# 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, 2017 and 2016

MARKS PANETH

ACCOUNTANTS & ADVISORS

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

FINANCIAL STATEMENTS
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MARKS PANETH
ACCOUNTANTS & ADVISORS

## Independent Auditors' Report

The Members
Hugh L. Carey Battery Park City Authority:

### Report on the Financial Statements

We have audited the accompanying financial statements of Hugh L. Carey Battery Park City Authority (the "Organization"), a component unit of the State of New York, which comprise the statements of net position (deficit) as of October 31, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of October 31, 2017 and 2016, and the related changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 20, the schedule of the Authority's proportionate share of the net pension liability on page 62, the schedule of employer contributions on page 63, and the schedule of funding progress for the other postemployment benefits plan on page 64, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Report on Supplementary Information***

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards,* we have also issued our report dated January 30, 2018 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Marks Paneth LLP

New York, NY
January 30, 2018

**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, 2017 and 2016. The basic financial statements, which include the statements of net position (deficit), the statements of revenues, expenses, and changes in net position (deficit), the statements of cash flows, and the notes to the financial statements, provide information about the Organization in accordance with accounting principles generally accepted in the United States of America. All transactions between the Authority and Conservancy have been eliminated. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

***Comparison of 2017 to 2016 and 2016 to 2015***

***Financial Highlights – 2017***

- The fiscal year ended October 31, 2017 yielded a total of $295.3 million in operating revenues, representing an increase of $16.2 million or 5.8% over the prior fiscal year. Payments in lieu of real estate taxes ("PILOT") revenue totaling $218.7 million (74% of the Authority's operating revenues for the fiscal year ended October 31, 2017) increased $13.7 million or 6.7% compared to the fiscal year ended October 31, 2016. Base rent increased $1.3 million or 2.2% to $60.9 million for the fiscal year ended October 31, 2017. Civic facilities and other operating revenues increased $1.2 million or 8.7% to $14.4 million for the fiscal year ended October 31, 2017. Total operating expenses increased $1.5 million or 3.3% to $47.8 million for the fiscal year ended October 31, 2017.

- A payment of $135.8 million was made in June 2017 towards the provision for the transfer to the City of New York (the "City") for the fiscal year ended October 31, 2016. A $149 million liability was recorded representing the PILOT-related portion of fiscal year 2017 excess revenues that was charged to nonoperating expense for the fiscal year ended October 31, 2017 (see note 13), an increase of $13.8 million as compared to the fiscal year ended October 31, 2016. Generally, the Authority's net position decreases with increases in the amount of excess revenues provided to the City, which has an adverse effect on the Authority's net position.

- A payment of $79.4 million was made in June 2017 towards the provision for the transfer to the City for the "pay-as-you-go" capital payment for the fiscal years ended October 31, 2016 and 2015, respectively. As of October 31, 2017, pursuant to the 2010 Agreement (see note 13), the Authority recorded an additional provision for transfer of $42 million for the fiscal year ended October 31, 2017, as an expected payment to the City, an increase of $44 thousand as compared to the fiscal year ended October 31, 2016.

- As of October 31, 2017, $42.2 million remained in the Project Cost funds to be used for certain park, street, other infrastructure improvements, and other capital expenditures (see note 8), as compared to $68.8 million as of October 31, 2016.

***Financial Highlights – 2016***

- The fiscal year ended October 31, 2016 yielded a total of $279.2 million in operating revenues, representing an increase of $12.7 million or 4.8% over the prior fiscal year. PILOT revenue totaling $205.0 million (73% of the Authority's operating revenues for the fiscal year ended October 31, 2016) increased $9.9 million or

5.1% compared to the fiscal year ended October 31, 2015. Base rent increased $1.6 million or 2.7% to $59.6 million for the fiscal year ended October 31, 2016. Civic facilities and other operating revenues increased $1.5 million or 13.0% to $13.2 million for the fiscal year ended October 31, 2016. Total operating expenses decreased a net $7.4 million or 13.8% to $46.3 million for the fiscal year ended October 31, 2016.

- A payment of $123.4 million was made in June 2016 towards the provision for the transfer to the City for the fiscal year ended October 31, 2015. A $135.2 million liability was recorded representing the PILOT-related portion of fiscal year 2016 excess revenues that was charged to nonoperating expense for the fiscal year ended October 31, 2016, an increase of $11.8 million as compared to the fiscal year ended October 31, 2015. Generally, the Authority's net position decreases with increases in the amount of excess revenues provided to the City, which has an adverse effect on the Authority's net position.

- As of October 31, 2016, the City did not request the "pay-as-you-go" housing payment and the Authority did not transfer the $37.2 million recorded for fiscal year ended October 31, 2015. Pursuant to the 2010 Agreement, the Authority recorded an additional liability of $41.9 million for the fiscal year ended October 31, 2016, as an expected payment to the City, resulting in a total liability of $79.4 million due to the City at October 31, 2016.

- As of October 31, 2016, $68.8 million remained in the Project Cost funds to be used for certain park, street, other infrastructure improvements, and other capital expenditures, as compared to $78 million as of October 31, 2015.

- The Authority implemented Governmental Accounting Standards Board ("GASB") Statement No. 77, *Tax Abatement Disclosures,* which requires financial statements to disclose the nature and magnitude of the reduction in tax revenues through tax abatement programs. Accordingly, the financial statements include tax abatement disclosures for the years ending October 31, 2016 and 2015.

***Summary Statement of Net Position (Deficit)***

The summary statement of net position (deficit) presents the financial position of the Organization. The net position (deficit) is the difference between total assets plus total deferred outflows of resources and total liabilities plus the deferred inflows of resources. A summarized comparison of the Organization's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (deficit) at October 31, 2017, 2016 and 2015 follows:

**HUGH L. CAREY BATTERY PARK CITY AUTHORITY**
(A Component Unit of the State of New York)
Management's Discussion and Analysis
October 31, 2017 and 2016 (Unaudited)

| | October 31 | | | 2017 vs | 2016 vs |
|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2016 | 2015 |
| Assets: | | | | | |
| Bank deposits, investments and rents and other receivables | $ 5,423,816 | 11,033,774 | 6,009,189 | (5,609,958) | 5,024,585 |
| Bond resolution restricted assets (current and noncurrent) | 371,111,811 | 385,252,081 | 380,529,375 | (14,140,270) | 4,722,706 |
| Battery Park City project assets, net | 512,277,186 | 497,381,380 | 493,250,767 | 14,895,806 | 4,130,613 |
| Other current and noncurrent assets | 102,889,239 | 139,312,095 | 100,351,863 | (36,422,856) | 38,960,232 |
| Total assets | 991,702,052 | 1,032,979,330 | 980,141,194 | (41,277,278) | 52,838,136 |
| Deferred Outflows of Resources: | | | | | |
| Deferred pension outflows | 2,694,997 | 2,751,720 | 106,951 | (56,723) | 2,644,769 |
| Accumulated decrease in fair value of interest rate swaps | 17,752,629 | 35,007,049 | 25,819,426 | (17,254,420) | 9,187,623 |
| Unamortized loss on extinguishment of bonds | 18,623,209 | 19,949,119 | 21,275,029 | (1,325,910) | (1,325,910) |
| Deferred costs of refunding, less accumulated amortization | 55,003,391 | 58,784,046 | 62,564,700 | (3,780,655) | (3,780,654) |
| Total deferred outflows of resources | 94,074,226 | 116,491,934 | 109,766,106 | (22,417,708) | 6,725,828 |
| Total assets and deferred outflows of resources | $ 1,085,776,278 | 1,149,471,264 | 1,089,907,300 | (63,694,986) | 59,563,964 |
| Liabilities: | | | | | |
| Current liabilities | $ 293,145,616 | 318,929,885 | 259,442,374 | (25,784,269) | 59,487,511 |
| Long-term liabilities | 1,384,067,893 | 1,445,208,491 | 1,474,878,803 | (61,140,598) | (29,670,312) |
| Total liabilities | 1,677,213,509 | 1,764,138,376 | 1,734,321,177 | (86,924,867) | 29,817,199 |
| Deferred Inflows of Resources: | | | | | |
| Deferred pension inflows | 729,998 | 416,903 | 34,673 | 313,095 | 382,230 |
| Total deferred inflows of resources | 729,998 | 416,903 | 34,673 | 313,095 | 382,230 |
| Net Position (Deficit): | | | | | |
| Invested in capital assets, net of related debt | (1,022,171) | (4,284,501) | (13,840,713) | 3,262,330 | 9,556,212 |
| Restricted | 62,083,380 | 63,877,166 | 64,593,562 | (1,793,786) | (716,396) |
| Unrestricted | (653,228,438) | (674,676,680) | (695,201,399) | 21,448,242 | 20,524,719 |
| Total net deficit | (592,167,229) | (615,084,015) | (644,448,550) | 22,916,786 | 29,364,535 |
| Total liabilities, deferred inflows of resources and net position (deficit) | $ 1,085,776,278 | 1,149,471,264 | 1,089,907,300 | (63,694,986) | 59,563,964 |

***Assets and Deferred Outflows of Resources***

***2017 vs. 2016***

At October 31, 2017, the Organization maintained total assets and deferred outflows of resources of $1.09 billion, $63.7 million lower than the $1.15 billion at October 31, 2016.

***2016 vs. 2015***

At October 31, 2016, the Organization maintained total assets and deferred outflows of resources of $1.15 billion, $59.6 million higher than the $1.09 billion at October 31, 2015.

***Bank Deposits, Investments, Rents and Other Receivables***

***2017 vs. 2016***

Bank deposits, investments, and rents and other receivables held at October 31, 2017 decreased $5.6 million over the same period last year. Bank deposits and investments decreased by $4.1 million and rents and other receivables decreased by $1.5 million. The decrease in bank deposits and investments primarily relates to a one-time upfront rent payment of $4 million in the prior fiscal year. The decrease in rents and other receivables of $1.5 million relates to receipts of $1.2 million in PILOT receivables in the prior year that were collected in the current fiscal year. Additionally, there was a decrease of $587 thousand in the Build America Bonds subsidy refund receivable compared to the prior year.

***2016 vs. 2015***

Bank deposits, investments, and rents and other receivables held at October 31, 2016 increased $5 million over the same period last year. Bank deposits and investments increased by $5.3 million and rents and other receivables decreased by $300 thousand. The increase in bank deposits and investments primarily relates to deposits into the unpledged revenue fund for real estate transactions and the receipt of prior period receivables.

***Bond Resolution Restricted Assets***

***2017 vs. 2016***

Bond resolution restricted assets are funds and accounts established in accordance with the 2003 General Bond Resolutions, and the 2009 and 2013 Revenue Bond Resolutions. Such assets of $371.1 million at October 31, 2017 were $14.1 million lower than the fair value of assets held at October 31, 2016 of $385.3 million (see note 8).

Funds held in the Pledged Revenue Fund ("PRF") of $189.9 million at October 31, 2017 were $17.3 million more than funds held at October 31, 2016.

Funds held in the Debt Service Funds of $57.7 million at October 31, 2017 were $4.1 million lower than funds at October 31, 2016.

Funds held in the Project Operating Fund of $7.1 million were $1.2 million lower at October 31, 2017 compared to 2016.

Funds held in the Residual Fund for payment to the City of $616 thousand at October 31, 2017 were $226 thousand higher than at October 31, 2016.

Funds held under the resolution for project infrastructure and certain other asset costs were $42.2 million as of October 31, 2017, $26.6 million less than funds held at October 31, 2016.

***2016 vs. 2015***

Bond resolution restricted assets are funds and accounts established in accordance with the 2003, 2009 and 2013 Revenue Bond resolutions. Such assets of $385.3 million at October 31, 2016 were $70.4 million higher than the fair value of assets held at October 31, 2015 of $314.9 million. Bond resolution restricted funds of $65.6 million were not included in the $314.9 million at October 31, 2015. These funds were held in transit and were recorded in the financial statements as Bond resolution fund receivables.

Funds held in the Pledged Revenue Fund at October 31, 2016 were $10.6 million more than funds held at October 31, 2015. Funds held in the Debt Service Funds at October 31, 2016 were $61.3 million higher than funds at October 31, 2015.

Funds held in the Project Operating Fund were $430 thousand higher at October 31, 2016 compared to 2015.

Funds held in the Residual Fund for payment to the City at October 31, 2016 were $272 thousand higher than at October 31, 2015.

Funds held under the resolution for project infrastructure and certain other asset costs were $68.8 million as of October 31, 2016, $9.1 million less than funds held at October 31, 2015.

***Project Assets***

At October 31, 2017, the Authority's investment in project assets, net of accumulated depreciation, was $512.3 million, an increase of $14.9 million over October 31, 2016. The Battery Park City project ("Project") consists of approximately 92 acres of landfill created, owned, and operated by the Authority. The Project's development plan includes approximately 35 acres of parkland and open spaces and provides for the construction, by private developers, of approximately 10.7 million square feet of office space, retail space, a marina, two hotels, a multiplex cinema, museums, three public schools, a public library, and approximately 8,600 residential units.

The Authority's project assets include land, site improvements, and a residential building constructed by the Authority on Site 22. Additionally, condominium units owned by the Authority on Sites 1, 3, 16/17, and a community center on Sites 23 and 24, and related infrastructure improvements are included in project assets. The balances at October 31, 2017, 2016 and 2015 were as follows:

| | October 31 2017 | 2016 | 2015 | 2017 vs 2016 | 2016 vs 2015 |
|---|---|---|---|---|---|
| Land | $ 83,015,653 | 83,015,653 | 83,015,653 | - | - |
| Site improvements | 436,883,476 | 412,761,516 | 400,143,567 | 24,121,960 | 12,617,949 |
| Residential building and condominium units | 137,044,958 | 136,974,472 | 136,501,422 | 70,486 | 473,050 |
| | 656,944,087 | 632,751,641 | 619,660,642 | 24,192,446 | 13,090,999 |
| Less: accumulated depreciation | (144,666,901) | (135,370,261) | (126,409,875) | (9,296,640) | (8,960,386) |
| Total Battery Park City project assets | $ 512,277,186 | 497,381,380 | 493,250,767 | 14,895,806 | 4,130,613 |

***2017 vs. 2016***

For the year ended October 31, 2017, the increase to site improvements of $24.1 million relates to the esplanade and restoration of piles, the Police Memorial, Irish Hunger Memorial, and other minor capital improvements (see note 3(c)).

***2016 vs. 2015***

For the year ended October 31, 2016, the increase to site improvements of $12.6 million relates to the esplanade and restoration of piles, work on Site 3 headquarters, as well as bridge improvements and other minor capital improvements.

***Other Current and Noncurrent Assets***

Other current and noncurrent assets at October 31, 2017, 2016 and 2015 were as follows:

| | October 31 2017 | 2016 | 2015 | 2017 vs 2016 | 2016 vs 2015 |
|---|---|---|---|---|---|
| Residential lease required funds | $ 27,569,504 | 27,304,097 | 27,277,629 | 265,407 | 26,468 |
| Corporate-designated, escrowed and OPEB funds | 70,980,613 | 107,248,304 | 68,291,703 | (36,267,691) | 38,956,601 |
| Other assets | 4,339,122 | 4,759,694 | 4,782,531 | (420,572) | (22,837) |
| Total other current and noncurrent assets | $ 102,889,239 | 139,312,095 | 100,351,863 | (36,422,856) | 38,960,232 |

***2017 vs. 2016***

Total other current and noncurrent assets decreased $36.4 million from $139.3 million at October 31, 2016 to $102.9 million at October 31, 2017.

Residential lease required funds, which include security deposits held for condominium buildings, increased by $265 thousand. Overall, corporate-designated, escrowed and OPEB funds decreased $36.3 million from October 31, 2016. The decrease is primarily due to the payment of $37.2 million that was held in the Joint Purpose Fund that related to the prior year's liability for transfer to the City for the 2010 agreement. Deposits and interest earnings on the Organization's OPEB funds accounted for a $1.5 million increase. Additionally, other funds held decreased by $600 thousand.

***2016 vs. 2015***

Total other current and noncurrent assets increased $39 million from $100 million at October 31, 2015 to $139.3 million at October 31, 2016.

Residential lease required funds, which include security deposits held for condominium buildings, increased by $26 thousand. Overall, corporate-designated, escrowed and OPEB funds increased $39 million from October 31, 2015. The increase is primarily due to $37.2 million in the Joint Purpose Fund that relates to the prior year's liability for transfer to the City for the 2010 agreement, which has not been requested or transferred to the City as of October 31, 2016. Deposits and interest earnings on the Organization's OPEB funds accounted for a $1.8 million increase.

***Deferred Outflows of Resources***

Deferred outflows of resources at October 31, 2017, 2016, and 2015 are as follows:

| | | October 31 | | | 2017 vs | 2016 vs |
|---|---|---|---|---|---|---|
| | | **2017** | **2016** | **2015** | **2016** | **2015** |
| Deferred Outflows of Resources: | | | | | | |
| Deferred pension outflows | $ | 2,694,997 | 2,751,720 | 106,951 | (56,723) | 2,644,769 |
| Accumulated decrease in fair value of interest rate swaps | | 17,752,629 | 35,007,049 | 25,819,426 | (17,254,420) | 9,187,623 |
| Unamortized loss on extinguishment of bonds | | 18,623,209 | 19,949,119 | 21,275,029 | (1,325,910) | (1,325,910) |
| Deferred costs of refunding, less accumulated amortization | | 55,003,391 | 58,784,046 | 62,564,700 | (3,780,655) | (3,780,654) |
| Total deferred outflows of Resources | $ | 94,074,226 | 116,491,934 | 109,766,106 | (22,417,708) | 6,725,828 |

***2017 vs. 2016***

The $2.7 million at October 31, 2017 represents the Authority's portion of the deferred pension outflows from the New York State pension plan (see note 17).

The interest rate swap agreements, which continue in effect and continue as an effective hedge, had a negative fair value of $35 million at October 31, 2016, which decreased by $17.3 million to $17.8 million at October 31, 2017. The negative fair value is recorded as a liability in the Authority's statement of net position.

The unamortized loss on extinguishment of the 1993, 1996, 2000, and 2003 bonds decreased by $1.3 million from October 31, 2016 to October 31, 2017. The decrease is a result of the current year amortization.

The deferred cost of refunding decreased by $3.8 million from October 31, 2016 to October 31, 2017. The decrease is a result of the current year amortization.

