 Agreement (see note 12). An additional amount of $37 million was charged to operations as an expected payment to the City Housing Development Corporation ("HDC") 421-A fund under the 2010 Agreement.

- On December 22, 2009, the Authority issued the Senior Revenue Bonds (see note 11) in the total amount of $89 million (inclusive of a $1.8 million premium) to finance certain infrastructure and other capital improvements. Approximately, $47.1 million remained in the Project Cost funds to be used for certain park, street, and other infrastructure improvements, the community center and other capital expenditures (see note 8).

- The Authority's 2003 Series B and C Junior Revenue Bonds (variable-rate subordinate debt) continued to fail (beginning on February 2008) in secondary markets. On any failed auction date, the reset rate is set at a percentage of the 30-day London InterBank Offered Rate ("LIBOR") based on the prevailing rating for the bond series. The rates applied to the 30-day LIBOR on the 2003 Series B and C Bonds are 175%, 200%, or

225% for bonds rated AAA/AAA/Aaa, AA/AA/Aa, and A/A/A, respectively, depending on the prevailing rating of the series of bonds outstanding. The reset rates on auctions that settled from November 1, 2010 through October 31, 2011 ranged from a low of 0.370% to a high of 0.528% on the 2003 Series B Bonds and from a low of 0.370% to a high of 0.530% on the 2003 Series C Bonds (see note 10).

- In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instrument* ("GASB No. 53"). GASB No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments for state and local governments. In accordance with GASB No. 53, effective for fiscal years beginning after June 15, 2009, the Authority evaluated the effectiveness of six interest-rate exchange agreements ("Swaps"), determined the Swaps to be effective hedges and retroactively recorded the negative fair value of approximately $92.9 million, $72.6 million, and $50.8 million at October 31, 2011, 2010, and 2009, respectively, as both an asset for the accumulated decrease in the fair value of the interest rate swap agreements and a liability for the fair value of the Swaps (see notes 3j and 10).

Financial Highlights – 2010

- The fiscal year ended October 31, 2010 yielded a total of $229.5 million in operating revenues, representing an increase of approximately $5.6 million or 2.5% over the prior fiscal year. Payment in lieu of taxes ("PILOT") revenue totaling approximately $150 million (approximately 65% of the Authority's operating revenues for the fiscal year ended October 31, 2010), increased $3.8 million or 2.6% compared to the fiscal year ended October 31, 2009. Base rent increased approximately $5 million or 8.5% to $63.7 million for the fiscal year ended October 31, 2010. Civic facilities and other operating revenues decreased $3.4 million or 18.5% from $18.2 million for the fiscal year ended October 31, 2010. Total operating expenses increased a net $2.8 million or 5.7% to $51.5 million for the fiscal year ended October 31, 2010.

- A $110.2 million provision was recorded for the fiscal year ended October 31, 2010 representing fiscal 2010 excess revenues to be transferred to the City (see note 12). Generally, the Authority's net assets decrease with increases in the amount of excess revenues provided to the City, which has an adverse effect on the Authority's net asset position. At October 31, 2010, the Authority retained approximately $170.6 million to be spent in a manner and for such purposes as the Authority and the City shall jointly decide (see note 12).

- Equal amounts of $133.8 million were paid by the Authority to both the City and the State during the fiscal year ended October 31, 2010, pursuant to a 2010 Agreement (see note 12). In addition, pursuant to the 2010 Agreement, the Authority charged to operations as a provision an amount of $66.2 million of joint purpose funds for both the State and the City. An additional amount of $38.2 million was charged to operations as an expected payment to the City Housing Development Corporation ("HDC") 421-A fund under the 2010 Agreement. Essentially all of the Joint Purpose Fund monies were disbursed as of October 31, 2010 in a manner and for such purposes as the Authority and the City jointly decided upon.

- On December 22, 2009, the Authority issued the Senior Revenue Bonds (see note 11) in the total amount of $89 million (inclusive of a $1.8 million premium) to finance certain infrastructure and other capital improvements. Approximately, $68 million remained in the Project Cost funds to be used for certain park, street, and other infrastructure improvements, the community center and other capital expenditures (see note 8).

- In accordance with GASB Statement No. 45, effective for the fiscal year beginning November 1, 2009, the Conservancy (a) implemented a systematic, accrual basis measurement and recognition of postemployment benefits other than pensions ("OPEB") expense over a period that approximates an employees' 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 3(i) and 18). Corporate assets held at October 31, 2010 in a separate corporate OPEB account for the exclusive purpose of paying OPEB obligations were approximately $7.6 million. The OPEB assets are included on the balance sheet within the other corporate designated, escrowed, and postemployment benefit funds financial statement classification.

- The Authority's 2003 Series B and C Junior Revenue Bonds (variable-rate subordinate debt) continued to fail (beginning on February 2008) in secondary markets. On any failed auction date, the reset rate is set at a percentage of the 30-day London InterBank Offered Rate ("LIBOR") based on the prevailing rating for the bond series. The rates applied to the 30-day LIBOR on the 2003 Series B and C Bonds are 175%, 200%, or 225% for bonds rated AAA/AAA/Aaa, AA/AA/Aa, and A/A/A, respectively, depending on the prevailing rating of the series of bonds outstanding. The reset rates on auctions that settled from November 1, 2009 through October 31, 2010 ranged from a low of 0.456% to a high of 0.708% on the 2003 Series B Bonds and from a low of 0.456% to a high of 0.708% on the 2003 Series C Bonds (see note 10).

- In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instrument* (GASB No. 53). GASB No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments for state and local governments. In accordance with GASB No. 53, effective for fiscal years beginning after June 15, 2009, the Authority evaluated the effectiveness of six interest-rate exchange agreements ("Swaps"), determined the Swaps to be effective hedges and retroactively recorded the negative fair value of approximately $72.6 million, $50.8 million, and $33.3 million at October 31, 2010, 2009, and 2008, respectively, as both an asset for the accumulated decrease in the fair value of the interest rate swap agreements and a liability for the fair value of the Swaps (see notes 3j and 10).

Summary Schedule of Net Assets

The summary schedule of net assets presents the financial position of the Organization at the end of the fiscal year. Net assets (deficit) are the difference between total assets and total liabilities. A summarized comparison of the Organization's assets, liabilities, and net deficit at October 31, 2011, 2010 and 2009 is as follows:

	October 31			2011 vs 2010	2010 vs 2009
	2011	2010	Restated 2009	Increase (decrease)	Increase (decrease)
Assets:					
Bank deposits, investments, and rents and other receivables	$ 9,248,838	6,544,951	21,488,317	2,703,887	(14,943,366)
Bond resolution restricted assets (current and noncurrent)	337,916,522	513,504,899	286,619,196	(175,588,377)	226,885,703
Battery Park City project assets, net	485,004,886	470,207,028	461,548,193	14,797,858	8,658,835
Other current and noncurrent assets	258,892,261	236,004,948	442,332,826	22,887,313	(206,327,878)
Total assets	$ 1,091,062,507	1,226,261,826	1,211,988,532	(135,199,319)	14,273,294
Liabilities:					
Current liabilities	$ 232,275,470	369,026,727	193,177,302	(136,751,257)	175,849,425
Long-term liabilities	1,503,941,663	1,512,253,501	1,274,337,497	(8,311,838)	237,916,004
Total liabilities	1,736,217,133	1,881,280,228	1,467,514,799	(145,063,095)	413,765,429
Net assets (deficit):					
Invested in capital assets, net of related debt	9,371,055	7,208,862	9,354,597	2,162,193	(2,145,735)
Restricted	90,083,490	103,592,326	378,935,643	(13,508,836)	(275,343,317)
Unrestricted	(744,609,171)	(765,819,590)	(643,816,507)	21,210,419	(122,003,083)
Total net deficit	(645,154,626)	(655,018,402)	(255,526,267)	9,863,776	(399,492,135)
Total liabilities and net deficit	$ 1,091,062,507	1,226,261,826	1,211,988,532	(135,199,319)	14,273,294

Assets

2011 vs. 2010

At October 31, 2011, the Organization maintained total assets of approximately $1.1 billion, approximately $135.2 million lower than total assets of $1.23 billion at October 31, 2010.

Bank Deposits and Bond Resolution Funds

Bank deposits, investments, and rents and other receivables held at October 31, 2011 increased approximately $2.7 million. Bank deposits and investments increased a net $475 thousand and rents and other receivables increased by approximately $2.2 million (see note 13). The increase in bank deposits and investments primarily relates to an increase in the collection of transaction and administrative payments in 2011 held in the Unpledged Fund offset by a decrease in bank deposits held by the Conservancy. Increases in rents and other receivables due the Authority of $2.2 million primarily relates to amounts due from the City on Pier A restoration ($1.2 million), Goldman Sachs Site 26 PILOT ($1.2 million), and reimbursements due from Lower Manhattan Development Corporation for payments to pedestrian managers ($347 thousand). These increases were offset by reductions in receivables from the north cove licensee ($83 thousand) and a prepayment of bond debt service subsidy from the federal government ($631 thousand).

Bond Resolution restricted assets are funds and accounts established in accordance with the 2003 and 2009 Revenue Bond resolutions and were approximately $337.9 million at October 31, 2011, $175.6 million lower than the investment fair value of assets held at October 31, 2010 of $513.5 million (see note 8). Funds held in the Pledged Revenue Fund ("PRF") at October 31, 2011 were approximately $159.2 million less than funds held at October 31, 2010 attributable primarily to a lump sum payment of ground rent in the amount of $169.3 million received from Goldman in the prior fiscal year ended October 31, 2010.

Funds held in the Project Operating Fund for payment of budgeted operating expenditures at October 31, 2011 were approximately $565 thousand higher due to expected advance funding for certain projects to be reimbursed. Funds held in the Residual Fund for the benefit of the City were also $26 thousand lower at October 31, 2011. Funds held under the resolution for project infrastructure and certain other asset costs were $47.1 million as of October 31, 2011, approximately $21 million less than funds held at October 31, 2010. In addition, funds held in the debt service funds were approximately $3.8 million higher at October 31, 2011 compared to 2010.

2010 vs. 2009

At October 31, 2010, the Organization maintained total assets of approximately $1.23 billion, approximately $14.3 million higher than total assets of $1.21 billion at October 31, 2009.

Bank Deposits and Bond Resolution Funds

Bank deposits, investments, and rents and other receivables held at October 31, 2010 decreased approximately $14.9 million due to a $2.2 million decrease in investments and a $12.7 million decrease in rents and other receivables (see note 13). The decrease in investments primarily relates to the transfer of $4 million of unpledged revenues received in 2009 to the residual fund and a decrease in the collection of transaction and administrative payments in 2010 held in the Unpledged Fund. The decrease in rents and other receivables primarily relates to a the collection of payment of a $1 million upfront lease payment from Site 3 representing the last of a series of upfront lease payments and a collection of $10.5 million relating to rent due on a lease with Goldman Sachs

Headquarters LLC ("Goldman") which was a receivable at October 31, 2009. In addition, decreases in receivables due the Authority on the Pier A restoration ($331 thousand), the bridge insurance proceeds ($250 thousand), bond issuance costs ($512 thousand) and Goldman ($201 thousand) totaled approximately $1.3 million, contributed to the reduction.

Bond Resolution restricted assets are funds and accounts established in accordance with the 2003 and 2009 Revenue Bond resolutions and were approximately $513.5 million at October 31, 2010, $226.9 million higher than the investment fair value of assets held at October 31, 2009 of $286.6 million (see note 8). Funds held in the Pledged Revenue Fund ("PRF") at October 31, 2010 were approximately $146.3 million more than funds held at October 31, 2009 attributable a net increase in cash receipts year over year primarily due to a lump sum payment of ground rent in the amount of $168.8 million received from Goldman.

Funds held in the Project Operating Fund for payment of budgeted operating expenditures at October 31, 2010 were approximately $1.7 million lower due to additional excess revenues generated for the fiscal year ended October 31, 2010 compared to 2009 due to a reduced budget and timing differences of transfers. Funds held in the Residual Fund for the benefit of the City were also $1.7 million lower at October 31, 2010. Funds held under the resolution for project infrastructure and certain other asset costs were $67.8 million as of October 31, 2010, as a result of the 2009 Revenue bond issue in December 2009 to raise new capital funds for project costs. In addition, funds held in the Debt Service Funds and the debt service Reserve Fund were approximately $16.2 million higher at October 31, 2010 compared to 2009.

Project Assets

At October 31, 2011, the Authority's investment in project assets, net of accumulated depreciation was approximately $485 million, an increase of $14.8 million over October 31, 2010.

The Battery Park City project (the "Project") consists of approximately 92 acres of landfill created, owned, and operated by the Authority. The Project's current plan of development includes approximately 35 acres of parkland and open spaces and provides for the construction by private developers of approximately 10.2 million square feet of office space, a 502,000-square-foot commodities trading facility, retail space, a marina, two hotels, a multiplex cinema, museums, community and cultural facilities, three public schools, a community center, a public library, four not-for profit condos owned by the Authority and approximately 8,500 residential units (see notes 2, 5 and 6). A total of 471 residential units in two residential buildings on Sites 23 and 24 are substantially complete and the community center is scheduled to open in 2012.

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, 2011, 2010 and 2009 are as follows:

	October 31			2011 vs	2010 vs
	2011	2010	2009	2010	2009
Land	$ 83,015,653	83,015,653	83,015,653	—	—
Site improvements	371,669,435	365,965,372	357,580,295	5,704,063	8,385,077
Residential building and condominium units	123,041,419	106,086,327	98,364,135	16,955,092	7,722,192
	577,726,507	555,067,352	538,960,083	22,659,155	16,107,269
Less accumulated depreciation	(92,721,621)	(84,860,324)	(77,411,890)	(7,861,297)	(7,448,434)
Total Battery Park City project assets	$ 485,004,886	470,207,028	461,548,193	14,797,858	8,658,835

2011 vs. 2010

For the year ended October 31, 2011, the increase to site improvements of approximately $5.7 million relates to the resurfacing of the ball fields and minor improvements in the north and south neighborhood parks and the esplanade.

The $17 million increase in residential building and condominium units over October 31, 2010, principally relates to $16.7 million for the build out of a community center.

2010 vs. 2009

For the year ended October 31, 2010, the increase to site improvements over of approximately $8.4 million, relates to improvements to infrastructure surrounding the Goldman Sachs building, park improvements in the north and south neighborhoods, the esplanade and restoration of piles, as well as other minor capital improvements.

The $7.7 million increase in residential building and condominium units over October 31, 2009 principally relates to $4.7 million for the build out of a community center and ball field maintenance facility at Sites 23 and 24; $45 thousand for the build out and improvements for Mercy Corps and Poet's House at site 16/17; coupled with costs relating to the build out of a maintenance facility to be used by the Conservancy at Site 3, of approximately $3 million.

Other Current and Noncurrent Assets

Other current and noncurrent assets at October 31, 2011, 2010 and 2009 are as follows:

		October 31				
		2011	**2010**	**Restated 2009**	**2011 vs 2010**	**2010 vs 2009**
Residential lease required funds	$	20,588,758	19,691,803	18,992,184	896,955	699,619
Corporate-designated, escrowed and OPEB funds		101,022,346	97,134,530	326,354,351	3,887,816	(229,219,821)
Deferred costs:						
Bond issuance costs, net		36,067,978	37,605,986	36,468,774	(1,538,008)	1,137,212
Costs of leases, net		3,669,793	3,733,935	3,798,078	(64,142)	(64,143)
Total deferred costs, net		39,737,771	41,339,921	40,266,852	(1,602,150)	1,073,069
Accumulated decrease in fair value of interest rate swap		92,948,044	72,595,808	50,694,831	20,352,236	21,900,977
Other assets		4,595,342	5,242,886	6,024,608	(647,544)	(781,722)
Total other current and noncurrent assets	$	258,892,261	236,004,948	442,332,826	22,887,313	(206,327,878)

2011 vs. 2010

Total other current and noncurrent assets increased approximately $22.9 million from $236 million at October 31, 2010 to $258.9 million at October 31, 2011.

