

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

Financial Statements

April 30, 2012 and 2011

(With Independent Accountants' Review Report Thereon)

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

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## Independent Accountants' Review Report

### The Members

Hugh L. Carey Battery Park City Authority

We have reviewed the accompanying financial statements of Hugh L. Carey Battery Park City Authority (the "Authority"), a component unit of the State of New York, as of and for the six-month periods ended April 30, 2012 and 2011 as listed in the accompanying table of contents. This interim financial information is the responsibility of the Authority's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3j, the Authority has restated its financial statements as of and for the six-month period ended April 30, 2011 during the current period to retroactively implement Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Our reviews were made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. The management's discussion and analysis on pages 2 through 19, are presented for purposes of additional analysis. Such information, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. The supplementary information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but it has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and accordingly, we do not express an opinion or provide any assurance on such supplementary information.

The supplementary information included on pages 60 through 69 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.



New York, NY  
September 10, 2012

# HUGH L. CAREY BATTERY PARK CITY AUTHORITY

(A Component Unit of the State of New York)

## Management's Discussion and Analysis

April 30, 2012 and 2011

### Overview

The following is an overview of the financial activities of Hugh L. Carey Battery Park City Authority (the "Authority") and the Battery Park City Parks Conservancy (the "Conservancy"), a blended component unit of the Authority, collectively referred to as the "Organization", for the six-month periods ended April 30, 2012, 2011 and 2010. The basic financial statements, which include the statements of net position, the statements of revenues, expenses, and changes in net assets (deficit), the statements of cash flows, and the notes to the financial statements, provide information about the Organization in accordance with accounting principles generally accepted in the United States of America. All transactions between the Authority and the Conservancy have been eliminated. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

### Comparison of 2012 to 2011 and 2011 to 2010

#### *Financial Highlights – 2012*

- The six-month period ended April 30, 2012 yielded total operating revenues of \$116.9 million, an increase of approximately of 2.5% or \$2.8 million compared to the six-month period ended April 30, 2011. Payment in Lieu of Taxes ("PILOT") revenue totaling approximately \$79.9 million (approximately 68% of the Authority's operating revenues for the six-month period ended April 30, 2012), increased \$3.4 million or 4.4% compared to the six-month period ended April 30, 2011. Base rent increased approximately \$314 thousand or 1.1% to \$29.8 million for the six-month period ended April 30, 2012. Civic facilities and other operating revenues decreased \$746 thousand or 10.3% to \$6.5 million for the six-month period ended April 30, 2012. Total operating expenses increased \$807 thousand or 4% to approximately \$20.8 million for the six-month period ended April 30, 2012.
- A provision for the transfer to The City of New York (the "City") of \$41.9 million in PILOT related to excess revenues was charged to expense for the six-month period ended April 30, 2012 (see note 12). Generally, the Authority's net position decreases with increases in the amount of excess revenues to be provided to the City, which has an adverse effect on the Authority's net position.
- Pursuant to the 2010 Agreement (see note 12), the Authority recorded a provision for the transfer of \$24.6 million for the six-month period ended April 30, 2012, as an expected payment to the City (HDC) 421-A fund.
- Approximately \$35.3 million remains in the Project Cost funds to be used for certain park, street, and other infrastructure improvements, the community center and other capital expenditures as of April 30, 2012 (see note 8).
- The Authority's 2003 Series B and C Junior Revenue Bonds (variable rate subordinate debt) auctions continued to fail (beginning on February 2008) in secondary markets. On any failed auction date, the reset rate is set at a percentage of the 30-day London InterBank Offered Rate ("LIBOR") based on the prevailing rating for the bond series. The rates applied to the 30-day LIBOR on the 2003 Series B and C Bonds are 175%, 200%, or 225% for bonds rated AAA/AAA/Aaa, AA/AA/Aa, and A/A/A, respectively, depending on the prevailing rating of the series of bonds outstanding. The reset rates on auctions that settled from November 1, 2011 through April 30, 2012 ranged from a low of 0.478% to a high of 0.592% on the 2003 Series B Bonds and from a low of 0.478% to a high of 0.592% on the 2003 Series C Bonds (see note 10).
- In June 2008, GASB issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments ("GASB No. 53"). GASB No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments for state and local governments. In accordance with GASB

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No. 53, effective for fiscal years beginning after June 15, 2009, the Authority evaluated the effectiveness of six interest rate exchange agreements ("Swaps"), determined the Swaps to be effective hedges and recorded the negative fair value of approximately \$98.3 million as of April 30, 2012 and retroactively recorded the negative fair value of approximately \$50.6 million and \$ 45.9 million at April 30, 2011 and 2010, respectively, as both an asset for the accumulated decrease in the fair value of the interest rate swap agreements and a liability for the fair value of the Swaps (see notes 3j and 10). Comparative summary schedules for prior fiscal years 2011 and 2010 have been restated to include the Swap valuations.

- In June 2011, GASB issued GASB No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 addresses the financial reporting for deferred outflows of resources, deferred inflows of resources, and net position. In accordance with GASB No. 63, beginning in the six-month period ended April 30, 2012, the Authority changed the format of the financial statements to comply with the new requirements and changed the Balance Sheets to Statements of Net Position, and the Statements of Revenues, Expenses, and Changes in Net Assets (Deficit) to the Statement of Revenues, Expenses, and Changes in Net Position (Deficit). In addition, the Authority is reporting the accumulated decrease in the fair value of interest rate swaps as a deferred outflow of Resources on the Statement of Net Position. The format of the financial statements for April 30, 2011, and 2010 have been changed accordingly for comparative purposes (see note 3j).