***2016 vs. 2015***

The total deferred outflows of resources increased $6.7 million from $109.8 million at October 31, 2015 to $116.5 million at October 31, 2016.

Deferred pension outflows increased by $2.6 million from $107 thousand at October 31, 2015 to $2.75 million at October 31, 2016, which represents the Authority's portion of the deferred pension outflows from the New York State pension plan.

The interest rate swap agreements, which continue in effect and continue as an effective hedge, had a negative fair value of $25.8 million at October 31, 2015, which increased by $9.2 million to $35 million at October 31, 2016. The negative fair value is recorded as a liability in the Authority's statement of net position.

The unamortized loss on extinguishment of the 1993, 1996, 2000, and 2003 bonds decreased by $1.3 million from October 31, 2015 to October 31, 2016. The decrease is a result of the current year amortization.

The deferred cost of refunding decreased by $3.8 million from October 31, 2015 to October 31, 2016. The decrease is a result of the current year amortization.

***Liabilities***

Total liabilities at October 31, 2017, 2016 and 2015 were as follows:

| | October 31 | | | | |
|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2017 vs 2016 | 2016 vs 2015 |
| Current liabilities: | | | | | |
| Accrued interest on bonds | $ 16,657,505 | 16,979,613 | 17,253,706 | (322,108) | (274,093) |
| Accounts payable and other liabilities | 4,814,968 | 9,872,399 | 7,356,275 | (5,057,431) | 2,516,124 |
| Accrued pension payable | 2,456,722 | 2,357,307 | 519,940 | 99,415 | 1,837,367 |
| Due to the City of New York | 148,977,077 | 135,836,055 | 124,019,949 | 13,141,022 | 11,816,106 |
| Due to the City of New York 2010 Agreement | 41,964,103 | 79,363,715 | 37,443,333 | (37,399,612) | 41,920,382 |
| Due to the Port Authority of NY & NJ | 869,381 | 869,381 | 869,381 | - | - |
| Unearned revenue | 50,011,122 | 47,421,677 | 46,465,052 | 2,589,445 | 956,625 |
| Security and other deposits | 4,738 | 4,738 | 4,738 | - | - |
| 2009 Revenue Bonds | 340,000 | 335,000 | 315,000 | 5,000 | 20,000 |
| 2013 Revenue Bonds | 27,050,000 | 25,890,000 | 25,195,000 | 1,160,000 | 695,000 |
| Total current liabilities | 293,145,616 | 318,929,885 | 259,442,374 | (25,784,269) | 59,487,511 |
| Noncurrent liabilities: | | | | | |
| Unearned revenue | 248,768,041 | 260,739,758 | 268,740,158 | (11,971,717) | (8,000,400) |
| Security and other deposits | 27,929,228 | 27,706,661 | 27,598,354 | 222,567 | 108,307 |
| OPEB | 38,272,501 | 36,334,354 | 34,390,023 | 1,938,147 | 1,944,331 |
| Fair value of interest rate swaps | 17,752,629 | 35,007,049 | 25,819,426 | (17,254,420) | 9,187,623 |
| Imputed borrowing | 55,003,391 | 58,784,046 | 62,564,700 | (3,780,655) | (3,780,654) |
| Bonds outstanding: | | | | | |
| 2009 Revenue Bonds | 86,248,700 | 86,661,548 | 87,069,396 | (412,848) | (407,848) |
| 2013 Revenue Bonds | 910,093,403 | 939,975,075 | 968,696,746 | (29,881,672) | (28,721,671) |
| Total noncurrent liabilities | 1,384,067,893 | 1,445,208,491 | 1,474,878,803 | (61,140,598) | (29,670,312) |
| Total liabilities | $ 1,677,213,509 | 1,764,138,376 | 1,734,321,177 | (86,924,867) | 29,817,199 |

***2017 vs. 2016***

The Organization's total liabilities decreased $86.9 million from $1.76 billion at October 31, 2016 to $1.68 billion at October 31, 2017.

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

The $86.9 million decrease in total liabilities is due to:

- a $322 thousand decrease in accrued interest payable on bonds from $17 million at October 31, 2016 to $16.7 million at October 31, 2017.
- a $5.1 million decrease in accounts payable and other liabilities from $9.8 million at October 31, 2016 to $4.8 million at October 31, 2017. The decreases are primarily due to $2.9 million of accrued expenses for the investment purchases that were in transit at October 31, 2016, as well as a decrease of $1.9 million of accrued capital expenditures compared to the prior fiscal year.
- a $99 thousand increase in accrued pension payable relates to the Authority's liability portion of the New York State pension plan.

- a $149 million liability due to the City was recorded as of October 31, 2017, which includes fiscal 2017 PILOT-related excess revenues to be transferred to the City, an increase of $13.1 million from the prior fiscal year provision of $135.9 million.
- a $42 million liability due to the City was recorded as of October 31, 2017, as an expected payment to the City under the provisions of the 2010 Agreement. A payment of $79.4 million was made in June 2017 towards the provision for the transfer to the City for the "pay-as-you-go" capital payment for the fiscal years ended October 31, 2016 and 2015.
- a $9.4 million decrease to $298.8 million in total unearned revenue from $308.2 million at October 31, 2016 due to revenue of $9.4 million recognized on leases.
- a $223 thousand increase in total security and other deposits to $27.9 million at October 31, 2017. Security deposits are held for condominiums and not rentals.
- a $1.9 million net increase in OPEB liability relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits paid. The Organization had a $38.3 million OPEB liability at October 31, 2017. The annual required OPEB obligation is increased by normal costs for current employees and interest expense and offset by an amortization credit and the actual cost of retiree benefits paid during the year (see note 18).
- the interest rate swap agreements, which continue in effect and continue as an effective hedge, had a negative fair value of $17.8 million at October 31, 2017. The negative fair value of $17.8 million is recorded as a deferred outflow of resources and a liability on the Authority's statement of net position. This value decreased $17.3 million, from a negative fair value of $35 million at October 31, 2016.
- a $3.8 million decrease in the imputed borrowing represents the current period amortization of the fair value of the bifurcated Swaps. The $70.1 million is being amortized using the straight-line method over the remaining life of the original 2003 bonds.
- a $408 thousand decrease in 2009 Revenue Bonds outstanding relating to the payment of principal of $335 thousand and a $73 thousand decrease due to the amortization of the net bond premium (see note 16).
- a $28.7 million decrease in 2013 Revenue Bonds outstanding relating to the payment of $25.9 million and a $2.8 million decrease due to the amortization of the net bond premium (see note 16).

***2016 vs. 2015***

The Organization's total liabilities increased $29.8 million from $1.73 billion at October 31, 2015 to $1.76 billion at October 31, 2016.

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

The $29.8 million increase in total liabilities is due to:

- a $274 thousand decrease in accrued interest payable on bonds from $17.3 million at October 31, 2015 to $17 million at October 31, 2016.

- a $2.5 million increase in accounts payable and other liabilities from $7.4 million at October 31, 2015 to $9.8 million at October 31, 2016. The change is primarily due to $2.9 million of accrued expenses for the investment purchases that were in transit at October 31, 2016 and which settled in November 2016.
- a $1.8 million increase in accrued pension payable relates to the Authority's liability portion of the New York State pension plan.
- a $135.8 million liability was recorded for the fiscal year ended October 31, 2016, which includes fiscal 2016 PILOT-related excess revenues to be transferred to the City, an increase of $11.8 million from the prior fiscal year provision of $124 million.
- a $41.9 million liability was recorded for the fiscal year ended October 31, 2016, as an expected payment to the City under the provisions of the 2010 Agreement.
- a $7 million decrease to $308 million in total unearned revenue from $315 million at October 31, 2015 primarily due to revenue of $11 million recognized on leases. The $11 million decrease amount is offset by an upfront lease payment of $4 million.
- a $108 thousand increase in total security and other deposits to $27.7 million at October 31, 2016. Security deposits are held for condominiums and not rentals.
- a $1.9 million net increase in OPEB liability relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits paid. The Organization had a $36.3 million OPEB liability at October 31, 2016. The annual required OPEB obligation is increased by normal costs for current employees and interest expense and offset by an amortization credit and the actual cost of retiree benefits paid during the year.
- the interest rate swap agreements, which continue in effect and continue as an effective hedge, had a negative fair value of $35 million at October 31, 2016. The negative fair value of $35 million is recorded as a deferred outflow of resources and a liability on the Authority's statement of net position. This value increased $9.2 million, from a negative fair value of $25.8 million at October 31, 2015.
- a $3.8 million decrease in the imputed borrowing represents the current period amortization of the fair value of the bifurcated Swaps. The $70.1 million is being amortized using the straight-line method over the remaining life of the original 2003 bonds.
- a $388 thousand decrease in 2009 Revenue Bonds outstanding relating to the payment of principal of $315 thousand and a $73 thousand decrease due to the amortization of the net bond premium.
- a $28.1 million decrease in 2013 Revenue Bonds outstanding relating to the payment of $25.2 million and a $2.9 million decrease due to the amortization of the net bond premium.

***Deferred Inflows of Resources***

| | | October 31 | | | 2017 vs | 2016 vs |
|---|---|---|---|---|---|---|
| | | 2017 | 2016 | 2015 | 2016 | 2015 |
| Deferred Inflows of Resources: | | | | | | |
| Deferred pension inflows | $ | 729,998 | 416,903 | 34,673 | 313,095 | 382,230 |
| Total deferred inflows of resources | $ | 729,998 | 416,903 | 34,673 | 313,095 | 382,230 |

***2017 vs. 2016***

The $730 thousand at October 31, 2017 represents the Authority's portion of the deferred pension inflows from the New York State pension plan (see note 17).

***2016 vs. 2015***

The $417 thousand at October 31, 2016 represents the Authority's portion of the deferred pension inflows from the New York State pension plan.

***Net Position (Deficit)***

| | | October 31 | | | 2017 vs | 2016 vs |
|---|---|---|---|---|---|---|
| | | 2017 | 2016 | 2015 | 2016 | 2015 |
| Net Position (deficit): | | | | | | |
| Invested in capital assets, net of related debt | $ | (1,022,171) | (4,284,501) | (13,840,713) | 3,262,330 | 9,556,212 |
| Restricted | | 62,083,380 | 63,877,166 | 64,593,562 | (1,793,786) | (716,396) |
| Unrestricted | | (653,228,438) | (674,676,680) | (695,201,399) | 21,448,242 | 20,524,719 |
| Total net position (deficit) | $ | (592,167,229) | (615,084,015) | (644,448,550) | 22,916,786 | 29,364,535 |

***2017 vs. 2016***

The change in total net position from October 31, 2016 represents a positive change of $22.9 million in the deficit position from $615 million at October 31, 2016 to $592 million at October 31, 2017.

Invested in capital assets, net of related debt, was a deficit of $1 million and $4.3 million at October 31, 2017 and 2016, 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 $62 million of restricted net position at October 31, 2017 represents 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 $653.2 million at October 31, 2017 resulting from the cumulative net excess revenues, which are transferred to the City annually.

***2016 vs. 2015***

The change in total net position from October 31, 2015 represents a positive change in the deficit position of $29.4 million from $644 million at October 31, 2015 to $615 million at October 31, 2016.

Invested in capital assets, net of related debt, was a deficit of $4.3 million and $13.8 million at October 31, 2016 and 2015, respectively. Although investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets cannot be used to liquidate these liabilities. The Organization's $63.9 million of restricted net position at October 31, 2016 represent resources that are subject to various external restrictions on how they may be used. These assets are generally restricted under bond resolutions and other agreements and for debt service.

The remaining balance is classified as an unrestricted deficit totaling $674.7 million at October 31, 2016 resulting from the cumulative net excess revenues, which are transferred to the City annually.

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

Below is a summary of the Organization's revenues, expenses, and changes in net deficit for the fiscal years ended October 31, 2017, 2016 and 2015:

| | October 31 | | | 2017 vs | 2016 vs |
|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2016 | 2015 |
| Operating revenues: | | | | | |
| Revenues from ground leases: | | | | | |
| Base rent | $ 60,937,579 | 59,617,836 | 58,025,998 | 1,319,743 | 1,591,838 |
| Supplemental rent | 1,318,476 | 1,336,024 | 1,652,149 | (17,548) | (316,125) |
| Payments in lieu of real estate taxes | 218,713,058 | 204,988,037 | 195,048,129 | 13,725,021 | 9,939,908 |
| Civic facilities payments and other | 14,377,919 | 13,227,308 | 11,707,540 | 1,150,611 | 1,519,768 |
| Total operating revenues | 295,347,032 | 279,169,205 | 266,433,816 | 16,177,827 | 12,735,389 |
| Operating expenses: | | | | | |
| Wages and related benefits | 15,333,799 | 14,440,199 | 20,922,843 | 893,600 | (6,482,644) |
| OPEB | 2,709,644 | 2,555,391 | 2,715,775 | 154,253 | (160,384) |
| Other operating and administrative expenses | 19,858,085 | 19,759,574 | 20,758,634 | 98,511 | (999,060) |
| Depreciation and amortization | 9,925,502 | 9,551,887 | 9,332,348 | 373,615 | 219,539 |
| Total operating expenses | 47,827,030 | 46,307,051 | 53,729,600 | 1,519,979 | (7,422,549) |
| Operating income | 247,520,002 | 232,862,154 | 212,704,216 | 14,657,848 | 20,157,938 |
| Nonoperating revenues (expenses): | | | | | |
| Investment and other income | 2,666,102 | 4,066,232 | 2,890,713 | (1,400,130) | 1,175,519 |
| Other revenue | - | 6,958,307 | 4,406,019 | (6,958,307) | 2,552,288 |
| Gain (loss) on project assets | 329 | (201,351) | - | 201,680 | (201,351) |
| Interest expense, net | (34,102,019) | (34,322,118) | (34,509,014) | 220,099 | 186,896 |
| Provision for transfer to the City of New York | (148,977,077) | (135,219,838) | (123,403,732) | (13,757,239) | (11,816,106) |
| Provision for transfer to the City of New York - 2010 Agreement | (41,964,103) | (41,920,382) | (37,190,169) | (43,721) | (4,730,213) |
| Provision for transfer to New York State - Route 9A Agreement | - | (576,174) | (1,786,129) | 576,174 | 1,209,955 |
| Provision for transfer to - Eastern Border | (93,246) | (1,707,641) | - | 1,614,395 | (1,707,641) |
| Provision for transfer to NYC - West Thames St. Pedestrian Bridge | (2,000,000) | - | - | (2,000,000) | - |
| Pier A and Pier A Plaza construction pass through NYC | (133,202) | (574,654) | (836,891) | 441,452 | 262,237 |
| Total nonoperating expenses, net | (224,603,216) | (203,497,619) | (190,429,203) | (21,105,597) | (13,068,416) |
| Change in net position (deficit) | 22,916,786 | 29,364,535 | 22,275,013 | (6,447,749) | 7,089,522 |
| Net (deficit), beginning of year | (615,084,015) | (644,448,550) | (666,723,563) | 29,364,535 | 22,275,013 |
| Net deficit, end of year | $ (592,167,229) | (615,084,015) | (644,448,550) | 22,916,786 | 29,364,535 |

***Operating Revenues***

***2017 vs. 2016***

Overall operating revenues for the year ended October 31, 2017 totaled $295.3 million, a net of $16.2 million higher than the year ended October 31, 2016. Lease revenues consist primarily of base (land) rent and PILOT from long-term leaseholds.

Base rent increased $1.3 million from $59.6 million for the year ended October 31, 2016. PILOT revenue totaling $218.7 million (74% of the total operating revenues for the fiscal year ended October 31, 2017), increased by $13.7 million over the fiscal year ended October 31, 2016, due to increases in PILOT assessments. The $1.2 million change in civic facility payments and other is an increase from $13.2 million for the year ended October 31, 2016 to $14.4 million for the year ended October 31, 2017.

***2016 vs. 2015***

Overall operating revenues for the year ended October 31, 2016 totaled $279.2 million, a net of $12.7 million higher than the year ended October 31, 2015. Lease revenues consist primarily of base (land) rent and PILOT from long-term leaseholds.

Base rent increased $1.6 million from $58 million for the year ended October 31, 2015. PILOT revenue totaling $205.0 million (73% of the total operating revenues for the fiscal year ended October 31, 2016), increased by $9.9 million over the fiscal year ended October 31, 2015, primarily due to an increase in PILOT revenue from the commercial towers. The change in civic facility payments and other is a $1.5 million increase from $11.7 million for the year ended October 31, 2015 to $13.2 million for the year ended October 31, 2016.

***Operating Expenses***

***2017 vs. 2016***

Operating expenses totaled $47.8 million for the fiscal year ended October 31, 2017, representing a $1.5 million increase compared to the fiscal year ended October 31, 2016. 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 $15.3 million increased $894 thousand over the previous fiscal year ended October 31, 2016. This increase consisted of pension expense and health insurance of $652 thousand and $242 thousand, respectively, compared to the prior fiscal year.

*OPEB* - Expenses for the Organization increased for the fiscal year ended October 31, 2017 by $154 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 of $20 million increased by $99 thousand for the year ended October 31, 2017.

Depreciation and amortization expenses recorded for the fiscal year ended October 31, 2017 of $9.9 million was $374 thousand higher than the year ended October 31, 2016.

***2016 vs. 2015***

Operating expenses totaled $46.3 million for the fiscal year ended October 31, 2016, representing a net $7.4 million decrease compared to the fiscal year ended October 31, 2015. 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 $14.4 million decreased $6.5 million over the previous fiscal year ended October 31, 2015, primarily due to the payment of $6.5 million to withdraw from the Conservancy's CIRS pension plan.

*OPEB* - Expenses for the Organization decreased for the fiscal year ended October 31, 2016 by $161 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.

Other operating and administrative expenses of $20 million decreased by $1 million for the year ended October 31, 2016, primarily due to the decrease of $720 thousand for the infrastructure study and the decrease of the annual New York State cost recovery fee of $400 thousand for the year ended October 31, 2016 as compared to 2015.

Depreciation and amortization expenses recorded for the fiscal year ended October 31, 2016 of $9.6 million was $220 thousand higher than the year ended October 31, 2015.