Residential lease required funds increased $897 thousand from $19.7 million at October 31, 2010 to $20.6 million at October 31, 2011 and primarily relate to security deposits received from ground lease tenants; $651 thousand from Site 3 and $206 thousand from Pier A coupled with interest earned and gains on investments on all residential funds held.

Overall, corporate-designated, escrowed and OPEB funds increased approximately $3.9 million from October 31, 2010. Deposits and interest earnings on the Authority and Conservancy OPEB funds accounted for approximately $3.1 million of the increase. Interest earnings on all funds held were offset by $166 thousand withdrawn for the public library accounted for overall increase of funds held.

In accordance with GASB No. 53, effective for fiscal years beginning after June 15, 2009, the Authority evaluated its Swaps, determined its Swaps to be effective hedges and retroactively recorded the negative fair value of approximately $92.9 million, $72.6 million, and $50.8 million at October 31, 2011, 2010, and 2009, respectively, as an asset for the accumulated decrease in the fair value of the interest rate swap agreements and a liability.

Bond issuance costs were amortized $1.5 million for the fiscal year ended October 31, 2011. Costs of leases decreased $64 thousand and reflect the amortization expense for the year. Other assets decreased by $648 thousand primarily due to depreciation and amortization offset by purchases of equipment, software, and other assets.

2010 vs. 2009

Total other current and noncurrent assets decreased approximately $206.3 million from $442.3 million at October 31, 2009 to $236 million at October 31, 2010.

Residential lease required funds increased $700 thousand from $19 million at October 31, 2009 to $19.7 million at October 31, 2010 and relate to security deposits received from ground lease tenants; $631 thousand from Site 3 coupled with interest earned on all residential funds held. The increases in interest were offset by $58 thousand reclaimed from a building security deposit fund for deficient payments.

Overall, corporate-designated, escrowed and OPEB funds decreased approximately $229.2 million from October 31, 2009. The decrease is attributable to a net decrease in the Joint Purpose Fund of approximately $216.7 million; $267.7 million of the decrease relates to amounts paid under the 2010 Agreement offset by a $51 million increase relating to excess revenues retained by the Authority from the fiscal year ended October 31, 2009 (see note 12). A payment of $13.4 million was made in December 2009 to the PANYJ from the Special Fund. An amount of $3.4 million was paid for the construction of a public library. An amount of approximately $5.3 million was drawn down from corporate reserve funds to finance capital projects and costs of the 2009 bond issuance. Deposits into the Authority and Conservancy OPEB funds of $1.5 million and $7.6 million respectively, as well as interest earnings on all funds held offset decreases to the overall balance.

In accordance with GASB No. 53, effective for fiscal years beginning after June 15, 2009, the Authority evaluated its Swaps, determined its Swaps to be effective hedges and retroactively recorded the negative fair value of approximately $72.6 million, $50.8 million, and $33.3 million at October 31, 2010, 2009, and 2008, respectively, as an asset for the accumulated decrease in the fair value of the interest rate swap agreements and a liability.

Bond issuance costs increased by a net $1.1 million. Bond issuance costs increased by $2.6 million due to costs incurred in issuing the 2009 Senior Revenue Bonds. This increase was offset by the ongoing amortization expense of $ 1.5 million for the 2003 and 2009 Revenue Bonds. Costs of leases decreased $64 thousand and reflect the amortization expense for the year. Other assets decreased by $782 thousand primarily due to depreciation and amortization offset by purchases of office improvements and computer equipment for the new Site 3 maintenance facility.

Liabilities

Total liabilities at October 31, 2011, 2010 and 2009 are as follows:

	October 31				
	2011	2010	Restated 2009	2011 vs 2010	2010 vs 2009
Current liabilities:					
Accrued interest on bonds	$ 18,579,617	18,950,389	16,732,457	(370,772)	2,217,932
Accounts payable and other liabilities	6,384,999	9,307,850	11,305,786	(2,922,851)	(1,997,936)
Due to the City of New York	87,623,785	110,215,449	90,537,000	(22,591,664)	19,678,449
Due to the City of New York-2010 Agreement	37,014,687	104,413,243	—	(67,398,556)	104,413,243
Due to the State of New York-2010 Agreement	—	66,175,000	—	(66,175,000)	66,175,000
Due to the Port Authority of NY & NJ	20,656,496	—	13,438,007	20,656,496	(13,438,007)
Deferred revenue	41,801,825	40,325,453	39,040,950	1,476,372	1,284,503
Security and other deposits	134,061	299,343	3,693,102	(165,282)	(3,393,759)
2003 Revenue Bonds	19,825,000	19,095,000	18,430,000	730,000	665,000
2009 Revenue Bonds	255,000	245,000	—	10,000	245,000
Total current liabilities	232,275,470	369,026,727	193,177,302	(136,751,257)	175,849,425
Noncurrent liabilities:					
Deferred revenue	316,208,835	328,076,513	191,144,394	(11,867,678)	136,932,119
Security and other deposits	21,099,455	20,248,187	19,879,295	851,268	368,892
Other Post Employment Benefits - Authority	17,633,427	16,869,575	16,032,763	763,852	836,812
Other Post Employment Benefits - Conservancy	8,769,643	7,630,939	—	1,138,704	7,630,939
Fair value of interest rate swaps	92,948,044	72,595,808	50,694,831	20,352,236	21,900,977
Bonds outstanding:					
2003 Revenue Bonds	983,612,833	1,004,611,571	1,024,880,309	(20,998,738)	(20,268,738)
2009 Revenue Bonds	88,410,789	88,738,637		(327,848)	88,738,637
Unamortized loss on extinguishment	(24,741,363)	(26,517,729)	(28,294,095)	1,776,366	1,776,366
Total noncurrent liabilities	1,503,941,663	1,512,253,501	1,274,337,497	(8,311,838)	237,916,004
Total liabilities	$ 1,736,217,133	1,881,280,228	1,467,514,799	(145,063,095)	413,765,429

2011 vs. 2010

The Organization's total liabilities decreased approximately $145.1 million from $1.88 billion at October 31, 2010 to $1.74 billion at October 31, 2011.

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

The $145.1 million decrease in total liabilities is due to:

- a $371 thousand decrease in accrued interest payable on bonds from $18.9 million at October 31, 2010 to $18.6 million at October 31, 2011, resulting from accrued interest on less bonds outstanding and lower interest rates on the Authority's variable rate debt (see note 10).

- a $2.9 million decrease in accounts payable and other liabilities from $9.3 million at October 31, 2010 to $6.4 million at October 31, 2011, primarily due to a PILOT credit due on the Goldman lease. The terms of the lease require the Authority to provide Goldman with up to $6 million in credits against future PILOT. A $6 million liability was recorded in fiscal year 2009 and was offset by PILOT revenue earned during each period resulting in a $3.1 million decrease in the period ended October 31, 2011. Additionally, the lease provides for interest earnings on the unused credit at a rate of 7.75% to be paid by the Authority, under which a $272 thousand increase in interest payable was recorded for the fiscal year ended October 31, 2011. In addition, amounts due to developers and accrued expenses decreased by approximately $140 thousand and $600 thousand, respectively, which were offset by increases in amounts held for retention of $700 thousand.

- a $87.6 million provision was recorded for the fiscal year ended October 31, 2011, representing fiscal 2011 PILOT related excess revenues to be transferred to the City (see note 12), a decrease of $22.6 million from prior fiscal year provision of $110.2 million which was paid June 2010. Amounts due the City and the State under the 2010 Agreement decreased $67.4 million and $66.2 million, respectively. The balance of the $200 million due to both the City and the State, $66.2 million each, was charged to operations as a provision for the fiscal year ended October 31, 2010 and paid May 2011. In addition, a provision in the amount of $38.2 million was charged to operations for the fiscal year ended October 31, 2010 and was paid in June 2011 under the 2010 Agreement to the City 421-A fund. A provision in the amount of $37 million was charged to operations and recorded as a liability for the year ended October 31, 2011 for payment under the 2010 Agreement for the City 421-A fund.

- a $20.7 million increase in amounts due to the Port Authority of New York & New Jersey ("PANYNJ") relating to the Authority's agreement to pay up to $40 million of Special Fund monies for the construction of a planned pedestrian concourse (see note 19(f)).

- a $10.4 million decrease to $358 million in total deferred revenue from $368.4 million at October 31, 2010 primarily due revenue recognized on leases such as Goldman lease ($2.7 million), Sites 23 and 24 ($2.3 million) and to site16/17 ($2.4 million) as well as other upfront lease payments received during prior years (see note 3(d)).

- a $686 thousand increase in total security and other deposits to $21.2 million at October 31, 2011, relating to the use of funds from prior deposits received for the public library of $165 thousand. The above decreases were offset by a security deposits received from Site 3 of $624 thousand and Pier A of $208 thousand as well as interest earnings on funds held.

- a net $764 thousand increase in OPEB liability for the Authority relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits paid. The Authority had a $17.6 million OPEB liability at October 31, 2011. 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 17).

- a $1.1 million 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 a $8.8 million OPEB liability at October 31, 2011. The annual required OPEB obligation is increased by normal costs for current employees and interest expense (see note 18).

- a $20.2 million decrease in 2003 Revenue Bonds outstanding relating to a payment of principal of $19 million and a $1.2 million decrease due to the amortization of the net bond premium (see note 15).

- a $318 thousand decrease in 2009 Revenue Bonds outstanding relating to a payment of principal of $245 thousand and a $73 thousand decrease due to the amortization of the net bond premium (see note 15).

- a $1.8 million decrease relating to the amortization of the loss on extinguishment of debt. The loss is being amortized over the maturity period of the retired debt (see note 15).

- In accordance with GASB No. 53, effective for fiscal years beginning after June 15, 2009, the Authority evaluated the effectiveness of its Swaps, determined its Swaps to be effective hedges and recorded the negative fair value of approximately $92.9 million at October 31, 2011 and negative $72.6 million as of October 31, 2010, as a liability. The change from October 31, 2010 to October 31, 2011 increased the negative fair value of swaps by $20.4 million.

2010 vs. 2009

The Organization's total liabilities increased approximately $413.8 million from $1.47 billion at October 31, 2009 to $1.88 billion at October 31, 2010.

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

The $413.8 million increase in total liabilities is due to:

- a $2.2 million increase in accrued interest payable on bonds from $16.7 million at October 31, 2009 to $18.9 million at October 31, 2010, resulting from the accrued interest on the recently-issued 2009 Revenue Bonds of $2.5 million. This increase was offset by lower interest rates paid on the Authority's variable rate debt (see note 10). A $2 million decrease in accounts payable and other liabilities from $11.3 million at October 31, 2009 to $9.3 million at October 31, 2010 primarily due to a PILOT credit due on the Goldman lease. The terms of the lease require the Authority to provide Goldman with up to $6 million in credits against future PILOT. A $6 million liability was recorded in fiscal year 2009 and is offset by PILOT revenue earned during each period. As of October 31, 2010, the credit balance was $3.1 million, a $1.5 million decrease from the balance on October 31, 2009. Additionally, the lease provides for interest earnings on the unused credit at a rate of 7.75% to be paid by the Authority; under which $290 thousand was recorded for the fiscal year ended October 31, 2010. In addition to the decrease in Goldman liability, accounts payable and accrued expenses decreased from October 31, 2009 by $790 thousand.

- a $110.2 million provision was recorded for the fiscal year ended October 31, 2010 representing fiscal 2010 excess revenues to be transferred to the City (see note 12). On March 30, 2010, the Authority paid the City and the State $133.8 million each pursuant to the 2010 Agreement. The balance of the $200 million due to both the City and the State, $66.2 million each, was charged to operations as a provision for the fiscal year ended October 31, 2010. These amounts are expected to be available for payment in February 2011. In addition, a provision in the amount of $38.2 million was charged to operations for the fiscal year ended October 31, 2010 as an estimated expected payment under the 2010 Agreement for the City 421-A fund.

- a $138.2 million increase to $368.4 million in deferred revenue from $191.1 million at October 31, 2009, primarily due to a $168.8 million upfront payment received from Goldman in January 2010, increasing the deferred revenue by $156 million at October 31, 2010. The above increases are offset by funds received and used for the repair of the north streets and revenue recognized on these and other upfront lease payments received during prior years (see note 3(d)).

- a $3 million decrease in security and other deposits to $20.5 million at October 31, 2010, relating to the use of funds from prior deposits received for the public library and school, totaling approximately $3.7 million. The above decreases were offset by a security deposit received from Site 3 of $664 thousand and interest earnings on funds held.

- a net $837 thousand increase in OPEB 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 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 17).

- a $7.6 million increase in OPEB for the Conservancy, relating to the initial recognition of a liability, as the plan became effective on February 1, 2010, the annual normal cost incurred for current employees and interest expense. In accordance with GASB Statement No. 45 (see note 3(i)), a $7.6 million net accrued postretirement medical benefit liability for all eligible current and retired employees was recorded during the fiscal year ended October 31, 2010. The annual required OPEB obligation is increased by normal costs for current employees and interest expense (see note 18).

- a $69.4 million increase in bonds outstanding, relating to the issuance of 2009 Revenue Bonds in the amount of $89 million, including the unamortized premium. The offset to this increase was due to $18.5 million in principal payments on the 2003 Series A and Series C bonds in November 2009, $13 million and $5.5 million, respectively, and a $1.2 million decrease due to the amortization of the net bond premium offset by a $1.8 million decrease relating to the amortization of the loss on extinguishment of debt. The loss is being amortized over the maturity period of the retired debt. On October 16, 2003, the Authority issued $1.07 billion for the 2003 Revenue Bonds. Principal payments on these debt obligations began November 2008. Principal payments on the 2009 Revenue Bonds obligations began in November 2010.

- In accordance with GASB No. 53, effective for fiscal years beginning after June 15, 2009, the Authority evaluated the effectiveness of its Swaps, determined its Swaps to be effective hedges and recorded the negative fair value of approximately $72.6 million at October 31, 2010 and negative $50.8 million as of October 31, 2009, as a liability. The change from October 31, 2009 to October 31, 2010 increased the negative fair value of swaps by $21.9 million.

Net Assets (Deficit)

2011 vs. 2010

The net deficits at October 31, 2011 and 2010 were $645 million and $655 million, respectively. Net assets invested in capital assets, net of related debt, was $9.4 million and $7.2 million at October 31, 2011 and 2010, 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 $90.1 million and $103.6 million of restricted net assets at October 31, 2011 and 2010, 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 approximately $744.6 million at October 31, 2011, resulting primarily from debt issued for noncapital purposes, approximately $545 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.

The change in total net assets from October 31, 2010 represents a positive change in the deficit position of approximately $9.8 million from $655 million at October 31, 2010 to $645.2 million at October 31, 2011.

2010 vs. 2009

The net deficits at October 31, 2010 and 2009 were $655 million and $255.5 million, respectively. Net assets invested in capital assets, net of related debt, were $7.2 million and $9.4 million at October 31, 2010 and 2009, 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 $103.6 million and $378.9 million of restricted net assets at October 31, 2010 and 2009, 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 approximately $765.8 million at October 31, 2010, resulting primarily from debt issued for noncapital purposes, approximately $556 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.

The change in total net assets from October 31, 2009, represents a negative change in the deficit position of approximately $399.5 million from $255.5 million at October 31, 2009 to $655 million at October 31, 2010.