### ***Financial Highlights – 2011***

- The six-month period ended April 30, 2011 yielded total operating revenues of \$114.1 million, an increase of approximately 2% or \$2.6 million compared to the six-month period ended April 30, 2010. Payment in Lieu of Taxes ("PILOT") revenue totaling approximately \$76.5 million (approximately 67% of the Authority's operating revenues for the six-month period ended April 30, 2011), increased \$641 thousand or 1% compared to the six-month period ended April 30, 2010. Base rent increased approximately \$997 thousand or 3.5% to \$29.5 million for the six-month period ended April 30, 2011. Civic facilities and other operating revenues increased \$258 thousand or 3.7% from \$7 million for the six-month period ended April 30, 2010. Total operating expenses decreased \$7.4 million or 27% to approximately \$20 million for the six-month period ended April 30, 2011, primarily due to the initial recording of the Conservancy's OPEB obligation (see note 18) in the six-month period ending April 30, 2010.
- A provision for the transfer to the City of New York (the "City") of \$40.1 million in PILOT related excess revenues was charged to expense for the six-month period ended April 30, 2011 (see note 12). Generally, the Authority's net position decreases with increases in the amount of excess revenues to be provided to the City, which has an adverse effect on the Authority's net position.
- An amount of \$66.2 million was paid by the Authority to the State of New York (the "State") during the six-month period ended April 30, 2011. In May 2011, the City was paid \$66.2 million and the City Housing Development Corporation ("HDC") was paid \$38.2 million in June 2011, pursuant to the 2010 Agreement (see note 12), fulfilling the Authority's previously recorded obligations under the agreement for the period ended October 31, 2010. For the six-month period ended April 30, 2011, an additional amount of \$15.6 million was charged to expense as an expected payment to the HDC 421-A fund under the 2010 Agreement.
- Approximately \$57.1 million remains in the Project Cost funds to be used for certain park, street, and other infrastructure improvements, the community center and other capital expenditures as of April 30, 2011 (see note 8).

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## Management's Discussion and Analysis

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- The Authority's 2003 Series B and C Junior Revenue Bonds (variable rate subordinate debt) auctions continued to fail (beginning on February 2008) in secondary markets. On any failed auction date, the reset rate is set at a percentage of the 30-day London InterBank Offered Rate ("LIBOR") based on the prevailing rating for the bond series. The rates applied to the 30-day LIBOR on the 2003 Series B and C Bonds are 175%, 200%, or 225% for bonds rated AAA/AAA/Aaa, AA/AA/Aa, and A/A/A, respectively, depending on the prevailing rating of the series of bonds outstanding. The reset rates on auctions that settled from November 1, 2010 through April 30, 2011 ranged from a low of 0.420% to a high of 0.528% on the 2003 Series B Bonds and from a low of 0.422% to a high of 0.528% on the 2003 Series C Bonds (see note 10).
- In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB No. 53"). GASB No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments for state and local governments. In accordance with GASB No. 53, effective for fiscal years beginning after June 15, 2009, the Authority evaluated the effectiveness of six interest-rate exchange agreements ("Swaps"), determined the Swaps to be effective hedges and recorded the negative fair value of approximately \$50.6 million as of April 30, 2011 and retroactively recorded the negative fair value of approximately \$45.9 million and \$68.5 million at April 30, 2010 and 2009, respectively, as both an asset for the accumulated decrease in the fair value of the interest rate swap agreements and a liability for the fair value of the Swaps (see notes 3j and 10).

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## Management's Discussion and Analysis

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**Summary Statement of Net Position**

The summary statement of net position presents the financial position of the Organization. The net position (deficit) is the difference between total assets plus total deferred outflows of resources and total liabilities. A summarized comparison of the Organization's assets, deferred outflow of resources, liabilities, and net position (deficit) at April 30, 2012, 2011 and 2010 is as follows:

	<u>2012</u>	<u>April 30 2011 (Restated)</u>	<u>2010 (Restated)</u>	<u>2012 vs 2011</u>	<u>2011 vs 2010</u>
<b>Assets:</b>					
Bank deposits, investments and rents and other receivables	\$ 14,174,315	9,039,800	5,182,281	5,134,515	3,857,519
Bond resolution restricted assets (current and noncurrent)	386,074,364	386,617,285	545,056,171	(542,921)	(158,438,886)
Battery Park City project assets, net	489,138,376	477,128,491	464,948,666	12,009,885	12,179,825
Other current and noncurrent assets	144,622,984	268,073,309	163,656,315	(123,450,325)	104,416,994
Total assets	<u>\$ 1,034,010,039</u>	<u>1,140,858,885</u>	<u>1,178,843,433</u>	<u>(106,848,846)</u>	<u>(37,984,548)</u>
<b>Deferred Outflow of Resources:</b>					
Accumulated decrease in fair value of interest rate swaps	98,275,601	50,575,013	45,856,998	47,700,588	4,718,015
Total deferred outflow of Resources	<u>98,275,601</u>	<u>50,575,013</u>	<u>45,856,998</u>	<u>47,700,588</u>	<u>4,718,015</u>
Total assets and deferred outflow of resources	<u>1,132,285,640</u>	<u>1,191,433,898</u>	<u>1,224,700,431</u>	<u>(59,148,258)</u>	<u>(33,266,533)</u>
<b>Liabilities:</b>					
Current liabilities	\$ 279,359,534	361,150,256	403,936,712	(81,790,722)	(42,786,456)
Long-term liabilities	1,484,564,106	1,465,912,866	1,497,319,762	18,651,240	(31,406,896)
Total liabilities	<u>1,763,923,640</u>	<u>1,827,063,122</u>	<u>1,901,256,474</u>	<u>(63,139,482)</u>	<u>(74,193,352)</u>
<b>Net Position (deficit):</b>					
Invested in capital assets, net of related debt	10,726,640	11,860,467	10,962,302	(1,133,827)	898,165
Restricted	85,246,755	101,692,544	92,210,613	(16,445,789)	9,481,931
Unrestricted	(727,611,395)	(749,182,235)	(779,728,958)	21,570,840	30,546,723
Total net deficit	<u>(631,638,000)</u>	<u>(635,629,224)</u>	<u>(676,556,043)</u>	<u>3,991,224</u>	<u>40,926,819</u>
Total liabilities and net deficit	<u>\$ 1,132,285,640</u>	<u>1,191,433,898</u>	<u>1,224,700,431</u>	<u>(59,148,258)</u>	<u>(33,266,533)</u>

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## Management's Discussion and Analysis

April 30, 2012 and 2011

### **Assets**

#### ***2012 vs. 2011***

At April 30, 2012, the Organization maintained total assets of approximately \$1.03 billion; approximately \$106.8 million lower than total assets of \$1.14 billion at April 30, 2011.

#### ***2011 vs. 2010***

At April 30, 2011, the Organization maintained total assets of approximately \$1.14 billion; approximately \$38 million lower than total assets of \$1.18 billion at April 30, 2010.

### ***Bank Deposits, Investments, rents and other Receivables***

#### ***2012 vs. 2011***

Bank deposits, investments, and rents and other receivables held at April 30, 2012 increased by approximately \$5.1 million over the same period last year. Investments and bank deposits decreased by \$792 thousand, rents and other receivables increased by \$5.9 million, primarily due to the increase in amounts receivable from the City for Pier A restoration expenses of \$2.9 million and the increase in amounts due from Community Center operations and Goldman Sachs of \$1.4 million and \$1.5 million, respectively.