***Nonoperating Revenues (Expenses)***

***2017 vs. 2016***

Total nonoperating expenses were a net $21 million higher for the year ended October 31, 2017 than the year ended October 31, 2016. A provision for a transfer to the City of $149 million in excess revenues was charged to expense for the year ended October 31, 2017, an increase of $13.8 million from the year ended October 31, 2016. In addition, a provision for transfer to the City for the 2010 Agreement of $42 million was charged to expense for the year ended October 31, 2017, an increase of $44 thousand from the year ended October 31, 2016. The Authority expended $133 thousand of capital improvements to Pier A, which is a City-owned asset, and accordingly recorded a provision for transfer to the City for that amount for the fiscal year ended October 31, 2017. The Authority expended $93 thousand for the year ended October 31, 2017 relating to the provision for transfer to the City for the Eastern Border. The Authority expended $2 million for the year ended October 31, 2017 relating to the provision for transfer to the City for the West Thames Street Pedestrian Bridge.

Investment and other income decreased year over year by $1.4 million primarily due to $1.2 million of realized and unrealized losses in the portfolio during the year ended October 31, 2017, which offset a $610 thousand increase in portfolio investment income. Other revenue decreased $6.9 million as a result of the renovations to the South Street Liberty Bridge by Brookfield in the prior fiscal year. Net interest expense decreased $220 thousand, primarily due to lower debt and amortization, which reduced the total outstanding debt, compared to the year ended October 31, 2016.

***2016 vs. 2015***

Total nonoperating expenses were a net $13 million higher for the year ended October 31, 2016 than the year ended October 31, 2015. A provision for a transfer to the City of $135.2 million in excess revenues was charged to expense for the year ended October 31, 2016, an increase of $11.8 million from the year ended October 31, 2015. In addition, a provision for transfer to the City for the 2010 Agreement of $41.9 million was charged to expense for the year ended October 31, 2016, an increase of $4.7 million from the year ended October 31, 2015. The Authority expended $575 thousand of capital improvements to Pier A, which is a City-owned asset, and accordingly recorded a provision for transfer to the City for that amount for the fiscal year ended October 31, 2016. The amount expended for the fiscal year ended October 31, 2015 was $836 thousand, a decrease of $262 thousand. The Authority recorded $576 thousand for the year ended October 31, 2016 relating to the provision for transfer to New York State for the Route 9A Agreement, which was $1.2 million lower than the year ended October 31, 2015.

Investment and other income increased by $1.2 million primarily due to restructuring the long-term investment portfolio during the year ended October 31, 2016. Other revenue increased $2.5 million as a result of the South Street Liberty Bridge renovations by Brookfield. Net interest expense related to outstanding bonds decreased $187 thousand, primarily due to the lower costs of capital, compared to the year ended October 31, 2015.

***Change in Net Position (Deficit)***

The total net deficits at October 31, 2017 and 2016 were $592 million and $615 million, respectively.

The total net deficits at October 31, 2016 and 2015 were $615 million and $644 million, respectively.

***Other Information***

***Debt Administration*** –The 2009 Revenue Bonds, issued in December 2009, totaling $89 million, included $56.6 million of federally taxable Build America Bonds and $32.5 million (including a net premium) of tax-exempt bonds. At October 31, 2017, outstanding bonds and ratings are as follows:

| | 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 | 28,750,000 | AAA | Aaa | Not rated |

The 2013 Revenue Bonds, issued in October 2013, totaling $1.02 billion, included $407.1 million (inclusive of net premium) of fixed-rate tax exempt Senior Revenue Bonds Series A and $6.9 million (inclusive of net premium) of federally taxable, fixed-rate Senior Revenue Bonds, Series B. In addition, the Authority directly placed $609.5 million variable-rate Junior Revenue Bonds with three banks, comprising $210.9 million of Series C, $199.3 million of Series D, and $199.3 million of Series E (see notes 12 and 16). At October 31, 2017, outstanding bonds and ratings are as follows:

| | Outstanding debt | Fitch | Moody's | Standard & Poor's (S&P) |
|---|---|---|---|---|
| 2013 Senior Revenue A Bonds | $ 302,104,000 | AAA | Aaa | Not Rated |
| 2013 Junior Revenue C Bonds | 207,255,000 | Not Rated | Aa2 | Not Rated |
| 2013 Junior Revenue D Bonds | 194,050,000 | Not Rated | Not Rated | Not Rated |
| 2013 Junior Revenue E Bonds | 194,055,000 | Not Rated | Not Rated | Not Rated |

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

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

Statements of Net Position (Deficit)

October 31, 2017 and 2016

| **Assets** | | **2017** | **2016** |
|---|---|---|---|
| Current assets: | | | |
| Bank deposits | $ | 39,738 | 396,816 |
| Investments (notes 3(e) and 3(k)) | | 1,905,339 | 5,695,440 |
| Restricted assets: | | | |
| Rents and other receivables (net of allowance for doubtful accounts of $1,479,638 in 2017 and $1,581,492 in 2016) (note 14) | | 3,478,739 | 4,941,518 |
| 2003 General Bond Resolution Funds (notes 3(e), 3(k), 8, 9, and 10) | | 255,377,406 | 243,034,191 |
| 2009 Revenue Bond Resolution Funds (notes 3(e), 3(k), 8, 9, and 11) | | 2,632,550 | 8,000,661 |
| 2013 Revenue Bond Resolution Funds (notes 3(e), 3(k), 8, 9, and 12) | | 31,330,301 | 46,872,405 |
| Corporate-designated, escrowed, and OPEB funds (notes 3(e), 3(k), 18) | | 1,927,796 | 38,123,314 |
| Total current assets | | 296,691,869 | 347,064,345 |
| Noncurrent assets: | | | |
| Restricted assets: | | | |
| 2003 General Bond Resolution Funds (notes 3(e), 3(k), 8, 9, and 10) | | 73,502,208 | 73,387,092 |
| 2009 Revenue Bond Resolution Funds (notes 3(e), 3(k), 8, 9, and 11) | | 596,739 | 141,229 |
| 2013 Revenue Bond Resolution Funds (notes 3(e), 3(k), 8, 9, and 12) | | 7,672,607 | 13,816,503 |
| Residential lease required funds (note 3(e) and 3(k)) | | 27,569,504 | 27,304,097 |
| Corporate-designated, escrowed, and OPEB funds (notes 3(e), 3(k), 18) | | 69,052,817 | 69,124,990 |
| Battery Park City project assets – at cost, less accumulated depreciation (notes 2, 3(c), and 4) | | 512,277,186 | 497,381,380 |
| Other assets | | 4,339,122 | 4,759,694 |
| Total noncurrent assets | | 695,010,183 | 685,914,985 |
| Total assets | | 991,702,052 | 1,032,979,330 |
| **Deferred Outflows of Resources** | | | |
| Deferred pension outflows (note 17) | | 2,694,997 | 2,751,720 |
| Accumulated change in fair value of interest rate swaps (notes 3(j) and 10) | | 17,752,629 | 35,007,049 |
| Unamortized loss on extinguishment of 1993, 1996, 2000, and 2003 bonds (notes 3(g) and 12) | | 18,623,209 | 19,949,119 |
| Deferred costs of refunding, less accumulated amortization of $15,212,021 in 2017 and $11,431,366 in 2016 (note 10) | | 55,003,391 | 58,784,046 |
| Total deferred outflows of resources | | 94,074,226 | 116,491,934 |
| Total assets and deferred outflows of resources | $ | 1,085,776,278 | 1,149,471,264 |



(Continued)

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

Statements of Net Position (Deficit)

October 31, 2017 and 2016

| **Liabilities** | | **2017** | **2016** |
|---|---|---|---|
| Current liabilities: | | | |
| Accrued interest on bonds | $ | 16,657,505 | 16,979,613 |
| Accounts payable and other liabilities (note 15) | | 4,814,968 | 9,872,399 |
| Accrued pension payable (note 17) | | 2,456,722 | 2,357,307 |
| Due to the City of New York (note 13) | | 148,977,077 | 135,836,055 |
| Due to the City of New York - 2010 Agreement (note 13) | | 41,964,103 | 79,363,715 |
| Due to the Port Authority of New York & New Jersey (note 19(c)) | | 869,381 | 869,381 |
| Unearned revenue (note 3(d)): | | | |
| PILOT revenue | | 37,064,427 | 34,407,866 |
| Base rent and other revenue | | 12,946,695 | 13,013,811 |
| Security and other deposits | | 4,738 | 4,738 |
| 2009 Revenue Bonds (notes 8, 9, and 11) | | 340,000 | 335,000 |
| 2013 Revenue Bonds (notes 8, 9, and 12) | | 27,050,000 | 25,890,000 |
| Total current liabilities | | 293,145,616 | 318,929,885 |
| Noncurrent liabilities: | | | |
| Unearned revenue (note 3(d)): | | | |
| Base rent and other revenue | | 248,768,041 | 260,739,758 |
| Security and other deposits | | 27,929,228 | 27,706,661 |
| OPEB (note 18) | | 38,272,501 | 36,334,354 |
| Fair value of interest rate swaps (notes 3(j) and 10) | | 17,752,629 | 35,007,049 |
| Imputed borrowing (note 3(j) and 10) | | 55,003,391 | 58,784,046 |
| Bonds outstanding (notes 8, 9, 10, 11, 12 and 16): | | | |
| 2009 Revenue Bonds, less accumulated amortization of $572,308 in 2017 and $499,460 in 2016 | | 86,248,700 | 86,661,548 |
| 2013 Revenue Bonds, less accumulated amortization of $11,581,648 in 2017 and $8,749,977 in 2016 | | 910,093,403 | 939,975,075 |
| Total noncurrent liabilities | | 1,384,067,893 | 1,445,208,491 |
| Total liabilities | | 1,677,213,509 | 1,764,138,376 |
| **Deferred Inflows of Resources** | | | |
| Deferred pension inflows (note 17) | | 729,998 | 416,903 |
| Total deferred inflows of resources | | 729,998 | 416,903 |
| **Net Position (Deficit)** | | | |
| Invested in capital assets, net of related debt | | (1,022,171) | (4,284,501) |
| Restricted: | | | |
| Debt service | | 55,055,548 | 60,333,896 |
| Under bond resolutions and other agreements | | 7,027,832 | 3,543,270 |
| Unrestricted (deficit) | | (653,228,438) | (674,676,680) |
| Total net position (deficit) | | (592,167,229) | (615,084,015) |
| Total liabilities, deferred inflows of resources and net position (deficit) | $ | 1,085,776,278 | 1,149,471,264 |

See accompanying notes to financial statements.

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

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

Years Ended October 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| Operating revenues: | | |
| Revenues from ground leases (notes 5, 6, and 7): | | |
| Base rent | $ 60,937,579 | 59,617,836 |
| Supplemental rent | 1,318,476 | 1,336,024 |
| Payments in lieu of real estate taxes (note 13) | 218,713,058 | 204,988,037 |
| Civic facilities payments and other | 14,377,919 | 13,227,308 |
| Total operating revenues | 295,347,032 | 279,169,205 |
| Operating expenses: | | |
| Wages and related benefits | 15,333,799 | 14,440,199 |
| OPEB (note 18) | 2,709,644 | 2,555,391 |
| Other operating and administrative expenses | 19,858,085 | 19,759,574 |
| Depreciation of project assets | 9,296,640 | 8,960,386 |
| Other depreciation and amortization | 628,862 | 591,501 |
| Total operating expenses | 47,827,030 | 46,307,051 |
| Operating income | 247,520,002 | 232,862,154 |
| Nonoperating revenues (expenses): | | |
| Investment income on funds relating to: | | |
| 2003 Revenue Bonds (note 10) | 1,945,225 | 1,855,003 |
| 2009 Revenue Bonds (note 11) | 19,396 | 66,268 |
| 2013 Revenue Bonds (note 12) | 518,641 | 555,015 |
| Corporate-designated, escrowed, and OPEB funds | 1,393,928 | 1,346,343 |
| Realized and unrealized gains and (losses) | (1,211,088) | 243,603 |
| Gain (loss) on project assets | 329 | (201,351) |
| Other revenue | — | 6,958,307 |
| Interest expense relating to: | | |
| 2003 Swap agreements – net expense | (9,953,492) | (11,370,162) |
| 2003 Revenue Bonds (note 10) | (11,758) | (11,693) |
| 2009 Revenue Bonds (note 11) | (3,752,435) | (3,761,853) |
| 2013 Revenue Bonds (note 12) | (19,058,424) | (17,852,500) |
| Loss on extinguishment from debt | (1,325,910) | (1,325,910) |
| Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts (note 13) | (148,977,077) | (135,219,838) |
| Provision for transfer to the City of New York per 2010 agreement (note 13) | (41,964,103) | (41,920,382) |
| Provision for transfer to the City of New York - Pier A and Pier A Plaza | (133,202) | (574,654) |
| Provision for transfer to the City of New York - Eastern Border | (93,246) | (1,707,641) |
| Provision for transfer to the City of New York - West Thames St Pedestrian Bridge | (2,000,000) | — |
| Provision for transfer to the State of New York - Route 9A | — | (576,174) |
| Total nonoperating expenses | (224,603,216) | (203,497,619) |
| Change in net position (deficit) | 22,916,786 | 29,364,535 |
| Net (deficit), beginning of year | (615,084,015) | (644,448,550) |
| Net (deficit), end of year | $ (592,167,229) | (615,084,015) |

See accompanying notes to financial statements.

**HUGH L. CAREY BATTERY PARK CITY AUTHORITY**
(A Component Unit of the State of New York)
Statements of Cash Flows
Years Ended October 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| Cash flows from operating activities: | | |
| Cash receipts from: | | |
| Tenant payments | $ 284,918,728 | 263,278,182 |
| Miscellaneous receipts | 924,424 | 7,636,594 |
| Total cash receipts from operating activities | 285,843,152 | 270,914,776 |
| Cash payments for: | | |
| Salaries and benefits | (15,906,036) | (15,310,158) |
| Services and supplies | (19,152,884) | (18,065,960) |
| Total cash payments for operating activities | (35,058,920) | (33,376,118) |
| Net cash provided by operating activities | 250,784,232 | 237,538,658 |
| Cash flows from noncapital financing activities: | | |
| Payments to Pier A Contractors on behalf of the City of New York | (64,166) | (380,425) |
| Payments to Pier A Plaza Contractors on behalf of the City of New York | (170,534) | (156,746) |
| Payments from LMDC West Thames St Pedestrian Bridge | 6,312,667 | 507,009 |
| Payments to NYC EDC - West Thames St Pedestrian Bridge | (8,312,668) | (507,009) |
| Receipts from Brookfield - Route 9A Betterment Agreement | — | 642,224 |
| Payments to NYS DOT - Route 9A Betterment Agreement | — | (2,934,423) |
| Payments to Eastern Border Contractors on behalf of the City of New York | (93,246) | (1,484,157) |
| Payments to the City of New York | (215,199,770) | (123,403,732) |
| Net cash used in noncapital financing activities | (217,527,717) | (127,717,259) |
| Cash flows from capital and related financing activities: | | |
| Development costs – site improvements and construction | (24,968,672) | (5,660,493) |
| Capital asset expenditures | (915,761) | (115,980) |
| Auction fees for variable debt | (11,758) | (11,693) |
| Swap payment made on the 2003 Swap agreement | (12,280,490) | (12,468,624) |
| Swap interest payments received on the 2003 Swap agreement | 2,096,014 | 937,347 |
| Interest paid on 2009 Senior Revenue Bonds | (5,006,056) | (5,015,019) |
| Principal paydown on 2009 Senior Revenue Bonds | (335,000) | (315,000) |
| Interest paid on 2013 Senior Revenue Bonds | (15,238,775) | (15,964,675) |
| Principal paydown on 2013 Senior Revenue Bonds | (20,995,000) | (20,300,000) |
| Interest paid on 2013 Bonds CDE | (6,874,337) | (4,895,585) |
| Principal paydown on 2013 Bonds CDE | (4,895,000) | (4,895,000) |
| 2009 Senior Revenue Bonds - Build America Bonds refund from US Treasury | 1,763,622 | 588,506 |
| Net cash used in capital and related financing activities | (87,661,213) | (68,116,216) |
| Cash flows from investing activities: | | |
| Interest and realized gains received on investment securities | 5,492,719 | 3,599,050 |
| Maturities and redemptions of investment securities | 562,691,260 | 747,328,934 |
| Purchases of investment securities | (518,648,603) | (667,657,065) |
| Net cash provided by investing activities | 49,535,376 | 83,270,919 |
| (Decrease) increase in cash and cash equivalents | (4,869,322) | 124,976,102 |
| Cash and cash equivalents, beginning of year | 171,504,412 | 46,528,310 |
| Cash and cash equivalents, end of year | $ 166,635,090 | 171,504,412 |



(Continued)

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

Statements of Cash Flows

Years Ended October 31, 2017 and 2016

| | | 2017 | 2016 |
|---|---|---|---|
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income | $ | 247,520,002 | 232,862,154 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Provision for (recovery of) bad debt expense | | (101,854) | 250,442 |
| Depreciation and amortization | | 9,925,502 | 9,551,887 |
| Other | | 50,642 | 69,427 |
| Changes in operating assets and liabilities: | | | |
| Decrease (increase) in rents and other receivables | | 1,044,773 | (39,065) |
| Decrease in other assets | | 31,784 | 321,774 |
| (Decrease) increase in accounts payable and other liabilities | | (612,310) | 1,884,022 |
| Decrease in unearned revenue | | (9,382,272) | (7,043,775) |
| Increase in OPEB | | 1,938,147 | 1,944,331 |
| (Increase) decrease in deferred pension resources | | 369,818 | (2,262,539) |
| Net cash provided by operating activities | $ | 250,784,232 | 237,538,658 |
| Reconciliation to cash and cash equivalents, end of year: | | | |
| Bank deposits | $ | 39,738 | 396,816 |
| Cash and cash equivalents (note 3(e)) | | 32,060,205 | 49,604,358 |
| Investments with less than 91-day maturities (note 3(e)) | | 134,535,147 | 121,503,238 |
| Cash and cash equivalents, end of year | $ | 166,635,090 | 171,504,412 |

See accompanying notes to 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 (see note 20).

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

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

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

## (2) Description of Project

The Project consists of approximately 92 acres of landfill created, owned, and operated by the Authority (see note 4). The Project's development plan includes approximately 35 acres of parkland and open spaces and provides for the construction, by private developers, of approximately 10.7 million square feet of office space, retail space, a marina, two hotels, a multiplex cinema, museums, three public schools, a community center, a public library, four not-for-profit condos owned by the Authority, and approximately 8,600 residential units (see notes 5, 6, and 7).