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

Below is a summary of the Organization's revenues, expenses, and changes in net deficit for the fiscal years ended October 31, 2011, 2010 and 2009:

	October 31 2011	October 31 2010	October 31 2009	2011 vs 2010	2010 vs 2009
Operating revenues:					
Revenues from ground leases:					
Base rent	$ 59,153,949	63,738,711	58,732,238	(4,584,762)	5,006,473
Supplemental rent	1,764,977	926,609	772,225	838,368	154,384
Payments in lieu of real estate taxes	154,024,537	150,034,795	146,254,564	3,989,742	3,780,231
Civic facilities payments and others	15,241,246	14,815,792	18,220,364	425,454	(3,404,572)
Total operating revenues	230,184,709	229,515,907	223,979,391	668,802	5,536,516
Operating expenses:					
Wages and related benefits	13,374,134	13,863,618	13,992,092	(489,484)	(128,474)
OPEB - Authority	1,146,167	1,074,653	1,304,346	71,514	(229,693)
OPEB - Conservancy	1,138,704	7,630,939	—	(6,492,235)	7,630,939
Other operating and administrative	15,982,013	18,609,574	24,440,520	(2,627,561)	(5,830,946)
Depreciation and amortization	10,460,042	10,303,892	8,965,328	156,150	1,338,564
Total operating expenses	42,101,060	51,482,676	48,702,286	(9,381,616)	2,780,390
Operating income	188,083,649	178,033,231	175,277,105	10,050,418	2,756,126
Nonoperating revenues (expenses):					
Interest and other income	5,562,709	10,159,892	16,790,117	(4,597,183)	(6,630,225)
Other revenue	367,427	233,446	581,405	133,981	(347,959)
Interest expense, net	(38,855,284)	(39,465,012)	(41,472,997)	609,728	2,007,985
Provision for transfer to the Port Authority of NY & NJ	(20,656,496)	—	(13,438,007)	(20,656,496)	13,438,007
Provision for transfer to the City of New York	(87,623,785)	(110,215,449)	(90,537,000)	22,591,664	(19,678,449)
Provision for transfer to the City of New York - 2010 Agreement	(37,014,444)	(238,238,243)	—	201,223,799	(238,238,243)
Provision for transfer to the State of New York - 2010 Agreement		(200,000,000)	—	200,000,000	(200,000,000)
Total nonoperating expenses, net	(178,219,873)	(577,525,366)	(128,076,482)	399,305,493	(449,448,884)
Change in net assets	9,863,776	(399,492,135)	47,200,623	409,355,911	(446,692,758)
Net deficit, beginning of year	(655,018,402)	(255,526,267)	(302,726,890)	(399,492,135)	47,200,623
Net deficit, end of year	$ (645,154,626)	(655,018,402)	(255,526,267)	9,863,776	(399,492,135)

Operating Revenues

2011 vs. 2010

Overall operating revenues for the year ended October 31, 2011 totaled $230.2 million, approximately $669 thousand higher than the year ended October 31, 2010. Lease revenues consist primarily of base (land) rent and PILOT from long-term leaseholds.

Base rent decreased a net $4.6 million primarily due to scheduled rent increases in the leases totaling approximately $2 million being offset by a one-time revenue recognition from Site 1 in the amount of $6.6 million in previous fiscal year ended October 31, 2010. Supplemental rent increased $838 thousand. PILOT revenue totaling approximately $154 million (approximately 67% of the total operating revenues for the fiscal year ended October 31, 2011), increased by $4 million over the fiscal year ended October 31, 2010, and relates to assessed value increases and tax rate increases for commercial and residential sites. Additionally, civic facility and other revenues increased $425 thousand from $14.8 million in fiscal year 2010. The increase is primarily due to transaction payments, which increased $328 thousand and an increase in civic facility payments.

2010 vs. 2009

Overall operating revenues for the year ended October 31, 2010 totaled $229.5 million, approximately $5.5 million higher than the year ended October 31, 2009. Lease revenues consist primarily of base (land) rent and PILOT from long-term leaseholds.

Base rent increased a net $5 million primarily due to one-time revenue recognition of accrued deferred revenues from Site 1 in the amount of $6.6 million along with scheduled rent increases from other leases. These increases were offset by the reduction in monthly payments, per the lease agreement, collected from American Express, which were lower by $2.6 million period over period. This reduction was offset by an increase in base rent amounts of $140 thousand and $394 thousand recognized on Goldman and Site 3, respectively. PILOT revenue totaling approximately $150 million (approximately 65% of the total operating revenues for the fiscal year ended October 31, 2010), increased by $3.8 million over the fiscal year ended October 31, 2009 and relates to increased PILOT revenue recognized in the current year on sites recently completed coupled with assessed value increases and tax rate increases for commercial and residential sites. Additionally, civic facility and other revenues decreased $3.4 million from $18.2 million in fiscal year 2009 and relates to approximately $2.5 million in lower transaction fees received from the sale of units on Site 16/17 and reduced retail and percentage rents.

Operating Expenses

2011 vs. 2010

Operating expenses totaled approximately $42.1 million for the fiscal year ended October 31, 2011, representing a $9.4 million decrease compared to the fiscal year ended October 31, 2010. 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 $13.4 million decreased approximately $489 thousand due to decreases in staffing.

OPEB expenses for the Authority increased for the fiscal year ended October 31, 2011 by $72 thousand. The net increase was due to higher valuations for the normal and interest costs offset by the triennial valuation report, which determined that the Authority is entitled to an amortization credit to its annual required contribution. 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 17).

OPEB expenses for the Conservancy decreased for the fiscal year ended October 31, 2011 by a net $6.5 million. The Conservancy adopted an OPEB plan effective February 1, 2010. In order to recognize the initial cost of the plan, the Conservancy recognized an expense of $7.6 million for fiscal year ended October 31, 2010. The total normal and interest costs for the plan for the fiscal year ended October 31, 2011, amounted to $1.1 million. 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).

Other operating and administrative expenses decreased approximately $2.6 million. The decreased expenses primarily relate to the Conservancy moving into a newly constructed headquarters reducing a rent expense of $518 thousand for a portion of the year. The Conservancy's operating expenses also decreased by approximately $500 thousand. Additionally, decreases in legal expenses ($ 1.1 million), a savings from the discontinuance of a skating rink facility ($190 thousand), and other cost cutting measures resulted in cost savings in several areas of operations.

Depreciation and amortization expenses recorded for the fiscal year ended October 31, 2011 of approximately $10.5 million increased approximately $156 thousand due to the added depreciation of the community center.

2010 vs. 2009

Operating expenses totaled approximately $51.5 million for the fiscal year ended October 31, 2010, representing a $2.8 million increase compared to the fiscal year ended October 31, 2009. 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 $13.9 million were commensurate with the prior fiscal year ended October 31, 2009.

OPEB expenses for the Authority decreased for the fiscal year ended October 31, 2010 by $230 thousand. This was due to the new triennial valuation report, which determined that the Authority is entitled to an amortization credit to its annual required contribution. The decreased costs were offset somewhat by higher valuations for the normal and interest costs. 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 17).

The Conservancy adopted an OPEB plan effective February 1, 2010. In order to recognize the initial cost of the plan, the Conservancy recognized an expense of $7.6 million. In addition, the Conservancy recognized the normal and interest costs for the plan for the fiscal year ended October 31, 2010. These total costs amounted to $793 thousand. 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).

Other operating and administrative expenses decreased approximately $5.8 million and primarily relate to a one-time recognition of $6 million PILOT credit due on the Goldman lease during the fiscal year ended October 31, 2009. The terms of the lease require that the Authority provide Goldman with up to $6 million in PILOT credits against future PILOT. A one-time $6 million expense was recorded during fiscal year ended October 31, 2009 and none for fiscal year ended October 31, 2010. Additionally, the lease provides for interest earnings on the unused credit at a rate of 7.75% to be paid by the Authority; $290 thousand was recorded for the fiscal year ended October 31, 2010. Increased legal fees and community relations costs for fiscal year 2010 year over year were offset by decreases in security, rents and parks maintenance cost during the year.

Depreciation and amortization expenses recorded for the fiscal year ended October 31, 2010 of approximately $10.5 million increased approximately $1.3 million due to the added depreciation of the community center.

Nonoperating Revenues (Expenses)

2011 vs. 2010

Total net nonoperating revenues (expenses), of approximately $178.2 million for the fiscal year ended October 31, 2011 were approximately $399.3 million lower than the fiscal year ended October 31, 2010. Interest and other income decreased by $4.6 million primarily due to lower interest rates and the reduction in balances held during the fiscal year ended October 31, 2011 compared to 2010. A provision for transfer to the Port Authority of NY and NJ for $20.7 million was charged to operations in the fiscal year ended October 31, 2011. A provision for a transfer to the City for $87.6 million in excess revenues was charged for the fiscal year ended October 31, 2011, a decrease of approximately $22.6 million from the fiscal year ended October 31, 2010. In addition, a provision for the transfer to the City for the 2010 agreement of $37 million was charged in fiscal year end October 31, 2011, a decrease of $201.2 million from fiscal year end October 31, 2010. A $200 million decrease in the provision to transfer to the State for the 2010 Agreement which was a one-time charge for $200 million charged in the fiscal year end October 30, 2010 (see note 12).

2010 vs. 2009

Total nonoperating expenses, of approximately $577.5 million for the fiscal year ended October 31, 2010 were approximately $449.4 million higher than the fiscal year ended October 31, 2009. A provision for a transfer to the City of $110.2 million in excess revenues was charged for the fiscal year ended October 31, 2010, an increase of approximately $19.7 million from the fiscal year ended October 31, 2009. In addition, provisions of $200 million each for the City and State were incurred per the 2010 Agreement. Of those amounts $133.8 million each was paid to the City and State in March 2010. Those amounts are expected to be one-time payments. Also, pursuant to the 2010 Agreement, a provision for transfer to the City for a 421-A affordable housing fund in the amount $38.2 million was charged for the fiscal year ended October 31, 2010 (see note 12). Investment and other income decreased by $6.6 million primarily due to lower interest rates, the reduction in balances held and the composition of assets held during the fiscal year ended October 31, 2010 compared to 2009. Other revenue decreased $348 thousand and primarily relates to lower insurance proceeds collected for costs associated with the South Bridge extension and other improvements by the amount of $240 thousand along with a reduction in collection of $118 thousand of other revenue from not-for-profit entities. Net interest expense relating to outstanding bonds decreased $2 million compared to the fiscal year ended October 30, 2009 and relates to significantly lower interest rates paid on the 2003 variable-rate Revenue Bonds, approximately $1.7 million, as a result of failed auctions and a decrease in the 30-day LIBOR. LIBOR averaged 1% for the fiscal year ended October 31, 2009, while the current year experienced a 0.24% average. This decrease is offset by $1.4 million in payments of bond issuance costs related to the newly-issued 2009 Revenue Bonds and a $1.1 million decrease in monthly earnings on the six interest-rate swap agreements entered into in 2003. The counterparties pay the Authority 65% of LIBOR.

Change in Net Assets

The total net deficits at October 31, 2011 and 2010 were $645.2 million and $655 million, respectively.

The total net deficits at October 31, 2010 and 2009 were $655 million and $255.5 million, respectively.

Other Information

Debt Administration – The 2003 Revenue Bonds, issued in October 2003, totaling $1.07 billion, included $433 million (including a net premium) of senior lien and $635 million of junior lien debt obligations. At October 31, 2011, the Authority was responsible for debt service on the 2003 Revenue Bonds of $1 billion (see note 10).

	Outstanding debt	Fitch	Moody's	Standard & Poor's (S&P)
2003 Series Senior A Bonds	$ 382,712,833	AAA	Aaa	AAA
2003 Series Junior B Bonds *	235,000,000	AA	Aa3	AA+
2003 Series Junior C Bonds *	385,725,000	AA	Aa3	AA+

* The junior lien debt obligations are insured and also carry underlying Fitch, S&P and Moody's ratings of AA, AA+ and Aa3, respectively.

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, 2011, the Authority was responsible for debt service on the 2009 Revenue Bonds of $88.7 million (see note 11).

	Outstanding debt	Fitch	Moody's	Standard & Poor's (S&P)
2009 Senior Revenue A Bonds	$ 56,600,000	AAA	Aaa	Not rated
2009 Senior Revenue B Bonds	32,065,789	AAA	Aaa	Not rated

Requests for Information – This financial report is designed to provide a general overview of the Organization's finances for all persons with an interest in its 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 Senior Vice President, Public Information, One World Financial Center, 24th Floor, New York, NY 10281. The Authority's Web site is: www.batteryparkcity.org.

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

Balance Sheets

October 31, 2011 and 2010

Assets	**2011**	**2010**
Current assets:		
Bank deposits	$ 111,416	614,711
Investments (note 3(e))	2,831,780	1,853,483
Restricted assets:		
Rents and other receivables (net of allowance for doubtful accounts of $354,463 in 2011 and $193,785 in 2010) (note 13)	6,305,642	4,076,757
2003 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 10)	196,294,433	352,836,846
2009 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 11)	2,775,153	2,767,603
Corporate-designated, escrowed, and OPEB funds (note 3(e))	26,847,837	26,858,177
Total current assets	235,166,261	389,007,577
Noncurrent assets:		
Restricted assets:		
2003 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 10)	94,558,687	92,713,612
2009 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 11)	44,288,249	65,186,838
Residential lease required funds (note 3(e))	20,588,758	19,691,803
Corporate-designated, escrowed, and OPEB funds (note 3(e), 17 and 18)	74,174,509	70,276,353
Deferred costs (note 3(g)):		
Bond issuance costs, less accumulated amortization of $17,354,316 in 2011 and $15,814,222 in 2010	36,067,978	37,605,986
Costs of leases, less accumulated amortization of $1,009,733 in 2011 and $945,591 in 2010	3,669,793	3,733,935
Battery Park City project assets – at cost, less accumulated depreciation (notes 2, 3(c), and 4)	485,004,886	470,207,028
Accumulated decrease in fair value of interest rate swap (notes 3(j) and 10)	92,948,044	72,595,808
Other assets	4,595,342	5,242,886
Total noncurrent assets	855,896,246	837,254,249
Total assets	$ 1,091,062,507	1,226,261,826

(Continued)

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

Balance Sheets

October 31, 2011 and 2010

Liabilities and Net Deficit		**2011**	**2010**
Current liabilities:			
Accrued interest on bonds	$	18,579,617	18,950,389
Accounts payable and other liabilities (note 14)		6,384,999	9,307,850
Due to the City of New York (note 12)		87,623,785	110,215,449
Due to the City of New York - 2010 Agreement (note 12)		37,014,687	104,413,243
Due to the State of New York - 2010 Agreement (note 12)		—	66,175,000
Due to The Port Authority of New York & New Jersey (note 19(f))		20,656,496	—
Deferred revenue (note 3(d)):			
PILOT revenue		27,113,141	25,494,656
Base rent and other revenue		14,688,684	14,830,797
Security and other deposits		134,061	299,343
2003 Revenue Bonds (notes 8, 9, and 10)		19,825,000	19,095,000
2009 Revenue Bonds (notes 8, 9, and 11)		255,000	245,000
Total current liabilities		232,275,470	369,026,727
Noncurrent liabilities:			
Deferred revenue (note 3(d)):			
Base rent and other revenue		316,208,835	328,076,513
Security and other deposits		21,099,455	20,248,187
OPEB - Battery Park City Authority (note 17)		17,633,427	16,869,575
OPEB - Battery Park City Parks Conservancy (note 18)		8,769,643	7,630,939
Fair value of interest rate swaps (notes 3(j) and 10)		92,948,044	72,595,808
Bonds outstanding (notes 8, 9, 10 and 11):			
2003 Revenue Bonds, less accumulated amortization of $9,438,139 in 2011 and $8,264,401 in 2010		983,612,833	1,004,611,571
2009 Revenue Bonds, less accumulated amortization of $135,218 in 2011 and $62,370 in 2010		88,410,789	88,738,637
Unamortized loss on extinguishment of 1993, 1996, and 2000 bonds		(24,741,363)	(26,517,729)
Total noncurrent liabilities		1,503,941,663	1,512,253,501
Total liabilities		1,736,217,133	1,881,280,228
Net assets (deficit) (note 3(f)):			
Invested in capital assets, net of related debt		9,371,055	7,208,862
Restricted:			
Debt service		64,535,873	61,725,730
Under bond resolutions and other agreements		25,547,617	41,866,596
Unrestricted deficit		(744,609,171)	(765,819,590)
Total net deficit		(645,154,626)	(655,018,402)
Total liabilities and net deficit	$	1,091,062,507	1,226,261,826