#### ***2011 vs. 2010***

Bank deposits, investments, and rents and other receivables held at April 30, 2011 increased by approximately \$3.9 million over the same period last year. Investments and bank deposits increased by \$1.2 million, rents and other receivables increased by \$2.7 million, primarily due to the increase in amounts receivable from the City for Pier A restoration expenses of \$3.1 million, offset by a decrease of \$401 thousand due to the receipt of an upfront payment from a lessee for the six-month period ended April 30, 2010.

### ***Bond Resolution Restricted Assets***

#### ***2012 vs. 2011***

Bond Resolution restricted assets are funds and accounts established in accordance with the 2003 and 2009 Revenue Bond resolutions. Such assets of approximately \$386.1 million at April 30, 2012 were \$543 thousand lower than the \$386.6 million of assets held at April 30, 2011 (see note 8). Funds held in the Pledged Revenue Fund ("PRF") at April 30, 2012 were approximately \$6.4 million more than funds held at April 30, 2011. In addition, at April 30, 2012, funds for the designated purposes of paying debt service and operating expenses were funded approximately \$1.2 million more and \$800 thousand less respectively, more than at April 30, 2011 due to timing differences and funding of debt service for the 2009 Revenue Bonds.

Funds held in the Residual Fund for payment to the City at April 30, 2012 were approximately \$14.3 million higher due to additional excess revenues generated for the fiscal period ended October 31, 2011 compared to 2010, coupled with interest earned on funds held (see note 8).

Funds held under the resolution for project infrastructure and certain other asset costs were \$35.3 million as of April 30, 2012, \$21.8 million less than April 30, 2011 as a result of capital funds used from the 2009 Revenue bond issue in December 2010 for project costs.

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## Management's Discussion and Analysis

April 30, 2012 and 2011

### 2011 vs. 2010

Bond Resolution restricted assets are funds and accounts established in accordance with the 2003 and 2009 Revenue Bond resolutions. Such assets of approximately \$386.6 million at April 30, 2011 were \$158.4 million lower than the \$545.1 million of assets held at April 30, 2010 (see note 8). Funds held in the Pledged Revenue Fund ("PRF") at April 30, 2011 were approximately \$203 million less than funds held at April 30, 2010 primarily attributable to a lump sum payment of ground rent in the amount of \$168.8 million received from Goldman Sachs Headquarters LLC ("Goldman") during the six-month period ended April 30, 2010. In addition, at April 30, 2011, funds for the designated purposes of paying debt service and operating expenses were funded approximately \$40 million and \$4 million, respectively, more than at April 30, 2010 due to timing differences and funding of debt service for the 2009 Revenue Bonds.

Funds held in the Residual Fund for payment to the City at April 30, 2011 were approximately \$19.7 million higher due to additional excess revenues generated for the fiscal period ended October 31, 2010 compared to 2009, coupled with interest earned on funds held (see note 8).

Funds held under the resolution for project infrastructure and certain other asset costs were \$57.1 million as of April 30, 2011, \$19.7 million less than April 30, 2010 as a result of capital funds used from the 2009 Revenue bond issue in December 2009 for project costs.

### Project Assets

At April 30, 2012, the Authority's investment in project assets, net of accumulated depreciation was approximately \$489 million, an increase of \$12 million over April 30, 2011. The Battery Park City project ("Project") consists of approximately 92 acres of landfill created, owned, and operated by the Authority. The Project's current plan of development includes approximately 35 acres of parkland and open spaces and provides for the construction, by private developers, of approximately 10.2 million square feet of office space, a 500,000-square-foot commodities trading facility, retail space, a marina, two hotels, a multiplex cinema, museums, three public schools, a public library, and approximately 8,600 residential units (see notes 2, 5, and 6). Each of these elements has been completed except for a total of 491 residential units in two residential buildings on Sites 23 and 24, which are near completion.

The Authority's project assets include land, site improvements, and a residential building constructed by the Authority on Site 22. Additionally, condominium units owned by the Authority in Sites 1, 3, 16/17 and a community center on Sites 23 and 24, and related infrastructure improvements are included in project assets. The balances at April 30, 2012, 2011, and 2010 are as follows:

	<u>April 30</u>			<u>2012 vs</u>	<u>2011 vs</u>
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 83,015,653	83,015,653	83,015,653	—	—
Site improvements	372,948,314	368,995,437	361,521,945	3,952,877	7,473,492
Residential building and condominium units	129,970,660	113,826,811	100,950,816	16,143,849	12,875,995
	585,934,627	565,837,901	545,488,414	20,096,726	20,349,487
Less accumulated depreciation	96,796,251	88,709,410	80,539,748	(8,086,841)	(8,169,662)
Total Battery Park City project assets	<u>\$ 489,138,376</u>	<u>477,128,491</u>	<u>464,948,666</u>	<u>12,009,885</u>	<u>12,179,825</u>

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Management's Discussion and Analysis

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**2012 vs. 2011**

At April 30, 2012, the increase to site improvements over April 30, 2011 of approximately \$4 million relates to improvements to infrastructure surrounding the Goldman building, park improvements in the north and south neighborhoods, the esplanade and restoration of piles, as well as other minor capital improvements.

The \$16.1 million increase in residential building and condominium units over April 30, 2011 primarily relates to the build out of a community center and ball field maintenance facility at Sites 23 and 24.

**2011 vs. 2010**

At April 30, 2011, the increase to site improvements over April 30, 2010 of approximately \$7.5 million relates to improvements to infrastructure surrounding the Goldman building, park improvements in the north and south neighborhoods, the esplanade and restoration of piles, as well as other minor capital improvements.

The \$12.9 million increase in residential building and condominium units over April 30, 2010 primarily relates to the build out of a community center and ball field maintenance facility at Sites 23 and 24.