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

## (3) Summary of Significant Accounting Policies

### *(a) Financial Reporting*

The Organization follows accounting principles generally accepted in the United States of America ("U.S. GAAP") as promulgated by GASB.

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

### *(b) Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Estimates include reserves for doubtful accounts, useful lives of project assets and other postemployment benefits. Actual results could differ from those estimates.

### *(c) Project Assets*

Costs incurred by the Authority in developing the Project as of October 31, 2017 and 2016 are capitalized as project assets and are classified as follows:

| | Balance at October 31, 2016 | Additions | Deletions | Balance at October 31, 2017 |
|---|---|---|---|---|
| Land | $ 83,015,653 | — | — | 83,015,653 |
| Site improvements | 412,761,516 | 24,121,960 | — | 436,883,476 |
| Residential building and condominiums | 136,974,472 | 70,486 | — | 137,044,958 |
| Total project assets | 632,751,641 | 24,192,446 | — | 656,944,087 |
| Less: accumulated depreciation: | | | | |
| Site improvements | 103,872,131 | 8,151,865 | — | 112,023,996 |
| Residential building and condominiums | 31,498,130 | 1,144,775 | — | 32,642,905 |
| Total accumulated depreciation | 135,370,261 | 9,296,640 | — | 144,666,901 |
| Net project assets | $ 497,381,380 | 14,895,806 | — | 512,277,186 |

| | | Balance at October 31, 2015 | Additions | Deletions | Balance at October 31, 2016 |
|---|---|---|---|---|---|
| Land | $ | 83,015,653 | — | — | 83,015,653 |
| Site improvements | | 400,143,567 | 12,617,949 | — | 412,761,516 |
| Residential building and condominiums | | 136,501,422 | 473,050 | — | 136,974,472 |
| Total project assets | | 619,660,642 | 13,090,999 | — | 632,751,641 |
| Less: accumulated depreciation: | | | | | |
| Site improvements | | 96,057,380 | 7,814,751 | — | 103,872,131 |
| Residential building and condominiums | | 30,352,495 | 1,145,635 | — | 31,498,130 |
| Total accumulated depreciation | | 126,409,875 | 8,960,386 | — | 135,370,261 |
| Net project assets | $ | 493,250,767 | 4,130,613 | — | 497,381,380 |

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

***(d) Revenue from Ground Leases***

Revenue from ground leases is recognized as income as such amounts become receivable under the provisions of each lease, except that PILOT and upfront lease payments received in advance of the period to which they apply are deferred and recognized as income during future periods. Given the nature of the Authority's operations, revenue from ground leases and related fees and agreements are considered operating revenues. All other revenues are considered nonoperating. In accordance with the lease terms, the Authority received upfront lease payments in fiscal periods prior to 2017 of $40.7 million, $60 million, $42.5 million, $22.5 million, $33.9 million, $4.75 million and $4 million from residential buildings on Site 22, Site 16/17, Site 3, Site 23, Site 24, Site 2A and Site 13, respectively.

In August 2005, the Site 26 commercial ground lease was signed providing for a one-time lump sum base rent payment of $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*

The Authority carries all investments at fair value. Inherent risks that could affect the Authority's ability to provide services and meet its obligations as they become due are reported in accordance with U.S. GAAP. The Authority'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 at the time of purchase from all rating agencies that rate the obligation; (iii) obligations of any corporation organized under the laws of any state in the United States maturing within 270 days provided that such obligations receive the highest rating of two independent rating services (commercial paper); (iv) municipal bonds issued by the State of New York, its counties, towns and cities and New York authorities; and (v) the general obligations of any state provided that such obligations receive the highest rating by at least one rating agency. The Organization maintains its cash in bank accounts that 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 held by the Authority at October 31, 2017 and 2016 included within the statements of net position (deficit) as investments, corporate designated, escrowed and OPEB funds, bond resolution funds (see note 8) and residential lease required fund accounts, are as follows:

| | October 31, 2017 | | | October 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Cost | Fair value | Weighted average maturity (years) (a) | Cost | Fair value | Weighted average maturity (years) (a) |
| U.S. Treasury securities: | | | | | | |
| Treasury Bills | $ 204,969,350 | 205,483,095 | 0.04 | $ 20,665,138 | 20,671,734 | 0.06 |
| Treasury Bonds | 127,214,877 | 125,708,856 | 2.81 | 170,438,838 | 170,838,301 | 2.22 |
| Treasury Strips | 343,043 | 333,915 | 7.21 | 343,043 | 340,094 | 8.22 |
| Total U.S. Treasury securities | 332,527,270 | 331,525,866 | | 191,447,019 | 191,850,129 | |
| Commercial paper | 39,705,945 | 39,800,777 | 0.03 | 93,543,572 | 93,666,484 | 0.03 |
| Federal agency securities | 11,797,705 | 11,714,172 | 0.22 | 124,328,268 | 124,384,920 | 0.06 |
| Federal agency mortgage backed securities | 6,875,021 | 6,911,215 | 2.36 | 8,899,106 | 9,069,015 | 2.63 |
| Municipal bonds | 24,577,759 | 24,314,418 | 1.30 | 29,683,032 | 29,869,338 | 1.65 |
| Small Business Administration | 2,480,445 | 2,480,908 | 6.04 | 2,725,428 | 2,782,895 | 6.68 |
| Supra National Agency | 22,843,203 | 22,759,706 | 2.12 | 24,092,375 | 24,272,783 | 2.37 |
| Total investments | 440,807,348 | 439,507,062 | 1.09 | 474,718,800 | 475,895,564 | 1.14 |
| Cash and cash equivalents | 32,060,205 | 32,060,205 | | 49,604,358 | 49,604,358 | |
| Total investments | $ 472,867,553 | 471,567,267 | | $ 524,323,158 | 525,499,922 | |

(a) Portfolio weighted average effective duration

As of October 31, 2017 and 2016, restricted assets included cash and cash equivalents and investments with less than 91-day maturities amounting to $166,595,352 and $171,107,596, respectively.

The Authority's investment objectives for the portfolio are legal compliance, safety of principal, to meet liquidity requirements and to maximize legally allowable return.

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 Authority's portfolio is measured according to effective duration.

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

Corporate-designated and escrowed funds represent funds designated by the Authority's board of directors for specific purposes such as budget reserves, the Special Fund (see note 12), project contingency reserves, restoration reserves, insurance reserves, and arbitrage reserves and funds designated for the payment of medical benefits to the Authority's retirees (OPEB funds).

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.

### *(f) Net Position (Deficit)*

The Organization's net position (deficit) is classified in the following categories: invested in capital assets, net of related debt; restricted assets; and unrestricted assets. Invested in capital assets (net of related debt) consists of project assets, net of accumulated depreciation and deferred costs reduced by the outstanding balance of debt attributable to the acquisition, construction, or improvement of those assets. Restricted assets consist of assets restricted for specific purposes by law or by parties external to the Organization. Unrestricted assets consist of assets that are not classified as invested in capital assets (net of related debt) or assets that are not restricted. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, consistent with any respective restrictions, and then to use unrestricted resources as they are needed.

### *(g) Bond Insurance Costs*

The bond insurance costs for the 2003 Bonds are included in Unamortized Loss on Extinguishment of Debt in deferred outflows of resources and are amortized using the straight-line method over the remaining period to the maturity of the extinguished bonds (see note 12).

### *(h) Statements of Cash Flows*

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

***(i) Defined Postemployment Benefits***

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

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

For the period beginning November 1, 2015, a new bi-annual evaluation of the OPEB Cost was performed on a combined basis, consisting of the former Conservancy employee base and the Authority's employee base as a combined single reporting unit under the Authority. This results in only one valuation for the period ending October 31, 2017 (see note 18).

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

On October 23, 2013, the Authority currently refunded its Series 2003 bonds. The interest rates on these bonds were effectively hedged by interest rate swaps, which were bifurcated as of the date of the current refunding. Accordingly, the fair value of the interest rate swaps on October 23, 2013 of negative $70.1 million was recorded as an imputed borrowing by the Authority. The Authority also recorded the $70.1 million as a deferred cost of refunding and reduced the deferred outflow of resources that had been recorded to offset the negative fair value of the interest rate swap to zero. These amounts are being amortized on a straight line basis over the remaining life of the swaps and were $55 million and $58.8 million at October 31, 2017 and 2016, respectively. Apart from the imputed borrowing, the interest rate swap agreements, which continue in effect and continue as an effective hedge, had a negative fair value of $35 million at October 31, 2016. The fair value increased $17.3 million to a negative fair value of $17.8 million at October 31, 2017. This negative fair value is recorded as a deferred outflows of resources and a liability on the Authority's statements of net position (deficit).

### *(k) Fair Value Measurement and Application*

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

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

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

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

The fair value measurement of the Organization's assets and liabilities at October 31, 2017 and 2016 are as follows:

**October 31, 2017**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets at fair value: | | | | |
| U.S. Treasury Securities: | | | | |
| Treasury Bills | $ 205,483,095 | - | - | 205,483,095 |
| Treasury Bonds | 125,708,856 | - | - | 125,708,856 |
| Treasury Strips | 333,915 | - | - | 333,915 |
| Commercial Paper | - | 39,800,777 | - | 39,800,777 |
| Federal Agency Securities | - | 11,714,172 | - | 11,714,172 |
| Federal Agency Mortgage Backed Securities | - | 6,911,215 | - | 6,911,215 |
| Municipal Bonds | - | 24,314,418 | - | 24,314,418 |
| Small Business Administration | - | 2,480,908 | - | 2,480,908 |
| Supra National Bonds | - | 22,759,706 | - | 22,759,706 |
| Total assets at fair value | $ 331,525,866 | 107,981,196 | - | 439,507,062 |
| Liabilities at fair value: | | | | |
| Interest rate swaps | $ - | - | 17,752,629 | 17,752,629 |

| October 31, 2016 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets at fair value: | | | | |
| U.S. Treasury Securities: | | | | |
| Treasury Bills | $ 20,671,734 | - | - | 20,671,734 |
| Treasury Bonds | 170,838,301 | - | - | 170,838,301 |
| Treasury Strips | 340,094 | - | - | 340,094 |
| Commercial Paper | - | 93,666,484 | - | 93,666,484 |
| Federal Agency Securities | - | 124,384,920 | - | 124,384,920 |
| Federal Agency Mortgage Backed Securities | - | 9,069,015 | - | 9,069,015 |
| Municipal Bonds | - | 29,869,338 | - | 29,869,338 |
| Small Business Administration | - | 2,782,895 | - | 2,782,895 |
| Supra National Bonds | - | 24,272,783 | - | 24,272,783 |
| Total assets at fair value | $ 191,850,129 | 284,045,435 | - | 475,895,564 |
| Liabilities at fair value: | | | | |
| Interest rate swaps | $ - | - | 35,007,049 | 35,007,049 |

### *(l) Tax Abatements*

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

The 421a tax abatements for the years ended October 31, 2017 and 2016 were $24.9 million and $26.9 million, respectively.

The 467a tax abatements for the years ended October 31, 2017 and 2016 were $5.7 million and $5.3 million, respectively.

### *(m) New Accounting Pronouncements*

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

GASB Statement No. 83, *Certain Asset Retirement Obligations*, (“GASB 83”) is effective for reporting periods beginning after June 15, 2018. GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (“AROs”). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Management determined that GASB 83 does not have an impact on the Authority’s financial statements.

GASB Statement No. 84, *Fiduciary Activities*, (“GASB 84”) is effective for reporting periods beginning after December 15, 2018. GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Authority has not completed the process of evaluating the effect of GASB 84 on its financial statements.

GASB Statement No. 85, *Omnibus 2017*, (“GASB 85”) is effective for reporting periods beginning after June 15, 2017. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB). The Authority has not completed the process of evaluating the effect of GASB 85 on its financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, (“GASB 86”) is effective for reporting periods beginning after June 15, 2017. The primary objective of GASB 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets are acquired with only existing resources – resources other than the proceeds of refunding debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished. The Authority has not completed the process of evaluating GASB 86, but does not expect it to have an impact on the Authority’s financial statements.

GASB Statement No. 87, *Leases*, (“GASB 87”) is effective for reporting periods beginning after December 15, 2019. The objective of GASB 87 is to improve accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The Authority has not completed the process of evaluating the impact of GASB 87 on the Authority’s financial statements.

## (4) Rights of City To Reacquire Project Site

The fee interest in the Project site formerly owned by the City was conveyed to the Authority in the early 1980s for a nominal consideration. The City has the right to reacquire the Project site at any time, subject to the then existing leases, for a nominal consideration after: (a) all notes, bonds, and other indebtedness incurred by the Authority, or for which the Authority's revenues have been pledged, have been repaid or defeased; and (b) satisfaction or provision for payment of its contractual obligations and other contingent liabilities. The City may provide for repayment or defeasance of indebtedness incurred by the Authority under its various bond resolutions. As of October 31, 2017, the City had not expressed its intent regarding its right to reacquire the Project site.

**(5) Commercial Development**

In 1981, the Authority and Olympia & York Battery Park Company ("O&Y"), an affiliate of Olympia & York Development Limited, entered into a lease, pursuant to which O&Y constructed four buildings, consisting of approximately 8,000,000 square feet of office space and a maximum of 325,000 square feet of retail space. These buildings are collectively known as Brookfield Place ("BP"). In 1983, the lease was replaced with four separate severance leases, one of which was assigned by O&Y to the American Express Company and certain of its affiliates ("American Express"). O&Y has been reorganized as a result of bankruptcy proceedings and has changed its name to Brookfield Financial Properties ("BFP"). In September 2002, BFP acquired an interest in approximately 50% of Brookfield Place 200 Vesey Street from American Express. In November 2013, BFP acquired the leasehold interest in the New York Mercantile Exchange ("NYMEX") lease consisting of approximately 502,000 additional square feet.

As of October 31, 2017, all commercial development leases expire in 2069, provide for future base rent payments aggregating $1.1 billion over the lease terms, which includes base rent of $19 million per annum from 2018 through 2069 payable by the commercial development leases (see note 7). Annual PILOT is also required to be paid to the Authority based on the assessed value of each building and the tax rate then applicable to real property located in the borough of Manhattan, unless alternative PILOT arrangements are set forth in the ground lease. The City determines the assessed value of each building. Each lessee, or certain authorized tenants of the lessee, has the right to appeal the assessment to the City Tax Commission and bring tax certiorari proceedings in State court to seek reductions in the amounts of such assessments. A number of administrative and judicial appeals on some of the parcels are currently pending for the current and prior tax years. While any such proceedings are pending, the lessee is required to pay PILOT based upon the assessments established by the City. If a lessee is successful in any such proceedings, subsequent PILOT payments to the Authority will be reduced to the extent necessary to offset the prior overpayment of PILOT as a result of the revised assessment.

**(6) Residential and Other Development**

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

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

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

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

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

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

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

## (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, 2018 through 2022 and through the end of the lease term (thereafter), are as follows (in 000s):

| | | 2018 | 2019 | 2020 | 2021 | 2022 | Thereafter | Total | |
|---|---|---|---|---|---|---|---|---|---|
| Commercial development: | | | | | | | | | |
| Base rent | $ | 19,624 | 19,644 | 19,664 | 20,115 | 20,137 | 957,238 | 1,056,422 | |
| Residential developments: | | | | | | | | | |
| Gateway project base rent | | 305 | 305 | 305 | 305 | 305 | 5,396 | 6,921 | (a) |
| S. Res. Neighborhood: | | | | | | | | | |
| Base rent | | 19,175 | 19,487 | 19,878 | 20,241 | 20,807 | 1,723,719 | 1,823,307 | |
| Other minimum payments | | 10,397 | 10,663 | 10,936 | 11,216 | 11,504 | 104,566 | 159,282 | |
| Subtotal S. Res. | | 29,572 | 30,150 | 30,814 | 31,457 | 32,311 | 1,828,285 | 1,982,589 | |
| N. Res. Neighborhood: | | | | | | | | | |
| Base rent | | 8,078 | 8,296 | 8,582 | 8,923 | 9,189 | 744,473 | 787,541 | |
| Other minimum payments | | 17,675 | 18,279 | 18,282 | 18,100 | 16,433 | 471,951 | 560,720 | |
| Subtotal N. Res. | | 25,753 | 26,575 | 26,864 | 27,023 | 25,622 | 1,216,424 | 1,348,261 | |
| Total | $ | 75,254 | 76,674 | 77,647 | 78,900 | 78,375 | 4,007,343 | 4,394,193 | |

(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. Contingent payments are also excluded from the above tabulation.

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

The current and noncurrent balance in the funds and accounts established in accordance with the Authority's 2003 General Bond Resolution Funds and held by trustees are as follows at October 31, 2017 and 2016:

| | | 2003 General Bond Resolution Funds | | | |
|---|---|---|---|---|---|
| October 31, 2017 | | General Bond Resolution | Senior Bonds | Junior Bonds | Total General Bond Resolution |
| Reserve Fund | $ | 73,502,208 | — | — | 73,502,208 |
| Project Operating Fund | | 7,126,592 | — | — | 7,126,592 |
| Debt Service Funds | | — | 34,971,660 | 22,733,872 | 57,705,532 |
| Residual Fund | | 615,832 | — | — | 615,832 |
| Pledged Revenue Fund | | 189,929,450 | — | — | 189,929,450 |
| | $ | 271,174,082 | 34,971,660 | 22,733,872 | 328,879,614 |

| October 31, 2016 | | 2003 General Bond Resolution Funds: General Bond Resolution | Senior Bonds | Junior Bonds | Total General Bond Resolution |
|---|---|---|---|---|---|
| Reserve Fund | $ | 73,387,085 | — | — | 73,387,085 |
| Project Operating Fund | | 8,261,498 | — | — | 8,261,498 |
| Debt Service Funds | | — | 34,030,279 | 27,761,291 | 61,791,570 |
| Residual Fund | | 390,128 | — | — | 390,128 |
| Pledged Revenue Fund | | 172,591,002 | — | — | 172,591,002 |
| | $ | 254,629,713 | 34,030,279 | 27,761,291 | 316,421,283 |

In December 2009, as a result of the 2009 Senior Revenue Bonds issuance, funds and accounts were added to implement certain provisions of the 2003 General Bond Resolutions and were held by trustees as follows at October 31, 2017 and 2016:

| October 31, 2017 | | 2009 Revenue Bonds: 2009A Senior Revenue Bonds | 2009B Senior Revenue Bonds | Total 2009 Bonds |
|---|---|---|---|---|
| Project Costs Fund | $ | 1,905,552 | 1,323,737 | 3,229,289 |

| October 31, 2016 | | 2009 Revenue Bonds: 2009A Senior Revenue Bonds | 2009B Senior Revenue Bonds | Total 2009 Bonds |
|---|---|---|---|---|
| Project Costs Fund | $ | 6,818,079 | 1,323,811 | 8,141,890 |

In October 2013, as a result of the 2013 Senior Revenue Bonds issuance, funds and accounts were added to implement certain provisions of the 2003 General Bond Resolutions and were held by trustees as follows at October 31, 2017 and 2016:

| October 31, 2017 | | 2013 Revenue Bonds 2013A Senior Revenue Bonds | 2013B Senior Revenue Bonds | Total 2013 Bonds |
|---|---|---|---|---|
| Project Costs Fund | $ | 39,002,908 | — | 39,002,908 |

| October 31, 2016 | | 2013 Revenue Bonds 2013A Senior Revenue Bonds | 2013B Senior Revenue Bonds | Total 2013 Bonds |
|---|---|---|---|---|
| Project Costs Fund | $ | 60,688,907 | 1 | 60,688,908 |

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

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

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

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

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

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

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

## (9) Authority Bonds Authorized

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

The Act, as amended, also authorizes the Authority to issue bonds for the purpose of furthering the development of a commodities and futures exchange facility in Battery Park City in an amount not to exceed $110 million, plus the principal amount of bonds and notes issued to fund any related debt service reserve fund and to provide a portion of interest on and costs of issuance related to such indebtedness. As of October 31, 2017, no bonds were issued for this purpose.