See accompanying notes to basic 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 Assets (Deficit)

Years Ended October 31, 2011 and 2010

	2011	2010
Operating revenues:		
Revenues from ground leases (notes 5, 6, and 7):		
Base rent	$ 59,153,949	63,738,711
Supplemental rent	1,764,977	926,609
Payments in lieu of real estate taxes	154,024,537	150,034,795
Civic facilities payments and other	15,241,246	14,815,792
Total operating revenues	230,184,709	229,515,907
Operating expenses:		
Wages and related benefits	13,374,134	13,863,618
OPEB - Battery Park City Authority (note 17)	1,146,167	1,074,653
OPEB - Battery Park City Parks Conservancy (note 18)	1,138,704	7,630,939
Other operating and administrative expenses	15,982,013	18,609,574
Depreciation of project assets	7,861,298	7,448,434
Other depreciation and amortization	2,598,744	2,855,458
Total operating expenses	42,101,060	51,482,676
Operating income	188,083,649	178,033,231
Nonoperating revenues (expenses):		
Investment income on funds relating to:		
2003 Revenue Bonds (note 10)	2,591,493	2,676,530
2009 Revenue Bonds (note 11)	827,708	881,153
Corporate-designated, escrowed, and OPEB funds	2,365,669	2,866,452
Realized and unrealized (losses) and gains	(222,161)	3,733,311
Gain on project assets	—	2,446
Other revenue	367,427	233,446
Interest expense relating to:		
2003 Swap agreements – net expense	(12,725,691)	(12,812,568)
2003 Revenue Bonds (note 10)	(20,648,656)	(21,691,958)
2009 Revenue Bonds (note 11)	(3,704,571)	(3,184,120)
Loss from extinguishment	(1,776,366)	(1,776,366)
Provision for transfer to The Port Authority of New York & New Jersey (note 19(f))	(20,656,496)	—
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts (note 12)	(87,623,785)	(110,215,449)
Provision for transfer to the City of New York per 2010 Agreement (note 12)	(37,014,444)	(238,238,243)
Provision for transfer to the State of New York per 2010 Agreement (note 12)		(200,000,000)
Total nonoperating expenses	(178,219,873)	(577,525,366)
Change in net assets	9,863,776	(399,492,135)
Net deficit, beginning of year	(655,018,402)	(255,526,267)
Net deficit, end of year	$ (645,154,626)	(655,018,402)

See accompanying notes to basic 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, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Cash receipts from:		
Tenant payments	$ 214,658,845	375,591,750
Miscellaneous receipts	1,104,767	1,837,938
Total cash receipts from operating activities	215,763,612	377,429,688
Cash payments for:		
Salaries and benefits	(13,737,418)	(14,231,816)
Services and supplies	(16,812,044)	(19,057,691)
Total cash payments for operating activities	(30,549,462)	(33,289,507)
Net cash provided by operating activities	185,214,150	344,140,181
Cash flows from noncapital financing activities:		
Goldman Sachs payment for Battery Park City Library	(165,720)	(3,401,522)
Receipts from the City of New York - Pier A	5,155,508	4,792,389
Payments to Pier A Contractors on behalf of the City of New York	(5,894,203)	(4,230,509)
Receipt from the New York City Educational Construction Fund	1,158,938	—
Contract closeout payment	(1,158,938)	—
Payments from lessees – site security deposits	815,882	2,493,020
Payments to The Port Authority of New York & New Jersey	—	(13,438,007)
Payments to the City of New York	(110,215,449)	(90,537,000)
Payments to the City of New York - 2010 Agreement	(104,413,000)	(133,825,000)
Payments to the State of New York - 2010 Agreement	(66,175,000)	(133,825,000)
Net cash used in noncapital financing activities	(280,891,982)	(371,971,629)
Cash flows from capital and related financing activities:		
Development costs – site improvements and construction	(22,659,647)	(15,881,023)
Capital asset expenditures	(315,163)	(643,547)
Receipts from the sale of capital assets	872	—
Payments for bond issuance costs	—	(1,355,546)
Auction fees for variable debt	(354,816)	(356,452)
Swap payment made on the 2003 Swap agreement	(13,409,294)	(13,597,428)
Swap interest payments received on the 2003 Swap agreement	594,084	689,079
Principal paydown on 2003 Revenue Bonds	(19,095,000)	(18,430,000)
Interest paid on 2003 Senior Revenue Bonds	(18,821,184)	(19,317,879)
Interest paid on 2003 Junior Revenue Bonds	(2,920,648)	(3,401,969)
Principal paydown on 2009 Senior Revenue Bonds	(5,042,756)	
Interest paid on 2009 Senior Revenue Bonds	(245,000)	(1,807,866)
Proceeds from 2009 Senior Revenue Bonds issuance	—	88,256,519
2009 Senior Revenue Bonds - Build America Bonds refund from US Treasury	1,894,331	452,535
Net cash (used in) provided by capital and related financing activities	(80,374,221)	14,606,423
Cash flows from investing activities:		
Interest and realized gains received on investment securities	6,590,951	9,231,309
Maturities and redemptions of investment securities	625,194,567	770,730,783
Purchases of investment securities	(623,360,456)	(731,981,553)
Net cash provided by investing activities	8,425,062	47,980,539
(Decrease) increase in cash and cash equivalents	(167,626,991)	34,755,514
Cash and cash equivalents, beginning of year	376,420,921	341,665,407
Cash and cash equivalents, end of year	$ 208,793,930	376,420,921

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

Statements of Cash Flows

Years Ended October 31, 2011 and 2010

	2011	**2010**
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 188,083,649	178,033,231
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for bad debt expense	244,189	149,808
Depreciation and amortization	10,460,042	10,303,892
Other	(88,265)	(97,963)
Changes in operating assets and liabilities:		
(Increase) decrease in rents and other receivables	(1,995,212)	11,707,855
Decrease in other assets	17,686	155,154
Decrease in accounts payable and other liabilities	(3,019,189)	(2,796,169)
(Decrease) increase in deferred revenue	(10,391,306)	138,216,622
Increase in OPEB	1,902,556	8,467,751
Net cash provided by operating activities	$ 185,214,150	344,140,181
Reconciliation to cash and cash equivalents, end of year:		
Bank deposits	$ 111,416	614,711
Cash and equivalents in restricted asset accounts (note 3(e))	208,682,514	375,806,210
Cash and cash equivalents, end of year	$ 208,793,930	376,420,921

See accompanying notes to basic financial statements.

(1) General

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

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

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

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

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

(2) Description of Project

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

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

(3) Summary of Significant Accounting Policies

(a) Financial Reporting

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

The Organization's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this basis, revenues are recognized in the period they are earned and expenses are recognized in the period they are incurred. GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting,* provides proprietary activities with the option of implementing the provisions of Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements. The Organization has elected to follow GASB pronouncements exclusively subsequent to November 30, 1989.

(b) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Estimates include reserves for doubtful accounts, depreciation, 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, 2011 and 2010 are capitalized as project assets and are classified as follows:

	Balance at October 31, 2010	Additions	Deletions	Balance at October 31, 2011
Land	$ 83,015,653	—	—	83,015,653
Site improvements	365,965,372	5,704,063	—	371,669,435
Residential building and condominiums	106,086,327	16,955,092	—	123,041,419
Total project assets	555,067,352	22,659,155	—	577,726,507
Less accumulated depreciation:				
Site improvements	72,214,805	5,049,726	—	77,264,531
Residential building and condominiums	12,645,519	2,811,571	—	15,457,090
Total accumulated depreciation	84,860,324	7,861,297	—	92,721,621
Net project assets	$ 470,207,028	14,797,858	—	485,004,886

	Balance at October 31, 2009	Additions	Deletions	Balance at October 31, 2010
Land	$ 83,015,653	—	—	83,015,653
Site improvements	357,580,295	8,385,077	—	365,965,372
Residential building and condominiums	98,364,135	7,722,192	—	106,086,327
Total project assets	538,960,083	16,107,269	—	555,067,352
Less accumulated depreciation:				
Site improvements	67,331,740	4,883,065	—	72,214,805
Residential building and condominiums	10,080,150	2,565,369	—	12,645,519
Total accumulated depreciation	77,411,890	7,448,434	—	84,860,324
Net project assets	$ 461,548,193	8,658,835	—	470,207,028

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

(d) Revenue from Ground Leases

Revenue from ground leases is recognized as income as such amounts become receivable under the provisions of each lease, except that PILOT and upfront lease payments received in advance of the period to which they apply are 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 is considered operating revenue. All other revenues are considered non-operating. In accordance with the lease terms, the Authority received upfront lease payments in fiscal years prior to 2011 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. All upfront payments received from Site 2A through October 31, 2011 have been recognized in accordance with the lease terms. Amounts not recognized are reported as deferred revenue in current and noncurrent liabilities.

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

(e) Investments and Deposits

The Organization carries all investments at fair value based on quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Deposit and inherent risks that could affect the Organization's ability to provide services and meet its obligations as they become due are reported in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The Authority's investments in securities are held by the Authority's financial institutions in the Authority's name. The Authority's investments in U.S. Treasury Securities are backed by the full faith and credit of the U.S. government; investments in commercial paper maintain a credit rating no lower than 'A-1' grade; investments in federal agency and mortgage backed securities have the highest credit rating of 'AAA' and are supported by the U.S. government or its agencies; investments in municipal bonds are supported by Fannie Mae and rated 'AAA.' 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, 2011 and 2010 included within the balance sheet accounts: investments, corporate designated, escrowed and OPEB funds, bond resolution funds (see note 8) and residential lease required funds are as follows:

	October 31, 2011			October 31, 2010		
	Cost	**Fair value**	**Weighted average maturity (years) (a)**	**Cost**	**Fair value**	**Weighted average maturity (years) (a)**
U.S. Treasury securities:						
Treasury Bills	$ 81,423,660	81,425,813	0.26	$ 171,104,972	171,107,241	0.11
Treasury Bonds	61,994,188	65,643,181	3.50	31,079,020	34,686,046	4.39
Treasury Strips	337,562	813,127	6.03	337,562	770,478	6.73
Total U.S. Treasury securities	143,755,410	147,882,121		202,521,554	206,563,765	
Commercial paper	149,706,411	149,715,500	0.03	124,417,803	124,448,261	0.07
Federal agency securities	114,249,213	116,802,041	1.58	253,927,380	257,843,712	1.14
Federal agency mortgage backed securities	17,906,006	19,115,943	2.91	20,832,761	22,145,994	2.70
Municipal bonds	26,702,842	27,912,487	3.75	18,053,041	18,681,814	3.84
Total investments	452,319,883	461,428,092	1.31	619,752,539	629,683,545	0.97
Cash and cash equivalents	931,314	931,314		2,501,170	2,501,170	
Total investments and deposits	$ 453,251,197	462,359,406		622,253,709	632,184,715	

(a) Portfolio weighted average effective duration

As of October 31, 2011 and 2010, restricted assets included cash and cash equivalents and investments with less than 91-day maturities amounting to $208,682,514 and $375,806,210, 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; (iii) obligations of any corporation organized under the laws of any state in the United States maturing within 270 days provided that such obligations receive the highest rating of two independent rating services (commercial paper) which as of October 31, 2011 were A1/P1; and (iv) municipal bonds issued by New York authorities, provided that they currently receive the highest rating by at least one rating agency (AAA/AAA long-term or VMIG1/A1+ short-term).

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

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

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

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

The Conservancy maintains its cash in bank deposits and certificates of 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 Assets (Deficit)

The Organization's net assets are 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 net assets, consisting of net assets restricted for specific purposes by law or parties external to the Organization; and unrestricted net assets, consisting of net 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) Deferred Costs

Bond issuance costs are amortized using the straight-line method over the remaining period to maturity of the bonds. Unamortized bond issuance costs relating to refunded debt are accounted for as part of the carrying amount of such debt. Unreimbursed costs, primarily legal, incurred by the Authority in entering into leases, have been deferred and are being amortized by the straight-line method over the term of the leases.

(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 (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 note 17).

In accordance with GASB Statement No. 45, the Conservancy (a) implemented a systematic, accrual basis measurement and recognition of OPEB cost (expense) over a period that approximates an employees' 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 note 18).

(j) Accounting and Financial Reporting for Derivative Instruments

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB No. 53"). GASB No. 53 addresses the recognition, measurement and disclosure of information regarding derivative instruments for state and local governments. In accordance with GASB No. 53, effective for fiscal years beginning after June 15, 2009, the Authority evaluated the effectiveness of six interest-rate exchange agreements ("Swaps"), determined the Swaps to be effective hedgers and retroactively recorded the negative fair value of approximately $92.9 million, $72.6 million, and $50.8 million at October 31, 2011, 2010, and 2009, respectively, as both an asset labeled as accumulated decrease in the fair value of the interest rate swap agreements (deferred outflow of resources per GASB No. 53) and a liability labeled as fair value of interest rate swaps, for comparative purposes.

(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, 2011, the City had not expressed its intent regarding its right to reacquire the Project site.

(5) Commercial Development

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

As of October 31, 2011, the WFC leases, which expire in 2069, provide for future base rent payments aggregating approximately $1 billion over the lease terms in the following annual amounts: base rent of $17 million per annum from 2011 through 2069 and additional base rent of $5,561,220 payable by the BFP-affiliated lessees (2000 to 2014) (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.

In 1995, the Authority signed a lease with the New York Mercantile Exchange and its wholly owned subsidiary, Commodity Exchange Inc. (collectively, "NYMEX"), and other agreements along with the New York City Economic Development Corporation, the City, and the New York State Urban Development Corporation (doing business as the Empire State Development Corporation) for the development of a 500,000 square feet trading facility and office building complex to be located on Site 15. The Authority has constructed and paid for certain utility connections to the Project. The lease provides that, commencing on the occupancy date and continuing for a period of 20 years, the rent per annum shall be $1 for the trading portion of the building and $1 million for the office portion for the first seven years of occupancy, $1,500,000 for years 8 through 13, and $2 million for the remainder of the 20-year period. The building was completed and occupied in July 1997. The NYMEX lease provides for an abatement program for PILOT payments for portions of the exchange project.

In 1998, a lease was signed for the development of a 463-room luxury hotel and cinema complex (approximately 600,000 square feet) north of the WFC (the north neighborhood). In addition, in January 2001, a lease was signed for the development of a luxury hotel (approximately 278,000 square feet) and residential complex on Site 1 south of the WFC (the south neighborhood).