**Other Current and Noncurrent Assets**

Other current and noncurrent assets at April 30, 2012, 2011, and 2010 are as follows:

	<b>April 30</b>			<b>2012 vs 2011</b>	<b>2011 vs 2010</b>
	<b>2012</b>	<b>2011 (Restated)</b>	<b>2010 (Restated)</b>		
Residential lease required funds	\$ 21,340,720	20,218,112	19,348,936	1,122,608	869,176
Corporate-designated, escrowed, and OPEB funds	79,169,011	202,293,487	96,127,688	(123,124,476)	106,165,799
Deferred costs, net:					
Bond issuance costs	35,298,975	36,836,982	38,372,206	(1,538,007)	(1,535,224)
Costs of leases	3,637,722	3,701,864	3,766,006	(64,142)	(64,142)
Total deferred costs, net	38,936,697	40,538,846	42,138,212	(1,602,149)	(1,599,366)
Other assets	5,176,556	5,022,864	6,041,479	153,692	(1,018,615)
Total other current and noncurrent assets	\$ 144,622,984	268,073,309	163,656,315	(123,450,325)	104,416,994

**2012 vs. 2011**

Total other current and noncurrent assets decreased approximately \$123.5 million from \$268.1 million at April 30, 2011 to \$144.6 million at April 30, 2012.

Residential lease required funds increased \$1.1 million from \$20.2 million at April 30, 2011 to \$21.3 million at April 30, 2012 and relate to security deposits received from ground lease tenants, primarily deposits from Site 3, Site D, and Site H/I of \$557 thousand, \$214 thousand and \$459 thousand, respectively, and returns of security deposits for Pier A of approximately \$125 thousand.

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Overall, corporate-designated, escrowed, and OPEB funds decreased approximately \$123.1 million from April 30, 2011 primarily due to excess revenues transferred from the Joint Purpose Fund. Approximately \$104.4 million of fiscal year 2011 excess revenues held in the Joint Purpose Fund was transferred to the City in accordance with the 2011 Agreement prior to the period ended April 30, 2012. A payment of \$20.6 million was made in February 2012 to the Port Authority of New York & New Jersey ("PANYNJ") from the Special Fund (see note 19c). In addition, deposits to OPEB funds of approximately \$2.2 million and interest earnings on funds were offset by approximately \$1.7 million in payments from corporate-designated funds for the reconstruction and repair of infrastructure.

Amortization of bond issuance costs decreased deferred costs by approximately \$1.5 million. Costs of leases decreased \$64 thousand and reflect the amortization expense for the period. Other assets increased by approximately \$153 thousand primarily due to depreciation and amortization offset by purchases of office improvements and computer equipment for the community center and ball field maintenance facility at Sites 23 and 24.

#### **2011 vs. 2010**

Total other current and noncurrent assets increased approximately \$104.4 million from \$163.6 million at April 30, 2010 to \$268.1 million at April 30, 2011.

Residential lease required funds increased \$869 thousand from \$19.3 million at April 30, 2010 to \$20.2 million at April 30, 2011 and relate to security deposits received from ground lease tenants, primarily additional deposits from the tenant of Pier A.

Overall, corporate-designated, escrowed, and OPEB funds increased approximately \$106.2 million from April 30, 2010 primarily due to excess revenues transferred to the Joint Purpose Fund. Approximately \$170.6 million of fiscal year 2010 excess revenues held in the Pledged Revenue Fund was transferred into the Joint Purpose Fund and \$66.2 was transferred to the State in accordance with the 2010 Agreement prior to the period ended April 30, 2011 resulting in a net increase to the Joint Purpose Fund of approximately \$104.5 million. In addition, increased deposits to OPEB funds of approximately \$3 million and interest earnings on funds were offset by approximately \$1.7 million in payments from corporate-designated funds for the construction of the public library (see note 5).

Amortization of bond issuance costs decreased deferred costs by approximately \$1.5 million. Costs of leases decreased \$64 thousand and reflect the amortization expense for the period. Other assets decreased by approximately \$1 million primarily due to depreciation and amortization offset by purchases of office improvements and computer equipment.

#### ***Deferred Outflow of Resources***

##### **2012 vs. 2011**

In June 2011, GASB issued GASB No.63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 addresses the financial reporting for deferred outflows of resources and deferred inflows of resources. In accordance with GASB No. 63, beginning with the period ended April 30, 2012, the Authority changed the format of the financial statements to comply with the new requirements which change the Balance Sheets to Statements of Net Position, and the Statements of Revenues, Expenses, and Changes in Net Assets (Deficit) to the Statement of Revenues, Expenses, and Changes in Net Position (Deficit). In addition, the Authority is reporting the accumulated decrease in the fair value of interest rate swaps as a deferred outflow of resources on the Statement of Net Position. The Authority changed the format

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Management's Discussion and Analysis

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of the financial statements for April 30, 2011; 2010 has been changed accordingly for comparative purposes (see note 3j).

In June 2008, GASB issued GASB No. 53. GASB No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments for state and local governments. In accordance with GASB No. 53, effective for fiscal years beginning after June 15, 2009, the Authority evaluated the effectiveness of six Swaps, determined the Swaps to be effective hedges and recorded the negative fair value of approximately \$98.3 million as of April 30, 2012 and retroactively recorded the negative fair value of approximately \$50.6 million and \$45.9 million at April 30, 2011, and 2010, respectively, as both an asset (now reported as a deferred outflow of resources) for the accumulated decrease in the fair value of the interest rate swap agreements and a liability for the fair value of the Swaps (see notes 3j and 10). The increase in the negative fair value from April 30, 2011 to April 30, 2012 is \$47.7 million.

***2011 vs. 2010***

In June 2008, GASB issued GASB No. 53. GASB No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments for state and local governments. In accordance with GASB No. 53, effective for fiscal years beginning after June 15, 2009, the Authority evaluated the effectiveness of six Swaps, determined the Swaps to be effective hedges and recorded the negative fair value of approximately \$50.6 million as of April 30, 2011 and retroactively recorded the negative fair value of approximately \$45.9 million and \$68.5 million at April 30, 2010 and 2009, respectively, as both an asset (now reported as a deferred outflow of resources) for the accumulated decrease in the fair value of the interest rate swap agreements and a liability for the fair value of the Swaps (see notes 3j and 10). The increase in the negative fair value from April 30, 2010 to April 30, 2011 is \$4.7 million.