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

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

## (10) 2003 Interest Rate Exchange Agreements (Swaps)

On October 2, 2003, the Authority executed Swaps with three counterparties. The Swaps were executed in conjunction with the Authority's issuance of $400 million of its 2003 Series C Bonds. The total notional amount of the Swaps was $400 million. The effective date for the Swaps was October 16, 2003, which coincided with the delivery date of the 2003 Series C Bonds. The Authority executed the Swaps in order to effectively convert the variable-rate 2003 Series C Bonds to a net fixed rate. Based on the Swaps, the Authority owes interest calculated at a fixed rate of 3.452% to the counterparties that is paid semiannually. In return, the counterparties owe the Authority floating-rate interest equal to 65% of 30-day LIBOR, which is paid to the Authority on a monthly basis. The original notional amounts of the Swaps and the amortization thereof match the original principal amount of the refunded 2003 Series C Bonds and the amortization thereof. The Swaps were not terminated in connection with the issuance of the 2013 Series C, D, and E Bonds or the refunding of the 2003 Series C Bonds. These Swaps are not treated as qualified hedges as defined by the U.S. tax code. Each swap has been determined to be an effective hedge.

| | | Deallocation of Swap Principal | Interest-rate swaps Payment | Pro-Forma Receipts | Pro-Forma Net payment |
|---|---|---|---|---|---|
| Year ended October 31: | | | | | |
| 2018 | $ | 5,450,000 | (12,092,356) | 2,830,932 | (9,261,424) |
| 2019 | | 5,450,000 | (11,904,222) | 2,786,888 | (9,117,334) |
| 2020 | | 5,500,000 | (11,715,225) | 2,742,642 | (8,972,583) |
| 2021 | | 5,725,000 | (11,521,482) | 2,697,285 | (8,824,197) |
| 2022 | | 5,950,000 | (11,319,971) | 2,650,109 | (8,669,862) |
| 2023 – 2027 | | 33,150,000 | (53,309,236) | 12,480,183 | (40,829,053) |
| 2028 – 2032 | | 225,300,000 | (31,487,418) | 7,371,495 | (24,115,923) |
| 2033 – 2034 | | 66,500,000 | (2,308,525) | 540,447 | (1,768,078) |
| Totals | $ | 353,025,000 | (145,658,435) | 34,099,981 | (111,558,454) |

The above table shows payments based on the Authority's pay-fixed-rate interest rate Swap payment obligation at an effective interest rate of 3.452% while the Authority's variable-rate receipts are based on the floating rate equal to 65% of 30-day LIBOR on October 31, 2017, which the counterparties are obligated to pay the Authority on a monthly basis. Although the pro-forma receipts shown are projected based on the latest interest rate at October 31, 2017 (65% of 1.2433% or 0.80815%), actual receipts will depend on the actual fluctuation of 30-day LIBOR.

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

The Authority's basis risk would increase should its interest rate and fees on the variable bonds exceed the swap floating rate receipts, which are based on 65% of 30-day LIBOR. On October 23, 2013, the Authority currently refunded its Series 2003 bonds. The interest rates on these bonds were effectively hedged by interest rate swaps, which were bifurcated as of the date of the current refunding. Accordingly, the fair value of the interest rate swaps on October 23, 2013 of negative $70.1 million was recorded as an imputed borrowing by the Authority. The Authority also recorded the $70.1 million as a deferred cost of refunding and reduced the deferred outflow of resources that had been recorded to offset the negative fair value of the interest rate swap to zero. Apart from the imputed borrowing, the interest rate swap agreements, which continue in effect and continue an effective hedge, had a fair value of zero at October 23, 2013, which increased to a fair value of $17.3 million at October 31, 2017. The change between the year ended October 31, 2017 and 2016 is $17.8 million, which is recorded as deferred outflow of resources and a liability on the Authority's statements of net position (deficit).

## (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 $87,235,000. 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.
- The remaining funds were used to pay for cost of issuance and funding a reserve fund (see note 8).

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

The 2009 Series A Bonds were issued as "Build America Bonds" ("BABs") under section 54AA of the U.S. Tax Code for which the Authority expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable by the Authority on the bonds. For the fiscal years ended October 31, 2017 and 2016, the Authority received payments from the U.S. Treasury in the amount of $1,763,622 and $588,506 , respectively, pursuant to the subsidy. BABs already issued will continue to receive subsidies. The Authority has no assurances about future legislation or changes that may affect the availability, amount, or receipt of such subsidy payments.

At October 31, 2017, the 2009 Series A Bonds consisted of the following term bonds:

| | Coupon rates | Principal amounts | Interest | BABs subsidy | Interest (net of BABs subsidy) |
|---|---|---|---|---|---|
| Year ended October 31: | | | | | |
| 2018 | 6.375% | $ - | 3,608,250 | (1,219,318) | 2,388,932 |
| 2019 | 6.375% | - | 3,608,250 | (1,262,888) | 2,345,362 |
| 2020 | 6.375% | - | 3,608,250 | (1,262,888) | 2,345,362 |
| 2021 | 6.375% | - | 3,608,250 | (1,262,888) | 2,345,362 |
| 2022 | 6.375% | - | 3,608,250 | (1,262,888) | 2,345,362 |
| 2023 – 2027 | 6.375% | - | 18,041,250 | (6,314,438) | 11,726,812 |
| 2028 – 2032 | 6.375% | - | 18,041,250 | (5,051,550) | 12,989,700 |
| 2033 – 2037 | 6.375% | 13,290,000 | 13,737,488 | (6,071,008) | 7,666,480 |
| 2038 – 2040 | 6.375% | 43,310,000 | 5,745,469 | (2,010,914) | 3,734,555 |
| Totals | | $ 56,600,000 | 73,606,707 | (25,718,780) | 47,887,927 |

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, 2017, principal and interest payments due on the 2009 Series B Bonds were as follows:

| | Coupon rates | | Principal amounts | Interest |
|---|---|---|---|---|
| Year ended October 31: | | | | |
| 2018 | 3.00% | $ | 340,000 | 1,387,681 |
| 2019 | 3.50% | | 355,000 | 1,376,369 |
| 2020 | 3.50% | | 335,000 | 1,364,294 |
| 2021 | 3.50% | | 370,000 | 1,349,406 |
| 2022 | 3.50% | | 375,000 | 1,331,156 |
| 2023 – 2027 | 3.50% - 5.00% | | 2,005,000 | 6,368,144 |
| 2028 – 2032 | 4.00% - 5.00% | | 2,300,000 | 5,911,097 |
| 2033 – 2035 | 4.125% - 5.00% | | 22,670,000 | 1,538,750 |
| Totals | | $ | 28,750,000 | 20,626,897 |

The Authority issued certain of the 2009 Series B Bonds at a premium of $1.81 million, which is being amortized on a straight-line basis, over the lives of the 2009 Series B Bonds. At October 31, 2017 and 2016, the unamortized net bond premium was $1.2 million and $1.3 million, respectively.

The 2009 Series B 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.

**(12) 2013 Revenue Bonds**

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

- A total of $948,854,807 of bonds (including $413,707,258 of the 2013 Series A Bonds and $535,147,549 of the 2013 Series C, D, and E Bonds) were issued to currently refund $328,548,428 of the outstanding 2003 Series A Bonds and $620,306,379 variable-rate bonds. The balance of the 2003 Series A Bonds ($16,140,000 outstanding) was retired by the Authority on November 1, 2013 from 2003 bond resolution debt service funds.
- A total of $85,000,000 (including $6,800,000 from the 2013 Series B Bonds and $78,200,000 from the 2013 Series C Bonds) was issued to finance certain infrastructure and other capital improvements.
- A total of $10.8 million of 2013 Series A, B, C, D, and E bond proceeds were used to pay for costs of issuance.

The cumulative unamortized loss on extinguishment of the 1993, 1996, 2000, and 2003 bonds, including the unamortized 2003 bond insurance costs, collectively totaling $18.6 million at fiscal year-end October 31, 2017, is classified in the statements of net position (deficit) as a deferred outflows of resources and is being amortized over the respective maturity of the corresponding bonds.

As of October 31, 2017, principal and interest payments due on the 2013 Series A Bonds and 2013 Series B Bonds, which are all fixed-rate bonds, were as follows (see note 11):

**2013 A Senior Bonds:**

| | Coupon Rate | | Principal amount | Interest |
|---|---|---|---|---|
| Year ended October 31: | | | | |
| 2018 | 3.00% - 5.00% | $ | 22,160,000 | 14,259,900 |
| 2019 | 3.00% - 5.00% | | 23,360,000 | 13,221,900 |
| 2020 | 4.00% - 5.00% | | 24,590,000 | 12,098,150 |
| 2021 | 4.00% - 5.00% | | 25,735,000 | 10,868,525 |
| 2022 | 4.00% - 5.00% | | 27,015,000 | 9,555,350 |
| 2023 – 2027 | 4.00% - 5.00% | | 135,665,000 | 26,802,125 |
| 2028 – 2032 | 5.00% | | 43,615,000 | 5,345,100 |
| Totals | | $ | 302,140,000 | 92,151,050 |

The 2013 Series A Senior Bonds maturing after November 1, 2023 are subject to redemption, in whole or in part, at any time on or after November 1, 2023 at the option of the Authority, at a redemption price of par plus interest to the redemption date.

**2013 B Senior Bonds:**

As of October 31, 2016, the 2013 Series B Bond principal and interest obligations were fulfilled.

**2013 C, D, and E Junior Bonds:**

Each series of the 2013 C, D, and E Junior Bonds initially bears interest monthly at a variable rate based on a percentage of one-month LIBOR plus a spread. The Authority has the right to cause the 2013 C, D, and E Junior Bonds to be repurchased from the initial purchasers thereof and remarketed at other variable rates or fixed rates, and also has the right to otherwise purchase or redeem the 2013 C, D, and E Junior Bonds, on November 1, 2017 for 2013 D and E Junior Bonds and May 1, 2019 for 2013 C Junior Bonds. Any 2013 C, D, and E Junior Bonds that are not so remarketed (or purchased or redeemed) by November 1, 2019 will bear interest thereafter at stepped-up rates that for 180 days will equal 7.5% per annum (or, if greater, a specified prime rate plus 1.5% per annum or a specified federal funds rate plus 2% per annum) and after 180 days will equal 12% per annum (or, if greater, a specified prime rate plus 3.5% per annum or a specified federal funds rate plus 4% per annum). The 2013 C, D, and E Junior Bonds also will bear interest at rates higher than the foregoing if an event of default occurs under the Authority's agreements with the initial purchasers of the 2013 C, D, and E Junior Bonds or if interest on the 2013 C, D, and E Junior Bonds is determined to be includable in gross income for federal income tax purposes. The estimated interest payments for the 2013 C, D, and E Junior Bonds shown in the table titled "2013 C, D, and E Junior Bonds" below are based upon the October 31, 2017 LIBOR rate and do not reflect the increased interest payments that would result from such stepped-up rates, default rates or taxable rates becoming effective. In addition, pursuant to agreements between the Authority and the respective initial purchasers of the 2013 C, D, and E Junior Bonds, various additional fees and other amounts may be payable by the Authority from time to time, each on a basis subordinate to payment of annual debt service on Senior Bonds and Junior Bonds of any Series.

| | Junior C | | Junior D | | Junior E | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| Year ended October 31: | | | | | | | | |
| 2018 | $ 1,235,000 | 3,099,563 | 1,825,000 | 2,408,425 | 1,830,000 | 2,659,538 | 4,890,000 | 8,167,526 |
| 2019 | 1,185,000 | 3,081,413 | 1,260,000 | 2,719,376 | 1,255,000 | 2,638,298 | 3,700,000 | 8,439,087 |
| 2020 | 1,220,000 | 3,063,375 | 1,250,000 | 2,697,658 | 1,255,000 | 2,621,016 | 3,725,000 | 8,382,049 |
| 2021 | 1,285,000 | 3,044,588 | 1,305,000 | 2,662,000 | 1,305,000 | 2,603,391 | 3,895,000 | 8,309,979 |
| 2022 | 1,285,000 | 3,025,313 | 1,395,000 | 2,642,992 | 1,395,000 | 2,584,801 | 4,075,000 | 8,253,106 |
| 2023 – 2027 | 7,330,000 | 14,810,550 | 18,405,000 | 12,733,142 | 18,400,000 | 12,453,037 | 44,135,000 | 39,996,729 |
| 2028 – 2032 | 37,785,000 | 12,963,263 | 50,165,000 | 10,254,851 | 50,165,000 | 10,029,345 | 138,115,000 | 33,247,459 |
| 2033 – 2037 | 34,990,000 | 10,910,700 | 73,520,000 | 5,620,173 | 73,525,000 | 5,496,743 | 182,035,000 | 22,027,616 |
| 2038 – 2042 | 100,150,000 | 6,130,500 | 44,925,000 | 964,867 | 44,925,000 | 943,624 | 190,000,000 | 8,038,991 |
| 2043 | 20,790,000 | 155,925 | — | — | — | — | 20,790,000 | 155,925 |
| Total | $ 207,255,000 | 60,285,190 | 194,050,000 | 42,703,484 | 194,055,000 | 42,029,793 | 595,360,000 | 145,018,467 |

The 2013 Series C Junior Bonds maturing after May 1, 2019 are subject to redemption, in whole or in part, at any time on or after November 1, 2023 at the option of the Authority, at a redemption price of par plus interest to the redemption date.

The 2013 Series D and E Junior Bonds maturing after November 1, 2017 are subject to redemption, in whole or in part, at any time on or after November 1, 2017 at the option of the Authority, at a redemption price of par plus interest to the redemption date.

Debt service on the 2003 Swap agreements (see note 10) and the 2009 and 2013 Bonds (see note 10, 11 and 12) is secured by and is payable, after satisfaction of certain administrative, operating, and maintenance obligations of the Authority, solely from certain pledged lease revenues and Swap receipts which are required to be deposited and maintained in the Pledged Revenue Fund ("PRF") established under the 2003 General Bond Resolution. The PRF, including income and earnings on investments thereof, has been pledged and assigned to a trustee for the benefit of the owners of the 2009 Bonds and the 2013 Bonds and certain other beneficiaries, as their respective interest may appear. In addition, the Bonds, and certain swap payments and reimbursement obligations, are secured by the Reserve Fund established under the 2003 General Bond Resolution. The rights to payment of the 2009 and 2013 Senior Bonds, senior swap payments, and senior reimbursement obligations from amounts in the PRF and the Reserve Fund are senior to the rights to payment of the 2013 Junior Bonds, junior swap payments, and junior reimbursement obligations from such amounts. As of each November 1, amounts in the PRF in excess of funding requirements for project operating expenses and debt service, along with certain other unpledged amounts will be transferred into the Residual Fund and may be used by the Authority for other purposes (see notes 8 and 9).

**Special Fund**

In September 2003, the Authority entered into an agreement with the City, which supplemented the Settlement Agreement, to provide for the custody of the Special Fund. The Authority established a new Special Fund, funded with $46 million and from the proceeds of the former Special Fund created pursuant to a former 1993 Master Revenue Resolution upon the dissolution of such existing Special Fund in connection with the 2003 refunding of outstanding Authority bonds. The Special Fund may only be used by the Authority, as necessary: (i) to pay debt service obligations of the Authority on its bonds, or (ii) for purposes that are jointly agreed upon between the City and the Authority, as the same may be amended from time to time. Neither the Special Fund nor the monies on deposit from time to time therein may be pledged to secure any obligation pursuant to any Resolutions authorizing additional bonds or other bonds or debt obligations of the Authority. Income and earnings actually received by or for the account of the Authority from investments of monies on deposit from time to time in the Special Fund shall be treated as revenues. In addition to a $40 million commitment from the Special Fund (see note 19(c)), in November 2013, the Authority entered into an amendment with the City committing up to $5 million dollars of funds held in the Special Fund for the construction of Pier A Plaza project and any balances remaining to flow to the City. As of October 31, 2017, the full $5 million had been used for the construction of Pier A Plaza and the remaining balances were transferred to the City.

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

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

The $135.8 million of PILOT-related receipts provided for the transfer to the City during the year ended October 31, 2016 was transferred in June 2017. A provision in the amount of $149 million has been charged as a nonoperating expense for the year ended October 31, 2017.

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

As of October 31, 2017, the Authority has made payments totaling $200 million to satisfy the City 421-A fund obligation. In addition, the Authority has provided from operations a total of $131.3 million against the $261 million City pay-as-you-go capital fund obligation, which includes the current years provision of $42 million charged to nonoperating expenses for the fiscal year ended October 31, 2017.