In August 2005, a lease was signed by Goldman Sachs Headquarters LLC ("Goldman") for the development of approximately 2.2 million square feet of trading and office headquarter space on Site 26 in the north neighborhood. The Site 26 ground lease requires that a $161 million lump sum rent payment be deposited with an escrow agent, which was paid in June 2007. During the fiscal year ended October 31, 2010 the Authority received $169.3 million, which included interest accrued on the escrowed amount, from the escrow agent as the building was completed and the City fulfilled all of its obligations in relation to the site. PILOT payments under the lease are made subject to certain caps and exemptions to Goldman. In addition, in December 2005, Goldman made a $3.5 million lease payment to the Authority which is held in escrow with interest earnings for the benefit of the local community to help fund a library in the base of Site 16/17, a residential building in the north neighborhood. Approximately $3.9 million was disbursed to the NYC Public Library by the Authority through October 31, 2011.

(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 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 2,986 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. Twelve leases in the south neighborhood were modified to provide for more gradual increases in ground rent over the first two reset periods over 30 years. These modifications reduced the ground rent from the original terms at 6% of fair market value. With respect to lease years subsequent to any other reappraisal dates, base rent may not be less than an amount in excess of base rent payable for the lease year immediately prior thereto. Reappraisal dates occur every 15 years, commencing on the fifteenth anniversary of the first appraisal date.

Annual PILOT is also required to be paid to the Authority during the term of these leases. PILOT is a lease payment by the tenants of each lease to the Authority in lieu of paying real property taxes to the City. PILOT is based on the assessed value of the premises as established by the City and the tax rate then applicable to similar classes of real property located in the borough of Manhattan. Many leases provide for an abatement equivalent to the real estate tax abatements provided for in the New York State's Real Property Tax Law, and are either 10 or 20 years in duration. Abatements for two recent developments in the south neighborhood will end before 2020 and abatements for the north neighborhood will end in 2020 or thereafter.

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

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

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

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

On November 15, 2007, ground leases for Site 23 and Site 24, the last residential sites available for development in Battery Park City, between the Authority and MP Freedom LLC and MP Liberty LLC, respectively, became effective (both MP entities are controlled by The Milstein Organization). Under the leases, the tenants made pre-lease and lease payments totaling approximately $60 million, including an upfront lease payment of $56.5 million. Regular payments of base rent, PILOT, and other elements of rent, including a share of the proceeds of the sale of each condominium unit will be received by the Authority over the lease term. The ground lease tenants are also required to construct the core and shell of a community center and ball field maintenance facilities, which is owned by the Authority as a condominium unit. Construction of the buildings is substantially complete.

(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, 2012 through 2016 and through the end of the lease term (thereafter), are as follows (in 000s):

		2012	2013	2014	2015	2016	Thereafter	Total	
Commercial development:									
Base rent	$	25,114	25,131	24,218	19,604	19,622	1,181,821	1,295,510	
Residential developments:									
Gateway project base rent		305	305	305	305	305	7,229	8,754	(a)
S. Res. Neighborhood:									
Base rent		17,406	18,447	18,576	18,911	19,051	1,546,608	1,638,999	
Other minimum payments		2,775	—	—	—	—	—	2,775	
Subtotal S. Res.		20,181	18,447	18,576	18,911	19,051	1,546,608	1,641,774	
N. Res. Neighborhood:									
Base rent		6,826	7,002	7,185	7,423	7,686	795,422	831,544	
Other minimum payments		8,431	9,092	10,450	11,676	13,144	566,002	618,795	
Subtotal N. Res.		15,257	16,094	17,635	19,099	20,830	1,361,424	1,450,339	
Total	$	60,857	59,977	60,734	57,919	59,808	4,097,082	4,396,377	

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

Amounts in the above tabulation do not include PILOT (other than minimum supplemental, incremental or minimum PILOT rent payments under the residential leases) and other payments to be received under the ground leases. These minimum payments will be recorded as revenues (supplemental rents) only to the extent that minimum amounts exceed PILOT revenues due. In addition, future minimum lease revenues in connection with leases for which the buildings have not been built by developers and substantially occupied are not included. Revenues to be paid on a percentage basis and other like contingent payments are also excluded from the above tabulation.

(8) 2003 and 2009 Revenue Bond Resolution Funds

The current and noncurrent balance in the funds and accounts established in accordance with the Authority's 2003 Revenue Bond resolutions and held by trustees are as follows at October 31, 2011 and 2010:

	2003 Revenue Bonds			
October 31, 2011	**General Bond Resolution**	**Senior Bonds**	**Junior Bonds**	**Total 2003 Bonds**
Reserve Fund	$ 72,584,358	—	—	72,584,358
Project Operating Fund	8,439,234	—	—	8,439,234
Debt Service Funds	—	28,528,298	56,492,535	85,020,833
Residual Fund	91,958	—	—	91,958
Pledged Revenue Fund	124,716,737	—	—	124,716,737
	$ 205,832,287	28,528,298	56,492,535	290,853,120

	2003 Revenue Bonds			
October 31, 2010	**General Bond Resolution**	**Senior Bonds**	**Junior Bonds**	**Total 2003 Bonds**
Reserve Fund	$ 72,509,468	—	—	72,509,468
Project Operating Fund	7,873,869	—	—	7,873,869
Debt Service Funds	—	27,982,535	53,195,724	81,178,259
Residual Fund	117,980	—	—	117,980
Pledged Revenue Fund	283,870,882	—	—	283,870,882
	$ 364,372,199	27,982,535	53,195,724	445,550,458

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 Revenue Bonds resolutions and were held by trustees as follows at October 31, 2011 and 2010:

		2009 Revenue Bonds		
October 31, 2011		**2009A Senior Revenue Bonds**	**2009B Senior Revenue Bonds**	**Total 2009 Bonds**
Cost of Issuance Fund	$	—	—	—
Project Costs Fund		34,049,522	13,013,880	47,063,402
	$	34,049,522	13,013,880	47,063,402

		2009 Revenue Bonds		
October 31, 2010		**2009A Senior Revenue Bonds**	**2009B Senior Revenue Bonds**	**Total 2009 Bonds**
Cost of Issuance Fund	$	107	62	169
Project Costs Fund		41,436,708	26,517,564	67,954,272
	$	41,436,815	26,517,626	67,954,441

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

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

Amounts in the Debt Service Funds and dedicated funds established under the 2003 Revenue Bond Resolutions are used to pay debt service on the respective 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 and 2009 Revenue Bonds. In December 2009, upon the issuance of the 2009 Revenue Bonds, an amount of $1.5 million was added to the 2003 Reserve fund.

Amounts in the Project Operating Fund established under the 2003 General Bond Resolution 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 and 2009 Revenue Bonds and on certain additional indebtedness, which may be issued by the Authority and secured by the Authority's revenue.

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

(9) Authority Bonds Authorized and Assignment of Revenue for Housing New York Corporation Bonds

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 pledge and assign excess revenues, as defined, to the Housing New York Corporation ("HNYC"), a State public benefit corporation and subsidiary of the New York City Housing Development Corporation, in such amounts as are necessary to secure the issuance of bonds or notes by HNYC, in amounts not to exceed $400 million to finance low- and moderate-income housing developments outside the Authority's Project area, plus a principal amount of bonds or 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. Pursuant to the Housing New York Act, only those bond or note proceeds of HNYC that were available on or before June 30, 1995 are permitted to be used to finance the housing program. Consequently, unless the Housing New York Act is amended, the Authority cannot pledge or assign any additional revenues in the future for the HNYC housing program.

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, 2011, no bonds were issued for this purpose.

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

Issuance of additional bonds by the Authority is subject to meeting certain conditions, including projected debt service coverage tests, and 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 A (the "2003 Series A Bonds") and $635,000,000 variable-rate Junior Revenue Bonds, comprising $235,000,000 of Series B (the "2003 Series B Bonds") and $400,000,000 of Series C (the "2003 Series C Bonds"), for a total of $1,068,345,972. The 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 1996 A.
- $115,160,363 of the 2003 Series B Bonds was issued to finance certain infrastructure and other capital improvements.

In conjunction with the refunding of all of the outstanding revenue bonds, 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 current refund $250,390,000 of outstanding 1993 HNYC Senior Bonds (see note 9).

Funds aggregating $860,037,332, representing the net proceeds of the bond issues after payment of underwriting fees and other issuance cost and deposits to debt service reserve and other funds and accounts held under the various resolutions for the refunded bonds, were used to purchase U.S. government securities. In addition, approximately $90.4 million of the bond proceeds was made available to the Authority to facilitate development and maintenance of the Project. All of the Project development bond proceeds were utilized as of October 31, 2011 (see note 8).

The refundings resulted in the reacquisition price exceeding the net carrying amount of the refunded debt by $39 million. The difference between the reacquisition price and the net carrying amount of the refunded debt is reflected on the Authority's balance sheet as an unamortized loss on extinguishment of debt and is being deferred over the life of the old debt with a pro rata charge to interest expense for the year ended October 31, 2011 and 2010.

The payment of principal commenced in November 2008 on the 2003 Series A and 2003 Series C Bonds, while payment on the 2003 Series B Bonds will commence in 2033.

At October 31, 2011, the 2003 Series A Bonds consist of the following serial bonds:

	Coupon rates	Principal amounts	Interest
Year ended October 31:			
2012	3.00% – 5.50%	$ 14,375,000	18,236,211
2013	3.40% – 5.50%	15,205,000	17,531,970
2014	3.50% – 5.50%	16,140,000	16,735,258
2015	3.625% – 5.25%	17,165,000	15,880,183
2016 – 2020	3.75% – 5.25%	103,310,000	64,458,022
2021 – 2025	4.25% – 5.25%	134,935,000	33,753,233
2026 – 2027	4.625% – 5.00%	64,025,000	3,231,869
Totals		$ 365,155,000	169,826,746

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, which is being amortized on a straight-line basis, over the lives of the 2003 Series A Bonds. At October 31, 2011 and 2010, the unamortized net bond premium was approximately $17.6 million and $18.7 million, respectively.

The 2003 Series A Bonds maturing after November 1, 2013 are subject to redemption, in whole or in part, at any time on or after November 1, 2013 at the option of the Authority, at a redemption price of par plus interest to the redemption date.

As of October 31, 2011, principal and interest payments due on the 2003 Series B Bonds and the 2003 Series C Bonds are as follows:

	Junior B		Junior C		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ended October 31:						
2012	$ —	1,170,738	5,450,000	1,886,984	5,450,000	3,057,722
2013	—	1,170,738	5,450,000	1,860,212	5,450,000	3,030,950
2014	—	1,170,738	5,450,000	1,833,440	5,450,000	3,004,178
2015	—	1,170,738	5,450,000	1,806,668	5,450,000	2,977,406
2016 – 2020	—	5,853,688	27,300,000	8,631,638	27,300,000	14,485,326
2021 – 2025	—	5,853,688	30,825,000	7,928,137	30,825,000	13,781,825
2026 – 2030	—	5,853,688	144,225,000	6,320,221	144,225,000	12,173,909
2031 – 2035	35,925,000	5,761,212	161,575,000	1,467,065	197,500,000	7,228,277
2036 – 2040	199,075,000	2,557,252	—	—	199,075,000	2,557,252
Total	$ 235,000,000	30,562,480	385,725,000	31,734,365	620,725,000	62,296,845

The 2003 variable-rate Junior Revenue Bonds were issued as Auction Rate Securities (“ARS”) and the principal and interest are insured by municipal bond insurance policies. Interest rates on these bonds are reset periodically through an auction process in the secondary market. The 2003 Series B Bonds reset on a seven-day auction cycle and the 2003 Series C Bonds reset on a 35-day auction cycle.

Interest in the above table is based on actual auction rates in effect closest to October 31, 2011, which were 0.490%, 0.492%, and 0.492% for Series B1, B2 and B3 of the 2003 Series B Bonds, respectively; and 0.490%, 0.492%, 0.478%, 0.482%, and 0.486% for Series C1, C2, C3, C4 and C5 of the 2003 Series C Bonds, respectively.

The 2003 Series B Bonds in entirety and $100 million of the 2003 Series C Bonds are insured by Assured Guaranty Municipal Corporation ("AGMC"). The remaining $300 million of the 2003 Series C Bonds are insured by AMBAC Assurance Corporation ("AMBAC").

In February 2008, the auctions for the Authority's ARS in the secondary market began to fail intermittently due to insufficient investor orders to support the product resulting in higher interest rates paid on the 2003 Series B and C Junior Revenue Bonds (variable-rate subordinate debt). On any failed auction date, the reset rate is set at a percentage of the 30-day London Interbank Offered Rate ("LIBOR") based on the prevailing rating of the series bonds. The rates applied to the 30-day LIBOR on the 2003 Series B and C Bonds are 175%, 200%, or 225% for bonds rated AAA/AAA/Aaa, AA/AA/Aa, and A/A/A, respectively, depending on the prevailing rating of the series of bonds outstanding. The reset rates on auctions that settled from November 1, 2010 through October 31, 2011 ranged from a low of 0.370% to a high of 0.528% on the 2003 Series B Bonds and from a low of 0.370% to a high of 0.530% on the 2003 Series C Bonds.

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 "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 Bonds. The Authority executed the Swaps in order to effectively convert the variable-rate 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 amortization schedules of the total amount of the Swaps and the Bonds are identical, with each having a final amortization of November 1, 2033.

	2003 Series C Bonds	Interest-rate swaps		
	Principal	**Payment**	**Receipts**	**Net payment**
Year ended October 31:				
2012	$ 5,450,000	(13,221,160)	602,375	(12,618,785)
2013	5,450,000	(13,033,026)	593,742	(12,439,284)
2014	5,450,000	(12,844,892)	585,108	(12,259,784)
2015	5,450,000	(12,656,758)	576,475	(12,080,283)
2016 – 2020	27,300,000	(60,460,917)	2,752,802	(57,708,115)
2021 – 2025	30,825,000	(55,517,222)	2,523,154	(52,994,068)
2026 – 2030	144,225,000	(44,217,964)	1,914,839	(42,303,125)
2031 – 2034	161,575,000	(10,211,449)	340,610	(9,870,839)
Totals	$ 385,725,000	(222,163,388)	9,889,105	(212,274,283)

The above table includes payments based on the Authority's pay-fixed-rate interest rate Swap payment obligation at an effective interest rate of 3.452% while the receipts are based on the floating rate equal to 65% of 30-day LIBOR on October 31, 2011 (65% of 0.2437% or 0.1584%), which the counterparties are obligated to pay the Authority on a monthly basis. Receipts are projected based on the latest interest rate at October 31, 2011, but will vary monthly.

In June 2008, GASB issued GASB No. 53 which addresses the recognition, measurement, and disclosure of information regarding derivative instruments for state and local governments. In accordance with GASB No. 53, effective for fiscal years beginning after June 15, 2009, the Authority evaluated the effectiveness of the Swaps, determined the Swaps to be effective hedges and recorded the negative fair value of approximately $92.9 million at October 31, 2011 and negative $72.6 million as at October 31, 2010 as a liability and recorded a corresponding asset for the accumulated decrease in the fair value of the interest rate swap agreements (deferred outflows of resources per GASB No. 53). The fair value was provided by the Authority's financial advisor and derived from financial models based upon reasonable estimates about relevant market conditions at the time. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each Swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the Swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the Swaps.

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

The Swaps would expose the Authority to basis risk should its interest payments on the variable-rate Bonds significantly exceed the 65% of LIBOR receipts.

Cancellation of any or all Swap transactions is subject to a fair value calculation at the time of termination.

Debt service on the Senior 2003 and 2009 Bonds (see note 11) and the Junior 2003 Bonds 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 PRF established under the 2003 General Bond Resolution. The PRF, including income and earnings on investments thereof, has been pledged and assigned to a trustee for the benefit of the owners of the 2003 and 2009 Senior Bonds and the 2003 Junior 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 2003 and 2009 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 2003 Junior Bonds, junior swap payments, and junior reimbursement obligations from such amounts. As of each November 1, amounts in the PRF in excess of funding requirements for project operating expenses and certain other amounts will be transferred into an unpledged Residual Fund and may be used by the Authority for other purposes (see notes 8 and 9).