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**Liabilities**

Total liabilities at April 30, 2012, 2011 and 2010 are as follows:

	<u>April 30</u>			<u>2012 vs 2011</u>	<u>2011 vs 2010</u>
	<u>2012</u>	<u>2011</u>	<u>2010 (Restated)</u>		
Current liabilities:					
Accrued interest on bonds	\$ 18,162,829	18,552,684	18,209,399	(389,855)	343,285
Accounts payable and other liabilities	9,025,210	12,589,940	12,199,119	(3,564,730)	390,821
Due to the City of New York	129,483,298	150,265,459	145,821,314	(20,782,161)	4,444,145
Due to the City of New York -2010 Agreement	61,657,016	119,988,247	99,628,496	(58,331,231)	20,359,751
Due to the State of New York -2010 Agreement	—	—	66,175,000	—	(66,175,000)
Due to Port Authority of NY & NJ	18,351	—	—	18,351	—
Deferred revenue	40,154,555	39,539,884	40,754,003	614,671	(1,214,119)
Security and other deposits	88,275	134,042	1,809,381	(45,767)	(1,675,339)
2003 Revenue Bonds	20,655,000	19,825,000	19,095,000	830,000	730,000
2009 Revenue Bonds	115,000	255,000	245,000	(140,000)	10,000
Total current liabilities	<u>279,359,534</u>	<u>361,150,256</u>	<u>403,936,712</u>	<u>(81,790,722)</u>	<u>(42,786,456)</u>
Noncurrent liabilities:					
Deferred revenue	310,275,128	322,142,674	341,001,524	(11,867,546)	(18,858,850)
Security and other deposits	21,846,456	20,729,434	20,213,388	1,117,022	516,046
Other post employment benefits - Authority	18,019,312	17,248,085	16,445,766	771,227	802,319
Other post employment benefits - Conservancy	9,370,459	8,200,291	7,234,496	1,170,168	965,795
Fair value of interest rate swaps	98,275,601	50,575,013	45,856,998	47,700,588	4,718,015
Bonds outstanding:					
2003 Revenue Bonds	962,370,964	984,199,702	1,005,198,440	(21,828,738)	(20,998,738)
2009 Revenue Bonds	88,259,365	88,447,213	88,775,062	(187,848)	(327,849)
Unamortized loss on extinguishment	(23,853,179)	(25,629,546)	(27,405,912)	1,776,367	1,776,366
Total noncurrent liabilities	<u>1,484,564,106</u>	<u>1,465,912,866</u>	<u>1,497,319,762</u>	<u>18,651,240</u>	<u>(31,406,896)</u>
Total liabilities	<u>\$ 1,763,923,640</u>	<u>1,827,063,122</u>	<u>1,901,256,474</u>	<u>(63,139,482)</u>	<u>(74,193,352)</u>

**2012 vs. 2011**

The Organization's total liabilities decreased approximately \$63.1 million from \$1.83 billion at April 30, 2011 to \$1.76 billion at April 30, 2012.

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

The \$63.1 million decrease in total liabilities is due to:

- a \$390 thousand decrease in accrued interest payable on bonds from \$18.6 million at April 30, 2011 to \$18.2 million at April 30, 2012 resulting from the accrued interest on the 2009 Revenue Bonds for a full six-month period. This decrease was offset by slightly higher interest rates paid on the Authority's variable debt (see note 10). The reset rate for failed auction rate securities is based on a percentage of 30-day LIBOR which averaged .25% during the six-month period ended April 30, 2011, but averaged .26% during the six-month period ended April 30, 2012.
- a \$3.6 million decrease in accounts payable and other liabilities from \$12.6 million at April 30, 2011 to \$9 million at April 30, 2012, primarily due to a decrease in amounts due to vendors of \$1.6 million and the decrease in the Goldman PILOT credit of \$2.3 million (see note 14).

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- the liability due to the City totaling \$129.5 million includes a \$41.9 million provision recorded for the period ended April 30, 2012 representing approximately half of the estimated fiscal 2012 PILOT related excess revenues to be transferred to the City and \$87.6 million generated from the previous fiscal year ended October 31, 2011 which was not paid as of April 30, 2012. The \$129.5 million due to the City was \$20.8 million lower compared to the amount due at April 30, 2011 (see note 12).
- the liability due to the City under the 2010 Agreement includes a \$24.6 million provision recorded for the period ended April 30, 2012 representing approximately half of the estimated fiscal 2012 amount expected payable under the 2010 Agreement and approximately \$37.1 million from the previous fiscal year ended October 31, 2011 which was not paid as of April 30, 2012. The \$61.7 million due to the City under the 2010 Agreement was \$58.3 million lower compared to the amount due at April 30, 2011.
- the negative fair value of the Swaps were \$98.3 million and \$50.6 million as of April 30, 2012 and April 30, 2011, respectively. The liability for the accumulated decrease in the fair value of the interest rate swap agreements. from year over year increased by \$ 47.7 million.
- a \$11.3 million decrease in deferred revenue from \$361.7 million at April 30, 2011 primarily due to revenue recognized on leases such as site 26 (\$2.7 million), sites 23 & 24 (\$2.3 million) and site 16/17 (\$2.4 million) as well as other upfront lease payments received during prior years. (see note 3(d)).
- a \$1.1 million increase in security and other deposits to \$21.9 million at April 30, 2012 relating to the security deposits received from Site 3, Site D, and Site H/I of approximately \$536 thousand, \$215 thousand, and \$459 thousand, respectively, offset by the use of funds from prior deposits for the public library of \$46 thousand and the return of Pier A Security deposits of approximately \$75 thousand.
- a net \$771 thousand increase in other post employment benefits for the Authority relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits paid. In accordance with GASB Statement No. 45 (see note 3(i)), a \$18 million net accrued postretirement medical benefit liability for all eligible current and retired employees is reported as of April 30, 2012. The annual required OPEB obligation is increased by normal costs for current employees and interest expense and offset by an amortization credit and the actual cost of retiree benefits paid during the period (see note 17).
- a \$1.2 million increase in other post employment benefits for the Conservancy relating to the annual normal cost incurred for current employees and interest expense. In accordance with GASB Statement No. 45 (see note 3(i)), a \$9.4 million net accrued postretirement medical benefit liability for all eligible current and retired employees is reported as of April 30, 2012. The annual required OPEB obligation is increased by normal costs for current employees and interest expense (see note 18).
- a \$21 million decrease in 2003 Revenue outstanding relating to a payment of principal of \$19.8 million and a \$1.2 million decrease due to the amortization of the net bond premium. (see note 15).
- a \$328 thousand decrease in 2009 Revenue Bonds outstanding relating to the payment of principal of \$255 thousand and a \$73 thousand decrease due to the amortization of the net bond premium (see note 15).

#### **2011 vs. 2010**

The Organization's total liabilities decreased approximately \$74.2 million from \$1.90 billion at April 30, 2010 to \$1.83 billion at April 30, 2011.