### (14) Rents and Other Receivables

Rents and other receivables consisted of the following at October 31, 2017 and 2016:

| | | 2017 | 2016 |
|---|---|---|---|
| Swap interest receivable | $ | 243,481 | 106,565 |
| Miscellaneous receivables | | 222,023 | 267,151 |
| Interest receivable | | 852,723 | 937,163 |
| BABS subsidy receivable | | - | 587,874 |
| Rents receivable | | 3,640,150 | 4,624,257 |
| Total receivables | | 4,958,377 | 6,523,010 |
| Less allowance for doubtful accounts | | (1,479,638) | (1,581,492) |
| Net receivables | $ | 3,478,739 | 4,941,518 |

### (15) Accounts Payable and Other Liabilities

Accounts payable and other liabilities consisted of the following at October 31, 2017 and 2016:

| | | 2017 | 2016 |
|---|---|---|---|
| Amounts due to vendors | $ | 3,103,362 | 4,990,514 |
| Investment purchase payables | | — | 2,906,943 |
| Contract retention costs | | 1,117,397 | 991,317 |
| Due to developers | | 37,416 | 37,416 |
| Accrued rent | | — | 39,846 |
| Accrued payroll and benefits | | 556,793 | 906,363 |
| Total | $ | 4,814,968 | 9,872,399 |

## (16) Long-Term Liabilities

The Organization's bonds and other long-term liabilities as of October 31, 2017 and 2016 were comprised of the following obligations:

| | October 31, 2016 | Additions | Deletions | October 31, 2017 | Due within one year |
|---|---|---|---|---|---|
| **Authority bonds outstanding:** | | | | | |
| **2009 Revenue Bonds:** | | | | | |
| Series 2009A | $ 56,600,000 | — | — | 56,600,000 | — |
| Series 2009B | 29,085,000 | — | 335,000 | 28,750,000 | 340,000 |
| Subtotal | 85,685,000 | — | 335,000 | 85,350,000 | 340,000 |
| Unamortized net premiums | 1,311,548 | — | 72,848 | 1,238,700 | — |
| Subtotal 2009 Bonds | 86,996,548 | — | 407,848 | 86,588,700 | 340,000 |
| **2013 Revenue Bonds:** | | | | | |
| Series 2013A | 323,135,000 | — | 20,995,000 | 302,140,000 | 22,160,000 |
| Series 2013C | 208,440,000 | — | 1,185,000 | 207,255,000 | 1,235,000 |
| Series 2013D | 195,905,000 | — | 1,855,000 | 194,050,000 | 1,825,000 |
| Series 2013E | 195,910,000 | — | 1,855,000 | 194,055,000 | 1,830,000 |
| Subtotal | 923,390,000 | — | 25,890,000 | 897,500,000 | 27,050,000 |
| Unamortized net premiums | 42,475,075 | — | 2,831,672 | 39,643,403 | — |
| Subtotal 2013 Bonds | 965,865,075 | — | 28,721,672 | 937,143,403 | 27,050,000 |
| Total bonds outstanding | 1,052,861,623 | — | 29,129,520 | 1,023,732,103 | 27,390,000 |
| **Other long-term liabilities:** | | | | | |
| OPEB | 36,334,354 | 3,075,012 | 1,136,865 | 38,272,501 | — |
| Imputed Borrowing | 58,784,046 | — | 3,780,655 | 55,003,391 | — |
| Fair value of interest rate swap | 35,007,049 | — | 17,254,420 | 17,752,629 | — |
| Unearned revenue | 308,161,435 | — | 9,382,272 | 298,779,163 | 50,011,122 |
| Security and other deposits | 27,711,399 | 222,567 | — | 27,933,966 | 4,738 |
| Total other long-term liabilities | 465,998,283 | 3,297,579 | 31,554,212 | 437,741,650 | 50,015,860 |
| Total long-term liabilities | $ 1,518,859,906 | 3,297,579 | 60,683,732 | 1,461,473,753 | 77,405,860 |

Security and other deposits classified as due within one year represent amounts held on behalf of others that may become callable by BPCA within the year.

The October 31, 2017 column less the due within one year equals the non-current liabilities total.

The Organization's bonds and other long-term liabilities as of October 31, 2016 and 2015 were comprised of the following obligations:

| | October 31, 2015 | Additions | Deletions | October 31, 2016 | Due within one year |
|---|---|---|---|---|---|
| **Authority bonds outstanding:** | | | | | |
| **2009 Revenue Bonds:** | | | | | |
| Series 2009A | $ 56,600,000 | — | — | 56,600,000 | — |
| Series 2009B | 29,400,000 | — | 315,000 | 29,085,000 | 335,000 |
| Subtotal | 86,000,000 | — | 315,000 | 85,685,000 | 335,000 |
| Unamortized net premiums | 1,384,396 | — | 72,848 | 1,311,548 | — |
| Subtotal 2009 Bonds | 87,384,396 | — | 387,848 | 86,996,548 | 335,000 |
| **2013 Revenue Bonds:** | | | | | |
| Series 2013A | 337,740,000 | — | 14,605,000 | 323,135,000 | 20,995,000 |
| Series 2013B | 5,695,000 | — | 5,695,000 | — | — |
| Series 2013C | 209,675,000 | — | 1,235,000 | 208,440,000 | 1,185,000 |
| Series 2013D | 197,735,000 | — | 1,830,000 | 195,905,000 | 1,855,000 |
| Series 2013E | 197,740,000 | — | 1,830,000 | 195,910,000 | 1,855,000 |
| Subtotal | 948,585,000 | — | 25,195,000 | 923,390,000 | 25,890,000 |
| Unamortized net premiums | 45,306,746 | — | 2,831,671 | 42,475,075 | — |
| Subtotal 2013 Bonds | 993,891,746 | — | 28,026,671 | 965,865,075 | 25,890,000 |
| Total bonds outstanding | 1,081,276,142 | — | 28,414,519 | 1,052,861,623 | 26,225,000 |
| **Other long-term liabilities:** | | | | | |
| OPEB | 34,390,023 | 2,909,585 | 965,254 | 36,334,354 | — |
| Imputed Borrowing | 62,564,700 | — | 3,780,654 | 58,784,046 | — |
| Fair value of interest rate swap | 25,819,426 | 9,187,623 | — | 35,007,049 | — |
| Unearned revenue | 315,205,210 | 4,000,000 | 11,043,775 | 308,161,435 | 47,421,677 |
| Security and other deposits | 27,603,092 | 108,307 | — | 27,711,399 | 4,738 |
| Total other long-term liabilities | 465,582,451 | 16,205,515 | 15,789,683 | 465,998,283 | 47,426,415 |
| Total long-term liabilities | $ 1,546,858,593 | 16,205,515 | 44,204,202 | 1,518,859,906 | 73,651,415 |

Security and other deposits classified as due within one year represent amounts held on behalf of others that may become callable by BPCA within the year.

The October 31, 2016 column less the due within one year equals the non-current liabilities total.

**(17) Retirement Costs**

**Plan Descriptions and Benefits Provided**

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

***The Authority*** – The Battery Park City Authority participates in the New York State and Local Employees' Retirement System ("ERS"), and the New York State and Local Police and Fire Retirement System ("PFRS") which are collectively referred to as the System. These are cost-sharing multiple-employer retirement systems. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Authority also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**Contributions**

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

| Year | ERS |
|---|---|
| 2017 | $ 712,703 |
| 2016 | 518,071 |
| 2015 | 709,709 |
| | $ 1,940,483 |

At the end of fiscal year 2017, the Authority pre-funded the 2018 required contribution in the amount of $930,358 which has been included in deferred outflows of resources in the accompanying financial statements.

At the end of fiscal year 2016, the Authority pre-funded the 2017 required contribution in the amount of $712,703 which has been included in deferred outflows of resources in the accompanying financial statements.

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

At October 31, 2017 and 2016, the Authority reported a liability of $2,456,722 and $2,357,307, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of the Systems' fiscal year-end at March 31, 2017 and 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At October 31, 2017 and 2016, the Authority's proportion was 0.0261458% and 0.0146870%, respectively.

For the years ended October 31, 2017 and 2016, the Authority recognized pension expense of $1,399,591 and $805,026, respectively. At October 31, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**October 31, 2017**

| | | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|---|
| Differences between expected and actual experience | $ | 61,563 | 373,067 |
| Changes of assumptions | | 839,305 | |
| Net difference between projected and actual earnings on pension plan investments | | 490,706 | |
| Changes in proportion and differences between LG contributions and proportionate share of contributions | | 373,065 | 356,931 |
| LG contributions subsequent to the measurement date | | 930,358 | |
| Total | $ | 2,694,997 | 729,998 |

**October 31, 2016**

| | | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|---|
| Differences between expected and actual experience | $ | 11,912 | |
| Changes of assumptions | | 628,622 | |
| Net difference between projected and actual earnings on pension plan investments | | 1,398,483 | 279,419 |
| Changes in proportion and differences between LG contributions and proportionate share of contributions | | | 137,484 |
| LG contributions subsequent to the measurement date | | 712,703 | |
| Total | $ | 2,751,720 | 416,903 |

As of October 31, 2017 and 2016, $2,694,997 and $2,751,720 was reported as a deferred outflow of resources, respectively, and $729,998 and $416,903 was reported as a deferred inflow of resources, respectively, related to pensions resulting from the Authority's contributions subsequent to the measurement date and was recognized as a reduction of the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended March 31: | | |
|---|---|---|
| 2018 | $ | 457,331 |
| 2019 | | 457,331 |
| 2020 | | 420,577 |
| 2021 | | (300,598) |
| 2022 | | — |
| Thereafter | | — |

**Actuarial Assumptions**

The total pension liability at the New York State System's year end of March 31, 2017 and 2016 was determined by using an actuarial valuation as of April 1, 2016 and 2015, with update procedures used to roll forward the total pension liability to the New York State System's year end of March 31, 2017 and 2016. The actuarial valuation used the following actuarial assumptions.

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

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

| | 2015 |
|---|---|
| Interest rate | 7.0% |
| Salary scale | |
| ERS | 3.8% |
| PFRS | 4.5% |
| Decrement tables | April 1, 2010 – March 31, 2015 |
| System's Experience | |
| Inflation rate | 2.5% |

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

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocations as of March 31, 2017 and 2016 are summarized below.

***2017***

| Asset Type | Target Allocation | Long Term Expected Real Rate |
|---|---|---|
| Domestic Equity | 36% | 4.55% |
| International Equity | 14% | 6.35% |
| Private Equity | 10% | 7.75% |
| Real Estate | 10% | 5.80% |
| Absolute Return | 2% | 4.00% |
| Opportunistic Portfolio | 3% | 5.89% |
| Real Asset | 3% | 5.54% |
| Bonds, Cash & Mortgages | 17% | 1.06% |
| Inflation Indexed Bonds | 4% | 1.50% |
| Cash | 1% | -0.25% |

***2016***

| Asset Type | Target Allocation | Long Term Expected Real Rate |
|---|---|---|
| Domestic Equity | 38% | 7.30% |
| International Equity | 13% | 8.55% |
| Private Equity | 10% | 11.00% |
| Real Estate | 8% | 8.25% |
| Absolute Return | 3% | 6.75% |
| Opportunistic Portfolio | 3% | 8.60% |
| Real Asset | 3% | 8.65% |
| Bonds, Cash & Mortgages | 18% | 6.25% |
| Inflation Indexed Bonds | 2% | 4.00% |
| Cash | 2% | 2.25% |

**Discount Rate**

The discount rate used to calculate the total pension liability as of March 31, 2017 and 2016 was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

**2017**

| | | 1% Decrease (6.0%) | Current Discount (7.0%) | 1% Increase (8.0%) |
|---|---|---|---|---|
| Authorities' share of the Net Pension Liability (Asset) | $ | 7,846,276 | 2,456,722 | (2,100,140) |

**2016**

| | | 1% Decrease (6.0%) | Current Discount (7.0%) | 1% Increase (8.0%) |
|---|---|---|---|---|
| Authorities' share of the Net Pension Liability (Asset) | $ | 5,313,553 | 2,357,305 | (142,287) |

**Pension plan fiduciary net position**

The components of the current-year net pension liability of the New York State System's employers plan year end of March 31, 2017 and 2016 were as follows:

**(Dollars in Thousands)**

| | | 2017 Employees' Retirement System | | 2016 Employees' Retirement System |
|---|---|---|---|---|
| Employers' total pension liability | $ | 177,400,586 | $ | 172,303,544 |
| Plan net position | | (168,004,363) | | (156,253,265) |
| Employers' net pension liability | $ | 9,396,223 | $ | 16,050,279 |
| Ration of plan net position to the employers' total pension liability | | 94.7% | | 90.7% |

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

NYSLRS Pension Plan *
(Dollar amounts in thousands)

| | 2017 | 2016 |
|---|---|---|
| Authority's proportion of the net pension liability (asset) | 0.0261458% | 0.0146870% |
| Authority's proportionate share of the net pension liability (asset) | $ 2,457 | $ 2,357 |
| Authority's covered-employee payroll | 8,054 | 5,664 |
| Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 30.51% | 41.61% |
| Plan fiduciary net position as a percentage of the total pension liability | 94.70% | 90.70% |

* The amounts presented for each fiscal year were determined as of 3/31

## SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS

NYSLRS Pension Plan
(Dollar amounts in thousands)

| | 2017 | 2016 |
|---|---|---|
| Contractually required contribution | $ 713 | $ 518 |
| Contributions in relation to the contractually required contribution | 713 | 518 |
| Contribution deficiency (excess) | - | - |
| Authority's covered-employee payroll | 8,054 | 5,664 |
| Contributions as a percentage of covered-employee payroll | 8.85% | 9.15% |

Beginning July 1, 2013, New York State made the Voluntary Defined Contribution plan ("VDC") option be available to all unrepresented (non-union) employees of NYS public employers who are paid at a rate of $75,000 or more on an annual basis as an alternative to the ERS/TRS defined benefit plan systems. The NYS VDC is a defined contribution plan.

Defined contribution plans are retirement savings vehicles that provide benefits "defined" by employer and employee contributions to the plan and the investment earnings on those contributions.

## (18) Postemployment Healthcare Plan

### *(a) Plan Description*

The Authority is a participating employer in the New York State Health Insurance Program ("NYSHIP"), which is administered by the State as an agent multi-employer defined benefit plan. Under the plan, the Authority provides certain healthcare benefits for eligible retired employees and their dependents under a single-employer noncontributory healthcare plan. Article XI of the New York State Civil Service Law assigns the authority to NYSHIP to establish and amend the benefit provisions of the plan and to establish maximum obligations of the plan members to contribute to the plan. The Authority's Board is authorized to establish contribution rates for employees and retirees below those set by Civil Service Law. The Authority's plan states that employees and/or their dependents become eligible for these benefits at 55 years of age when the employee has 10 years of State service. In calculating the 10-year service requirement, all of the employee's service need not be with the Authority, but may be a composite of New York State service elsewhere, with a minimum of 3 years with the Authority. Employees with no prior State service must work a minimum of 10 years before they and their dependents are eligible for the retirement medical benefits. Eligible retirees hired on or after November 1, 2001, contribute 10% of the cost of single coverage and 25% of the cost of dependent coverage for health insurance benefits. The Authority covers 100% of the cost of single and dependent coverage for employees hired before November 1, 2001. A vestee is an Authority employee vested as a member of the retirement system administered by the State, has withdrawn from State service after meeting the Authority's minimum service requirement, but has not met the age requirement for continuing health insurance. As of October 31, 2017, 164 participants, including 117 employees, 0 vestees and 47 retired and/or spouses of retired employees were eligible to receive these benefits. NYSHIP does not issue a stand-alone financial report and NYSHIP's agent activities are included within the financial statements of the State.

Effective November 1, 2006, the Authority implemented accrual accounting for its OPEB obligations, based on the approach provided in GASB Statement No. 45. Through the fiscal year ended October 31, 2006, OPEB provisions were financed on a pay-as-you-go basis. The first actuarial valuation date was November 1, 2006. As an employer with less than 200 members, the Authority is required to perform an actuarial valuation at least triennially, unless there are significant changes in benefit provisions, the size or composition of the population covered by the plan, and/or the factors that impact the long-term assumptions. As such, during 2015 an updated biannual actuarial valuation was completed for the valuation date of November 1, 2015. This valuation report reflects postemployment benefits that have been extended to Battery Park City Parks Conservancy current and future retirees and their dependents. Actuarial valuations involve estimates of the value of reported amounts, assumptions about the probability of events in the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Examples include assumptions about employment, mortality and the healthcare cost trend.

The Authority's annual OPEB cost for the plan is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Since the Authority used a one-year amortization period, the ARC in future years represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any interest on the unfunded actuarial accrued liability. The Authority's current period ARC is $2.6 million as detailed in the chart in the OPEB Status and Funding Progress section of this note. It is consistent with the amortization methodology used to calculate the Amortization of the Unfunded AAL, as permitted by GASB Technical Bulletin No. 2008-1, "*Determining the Annual Required Contribution Adjustment for Postemployment Benefits*," issued on December 15, 2008.

***(b) Funding***

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

***(c) Actuarial Methods and Assumptions***

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the November 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.155% discount rate (net of administrative expenses). The annual healthcare cost trend rates vary based on type of health coverage valued; initial trends start at 5.34% to 7.06%, declining 0.5% each year to an ultimate trend rate of 4.75%. The trend rates include a general inflation level of 2.75%.

***(d) OPEB Status and Funding Progress***

The Authority's OPEB obligation and the funded status of the plan as of October 31, 2017 and 2016 are as follows:

| | | 2017 | 2016 |
|---|---|---|---|
| Actuarial Accrued Liability (AAL): | | | |
| Net OPEB obligation beginning of year | $ | 36,334,354 | 34,390,023 |
| Annual Required Contribution (ARC): | | | |
| Normal cost | | 1,944,460 | 1,856,286 |
| Interest to year-end | | 1,130,552 | 1,053,299 |
| Payments for retirees during year | | (771,497) | (611,060) |
| ARC amortization | | (365,368) | (354,194) |
| Net OPEB obligation end of year | $ | 38,272,501 | 36,334,354 |
| Actuarial Accrued Liability (AAL) November 1, 2016 and 2015 | $ | 38,272,501 | 36,334,354 |
| Funded OPEB plan assets | | - | - |
| Unfunded Actuarial Accrued Liability (UAAL) November 1, 2016 and 2015 | $ | 38,272,501 | 36,334,354 |
| Funded ratio (actuarial value of plan assets/AAL) | | —% | —% |
| Covered payroll | $ | 7,978,095 | 7,744,017 |
| UAAL as percentage of covered payroll | | 480% | 469% |

Corporate assets held at October 31, 2017 and 2016 in a separate corporate OPEB account for the exclusive purpose of paying OPEB obligations were $38.1 million and $36.6 million, respectively. The Authority has segregated assets for the exclusive purpose of paying OPEB obligations, the funds cannot be irrevocably dedicated for that purpose and therefore cannot be held as a funded OPEB asset. The OPEB assets are therefore included in the statements of net position (deficit) within the other corporate designated, escrowed, and postemployment benefit funds financial statement classification.