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

Resolution upon the dissolution of such existing Special Fund in connection with the 2003 refunding of outstanding Authority bonds. The Special Fund may only be used by the Authority, as necessary: (i) to pay debt service obligations of the Authority on its bonds, or (ii) for purposes that are jointly agreed upon between the City and the Authority, as the same may be amended from time to time. Neither the Special Fund nor the monies on deposit from time to time therein may be pledged to secure any obligation pursuant to any Resolutions authorizing additional bonds or other bonds or debt obligations of the Authority. Income and earnings actually received by or for the account of the Authority from investments of monies on deposit from time to time in the Special Fund shall be treated as revenues (see note 19(f)).

(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 year ended October 31, 2011, the Authority received payments from the U.S. Treasury in the amount of $1,894,331, pursuant to the subsidy. BABs already issued will continue to receive subsidies. The Authority has no assurances about future legislation or changes that may affect the availability, amount or receipt of such subsidy payments.

At October 31, 2011, the 2009 Series A Bonds consist of the following term bonds:

	Coupon rates	Principal amounts	Interest	BABs subsidy	Interest (net of BABs subsidy)
Year ended October 31:					
2012	6.375%	—	3,608,250	(1,262,888)	2,345,362
2013	6.375%	—	3,608,250	(1,262,888)	2,345,362
2014	6.375%	—	3,608,250	(1,262,888)	2,345,362
2015	6.375%	—	3,608,250	(1,262,888)	2,345,362
2016 – 2020	6.375%	—	18,041,250	(6,314,438)	11,726,812
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%	4,110,000	17,900,363	(6,265,127)	11,635,236
2036 – 2040	6.375%	52,490,000	8,799,094	(3,079,683)	5,719,411
Totals		$ 56,600,000	95,256,207	(33,339,676)	61,916,531

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, 2011, principal and interest payments due on the 2009 Series B Bonds are as follows:

	Coupon rates	Principal amounts	Interest
Year ended October 31:			
2012	2.00%	$ 255,000	1,429,506
2013	2.00%	115,000	1,425,806
2014	2.00%	310,000	1,421,556
2015	2.50%	310,000	1,414,581
2016 – 2020	2.50% - 3.50%	1,680,000	6,932,919
2021 – 2025	3.50% - 5.00%	1,920,000	6,559,569
2026 – 2030	4.00%	2,125,000	6,092,706
2031 – 2035	4.125% - 5.00%	23,675,000	3,846,278
Totals		$ 30,390,000	29,122,921

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, 2011, the unamortized net bond premium was approximately $1.7 million.

(12) 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 and 2009 Revenue Bonds and on any bonds issued to finance the HNYC housing program (see notes 9, 10 and 11), certain site development costs and any agreed-upon commitments, will be remitted to the City; and (ii) all other rent payments and other revenue received by the Authority, remaining after payment of a proportionate part of the aforementioned items, will be retained by the Authority and spent in such manner and for such purposes as the Authority and the City shall jointly determine.

The $110.2 million provided for the transfer to the City during the fiscal year ended October 31, 2010 was paid in June 2011. A provision in the amount of $87.6 million has been charged to nonoperating expenses for the fiscal year ended October 31, 2011. The Authority retains a portion of the estimated excess revenues at year-end as corporate funds to be spent in a manner and for such purposes as the Authority and the City shall jointly decide.

In January 2010, the City and the Authority signed an agreement (the “2010 Agreement”) to distribute $861 million of 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 $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.

On March 30, 2010, the Authority paid the City and the State $133.8 million each pursuant to the 2010 agreement. The balance of the $200 million due to both the City and the State, $66.2 million each, was charged to nonoperating expenses as a provision for the fiscal year ended October 31, 2010 and paid in March 2011 and May 2011, respectively. In addition, a provision in the amount of $38.2 million was charged to nonoperating expenses for the fiscal year ended October 31, 2010 and was paid in June 2011 under the 2010 Agreement to the City 421-A fund. A provision in the amount of $37 million was charged to nonoperating expenses for the year ended October 31, 2011 for payment under the 2010 Agreement for the City 421-A fund.

(13) Rents and Other Receivables

Rents and other receivables comprise the following at October 31, 2011 and 2010:

		2011	2010
Swap interest receivable	$	51,695	56,243
Miscellaneous receivables		884,685	490,465
Interest receivable		1,094,914	1,814,816
Due from NYC Pier A - Restoration		1,475,893	275,502
Rents receivable		3,152,918	1,633,516
Total receivables		6,660,105	4,270,542
Less allowance for doubtful accounts		(354,463)	(193,785)
Net receivables	$	6,305,642	4,076,757

(14) Accounts Payable and Other Liabilities

Accounts payable and other liabilities at October 31, 2011 and 2010 comprise the following:

		2011	2010
Amounts due to vendors	$	1,400,271	2,084,681
Contract retention costs		3,350,762	2,655,165
Due to developers		37,425	177,500
Accrued payroll and benefits		706,672	681,718
Accrued lease costs – Goldman		889,869	3,708,786
Total	$	6,384,999	9,307,850

(15) Long-Term Liabilities

The Organization's bonds and other long-term liabilities as of October 31, 2011 and 2010 are comprised of the following obligations:

	October 31, 2010	Additions	Deletions	October 31, 2011	Due within one year
Authority bonds outstanding:					
2003 Revenue Bonds:					
Series 2003A	$ 378,800,000	—	13,645,000	365,155,000	14,375,000
Series 2003B	235,000,000	—	—	235,000,000	—
Series 2003C	391,175,000	—	5,450,000	385,725,000	5,450,000
Subtotal	1,004,975,000	—	19,095,000	985,880,000	19,825,000
Unamortized net premiums	18,731,571	—	1,173,738	17,557,833	—
Subtotal 2003 Bonds	1,023,706,571	—	20,268,738	1,003,437,833	19,825,000
Authority bonds outstanding:					
2009 Revenue Bonds:					
Series 2009A	56,600,000		—	56,600,000	—
Series 2009B	30,635,000		245,000	30,390,000	255,000
Subtotal	87,235,000	—	245,000	86,990,000	255,000
Unamortized net premiums	1,748,637		72,848	1,675,789	—
Subtotal 2009 Bonds	88,983,637	—	317,848	88,665,789	255,000
Total bonds outstanding	1,112,690,208	—	20,586,586	1,092,103,622	20,080,000
Other long-term liabilities:					
Unamortized loss on extinguishment	(26,517,729)	—	(1,776,366)	(24,741,363)	—
OPEB - Authority	16,869,575	1,503,596	739,744	17,633,427	—
OPEB - Conservancy	7,630,939	1,138,704	—	8,769,643	—
Fair value of interest rate swap	72,595,808	20,352,236	—	92,948,044	—
Deferred revenue	368,401,966		10,391,306	358,010,660	41,801,825
Security and other deposits	20,547,530	949,804	263,818	21,233,516	134,061
Total other long-term liabilities	459,528,089	23,944,340	9,618,502	473,853,927	41,935,886
Total long-term liabilities	$ 1,572,218,297	23,944,340	30,205,088	1,565,957,549	62,015,886

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

	Restated October 31, 2009	Additions	Deletions	October 31, 2010	Due within one year
Authority bonds outstanding:					
2003 Revenue Bonds:					
Series 2003A	$ 391,780,000	—	12,980,000	378,800,000	13,645,000
Series 2003B	235,000,000	—	—	235,000,000	—
Series 2003C	396,625,000	—	5,450,000	391,175,000	5,450,000
Subtotal	1,023,405,000	—	18,430,000	1,004,975,000	19,095,000
Unamortized net premiums	19,905,309	—	1,173,738	18,731,571	—
Subtotal 2003 Bonds	1,043,310,309	—	19,603,738	1,023,706,571	19,095,000
Authority bonds outstanding:					
2009 Revenue Bonds:					
Series 2009A	—	56,600,000	—	56,600,000	—
Series 2009B	—	30,635,000	—	30,635,000	245,000
Subtotal	—	87,235,000	—	87,235,000	245,000
Unamortized net premiums	—	1,811,008	62,371	1,748,637	—
Subtotal 2009 Bonds	—	89,046,008	62,371	88,983,637	245,000
Total bonds outstanding	1,043,310,309	89,046,008	19,666,109	1,112,690,208	19,340,000
Other long-term liabilities:					
Unamortized loss on extinguishment	(28,294,095)	—	(1,776,366)	(26,517,729)	—
OPEB - Authority	16,032,763	1,424,084	587,272	16,869,575	—
OPEB - Conservancy	—	7,630,939	—	7,630,939	—
Fair value of interest rate swap	50,694,831	21,900,977	—	72,595,808	—
Deferred revenue	230,185,344	167,615,883	29,399,261	368,401,966	40,325,453
Security and other deposits	23,572,397	726,197	3,751,064	20,547,530	299,343
Total other long-term liabilities	292,191,240	199,298,080	31,961,231	459,528,089	40,624,796
Total long-term liabilities	$ 1,335,501,549	288,344,088	51,627,340	1,572,218,297	59,964,796

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

(16) Retirement Costs

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

The ERS is noncontributory except for employees who joined the ERS after July 27, 1976 and have less than ten years of service who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension fund.

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

Year		Amount
2011	$	624,001
2010		357,492
2009		397,400
	$	1,378,893

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

The Conservancy – The Conservancy sponsored a Tax Deferred Savings Annuity ("TDSA"), a 403(b) retirement plan, through December 2007 covering all its employees upon attainment of regular status. Eligible employees contributed up to 16.67% of their annual salary, but were limited to amounts necessary to meet nondiscrimination tests. The Conservancy contributed an amount equal to 25% of each employee's contribution up to a maximum of 6% of annual salary. In addition, the Conservancy contributed an amount equal to 2% of each employee's salary each pay period. After three years of employment, the Conservancy contributed an additional 1% of each employee's annual earnings up to $40,000. Employees' contributions with accrued interest are fully vested at all times. Contributions by the Conservancy were subject to a five-year vesting using a cumulative 20% vesting schedule. No employer contributions were made for the fiscal year ended October 31, 2010 and 2011. No contributions were made by the Conservancy's employees for the fiscal years ended October 31, 2011 and 2010.

In March 2007, the Conservancy replaced the TDSA by entering into a retirement benefit plan administered by Cultural Institutions Retirement System ("CIRS") for all eligible employees. CIRS' retirement benefit plan is a cost-sharing multiple-employer sponsored plan consisting of a defined benefit plan ("CIRS Pension Plan") and a Section 401(k) defined contribution plan ("CIRS Savings Plan"). CIRS is responsible for administering all aspects of the CIRS Pension Plan, including the investment of CIRS Plan assets that are held in trust for beneficiaries of the CIRS Pension Plan. The CIRS Savings Plan allows participants to select their own investments from a range of options. CIRS issues an annual financial summary report for the Plans. The report can be obtained by contacting Cultural Institutions Retirement System or on their website at www.cirsplans.org.

To be eligible under the CIRS Pension Plan, employees must be over the age of 21 and be employed for a minimum of one year at regular status. Benefits paid to retirees are based on age at retirement, years of credited service, and average compensation. The CIRS Pension Plan is a private pension plan governed by ERISA, and is characterized as a Multiemployer Plan by the U.S. Department of Labor. In the event of

CIRS Pension Plan insolvency, the CIRS Pension Plan is covered under the Pension Benefit Guaranty Corporation. The total CIRS Pension Plan costs for eligible employees amounted to $328 thousand and $324 thousand for the years ended October 31, 2011 and 2010, 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, 2011 and 2010 were approximately $263 thousand and $254 thousand respectively.

(17) 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. Approximately 99 participants, including 53 employees, at the fiscal year ended October 31, 2011, with 1 vested, and 45 retired and/or spouses of retired employees also eligible to receive these benefits at October 31, 2011. 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 recorded and 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 2009 an updated actuarial valuation was completed for the valuation date of November 1, 2009. Actuarial valuations involve estimates of the value of reported amounts, assumptions about the probability of events in the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Examples include assumptions about employment, mortality and the healthcare cost trend.

The Authority's annual OPEB cost for the plan is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Since the Authority used a one-year amortization period, the ARC in future years represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any interest on the unfunded actuarial accrued liability. The Authority's current year ARC is approximately $1.1 million as detailed in the chart in the OPEB Status and Funding Progress section of this note. The 2009 triennial valuation includes an actuarial accrual liability ("AAL") adjustment calculation of $1.8 million credit due primarily to overestimated increases in premiums. The credit is being amortized over a six-year period beginning with fiscal year ended 2010 in the amount of $336 thousand. 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, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10% (net of administrative expenses) including inflation, declining 1% each year to an ultimate trend rate of 5%. Both rates include a 3.5% inflation assumption.

(d) OPEB Status and Funding Progress

The Authority's OPEB obligation and the funded status of the plan as of October 31, 2011 and 2010 are as follows:

		2011	2010
Actuarial Accrued Liability (AAL):			
Net OPEB obligation beginning of year	$	16,869,575	16,032,763
Annual Required Contribution (ARC):			
Normal cost		795,730	757,839
Interest to year-end		700,260	653,183
Payments for retirees during year		(382,315)	(237,842)
ARC amortization		(349,823)	(336,368)
Net OPEB obligation end of year	$	17,633,427	16,869,575
Actuarial Accrued Liability (AAL) November 1, 2010 and 2009	$	$16,869,576	16,032,763
Funded OPEB plan assets		—	—
Unfunded Actuarial Accrued Liability (UAAL) November 1, 2010 and 2009	$	16,869,576	16,032,763
Funded ratio (actuarial value of plan assets/AAL)		—%	—%
Covered payroll	$	4,745,453	5,374,086
UAAL as percentage of covered payroll		355%	298%

Corporate assets held at October 31, 2011 and 2010 in a separate corporate OPEB account for the exclusive purpose of paying OPEB obligations were approximately $19.2 million and $17.9 million, respectively, which includes prefunding the fiscal year 2012 obligation amount of $472 thousand. The OPEB assets are included on the balance sheet 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.

(18) 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 multi-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 reach 55 years of age and has 10 years of service. In calculating the 10-year service requirement, all of the employee's service needs to be with the Conservancy. Employees must work a minimum of 10 years before they and their dependents are eligible for the retirement medical benefits. Eligible retirees contribute 10% of the cost of single coverage and 25% of the cost of dependent coverage for health insurance benefits which may be offset with sick leave benefits. A vestee is a Conservancy employee vested as a member of the retirement system administered by the CIRS, has withdrawn from service after meeting the Conservancy's minimum service requirement, but has not met the age requirement for continuing health insurance. Approximately 77 participants, comprising 76 current employees, were eligible to receive these benefits at October 31, 2011. 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. The first actuarial valuation date is February 1, 2009 with results rolled into fiscal years 2010, 2011 and 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 Conservancy's annual OPEB cost for the plan is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Since the Conservancy used a one-year amortization period, the ARC in future years represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any interest on the unfunded actuarial accrued liability. The Conservancy's current period ARC is approximately $1.14 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 February 1, 2009 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10% (net of administrative expenses) including inflation, declining 1% each year to an ultimate trend rate of 5%. Both rates include a 3.5% inflation assumption.