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

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The \$74.2 million decrease in total liabilities is due to:

- a \$343 thousand increase in accrued interest payable on bonds from \$18.2 million at April 30, 2010 to \$18.6 million at April 30, 2011 resulting from the accrued interest on the 2009 Revenue Bonds for a full six-month period. This increase was offset by lower interest rates paid on the Authority's variable debt (see note 10). The reset rate for failed auction rate securities is based on a percentage of 30-day LIBOR which averaged .25% during the six-month period ended April 30, 2010, but averaged .24% during the six-month period ended April 30, 2011.
- a \$391 thousand increase in accounts payable and other liabilities from \$12.2 million at April 30, 2010 to \$12.6 million at April 30, 2011, primarily due to an increase of amounts due to vendors of \$2.1 million offset by the decrease in the Goldman PILOT credit of \$1.3 million (see note 14).
- the liability due to the City totaling \$150.3 million includes a \$40 million provision recorded for the period ended April 30, 2011 representing approximately half of the estimated fiscal 2011 PILOT related excess revenues to be transferred to the City and \$110.2 million generated from the previous fiscal year ended October 31, 2010 which was not paid as of April 30, 2011. The \$150.3 million due to the City was \$4.4 million higher compared to the amount due at April 30, 2010 (see note 12).
- the amounts due to the City and State under the 2010 Agreement for the period ended April 30 2011 are approximately \$120 million due to the City and no amount due to the State. The balance of the amount due to the State of \$66.2 million was paid in March 2010 satisfying all amounts due to the State under the 2010 Agreement. The liability to the City includes \$104.4 million charged to operations as a provision for the fiscal year ended October 31, 2010. Payments were made to the City 421-A fund to satisfy the \$104.4 liability of \$66.2 million and \$38.2 million in May and June of 2011, respectively. In addition, a provision in the amount of \$15.6 million was charged to operations for the period ended April 30, 2011 as half the estimated expected payment under the 2010 Agreement to the City 421-A fund for fiscal year 2011.
- the Authority evaluated the effectiveness of the Swaps, determined the Swaps to be effective and recorded the negative fair value of approximately \$50.6 million at April 30, 2011 and negative \$45.9 million as of April 30, 2010, as a liability for the accumulated decrease in the fair value of the interest rate swap agreements. The change from year over year increased the negative fair value of swaps by \$4.7 million.
- a \$20.1 million decrease in deferred revenue due to revenue recognition of upfront lease payments received during prior periods including a one-time revenue recognition of accrued deferred revenues from Site 1 at fiscal year ended October 31, 2010 (see note 3(d)).
- a \$1.2 million decrease in security and other deposits to \$20.9 million at April 30, 2011 relating to the use of funds from prior deposits received for the public library of approximately \$1.7 million offset by security deposits received from Site 3 of approximately \$565 thousand.
- a net \$802 thousand increase in other post employment benefits for the Authority relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits paid. In accordance with GASB Statement No. 45 (see note 3(i)), a \$17.2 million net accrued postretirement medical benefit liability for all eligible current and retired employees is reported as of April 30, 2011. The annual required OPEB obligation is increased by normal costs for current employees and interest expense and offset by an amortization credit and the actual cost of retiree benefits paid during the period (see note 17).
- a \$966 thousand increase in other post employment benefits for the Conservancy relating to the annual normal cost incurred for current employees and interest expense. In accordance with GASB Statement

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No. 45 (see note 3(i)), a \$8.2 million net accrued postretirement medical benefit liability for all eligible current and retired employees is reported as of April 30, 2011. The annual required OPEB obligation is increased by normal costs for current employees and interest expense (see note 18).

- a \$19.6 million decrease in bonds outstanding is primarily due to \$19.1 million in principal payments on the 2003 Series A and Series C bonds in November 2010 and the amortization of \$1.2 million of the net bond premiums, offset by a \$1.8 million decrease relating to the amortization of the loss on extinguishment of debt. The loss is being amortized over the maturity period of the retired debt. On October 16, 2003, the Authority issued \$1.07 billion for the 2003 Revenue Bonds. Principal payments on these debt obligations began November 2008. Principal payments on the 2009 Revenue Bonds obligations are set to begin in November 2011.

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

##### ***2012 vs. 2011***

The net deficits at April 30, 2012 and 2011 were \$632 million and \$636 million, respectively. The net position of assets invested in capital assets, net of related debt, was \$10.7 million and \$11.9 million at April 30, 2012 and 2011, 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 \$85.2 million and \$101.7 million of restricted net assets at April 30, 2012 and 2011, respectively, represent resources that are subject to various external restrictions on how they may be used. These assets are generally restricted under bond resolutions and other agreements and for debt service. The remaining balance is classified as an unrestricted deficit totaling approximately \$727 million at April 30, 2012 resulting primarily from debt issued for noncapital purposes of approximately \$545 million, and upfront lease payments and deferred PILOT revenue, which are transferred to the City annually or held in the Joint Purpose Fund as restricted assets.

The change in total net position from April 30, 2011 represents a positive change in the deficit position of approximately \$4 million from \$635.6 million at April 30, 2011 to \$631.6 million at April 30, 2012.

##### ***2011 vs. 2010***

The net deficits at April 30, 2011 and 2010 were \$635.6 million and \$676.6 million, respectively. The net position of assets invested in capital assets, net of related debt, was \$11.9 million and \$11 million at April 30, 2011 and 2010, respectively. Although investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets cannot be used to liquidate these liabilities. The Organization's \$101.7 million and \$92.2 million of restricted net assets at April 30, 2011 and 2010, respectively, represent resources that are subject to various external restrictions on how they may be used. These assets are generally restricted under bond resolutions and other agreements and for debt service. The remaining balance is classified as an unrestricted deficit totaling approximately \$749.2 million at April 30, 2011 resulting primarily from debt issued for noncapital purposes of approximately \$545 million, and upfront lease payments and deferred PILOT revenue, which are transferred to the City annually or held in the Joint Purpose Fund as restricted assets.

The change in total net position from April 30, 2010 represents a positive change in the deficit position of approximately \$40.9 million from \$676.6 million at April 30, 2010 to \$635.6 million at April 30, 2011.