**(19) Commitments and Other Matters**

(a) The Authority has entered into construction and other related contracts, having unexpended balances aggregating $16.6 million as of October 31, 2017.

(b) The Authority rents office space in Brookfield Place 200 Liberty Street, as well as community meeting space, field offices and maintenance space in condominium buildings in Battery Park City. Total rent expense amounted to $1.1 million and $1.3 million in fiscal years ended October 31, 2017 and 2016, respectively. The future minimum lease payments are as follows:

| | |
|---|---|
| 2018 | $ 1,220,630 |
| 2019 | 1,220,630 |
| 2020 | 1,220,630 |
| 2021 | 875,287 |
| 2022 | 204,600 |
| Thereafter | 682,000 |
| Total minimum payments required | $ 5,423,777 |

(c) 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 12) to the Port Authority of New York and New Jersey ("PANYNJ") for the pedestrian underpass under Route 9A. The concourse will connect the Winter Garden (on the west, at the edge of Battery Park City) and the World Trade Center site on the east. As of October 31, 2017, the Authority had disbursed a total sum of $39,130,619 to the PANYNJ.

(d) 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.

(e) As of October 31, 2016, the Authority had received all its insurance and Federal assistance advances and had paid out $12.3 million for remediation work for damage caused by Superstorm Sandy. The Authority has collected all eligible claims with respect to this damage from its insurance carriers. Damages not covered by insurance have been submitted for reimbursement under Federal and State disaster relief programs, which reimbursed substantially all of these costs.

**(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. 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, 2017 and 2016, the Authority paid the Conservancy $1.2 million and $1.1 million, respectively, for services, which are included in the Authority's operating expenses. Additionally, $17.4 thousand at October 31, 2016 is payable by the Authority to the Conservancy. This is eliminated in the blending of the Conservancy's financial statements into the Authority's financial statements (see Other Supplementary Information – Combining Statement of Net Position (Deficit)).

**(21) Litigation**

The Authority is a party to litigation and claims in the ordinary course of its operations. In addition, the Authority is a defendant in the litigation matter described below relating to the September 11, 2001 attack. Since it is not possible to predict the ultimate outcome of any of these matters, no provision for any liability has been made in the financial statements. The Authority was a defendant in various cases brought by plaintiffs who worked in and around the World Trade Center site after the September 11, 2001 attack, and by certain other plaintiffs who worked in the area surrounding the World Trade Center site. Plaintiffs were seeking damages arising from the alleged failure of the Authority and others to adequately protect them against exposure to potential toxins. All such litigation matters, with the exception of those described below, have been settled, have had their defense assumed by other parties (the Authority's ground leases provide for ground lessees to indemnify the Authority against certain claims), have been dismissed, or have otherwise been time barred by the applicable statute of limitations. The New York State Legislature enacted a law (Gen. Mun. Law §50-i(4), known as "Jimmy Nolan's Law") that revived for one year all time-barred claims against public corporations for personal injuries sustained by workers who participated in post-9/11 rescue, recovery, or cleanup efforts. Following the law's enactment, many workers revived their claims against the Authority. The United States District Court for the Southern District of New York granted summary judgment to the Authority, in separate decisions in August 2014 and March 2015, finding (i) that the Authority is an entity independent of New York State and therefore has the capacity to challenge the constitutionality of State statutes, and (ii) that Jimmy Nolan's Law is unconstitutional under the Due Process Clause of the New York State Constitution. Such summary judgments resulted in the dismissal of the claims of over 170 individual plaintiffs, each of whom was seeking at least \$20 million in damages. The plaintiffs appealed these decisions to the United States Court of Appeals for the Second Circuit, which, in turn, sought guidance from the New York Court of Appeals on the Authority's capacity to challenge the constitutionality of Jimmy Nolan's Law and the standard to be applied in evaluating the constitutionality of Jimmy Nolan's Law itself. On November 21, 2017, the New York Court of Appeals issued its decision answering the certified questions, holding (i) that no particularized inquiry is necessary to determine whether public benefit corporations should be treated like the State for purposes of capacity to sue (and thus concluding that, for such purposes, a public benefit corporation such as the Authority is to be treated as the State); and (ii) that a claim-revival statute will satisfy the Due Process Clause of the New York State Constitution if it was enacted as a reasonable response in order to remedy an injustice. On December 7, 2017, the Second Circuit issued an order requiring the parties to submit supplemental briefing addressing the effect that the decision of the Court of Appeals has on the remaining issues in the appeal, i.e., whether summary judgment was properly granted. Such briefing is expected to be complete on or about March 9, 2018. Counsel to the Authority cannot predict the outcome of the proceedings before the Second Circuit.

**(22) Subsequent Events**

The Tax Cuts and Jobs Act enacted on December 22, 2017 reduced United States corporate tax rates from 35% to 21%, which triggered an increase in the Authority's financing related costs for the 2013 Series C, D, and E bonds by 21.5% effective January 2018 subject to the terms of the continuing covenant agreement. This preserves the originally negotiated tax advantage of holding tax-exempt notes. The Authority determined that this impact would not be material.

**HUGH L. CAREY BATTERY PARK CITY AUTHORITY**
(A Component Unit of the State of New York)
Required Supplementary Information – Schedule of the Authority's Proportionate Share of the Net Pension Liability
October 31, 2017, 2016 and 2015

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

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

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| The Authority's proportion of the net pension liability (asset) | 0.02614580% | 0.01468700% | 0.01539080% |
| The Authority's proportionate share of the net pension liability (asset) | $ 2,457 | $ 2,357 | $ 519 |
| The Authority's covered employee payroll | $ 8,054 | $ 5,664 | $ 3,843 |
| The Authority's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll | 30.51% | 41.61% | 13.51% |
| Plan fiduciary net position as a percentage of the total pension liability | 94.70% | 90.70% | 98.10% |

**HUGH L. CAREY BATTERY PARK CITY AUTHORITY**
(A Component Unit of the State of New York)
Required Supplementary Information – Schedule of Employer Contributions
Years Ended October 31

**Schedule of Employer Contributions**

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

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 713 | $ 518 | $ 710 | $ 605 | $ 541 | $ 527 | $ 624 | $ 357 | $ 397 | $ 455 |
| Contribution in relation to the actuarially determined contribution | $ 713 | $ 518 | $ 710 | $ 605 | $ 541 | $ 527 | $ 624 | $ 357 | $ 397 | $ 455 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| The Authority's covered employee payroll | $ 8,054 | $ 5,664 | $ 3,843 | $ 4,427 | $ 4,220 | $ 3,061 | $ 4,589 | $ 5,245 | $ 5,001 | $ 5,002 |
| Contribution as a percentage of covered employee payroll | 8.85% | 9.15% | 18.48% | 13.67% | 12.82% | 17.22% | 13.60% | 6.81% | 7.94% | 9.10% |

**HUGH L. CAREY BATTERY PARK CITY AUTHORITY**
(A Component Unit of the State of New York)
Required Supplementary Information – Schedule of Funding Progress for
the Other Postemployment Benefits Plan
October 31, 2017, 2016 and 2015

(Dollar amounts in thousands)

| Year Ended | Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|---|
| October 31, 2017 | November 1, 2015 | $ - | $ 38,273 | $ 38,273 | 0% | $ 7,978 | 480% |
| October 31, 2016 | November 1, 2015 | - | 36,334 | 36,334 | 0% | 7,744 | 469% |
| October 31, 2015 | November 1, 2015 | - | 34,390 | 34,390 | 0% | 7,618 | 451% |

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

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

October 31, 2017

| Assets | Battery Park City Authority | Battery Park City Parks Conservancy | Eliminations | Total |
|---|---|---|---|---|
| Current assets: | | | | |
| Bank deposits | $ 29,080 | 10,658 | — | 39,738 |
| Investments | 1,905,339 | — | — | 1,905,339 |
| Restricted assets: | | | | |
| Rents and other receivables (net of allowance for doubtful accounts of $1,479,638) | 3,476,844 | 1,895 | — | 3,478,739 |
| 2003 General Bond Resolution Funds | 255,377,406 | — | — | 255,377,406 |
| 2009 Revenue Bond Resolution Funds | 2,632,550 | — | — | 2,632,550 |
| 2013 Revenue Bond Resolution Funds | 31,330,301 | — | — | 31,330,301 |
| Corporate-designated, escrowed, and OPEB funds | 1,927,796 | — | — | 1,927,796 |
| Total current assets | 296,679,316 | 12,553 | — | 296,691,869 |
| Noncurrent assets: | | | | |
| Restricted assets: | | | | |
| 2003 General Bond Resolution Funds | 73,502,208 | — | — | 73,502,208 |
| 2009 Revenue Bond Resolution Funds | 596,739 | — | — | 596,739 |
| 2013 Revenue Bond Resolution Funds | 7,672,607 | — | — | 7,672,607 |
| Residential lease required funds | 27,569,504 | — | — | 27,569,504 |
| Corporate-designated, escrowed, and OPEB funds | 69,052,817 | — | — | 69,052,817 |
| Battery Park City project assets – at cost, less accumulated depreciation | 512,277,186 | — | — | 512,277,186 |
| Other assets | 4,175,146 | 163,976 | — | 4,339,122 |
| Total noncurrent assets | 694,846,207 | 163,976 | — | 695,010,183 |
| Total assets | 991,525,523 | 176,529 | — | 991,702,052 |
| **Deferred Outflows of Resources** | | | | |
| Deferred pension outflows | 2,694,997 | — | — | 2,694,997 |
| Accumulated change in fair value of interest rate swaps | 17,752,629 | — | — | 17,752,629 |
| Unamortized loss on extinguishment of 1993, 1996, 2000, and 2003 bonds | 18,623,209 | — | — | 18,623,209 |
| Deferred costs of refunding, less accumulated amortization of $15,212,021 | 55,003,391 | — | — | 55,003,391 |
| Total deferred outflows of resources | 94,074,226 | — | — | 94,074,226 |
| Total assets and deferred outflows of resources | $ 1,085,599,749 | 176,529 | — | 1,085,776,278 |



(Continued)

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

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

October 31, 2017

| **Liabilities** | | **Battery Park City Authority** | **Battery Park City Parks Conservancy** | **Eliminations** | **Total** |
|---|---|---|---|---|---|
| Current liabilities: | | | | | |
| Accrued interest on bonds | $ | 16,657,505 | — | — | 16,657,505 |
| Accounts payable and other liabilities | | 4,731,264 | 83,704 | — | 4,814,968 |
| Accrued pension payable | | 2,456,722 | — | — | 2,456,722 |
| Due to the City of New York | | 148,977,077 | — | — | 148,977,077 |
| Due to the City of New York - 2010 Agreement | | 41,964,103 | — | — | 41,964,103 |
| Due to the Port Authority of New York & New Jersey | | 869,381 | — | — | 869,381 |
| Unearned revenue: | | | | | |
| PILOT revenue | | 37,064,427 | — | — | 37,064,427 |
| Base rent and other revenue | | 12,946,695 | — | — | 12,946,695 |
| Security and other deposits | | 4,738 | — | — | 4,738 |
| 2009 Revenue Bonds | | 340,000 | — | — | 340,000 |
| 2013 Revenue Bonds | | 27,050,000 | — | — | 27,050,000 |
| Total current liabilities | | 293,061,912 | 83,704 | — | 293,145,616 |
| Noncurrent liabilities: | | | | | |
| Unearned revenue: | | | | | |
| Base rent and other revenue | | 248,768,041 | — | — | 248,768,041 |
| Security and other deposits | | 27,929,228 | — | — | 27,929,228 |
| OPEB | | 38,272,501 | — | — | 38,272,501 |
| Fair value of interest rate swaps | | 17,752,629 | — | — | 17,752,629 |
| Imputed borrowing | | 55,003,391 | — | — | 55,003,391 |
| Bonds outstanding: | | | | | |
| 2009 Revenue Bonds, less accumulated amortization of $572,308 | | 86,248,700 | — | — | 86,248,700 |
| 2013 Revenue Bonds, less accumulated amortization of $11,581,648 | | 910,093,403 | — | — | 910,093,403 |
| Total noncurrent liabilities | | 1,384,067,893 | — | — | 1,384,067,893 |
| Total liabilities | | 1,677,129,805 | 83,704 | — | 1,677,213,509 |
| **Deferred Inflows of Resources** | | | | | |
| Deferred pension inflows | | 729,998 | — | — | 729,998 |
| Total deferred inflows of resources | | 729,998 | — | — | 729,998 |
| **Net Position (Deficit)** | | | | | |
| Invested in capital assets, net of related debt | | (1,022,171) | — | — | (1,022,171) |
| Restricted: | | | | | |
| Debt service | | 55,055,548 | — | — | 55,055,548 |
| Under bond resolutions and other agreements | | 7,027,832 | — | — | 7,027,832 |
| Unrestricted (deficit) | | (653,321,263) | 92,825 | — | (653,228,438) |
| Total net position (deficit) | | (592,260,054) | 92,825 | — | (592,167,229) |
| Total liabilities, deferred inflows of resources and net position (deficit) | $ | 1,085,599,749 | 176,529 | — | 1,085,776,278 |

See accompanying independent auditors' report.

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

October 31, 2016

| **Assets** | | **Battery Park City Authority** | **Battery Park City Parks Conservancy** | **Eliminations** | **Total** |
|---|---|---|---|---|---|
| Current assets: | | | | | |
| Bank deposits | $ | 396,166 | 650 | — | 396,816 |
| Investments | | 5,695,440 | — | — | 5,695,440 |
| Restricted assets: | | | | | |
| Rents and other receivables (net of allowance for doubtful accounts of $1,581,492) | | 4,937,783 | 21,113 | (17,378) | 4,941,518 |
| 2003 General Bond Resolution Funds | | 243,034,191 | — | — | 243,034,191 |
| 2009 Revenue Bond Resolution Funds | | 8,000,661 | — | — | 8,000,661 |
| 2013 Revenue Bond Resolution Funds | | 46,872,405 | — | — | 46,872,405 |
| Corporate-designated, escrowed, and OPEB funds | | 38,123,314 | — | — | 38,123,314 |
| Total current assets | | 347,059,960 | 21,763 | (17,378) | 347,064,345 |
| Noncurrent assets: | | | | | |
| Restricted assets: | | | | | |
| 2003 General Bond Resolution Funds | | 73,387,092 | — | — | 73,387,092 |
| 2009 Revenue Bond Resolution Funds | | 141,229 | — | — | 141,229 |
| 2013 Revenue Bond Resolution Funds | | 13,816,503 | — | — | 13,816,503 |
| Residential lease required funds | | 27,304,097 | — | — | 27,304,097 |
| Corporate-designated, escrowed, and OPEB funds | | 69,124,990 | — | — | 69,124,990 |
| Battery Park City project assets – at cost, less accumulated depreciation | | 497,381,380 | — | — | 497,381,380 |
| Other assets | | 4,465,620 | 294,074 | — | 4,759,694 |
| Total noncurrent assets | | 685,620,911 | 294,074 | — | 685,914,985 |
| Total assets | | 1,032,680,871 | 315,837 | (17,378) | 1,032,979,330 |
| **Deferred Outflows of Resources** | | | | | |
| Deferred pension outflows | | 2,751,720 | — | — | 2,751,720 |
| Accumulated change in fair value of interest rate swaps | | 35,007,049 | — | — | 35,007,049 |
| Unamortized loss on extinguishment of 1993, 1996, 2000, and 2003 bonds | | 19,949,119 | — | — | 19,949,119 |
| Deferred costs of refunding, less accumulated amortization of $11,431,366 | | 58,784,046 | — | — | 58,784,046 |
| Total deferred outflows of resources | | 116,491,934 | — | — | 116,491,934 |
| Total assets and deferred outflows of resources | $ | 1,149,172,805 | 315,837 | (17,378) | 1,149,471,264 |



(Continued)

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

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

October 31, 2016

| **Liabilities** | | **Battery Park City Authority** | **Battery Park City Parks Conservancy** | **Eliminations** | **Total** |
|---|---|---|---|---|---|
| Current liabilities: | | | | | |
| Accrued interest on bonds | $ | 16,979,613 | — | — | 16,979,613 |
| Accounts payable and other liabilities | | 9,794,777 | 95,000 | (17,378) | 9,872,399 |
| Accrued pension payable | | 2,357,307 | — | — | 2,357,307 |
| Due to the City of New York | | 135,836,055 | — | — | 135,836,055 |
| Due to the City of New York - 2010 Agreement | | 79,363,715 | — | — | 79,363,715 |
| Due to the Port Authority of New York & New Jersey | | 869,381 | — | — | 869,381 |
| Unearned revenue: | | | | | |
| PILOT revenue | | 34,407,866 | — | — | 34,407,866 |
| Base rent and other revenue | | 13,013,811 | — | — | 13,013,811 |
| Security and other deposits | | 4,738 | — | — | 4,738 |
| 2009 Revenue Bonds | | 335,000 | — | — | 335,000 |
| 2013 Revenue Bonds | | 25,890,000 | — | — | 25,890,000 |
| Total current liabilities | | 318,852,263 | 95,000 | (17,378) | 318,929,885 |
| Noncurrent liabilities: | | | | | |
| Unearned revenue: | | | | | |
| Base rent and other revenue | | 260,739,758 | — | — | 260,739,758 |
| Security and other deposits | | 27,706,661 | — | — | 27,706,661 |
| OPEB | | 36,334,354 | — | — | 36,334,354 |
| Fair value of interest rate swaps | | 35,007,049 | — | — | 35,007,049 |
| Imputed borrowing | | 58,784,046 | — | — | 58,784,046 |
| Bonds outstanding: | | | | | |
| 2009 Revenue Bonds, less accumulated amortization of $499,460 | | 86,661,548 | — | — | 86,661,548 |
| 2013 Revenue Bonds, less accumulated amortization of $8,749,977 | | 939,975,075 | — | — | 939,975,075 |
| Total noncurrent liabilities | | 1,445,208,491 | — | — | 1,445,208,491 |
| Total liabilities | | 1,764,060,754 | 95,000 | (17,378) | 1,764,138,376 |
| **Deferred Inflows of Resources** | | | | | |
| Deferred pension inflows | | 416,903 | — | — | 416,903 |
| Total deferred inflows of resources | | 416,903 | — | — | 416,903 |
| **Net Position (Deficit)** | | | | | |
| Invested in capital assets, net of related debt | | (4,284,501) | — | — | (4,284,501) |
| Restricted: | | | | | |
| Debt service | | 60,333,896 | — | — | 60,333,896 |
| Under bond resolutions and other agreements | | 3,543,270 | — | — | 3,543,270 |
| Unrestricted (deficit) | | (674,897,517) | 220,837 | — | (674,676,680) |
| Total net position (deficit) | | (615,304,852) | 220,837 | — | (615,084,015) |
| Total liabilities, deferred inflows of resources and net position (deficit) | $ | 1,149,172,805 | 315,837 | (17,378) | 1,149,471,264 |