(d) OPEB Status and Funding Progress

The Conservancy's OPEB obligation and the funded status of the plan as of October 31, 2011 and 2010 are as follows:

		2011	2010
Actuarial Accrued Liability (AAL):			
Net OPEB obligation beginning of year	$	7,630,939	—
Amortization payment at February 1, 2010		—	6,838,052
Annual Required Contribution (ARC):			
Normal cost		801,963	572,831
Interest to year-end		336,741	220,056
Payments for retirees during year		—	—
Net OPEB obligation end of year	$	8,769,643	7,630,939
Actuarial Accrued Liability (AAL) November 1, 2010 and February 1, 2010	$	7,630,939	6,838,052
Funded OPEB plan assets		—	—
Unfunded Actuarial Accrued Liability (UAAL) November 1, 2010 & February 1, 2010	$	7,630,939	6,838,052
Funded ratio (actuarial value of plan assets/AAL)		—%	—%
Covered payroll	$	4,065,190	4,158,553
UAAL as percentage of covered payroll		188%	164%

Corporate assets held at October 31, 2011 and 2010 in a separate corporate OPEB account for the exclusive purpose of paying OPEB obligations were approximately $9.6 million and $7.7 million, respectively, which includes prefunding fiscal year 2012 obligation amount of $842 thousand. The OPEB assets are included on the balance sheet 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.

(19) Commitments and Other Matters

(a) The Authority has entered into construction and other related contracts, having unexpended balances aggregating approximately $33.7 million as of October 31, 2011.

(b) The Authority rents office space in One World Financial Center, as well as community meeting space, field offices and maintenance space in condominium buildings in Battery Park City. Total rent expense amounted to $1.4 million and $1.9 million for the fiscal years ended October 31, 2011 and 2010, respectively.

(c) The terrorist attack on the World Trade Center on September 11, 2001 destroyed the North Bridge and severely damaged the South Bridge owned by the Authority. After commencing suit against the insurers of the bridges to obtain funds for physical loss and damage to the bridges, a settlement was reached in the sum of $38 million. Pursuant to a written agreement made in December 2005, the insurance monies were deposited, in May 2006, into an interest-bearing account ("Insurance Fund"), jointly controlled by the Authority and the Management Committee of the World Financial Center, (comprised of Brookfield Financial Properties, American Express Company, and Merrill Lynch & Co.), for the purposes of: (i) improving pedestrian access to the World Financial Center in the area where the North Bridge had been destroyed, and (ii) restoring the South Bridge. These funds are not recorded as assets of the Authority in the accompanying balance sheets. 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, and (ii) up to $4,405,000 to fund the Authority's construction of an eastern extension of the South Bridge, as part of a project to renovate the Bridge. As of October 31, 2011, a total of $483,288 has been sent to the Authority to fund certain soft costs for the South Bridge extension.

(d) In November 2007, the Authority designated the New York City School Construction Authority ("SCA") as the ground lessee and developer of Site 2B for the purpose of constructing a public school for elementary and intermediate school students. The project commenced in September 2008 and was completed September 2010. The Authority receives nominal rent for the Site.

(e) The City owns Pier A (a three-story historic landmark building), and a contiguous upland area (together, the "Pier"), which are located adjacent to the Project at its southern tip. In December 2007, the Authority and the City executed a nonbinding Term Sheet, providing for their negotiation in good faith of a long-term lease of the Pier (the "Lease"), based on the major terms described in the Term Sheet. The lease was executed in October 2008. Under the lease, the Authority is redeveloping the Pier with funding provided by the City, which will then be used for recreational, maritime, and ancillary uses, including retail purposes. As of October 31, 2011, the Authority has received approximately $13.1 million from the City for Pier A related costs.

(f) On October 23, 2007, the members of the Authority approved a proposal by the Governor to pay up to $40 million of Special Fund monies (see note 10) to the PANYNJ for the construction of a planned pedestrian concourse running under Route 9A. The concourse will connect the Winter Garden (on the west, at the edge of Battery Park City) and the World Trade Center site on the east. A provision in the amount of $20.7 million for payment to the PANYNJ has been charged to nonoperating expenses with a corresponding accrued liability for the fiscal year ended October 31, 2011. As of October 31, 2011, the Authority disbursed a total sum of $13,438,007 to the PANYNJ.

(g) 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 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.

(20) 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. By approval of the Board of Directors, the Conservancy added the Authority's President as an additional director. The Conservancy was formed by the Authority to comply with certain requirements of agreements between the Authority and the City pursuant to which the Authority is obligated to maintain and repair the parks and open spaces in and around Battery Park City's residential areas. In March 1988, the Authority entered into a management agreement with the Conservancy, which authorized the Conservancy to undertake all responsibilities, related to the operation, maintenance, and repair of such parks and open spaces. For the fiscal years ended October 31, 2011 and 2010, the Authority paid the Conservancy approximately $7.2 million and $8.2 million, respectively, for services, which are included in the Authority's operating expenses. Additionally, approximately $10 thousand and $37 thousand at October 31, 2011 and 2010, respectively, is payable by the Authority to the Conservancy. Both are eliminated in the blending of the Conservancy's financial statements into the Authority's financial statements (see Other Supplementary Information – Combining Balance Sheet).

(21) Litigation

(a) Several claims were asserted against the Authority arising out of the design and construction work performed on the Authority's combined school/residential facility located on Site 22 in Battery Park City (the "Site 22 Project"). The general contractor, Scalamandre & Sons Inc., the plumbing contractor, and a subcontractor that performed work on the Site 22 Project asserted a total of approximately $12.1 million in claims relating to the school portion, which had been constructed by the Authority pursuant to an agreement with the City of New York, the New York City Educational Construction Fund ("ECF"), and the Department of Education of the City of New York. Pursuant to the terms of that agreement, the City agreed to indemnify the Authority inter alia for any liability, loss, cost, damage, or claim arising from the design or construction of the school portion of the Site 22 Project. The Authority, Scalamandre and the ECF have closed out this contract, the parties agreed that ECF would pay a portion of an outstanding Change Order, in the amount of $1,158,938, BPCA would pay its retainage of $416,062, and that Scalamandre would accept as a contract close out payment the total amount of $1,575,000. The "Close Out Agreement" was executed by all parties in October 2010 and the matter is concluded.

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

In November 2010, the Plaintiffs reached the 95% opt-in requirement to effectuate the settlement with the City and the City's contractors and the court lifted the stay that had been in effect, which meant that the off-site cases (i.e. cases in the area surrounding the World Trade Center site, such as those in Battery Park City) could proceed. However, once the James Zadroga 9/11 Health and Compensation Act of 2010 (the "Zadroga Act") became effective on January 2, 2011, the court again stayed all of the cases. This stay remained in effect until September 2011, when the court lifted the stay and directed that a database be created for the off-site cases. This database required the plaintiffs to answer certain court ordered questions under oath. The database is to be used by the parties and the court to select 45 cases that will proceed through discovery in 2012.

Under the Zadroga Act, Title I provided a healthcare portion for those who worked or lived within the vicinity of the World Trade Center. Title II amended and reopened the 2001 Victim Compensation Fund ("amended VCF") and expanded the original VCF to allow for claims by those who had been harmed performing "debris removal" related to the 9/11 crash or its aftermath in any area south of Canal Street (this includes all of Battery Park City). Any Plaintiff currently suing for damages related to 9/11 debris removal may elect to participate in this amended VCF, provided that: (1) they began their work in these covered locations prior to May 30, 2002; (2) they file their claim within two years of July 1, 2011; and (3) they dismiss their lawsuits against all parties on or before January 3, 2011. Plaintiffs are not obligated to file a claim with the amended VCF and may elect to proceed with this litigation (and also still participate in the Title I healthcare portion). Any plaintiffs participating in the amended VCF would be barred from suing the Authority and would be required to drop their lawsuits, thereby reducing the Authority's potential exposure.

(c) Metrotech Contracting Corporation ("Metrotech") was a contractor of the Authority that filed for bankruptcy, and asserted a number of claims against the Authority, in the bankruptcy proceeding, totaling approximately $693,000, relating to work allegedly performed and not paid for by the Authority. $188,111 of this claim for amounts representing subcontractors' liens was paid out by BPCA to Metrotech and the subcontractors by September 2009 pursuant to Settlement Stipulations in Bankruptcy Court, leaving approximately $504,889. The Court declined to grant Metrotech bankruptcy protection and the bankruptcy petition was dismissed. A surety claims that it has paid liens filed by Metrotech's subcontractors and have requested that BPCA pay approximately $250,000 of the monies that Metrotech has claimed was due to it.

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

Other Supplementary Information – Combining Balance Sheet

October 31, 2011

Assets		Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current assets:					
Bank deposits	$	6,006	105,410	—	111,416
Investments		2,831,780	—	—	2,831,780
Restricted assets:					
Rents and other receivables (net of allowance for doubtful accounts of $354,463)		6,263,047	52,448	(9,853)	6,305,642
2003 Revenue Bond Resolution Funds		196,294,433	—	—	196,294,433
2009 Revenue Bond Resolution Funds		2,775,153	—	—	2,775,153
Corporate-designated, escrowed, and OPEB funds		26,847,837	—	—	26,847,837
Total current assets		235,018,256	157,858	(9,853)	235,166,261
Noncurrent assets:					
Restricted assets:					
2003 Revenue Bond Resolution Funds		94,558,687	—	—	94,558,687
2009 Revenue Bond Resolution Funds		44,288,249	—	—	44,288,249
Residential lease required funds		20,588,758	—	—	20,588,758
Corporate-designated, escrowed, and OPEB funds		74,174,509	—	—	74,174,509
Deferred costs:					
Bond issuance costs, less accumulated amortization of $18,364,049		36,067,978	—	—	36,067,978
Costs of leases, less accumulated amortization of $1,009,733		3,669,793	—	—	3,669,793
Battery Park City project assets – at cost, less accumulated depreciation		485,004,886	—	—	485,004,886
Accumulated decrease in fair value of interest rate swap		92,948,044	—	—	92,948,044
Other assets		4,445,695	149,647	—	4,595,342
Total noncurrent assets		855,746,599	149,647	—	855,896,246
Total assets	$	1,090,764,855	307,505	(9,853)	1,091,062,507

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

Other Supplementary Information – Combining Balance Sheet

October 31, 2011

Liabilities and Net Assets (Deficit)	**Battery Park City Authority**	**Battery Park City Parks Conservancy**	**Eliminations**	**Total**
Current liabilities:				
Accrued interest on bonds	$ 18,579,617	—	—	18,579,617
Accounts payable and other liabilities	5,837,349	557,503	(9,853)	6,384,999
Due to the City of New York	87,623,785	—	—	87,623,785
Due to the City of New York - 2010 Agreement	37,014,687	—	—	37,014,687
Due to the State of New York - 2010 Agreement	—	—	—	—
Due to The Port Authority of New York & New Jersey (note 19(f))	20,656,496	—	—	20,656,496
Deferred revenue:				
PILOT revenue	27,113,141	—	—	27,113,141
Base rent and other revenue	14,688,684	—	—	14,688,684
Security and other deposits	134,061	—	—	134,061
2003 Revenue Bonds	19,825,000	—	—	19,825,000
2009 Revenue Bonds	255,000	—	—	255,000
Total current liabilities	231,727,820	557,503	(9,853)	232,275,470
Noncurrent liabilities:				
Deferred revenue:				
Base rent and other revenue	316,208,835	—	—	316,208,835
Security and other deposits	21,099,455	—	—	21,099,455
OPEB - The Authority	17,633,427	—	—	17,633,427
OPEB - The Conservancy	—	8,769,643	—	8,769,643
Fair value of interest rate swaps	92,948,044	—	—	92,948,044
Bonds outstanding:				
2003 Revenue Bonds, less accumulated amortization of $9,438,139	983,612,833	—	—	983,612,833
2009 Revenue Bonds, less accumulated amortization of $135,218	88,410,789	—	—	88,410,789
Unamortized loss on extinguishment of 1993, 1996, and 2000 bonds	(24,741,363)	—	—	(24,741,363)
Total noncurrent liabilities	1,495,172,020	8,769,643	—	1,503,941,663
Total liabilities	1,726,899,840	9,327,146	(9,853)	1,736,217,133
Net assets (deficit):				
Invested in capital assets, net of related debt	9,371,055	—	—	9,371,055
Restricted:				
Debt service	64,535,873	—	—	64,535,873
Under bond resolutions and other agreements	25,547,617	—	—	25,547,617
Unrestricted (deficit) assets	(735,589,530)	(9,019,641)	—	(744,609,171)
Total net assets (deficit)	(636,134,985)	(9,019,641)	—	(645,154,626)
Total liabilities and net assets (deficit)	$ 1,090,764,855	307,505	(9,853)	1,091,062,507

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 Balance Sheet

October 31, 2010

Assets		Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current assets:					
Bank deposits	$	6,457	608,254	—	614,711
Investments		1,853,483	—	—	1,853,483
Restricted assets:					
Rents and other receivables (net of allowance for doubtful accounts of $193,785)		4,072,843	41,218	(37,304)	4,076,757
2003 Revenue Bond Resolution Funds		352,836,846	—	—	352,836,846
2009 Revenue Bond Resolution Funds		2,767,603	—	—	2,767,603
Corporate-designated, escrowed, and OPEB funds		26,858,177	—	—	26,858,177
Total current assets		388,395,409	649,472	(37,304)	389,007,577
Noncurrent assets:					
Restricted assets:					
2003 Revenue Bond Resolution Funds		92,713,612	—	—	92,713,612
2009 Revenue Bond Resolution Funds		65,186,838	—	—	65,186,838
Residential lease required funds		19,691,803	—	—	19,691,803
Corporate-designated, escrowed, and OPEB funds		70,276,353	—	—	70,276,353
Deferred costs:					
Bond issuance costs, less accumulated amortization of $15,814,222		37,605,986	—	—	37,605,986
Costs of leases, less accumulated amortization of $945,591		3,733,935	—	—	3,733,935
Battery Park City project assets – at cost, less accumulated depreciation		470,207,028	—	—	470,207,028
Accumulated decrease in fair value of interest rate swap		72,595,808	—	—	72,595,808
Other assets	$	5,082,402	160,484	—	5,242,886
Total noncurrent assets		837,093,765	160,484	—	837,254,249
Total assets		1,225,489,174	809,956	(37,304)	1,226,261,826

(Continued)

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

Other Supplementary Information – Combining Balance Sheet

October 31, 2010

Liabilities and Net Assets (Deficit)		**Battery Park City Authority**	**Battery Park City Parks Conservancy**	**Eliminations**	**Total**
Current liabilities:					
Accrued interest on bonds	$	18,950,389	—	—	18,950,389
Accounts payable and other liabilities		8,703,457	641,697	(37,304)	9,307,850
Due to the City of New York		110,215,449	—	—	110,215,449
Due to the City of New York - 2010 Agreement		104,413,243	—	—	104,413,243
Due to the State of New York - 2010 Agreement		66,175,000	—	—	66,175,000
Due to The Port Authority of New York & New Jersey (note 19(f))		—	—	—	—
Deferred revenue:					
PILOT revenue		25,494,656	—	—	25,494,656
Base rent and other revenue		14,830,797	—	—	14,830,797
Security and other deposits		299,343	—	—	299,343
2003 Revenue Bonds		19,095,000	—	—	19,095,000
2009 Revenue Bonds		245,000	—	—	245,000
Total current liabilities		368,422,334	641,697	(37,304)	369,026,727
Noncurrent liabilities:					
Deferred revenue:					
Base rent and other revenue		328,076,513	—	—	328,076,513
Security and other deposits		20,248,187	—	—	20,248,187
OPEB - The Authority		16,869,575	—	—	16,869,575
OPEB - The Conservancy		—	7,630,939	—	7,630,939
Fair value of interest rate swaps		72,595,808	—	—	72,595,808
Bonds outstanding:					
2003 Revenue Bonds, less accumulated amortization of $8,264,401		1,004,611,571	—	—	1,004,611,571
2009 Revenue Bonds, less accumulated amortization of $62,370		88,738,637	—	—	88,738,637
Unamortized loss on extinguishment of 1993, 1996, and 2000 bonds		(26,517,729)	—	—	(26,517,729)
Total noncurrent liabilities		1,504,622,562	7,630,939	—	1,512,253,501
Total liabilities		1,873,044,896	8,272,636	(37,304)	1,881,280,228
Net assets (deficit):					
Invested in capital assets, net of related debt		7,208,862	—	—	7,208,862
Restricted:					
Debt service	$	61,725,730	—	—	61,725,730
Under bond resolutions and other agreements		41,866,596	—	—	41,866,596
Unrestricted (deficit) assets		(758,356,910)	(7,462,680)	—	(765,819,590)
Total net assets (deficit)		(647,555,722)	(7,462,680)	—	(655,018,402)
Total liabilities and net assets (deficit)		1,225,489,174	809,956	(37,304)	1,226,261,826