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

Below is a summary of the Organization's revenues, expenses, and changes in net deficit for the six-month periods ended April 30, 2012, 2011, and 2010:

	<u>April 30</u>			<u>2012 vs</u>	<u>2011 vs</u>
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Operating revenues:					
Revenues from ground leases:					
Base rent	\$ 29,766,254	29,452,557	28,455,266	313,697	997,291
Supplemental rent	801,879	917,312	242,713	(115,433)	674,599
Payments in lieu of real estate taxes (PILOT)	79,859,277	76,498,464	75,857,613	3,360,813	640,851
Civic facilities payments and other	6,475,754	7,222,026	6,964,143	(746,272)	257,883
Total operating revenues	<u>116,903,164</u>	<u>114,090,359</u>	<u>111,519,735</u>	<u>2,812,805</u>	<u>2,570,624</u>
Operating expenses:					
Wages and related benefits	7,041,659	6,930,453	6,971,465	111,206	(41,012)
OPEB - The Authority	610,412	573,084	537,327	37,328	35,757
OPEB - The Conservancy	612,495	569,352	7,234,496	43,143	(6,665,144)
Other operating and administrative expenses	7,255,488	6,620,708	8,061,009	634,780	(1,440,301)
Depreciation and amortization	5,255,002	5,274,464	4,560,014	(19,462)	714,450
Total operating expenses	<u>20,775,056</u>	<u>19,968,061</u>	<u>27,364,311</u>	<u>806,995</u>	<u>(7,396,250)</u>
Operating income	<u>96,128,108</u>	<u>94,122,298</u>	<u>84,155,424</u>	<u>2,005,810</u>	<u>9,966,874</u>
Nonoperating revenues (expenses):					
Investment and other income	3,037,541	(76,228)	2,844,351	3,113,769	(2,920,579)
Other revenue	—	514,015	18,258	(514,015)	495,757
Interest expense, net	(19,147,181)	(19,545,893)	(19,309,999)	398,712	(235,894)
Provision for transfer to the City of New York	(41,859,513)	(40,050,010)	(55,284,313)	(1,809,503)	15,234,303
Provision for transfer to the City of New York - 2010 Agreement	(24,642,329)	(15,575,004)	(233,453,497)	(9,067,325)	217,878,493
Provision for transfer to the State of New York - 2010 Agreement	—	—	(200,000,000)	—	200,000,000
Total nonoperating expenses, net	<u>(82,611,482)</u>	<u>(74,733,120)</u>	<u>(505,185,200)</u>	<u>(7,878,362)</u>	<u>430,452,080</u>
Change in net position	13,516,626	19,389,178	(421,029,776)	(5,872,552)	440,418,954
Net deficit, beginning of period	<u>(645,154,626)</u>	<u>(655,018,402)</u>	<u>(255,526,267)</u>	<u>9,863,776</u>	<u>(399,492,135)</u>
Net deficit, ending of period	<u>\$ (631,638,000)</u>	<u>(635,629,224)</u>	<u>(676,556,043)</u>	<u>3,991,224</u>	<u>40,926,819</u>

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### **Operating Revenue**

#### ***2012 vs. 2011***

Overall operating revenues for the six-month period ended April 30, 2012 totaled \$116.9 million, approximately \$2.8 million higher than the six-month period ended April 30, 2011, \$114.1 million. Lease revenues consist primarily of base (land) rent and PILOT from long-term leaseholds.

Base rent increased \$314 thousand from \$29.5 million for the six-month period ended April 30, 2011. PILOT revenue totaling approximately \$79.9 million (approximately 68% of the total operating revenues for the six-month period ended April 30, 2012), increased by \$3.4 million over the six-month period ended April 30, 2011 and relates to increased PILOT revenue recognized in the current period due to reduced PILOT credits on sites recently completed coupled with assessed value increases and tax rate increases for commercial and residential sites effective July 2011. The change in civic facility payments and other is a \$746 thousand decrease from \$7.2 million for the six-month period ended April 30, 2011 to \$6.5 million in April 30, 2012.

#### ***2011 vs. 2010***

Overall operating revenues for the six-month period ended April 30, 2011 totaled \$114.1 million, approximately \$2.6 million higher than the six-month period ended April 30, 2010, \$111.5 million. Lease revenues consist primarily of base (land) rent and PILOT from long-term leaseholds.

Base rent increased \$997 thousand from \$28.5 million for the six-month period ended April 30, 2010. PILOT revenue totaling approximately \$76.5 million (approximately 67% of the total operating revenues for the six-month period ended April 30, 2011), increased by \$641 thousand over the six-month period ended April 30, 2010 and relates to increased PILOT revenue recognized in the current period on sites recently completed coupled with assessed value increases and tax rate increases for commercial and residential sites effective July 2010. The change in civic facility payments and other is a \$258 thousand increase from \$7 million for the six-month period ended April 30, 2010 to \$7.2 million in April 30, 2011.

### **Operating Expenses**

#### ***2012 vs. 2011***

Operating expenses totaled approximately \$20.8 million for the six-month period ended April 30, 2012, representing a \$807 thousand increase compared to the six-month period ended April 30, 2011. The expenses include: wages and related benefits; other postemployment benefits; operating and administrative expenses such as security, insurance, rent, maintenance, transportation, legal, financial, and promotional; planning/design expenditures; and depreciation and amortization.

Wages and related benefits totaling \$7 million were \$111 thousand higher than the prior six-month period ended April 30, 2011.

OPEB expenses for the Authority increased for the six-month period ended April 30, 2012 by \$37 thousand. This was due to the higher normal and interest costs offset by an ARC amortization credit determined by the triennial valuation. OPEB costs represent a pro rata share of annual interest and normal costs for postemployment medical benefits for all eligible current employees in accordance with GASB Statement No. 45 (see note 17).

The Conservancy recognized the normal and interest costs of approximately \$612 thousand for the plan for the six-month period ended April 30, 2012 (see note 18) which was approximately \$43 thousand higher than the OPEB expenses for the six-month period ended April 30, 2011.

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Other operating and administrative expenses increased by approximately \$635 thousand.

Depreciation and amortization expenses recorded for the six-month period ended April 30, 2012 of \$5.26 million was \$19 thousand lower than the six-month period ended April 30, 2011.

#### **2011 vs. 2010**

Operating expenses totaled approximately \$20 million for the six-month period ended April 30, 2011, representing a \$7.4 million decrease compared to the six-month period ended April 30, 2010 primarily due to the initial recording of the Conservancy's OPEB obligation (see note 18) in the six-month period ended April 30, 2011. The expenses include: wages and related benefits; other postemployment benefits; operating and administrative expenses such as security, insurance, rent, maintenance, transportation, legal, financial, and promotional; planning/design expenditures; and depreciation and amortization.