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

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

Year Ended October 31, 2017

| | Battery Park City Authority | Battery Park City Parks Conservancy | Eliminations | Total |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Revenues from ground leases: | | | | |
| Base rent | $ 60,937,579 | — | — | 60,937,579 |
| Supplemental rent | 1,318,476 | — | — | 1,318,476 |
| Payments in lieu of real estate taxes | 218,713,058 | — | — | 218,713,058 |
| Civic facilities payments and other | 14,377,868 | 1,182,304 | (1,182,253) | 14,377,919 |
| Total operating revenues | 295,346,981 | 1,182,304 | (1,182,253) | 295,347,032 |
| Operating expenses: | | | | |
| Wages and related benefits | 15,333,799 | — | — | 15,333,799 |
| OPEB | 2,709,644 | — | — | 2,709,644 |
| Other operating and administrative expenses | 19,860,120 | 1,180,218 | (1,182,253) | 19,858,085 |
| Depreciation of project assets | 9,296,640 | — | — | 9,296,640 |
| Other depreciation and amortization | 498,764 | 130,098 | — | 628,862 |
| Total operating expenses | 47,698,967 | 1,310,316 | (1,182,253) | 47,827,030 |
| Operating income | 247,648,014 | (128,012) | — | 247,520,002 |
| Nonoperating revenues (expenses): | | | | |
| Investment income on funds relating to: | | | | |
| 2003 Revenue Bonds | 1,945,225 | — | — | 1,945,225 |
| 2009 Revenue Bonds | 19,396 | — | — | 19,396 |
| 2013 Revenue Bonds | 518,641 | — | — | 518,641 |
| Corporate-designated, escrowed, and OPEB funds | 1,393,928 | — | — | 1,393,928 |
| Realized and unrealized gains and (losses) | (1,211,088) | — | — | (1,211,088) |
| Gain on project assets | 329 | — | — | 329 |
| Interest expense relating to: | | | | |
| 2003 Swap agreements – net expense | (9,953,492) | — | — | (9,953,492) |
| 2003 Revenue Bonds | (11,758) | — | — | (11,758) |
| 2009 Revenue Bonds | (3,752,435) | — | — | (3,752,435) |
| 2013 Revenue Bonds | (19,058,424) | — | — | (19,058,424) |
| Loss on extinguishment from debt | (1,325,910) | — | — | (1,325,910) |
| Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts | (148,977,077) | — | — | (148,977,077) |
| Provision for transfer to the City of New York per 2010 agreement | (41,964,103) | — | — | (41,964,103) |
| Provision for transfer to the City of New York - Pier A and Pier A Plaza | (133,202) | — | — | (133,202) |
| Provision for transfer to the City of New York - Eastern Border | (93,246) | — | — | (93,246) |
| Provision for transfer to the City of New York - West Thames St Pedestrian Bridge | (2,000,000) | | | (2,000,000) |
| Total nonoperating expenses | (224,603,216) | — | — | (224,603,216) |
| Change in net position (deficit) | 23,044,798 | (128,012) | — | 22,916,786 |
| Net (deficit), beginning of year | (615,304,852) | 220,837 | — | (615,084,015) |
| Net (deficit), end of year | $ (592,260,054) | 92,825 | — | (592,167,229) |

See accompanying independent auditors' report.

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

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

Year Ended October 31, 2016

| | Battery Park City Authority | Battery Park City Parks Conservancy | Eliminations | Total |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Revenues from ground leases: | | | | |
| Base rent | $ 59,617,836 | — | — | 59,617,836 |
| Supplemental rent | 1,336,024 | — | — | 1,336,024 |
| Payments in lieu of real estate taxes | 204,988,037 | — | — | 204,988,037 |
| Civic facilities payments and other | 13,004,843 | 17,134,524 | (16,912,059) | 13,227,308 |
| Total operating revenues | 278,946,740 | 17,134,524 | (16,912,059) | 279,169,205 |
| Operating expenses: | | | | |
| Wages and related benefits | 14,440,199 | — | — | 14,440,199 |
| OPEB | 18,395,950 | — | (15,840,559) | 2,555,391 |
| Other operating and administrative expenses | 19,638,641 | 1,192,433 | (1,071,500) | 19,759,574 |
| Depreciation of project assets | 8,960,386 | — | — | 8,960,386 |
| Other depreciation and amortization | 386,827 | 204,674 | — | 591,501 |
| Total operating expenses | 61,822,003 | 1,397,107 | (16,912,059) | 46,307,051 |
| Operating income | 217,124,737 | 15,737,417 | — | 232,862,154 |
| Nonoperating revenues (expenses): | | | | |
| Investment income on funds relating to: | | | | |
| 2003 Revenue Bonds | 1,855,003 | — | — | 1,855,003 |
| 2009 Revenue Bonds | 66,268 | — | — | 66,268 |
| 2013 Revenue Bonds | 555,015 | — | — | 555,015 |
| Corporate-designated, escrowed, and OPEB funds | 1,346,343 | — | — | 1,346,343 |
| Realized and unrealized gains | 243,603 | — | — | 243,603 |
| Loss on project assets | (201,351) | — | — | (201,351) |
| Other revenue | 6,958,307 | — | — | 6,958,307 |
| Interest expense relating to: | | | | |
| 2003 Swap agreements – net expense | (11,370,162) | — | — | (11,370,162) |
| 2003 Revenue Bonds | (11,693) | — | — | (11,693) |
| 2009 Revenue Bonds | (3,761,853) | — | — | (3,761,853) |
| 2013 Revenue Bonds | (17,852,500) | — | — | (17,852,500) |
| Loss on extinguishment from debt | (1,325,910) | — | — | (1,325,910) |
| Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts | (135,219,838) | — | — | (135,219,838) |
| Provision for transfer to the City of New York per 2010 agreement | (41,920,382) | — | — | (41,920,382) |
| Provision for transfer to the City of New York - Pier A and Pier A Plaza | (574,654) | — | — | (574,654) |
| Provision for transfer to the City of New York - Eastern Border | (1,707,641) | — | — | (1,707,641) |
| Provision for transfer to the State of New York - Route 9A | (576,174) | — | — | (576,174) |
| Total nonoperating expenses | (203,497,619) | — | — | (203,497,619) |
| Change in net position (deficit) | 13,627,118 | 15,737,417 | — | 29,364,535 |
| Net (deficit), beginning of year | (628,931,970) | (15,516,580) | — | (644,448,550) |
| Net (deficit), end of year | $ (615,304,852) | 220,837 | — | (615,084,015) |

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, 2017

| | | Battery Park City Authority | Battery Park City Parks Conservancy | Eliminations | Total |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | |
| Cash receipts from: | | | | | |
| Tenant payments | $ | 284,918,728 | — | — | 284,918,728 |
| Receipts from the Authority | | — | 1,211,000 | (1,211,000) | — |
| Miscellaneous receipts | | 903,951 | 20,473 | — | 924,424 |
| Total cash receipts from operating activities | | 285,822,679 | 1,231,473 | (1,211,000) | 285,843,152 |
| Cash payments for: | | | | | |
| Salaries and benefits | | (15,906,036) | — | — | (15,906,036) |
| Services and supplies | | (19,142,419) | (1,221,465) | 1,211,000 | (19,152,884) |
| Total cash payments for operating activities | | (35,048,455) | (1,221,465) | 1,211,000 | (35,058,920) |
| Net cash provided by operating activities | | 250,774,224 | 10,008 | — | 250,784,232 |
| Cash flows from noncapital financing activities: | | | | | |
| Payments to Pier A Contractors on behalf of the City of New York | | (64,166) | — | — | (64,166) |
| Payments to Pier A Plaza Contractors on behalf of the City of New York | | (170,534) | — | — | (170,534) |
| Payments from LMDC West Thames St Pedestrian Bridge | | 6,312,667 | — | — | 6,312,667 |
| Payments to NYC EDC - West Thames St Pedestrian Bridge | | (8,312,668) | — | — | (8,312,668) |
| Payments to Eastern Border Contractors on behalf of the City of New York | | (93,246) | — | — | (93,246) |
| Payments to the City of New York | | (215,199,770) | — | — | (215,199,770) |
| Net cash used in noncapital financing activities | | (217,527,717) | — | — | (217,527,717) |
| Cash flows from capital and related financing activities: | | | | | |
| Development costs – site improvements and construction | | (24,968,672) | — | — | (24,968,672) |
| Capital asset expenditures | | (915,761) | — | — | (915,761) |
| Auction fees for variable debt | | (11,758) | — | — | (11,758) |
| Swap payment made on the 2003 Swap agreement | | (12,280,490) | — | — | (12,280,490) |
| Swap interest payments received on the 2003 Swap agreement | | 2,096,014 | — | — | 2,096,014 |
| Interest paid on 2009 Senior Revenue Bonds | | (5,006,056) | — | — | (5,006,056) |
| Principal paydown on 2009 Senior Revenue Bonds | | (335,000) | — | — | (335,000) |
| Interest paid on 2013 Senior Revenue Bonds | | (15,238,775) | — | — | (15,238,775) |
| Principal paydown on 2013 Senior Revenue Bonds | | (20,995,000) | — | — | (20,995,000) |
| Interest paid on 2013 Bonds CDE | | (6,874,337) | — | — | (6,874,337) |
| Principal paydown on 2013 Bonds CDE | | (4,895,000) | — | — | (4,895,000) |
| 2009 Senior Revenue Bonds - Build America Bonds refund from US Treasury | | 1,763,622 | — | — | 1,763,622 |
| Net cash used in capital and related financing activities | | (87,661,213) | — | — | (87,661,213) |
| Cash flows from investing activities: | | | | | |
| Interest and realized gains received on investment securities | | 5,492,719 | — | — | 5,492,719 |
| Maturities and redemptions of investment securities | | 562,691,260 | — | — | 562,691,260 |
| Purchases of investment securities | | (518,648,603) | — | — | (518,648,603) |
| Net cash provided by investing activities | | 49,535,376 | — | — | 49,535,376 |
| (Decrease) increase in cash and cash equivalents | | (4,879,330) | 10,008 | — | (4,869,322) |
| Cash and cash equivalents, beginning of year | | 171,503,762 | 650 | — | 171,504,412 |
| Cash and cash equivalents, end of year | $ | 166,624,432 | 10,658 | — | 166,635,090 |



(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, 2017

| | Battery Park City Authority | Battery Park City Parks Conservancy | Eliminations | Total |
|---|---|---|---|---|
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | |
| Operating income (loss) | $ 247,648,014 | (128,012) | — | 247,520,002 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Recovery of bad debt expense | (101,854) | — | — | (101,854) |
| Depreciation and amortization | 9,795,404 | 130,098 | — | 9,925,502 |
| Other | 50,642 | — | — | 50,642 |
| Changes in operating assets and liabilities: | | | | |
| Decrease in rents and other receivables | 1,027,395 | 17,378 | — | 1,044,773 |
| Decrease in other assets | 29,944 | 1,840 | — | 31,784 |
| Decrease in accounts payable and other liabilities | (601,014) | (11,296) | — | (612,310) |
| Decrease in unearned revenue | (9,382,272) | — | — | (9,382,272) |
| Increase in OPEB | 1,938,147 | — | — | 1,938,147 |
| Decrease in deferred pension resources | 369,818 | — | — | 369,818 |
| Net cash provided by operating activities | $ 250,774,224 | 10,008 | — | 250,784,232 |
| Reconciliation to cash and cash equivalents, end of year: | | | | |
| Bank deposits | $ 29,080 | 10,658 | — | 39,738 |
| Cash and cash equivalents | 32,060,205 | — | — | 32,060,205 |
| Investments with less than 91-day maturities | 134,535,147 | — | — | 134,535,147 |
| Cash and cash equivalents, end of year | $ 166,624,432 | 10,658 | — | 166,635,090 |

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, 2016

| | Battery Park City Authority | Battery Park City Parks Conservancy | Eliminations | Total |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Cash receipts from: | | | | |
| Tenant payments | $ 263,278,182 | — | — | 263,278,182 |
| Receipts from the Authority | — | 1,071,500 | (1,071,500) | — |
| Miscellaneous receipts | 7,609,627 | 26,967 | — | 7,636,594 |
| Total cash receipts from operating activities | 270,887,809 | 1,098,467 | (1,071,500) | 270,914,776 |
| Cash payments for: | | | | |
| Salaries and benefits | (15,126,557) | (183,601) | — | (15,310,158) |
| Services and supplies | (18,010,604) | (1,126,856) | 1,071,500 | (18,065,960) |
| Total cash payments for operating activities | (33,137,161) | (1,310,457) | 1,071,500 | (33,376,118) |
| Net cash provided by (used in) operating activities | 237,750,648 | (211,990) | — | 237,538,658 |
| Cash flows from noncapital financing activities: | | | | |
| Payments to Pier A Contractors on behalf of the City of New York | (380,425) | — | — | (380,425) |
| Payments to Pier A Plaza Contractors on behalf of the City of New York | (156,746) | — | — | (156,746) |
| Payments from LMDC West Thames St Pedestrian Bridge | 507,009 | — | — | 507,009 |
| Payments to NYC EDC - West Thames St Pedestrian Bridge | (507,009) | — | — | (507,009) |
| Receipts from Brookfield - Route 9A Betterment Agreement | 642,224 | — | — | 642,224 |
| Payments to NYS DOT - Route 9A Betterment Agreement | (2,934,423) | — | — | (2,934,423) |
| Payments to Eastern Border Contractors on behalf of the City of New York | (1,484,157) | — | — | (1,484,157) |
| Payments to the City of New York | (123,403,732) | — | — | (123,403,732) |
| Net cash used in noncapital financing activities | (127,717,259) | — | — | (127,717,259) |
| Cash flows from capital and related financing activities: | | | | |
| Development costs – site improvements and construction | (5,660,493) | — | — | (5,660,493) |
| Capital asset expenditures | (111,183) | (4,797) | — | (115,980) |
| Auction fees for variable debt | (11,693) | — | — | (11,693) |
| Swap payment made on the 2003 Swap agreement | (12,468,624) | — | — | (12,468,624) |
| Swap interest payments received on the 2003 Swap agreement | 937,347 | — | — | 937,347 |
| Interest paid on 2009 Senior Revenue Bonds | (5,015,019) | — | — | (5,015,019) |
| Principal paydown on 2009 Senior Revenue Bonds | (315,000) | — | — | (315,000) |
| Interest paid on 2013 Senior Revenue Bonds | (15,964,675) | — | — | (15,964,675) |
| Principal paydown on 2013 Senior Revenue Bonds | (20,300,000) | — | — | (20,300,000) |
| Interest paid on 2013 Bonds CDE | (4,895,585) | — | — | (4,895,585) |
| Principal paydown on 2013 Bonds CDE | (4,895,000) | — | — | (4,895,000) |
| 2009 Senior Revenue Bonds - Build America Bonds refund from US Treasury | 588,506 | — | — | 588,506 |
| Net cash used in capital and related financing activities | (68,111,419) | (4,797) | — | (68,116,216) |
| Cash flows from investing activities: | | | | |
| Interest and realized gains received on investment securities | 3,599,050 | — | — | 3,599,050 |
| Maturities and redemptions of investment securities | 747,328,934 | — | — | 747,328,934 |
| Purchases of investment securities | (667,657,065) | — | — | (667,657,065) |
| Net cash provided by investing activities | 83,270,919 | — | — | 83,270,919 |
| Increase (decrease) in cash and cash equivalents | 125,192,889 | (216,787) | — | 124,976,102 |
| Cash and cash equivalents, beginning of year | 46,310,873 | 217,437 | — | 46,528,310 |
| Cash and cash equivalents, end of year | $ 171,503,762 | 650 | — | 171,504,412 |



(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, 2016

| | 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 | $ 217,124,737 | 15,737,417 | — | 232,862,154 |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | | | |
| Provision for bad debt expense | 250,442 | — | — | 250,442 |
| Depreciation and amortization | 9,347,213 | 204,674 | — | 9,551,887 |
| Other | 69,427 | — | — | 69,427 |
| Changes in operating assets and liabilities: | | | | |
| Increase in rents and other receivables | (39,065) | (15,014) | 15,014 | (39,065) |
| Decrease in other assets | 291,432 | 30,342 | — | 321,774 |
| Increase (decrease) in accounts payable and other liabilities | 2,227,886 | (328,850) | (15,014) | 1,884,022 |
| Decrease in unearned revenue | (7,043,775) | — | — | (7,043,775) |
| Increase (decrease) in OPEB | 17,784,890 | (15,840,559) | — | 1,944,331 |
| Increase in deferred pension resources | (2,262,539) | — | — | (2,262,539) |
| Net cash provided by (used in) operating activities | $ 237,750,648 | (211,990) | — | 237,538,658 |
| Reconciliation to cash and cash equivalents, end of year: | | | | |
| Bank deposits | $ 396,166 | 650 | — | 396,816 |
| Cash and cash equivalents | 49,604,358 | — | — | 49,604,358 |
| Investments with less than 91-day maturities | 121,503,238 | — | — | 121,503,238 |
| Cash and cash equivalents, end of year | $ 171,503,762 | 650 | — | 171,504,412 |

See accompanying independent auditors' report.