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 Assets (Deficit)

Year Ended October 31, 2011

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Operating revenues:				
Revenues from ground leases:				
Base rent	$ 59,153,949	—	—	59,153,949
Supplemental rent	1,764,977	—	—	1,764,977
Payments in lieu of real estate taxes	154,024,537	—	—	154,024,537
Civic facilities payments and other	14,797,254	8,047,932	(7,603,940)	15,241,246
Total operating revenues	229,740,717	8,047,932	(7,603,940)	230,184,709
Operating expenses:				
Wages and related benefits	6,566,126	6,808,008	—	13,374,134
OPEB - The Authority	1,146,167	—	—	1,146,167
OPEB - The Conservancy	—	1,138,704	—	1,138,704
Other operating and administrative expenses	22,004,362	1,671,380	(7,693,729)	15,982,013
Depreciation of project assets	7,861,298	—	—	7,861,298
Other depreciation and amortization	2,521,282	77,462	—	2,598,744
Total operating expenses	40,099,235	9,695,554	(7,693,729)	42,101,060
Operating income	189,641,482	(1,647,622)	89,789	188,083,649
Nonoperating revenues (expenses):				
Interest income on funds relating to:				
2003 Revenue Bonds	2,591,493	—	—	2,591,493
2009 Revenue Bonds	827,708	—	—	827,708
Corporate-designated, escrowed, and OPEB funds	2,365,669	—	—	2,365,669
Realized and unrealized gains and losses	(222,161)	—	—	(222,161)
Gain (loss) on project assets	—	—	—	—
Other revenue	366,555	90,661	(89,789)	367,427
Interest expense relating to:				
2003 Swap agreements – net expense	(12,725,691)	—	—	(12,725,691)
2003 Revenue Bonds	(20,648,656)	—	—	(20,648,656)
2009 Revenue Bonds	(3,704,571)	—	—	(3,704,571)
Loss from extinguishment	(1,776,366)	—	—	(1,776,366)
Provision for transfer to The Port Authority of New York and New Jersey	(20,656,496)			(20,656,496)
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts	(87,623,785)	—	—	(87,623,785)
Provision for transfer to the City of New York per 2010 agreement	(37,014,444)	—	—	(37,014,444)
Total nonoperating expenses	(178,220,745)	90,661	(89,789)	(178,219,873)
Change in net assets	11,420,737	(1,556,961)	—	9,863,776
Net (deficit) assets, beginning of year	(647,555,722)	(7,462,680)	—	(655,018,402)
Net (deficit) assets, end of year	$ (636,134,985)	(9,019,641)	—	(645,154,626)

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 Assets (Deficit)

Year Ended October 31, 2010

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Operating revenues:				
Revenues from ground leases:				
Base rent	$ 63,738,711	—	—	63,738,711
Supplemental rent	926,609	—	—	926,609
Payments in lieu of real estate taxes	150,034,795	—	—	150,034,795
Civic facilities payments and other	14,375,216	9,242,815	(8,802,239)	14,815,792
Total operating revenues	229,075,331	9,242,815	(8,802,239)	229,515,907
Operating expenses:				
Wages and related benefits	6,977,544	6,886,074	—	13,863,618
OPEB - The Authority	1,074,653	—	—	1,074,653
OPEB - The Conservancy	—	7,630,939	—	7,630,939
Other operating and administrative expenses	25,016,723	2,426,639	(8,833,788)	18,609,574
Depreciation of project assets	7,448,434	—	—	7,448,434
Other depreciation and amortization	2,771,121	84,337	—	2,855,458
Total operating expenses	43,288,475	17,027,989	(8,833,788)	51,482,676
Operating income	185,786,856	(7,785,174)	31,549	178,033,231
Nonoperating revenues (expenses):				
Interest income on funds relating to:				
2003 Revenue Bonds	2,676,530	—	—	2,676,530
2009 Revenue Bonds	881,153	—	—	881,153
Corporate-designated, escrowed, and OPEB funds	2,866,452	—	—	2,866,452
Realized and unrealized gains and losses	3,733,311	—	—	3,733,311
Gain (loss) on project assets	2,446	—	—	2,446
Other revenue	233,446	31,549	(31,549)	233,446
Interest expense relating to:				
2003 Swap agreements – net expense	(12,812,568)	—	—	(12,812,568)
2003 Revenue Bonds	(21,691,958)	—	—	(21,691,958)
2009 Revenue Bonds	(3,184,120)	—	—	(3,184,120)
Loss from extinguishment	(1,776,366)	—	—	(1,776,366)
Provision for transfer to The Port Authority of New York and New Jersey	—	—	—	—
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts	(110,215,449)	—	—	(110,215,449)
Provision for transfer to the City of New York per 2010 agreement	(238,238,243)	—	—	(238,238,243)
Provision for transfer to the State of New York per 2010 agreement	(200,000,000)	—	—	(200,000,000)
Total nonoperating expenses	(577,525,366)	31,549	(31,549)	(577,525,366)
Change in net assets	(391,738,510)	(7,753,625)	—	(399,492,135)
Net (deficit) assets, beginning of year	(255,817,212)	290,945	—	(255,526,267)
Net (deficit) assets, end of year	$ (647,555,722)	(7,462,680)	—	(655,018,402)

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, 2011

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Cash flows from operating activities:				
Cash receipts from:				
Tenant payments	$ 214,658,845	—	—	214,658,845
Receipts from the Authority	—	7,249,620	(7,249,620)	—
Miscellaneous receipts	663,860	440,907	—	1,104,767
Total cash receipts from operating activities	215,322,705	7,690,527	(7,249,620)	215,763,612
Cash payments for:				
Salaries and benefits	(6,909,586)	(6,827,832)	—	(13,737,418)
Services and supplies	(22,785,042)	(1,366,411)	7,339,409	(16,812,044)
Total cash payments for operating activities	(29,694,628)	(8,194,243)	7,339,409	(30,549,462)
Net cash provided by (used in) operating activities	185,628,077	(503,716)	89,789	185,214,150
Cash flows from noncapital financing activities:				
Goldman Sachs payment for Battery Park City Library	(165,720)	—	—	(165,720)
Receipts from the City of New York – Pier A	5,155,508	—	—	5,155,508
Payments to Pier A Contractors on behalf of the City of New York	(5,894,203)	—	—	(5,894,203)
Receipt from the New York City Educational Construction Fund	1,158,938			1,158,938
Contract closeout payment	(1,158,938)			(1,158,938)
Payments from lessees – site security deposits	815,882	—	—	815,882
Payments to The Port Authority of New York & New Jersey	—	—	—	—
Payments to the City of New York	(110,215,449)	—	—	(110,215,449)
Payments to the City of New York - 2010 Agreement	(104,413,000)	—	—	(104,413,000)
Payments to the State of New York - 2010 Agreement	(66,175,000)	—	—	(66,175,000)
Net cash used in noncapital financing activities	(280,891,982)	—	—	(280,891,982)
Cash flows from capital and related financing activities:				
Development costs – site improvements and construction	(22,659,647)	—	—	(22,659,647)
Capital asset expenditures	(225,374)	(89,789)	—	(315,163)
Receipt for capital asset expenditures	—	90,661	(89,789)	872
Payments for bond issuance costs	—	—	—	—
Auction fees for variable debt	(354,816)	—	—	(354,816)
Swap payment made on the 2003 Swap agreement	(13,409,294)	—	—	(13,409,294)
Swap interest payments received on the 2003 Swap agreement	594,084	—	—	594,084
Principal paydown on 2003 Revenue Bonds	(19,095,000)	—	—	(19,095,000)
Interest paid on 2003 Senior Revenue Bonds	(18,821,184)	—	—	(18,821,184)
Interest paid on 2003 Junior Revenue Bonds	(2,920,648)	—	—	(2,920,648)
Interest paid on 2009 Senior Revenue Bonds	(5,042,756)	—	—	(5,042,756)
Principal paydown on 2009 Senior Revenue Bonds	(245,000)	—	—	(245,000)
Proceeds from 2009 Senior Revenue Bonds issuance	—	—	—	—
2009 Senior Revenue Bonds - Build America Bonds refund from US Treasury	1,894,331	—	—	1,894,331
Net cash (used in) provided by capital and related financing activities	(80,285,304)	872	(89,789)	(80,374,221)
Cash flows from investing activities:				
Interest and realized gains received on investment securities	6,590,951	—	—	6,590,951
Redemptions and sales of investment securities	625,194,567	—	—	625,194,567
Purchases of investment securities	(623,360,456)	—	—	(623,360,456)
Net cash provided by investing activities	8,425,062	—	—	8,425,062
Decrease in cash and cash equivalents	(167,124,147)	(502,844)	—	(167,626,991)
Cash and cash equivalents, beginning of year	375,812,667	608,254	—	376,420,921
Cash and cash equivalents, end of year	$ 208,688,520	105,410	—	208,793,930

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, 2011

	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	$ 189,641,482	(1,647,622)	89,789	188,083,649
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Provision for bad debt expense	244,189	—	—	244,189
Depreciation and amortization	10,382,580	77,462	—	10,460,042
Other	(87,453)	(812)	—	(88,265)
Changes in operating assets and liabilities:				
Increase in rents and other receivables	(1,965,231)	(2,529)	(27,452)	(1,995,212)
Decrease in other assets	2,411	15,275	—	17,686
Increase (decrease) in accounts payable and other liabilities	(2,962,447)	(84,194)	27,452	(3,019,189)
Decrease in deferred revenue	(10,391,306)	—	—	(10,391,306)
Increase in OPEB	763,852	1,138,704	—	1,902,556
Net cash provided by (used in) operating activities	$ 185,628,077	(503,716)	89,789	185,214,150
Reconciliation to cash and cash equivalents, end of year:				
Bank deposits	$ 6,006	105,410	—	111,416
Cash and equivalents in restricted asset accounts	208,682,514	—	—	208,682,514
Cash and cash equivalents, end of year	$ 208,688,520	105,410	—	208,793,930

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, 2010

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Cash flows from operating activities:				
Cash receipts from:				
Tenant payments	$ 375,591,750	—	—	375,591,750
Receipts from the Authority	—	8,156,087	(8,156,087)	—
Miscellaneous receipts	1,391,233	446,705	—	1,837,938
Total cash receipts from operating activities	376,982,983	8,602,792	(8,156,087)	377,429,688
Cash payments for:				
Salaries and benefits	(7,393,255)	(6,838,561)	—	(14,231,816)
Services and supplies	(25,505,206)	(1,740,121)	8,187,636	(19,057,691)
Total cash payments for operating activities	(32,898,461)	(8,578,682)	8,187,636	(33,289,507)
Net cash provided by operating activities	344,084,522	24,110	31,549	344,140,181
Cash flows from noncapital financing activities:				
Goldman Sachs payment for Battery Park City Library	(3,401,522)	—	—	(3,401,522)
Receipts from the City of New York – Pier A	4,792,389	—	—	4,792,389
Payments to Pier A Contractors on behalf of the City of New York	(4,230,509)	—	—	(4,230,509)
Receipt from the New York City Educational Construction Fund	—	—	—	—
Contract closeout payment	—	—	—	—
Payments from lessees – site security deposits	2,493,020	—	—	2,493,020
Payments to The Port Authority of New York & New Jersey	(13,438,007)	—	—	(13,438,007)
Payments to the City of New York	(90,537,000)	—	—	(90,537,000)
Payments to the City of New York - 2010 Agreement	(133,825,000)	—	—	(133,825,000)
Payments to the State of New York - 2010 Agreement	(133,825,000)	—	—	(133,825,000)
Net cash used in noncapital financing activities	(371,971,629)	—	—	(371,971,629)
Cash flows from capital and related financing activities:				
Development costs – site improvements and construction	(15,881,023)	—	—	(15,881,023)
Capital asset expenditures	(611,998)	(31,549)	—	(643,547)
Receipt for capital asset expenditures		31,549	(31,549)	—
Payments for bond issuance costs	(1,355,546)	—	—	(1,355,546)
Auction fees for variable debt	(356,452)	—	—	(356,452)
Swap payment made on the 2003 Swap agreement	(13,597,428)	—	—	(13,597,428)
Swap interest payments received on the 2003 Swap agreement	689,079	—	—	689,079
Principal paydown on 2003 Revenue Bonds	(18,430,000)	—	—	(18,430,000)
Interest paid on 2003 Senior Revenue Bonds	(19,317,879)	—	—	(19,317,879)
Interest paid on 2003 Junior Revenue Bonds	(3,401,969)	—	—	(3,401,969)
Interest paid on 2009 Senior Revenue Bonds	(1,807,866)	—	—	(1,807,866)
Proceeds from 2009 Senior Revenue Bonds issuance	88,256,519	—	—	88,256,519
2009 Senior Revenue Bonds - Build America Bonds refund from US Treasury	452,535	—	—	452,535
Net cash (used in) provided by capital and related financing activities	14,637,972	—	(31,549)	14,606,423
Cash flows from investing activities:				
Interest and realized gains received on investment securities	9,231,309	—	—	9,231,309
Redemptions and sales of investment securities	770,730,783	—	—	770,730,783
Purchases of investment securities	(731,981,553)	—	—	(731,981,553)
Net cash provided by investing activities	47,980,539	—	—	47,980,539
Increase in cash and cash equivalents	34,731,404	24,110	—	34,755,514
Cash and cash equivalents, beginning of year	341,081,263	584,144	—	341,665,407
Cash and cash equivalents, end of year	$ 375,812,667	608,254	—	376,420,921

(Continued)

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, 2010

	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 185,786,856	(7,785,174)	31,549	178,033,231
Adjustments to reconcile operating income to net cash provided by operating activities:				
Provision for bad debt expense	149,808	—	—	149,808
Depreciation and amortization	10,219,555	84,337	—	10,303,892
Other	(97,963)	—	—	(97,963)
Changes in operating assets and liabilities:				
Decrease in rents and other receivables	11,683,395	2,309	22,151	11,707,855
Decrease in other assets	114,307	40,847	—	155,154
Increase (decrease) in accounts payable and other liabilities	(2,824,870)	50,852	(22,151)	(2,796,169)
Increase in deferred revenue	138,216,622	—	—	138,216,622
Increase in OPEB	836,812	7,630,939	—	8,467,751
Net cash provided by operating activities	$ 344,084,522	24,110	31,549	344,140,181
Reconciliation to cash and cash equivalents, end of year:				
Bank deposits	$ 6,457	608,254	—	614,711
Cash and equivalents in restricted asset accounts	375,806,210	—	—	375,806,210
Cash and cash equivalents, end of year	$ 375,812,667	608,254	—	376,420,921

See accompanying independent auditors' report.