Wages and related benefits totaling \$6.9 million were commensurate with the prior six-month period ended April 30, 2010.

OPEB expenses for the Authority increased for the six-month period ended April 30, 2011 by \$36 thousand. This was due to the higher normal and interest costs offset by an ARC amortization credit determined by the new triennial valuation report. OPEB costs represent a pro rata share of annual interest and normal costs for postemployment medical benefits for all eligible current employees in accordance with GASB Statement No. 45 (see note 17).

The Conservancy recognized the normal and interest costs of approximately \$569 thousand for the plan for the six-month period ended April 30, 2011 (see note 18) which was approximately \$6.8 million lower than the OPEB expenses for the six-month period ended April 30, 2010 due to the to the initial recording of the Conservancy's OPEB obligation during the six-month period ended April 30, 2010.

Other operating and administrative expenses decreased approximately \$1.4 million.

Depreciation and amortization expenses recorded for the six-month period ended April 30, 2011 of \$5.28 million was \$714 thousand higher than the six-month period ended April 30, 2010.

#### **Nonoperating Revenues (Expenses)**

##### **2012 vs. 2011**

Total nonoperating expenses, net, were approximately \$7.9 million higher for the six-month period ended April 30, 2012 than the six-month period ended April 30, 2011. A provision for a transfer to the City of \$41.9 million in excess revenues was charged to expense for the six-month period ended April 30, 2012, an increase of approximately \$1.8 million from the six-month period ended April 30, 2011. In addition, a provision for transfer to the City for a 421-A affordable housing fund of \$24.6 million was charged to expense for the six month period ended April 30, 2012, an increase of approximately 9.1 million from the six-month period ended April 30, 2011.

Investment and other income increased by \$3.1 million primarily due to higher interest rates, the reduction in balances held and the composition of assets held during the six-month period ended April 30, 2012 compared to 2011. Other revenue decreased \$514 thousand. Net interest expense related to outstanding bonds decreased \$399 thousand compared to the six-month period ended April 30, 2011.

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## Management's Discussion and Analysis

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### 2011 vs. 2010

Total nonoperating expenses, net, were approximately \$430.5 million lower for the six-month period ended April 30, 2011 than the six-month period ended April 30, 2010. A provision for a transfer to the City of \$40.1 million in excess revenues was charged to expense for the six-month period ended April 30, 2011, a decrease of approximately \$15.2 million from the six-month period ended April 30, 2010. In addition, provisions of \$200 million each for the City and State were incurred per the 2010 Agreement during the six-month period ended April 30, 2010. Also pursuant to the 2010 Agreement, a provision for transfer to the City for a 421-A affordable housing fund in the amount \$15.6 million was charged to expense for the six-month period ended April 30, 2011 (see note 12). Investment and other income decreased by \$2.9 million primarily due to lower interest rates, the reduction in balances held and the composition of assets held during the six-month period ended April 30, 2011 compared to 2010. Other revenue increased \$496 thousand and primarily relates to the closeout of a contract and a construction delay claim settlement. Net interest expense related to outstanding bonds increased \$236 thousand compared to the six-month period ended April 30, 2010 and relates to a full six-month period of interest on the 2009 revenue bonds for the period ended April 30, 2011.

### Change in Net Position

The total net deficit at April 30, 2012 and 2011 was \$631.6 million and \$635.6 million, respectively.

The total net deficit at April 30, 2011 and 2010 was \$635.6 million and \$676.6 million, respectively.

### Other Information

**Debt Administration** – The 2003 Revenue Bonds, issued in October 2003, \$1.07 billion, included \$433 million (including a net premium) of senior lien and \$635 million of junior lien debt obligations. At April 30, 2012, the Authority was responsible for debt service on the 2003 Revenue Bonds of \$983Million:

	<u>Outstanding debt</u>	<u>Fitch</u>	<u>Moody's</u>	<u>Standard &amp; Poor's (S&amp;P)</u>
2003 Series Senior A Bonds	\$ 367,750,964	AAA	Aaa	AAA
2003 Series Junior B Bonds *	235,000,000	AA	Aa3	AAA
2003 Series Junior C Bonds *	380,275,000	AA	Aa3	AA+

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

The 2009 Revenue Bonds issued in December 2009, \$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 April 30, 2012, the Authority was responsible for debt service on the 2009 Revenue Bonds of \$88.4 million:

	<u>Outstanding debt</u>	<u>Fitch</u>	<u>Moody's</u>	<u>Standard &amp; Poor's (S&amp;P)</u>
2009 Senior Revenue A Bonds	\$ 56,600,000	AAA	Aaa	Not rated
2009 Senior Revenue B Bonds	31,774,365	AAA	Aaa	Not rated

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***Requests for Information*** – This financial report is designed to provide a general overview of the Organization's finances for all persons with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Vice President, Community Relations/Press, One World Financial Center, 24th Floor, New York, NY 10281. The Authority's Web site is: [www.batteryparkcity.org](http://www.batteryparkcity.org).

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Statements of Net Position

April 30, 2012 and 2011

<b>Assets</b>	<b>2012</b>	<b>2011 (Restated)</b>
Current assets:		
Bank deposits	\$ 398,007	403,470
Investments (note 3(e))	554,046	1,340,351
Restricted assets:		
Rents and other receivables (net of allowance for doubtful accounts of \$444,185 in 2012 and \$252,265 in 2011) (note 13)	13,222,262	7,295,979
2003 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 10)	264,350,356	241,494,400
2009 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 11)	2,635,153	2,775,153
Corporate-designated and escrowed funds (note 3(e))	6,009,107	131,255,534
Total current assets	<u>287,168,931</u>	<u>384,564,887</u>
Noncurrent assets:		
Restricted assets:		
2003 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 10)	86,408,682	88,062,350
2009 Revenue Bond Resolution Funds (notes 3(e), 8, 9, and 11)	32,680,173	54,285,382
Residential lease required funds (note 3(e))	21,340,720	20,218,112
Corporate-designated, escrowed, and OPEB funds (note 3(e), 17 and 18)	73,159,904	71,037,953
Deferred costs (note 3(g)):		
Bond issuance costs, less accumulated amortization of \$18,123,320 in 2012 and \$16,585,313 in 2011	35,298,975	36,836,982
Costs of leases, less accumulated amortization of \$1,041,804 in 2012 and \$977,662 in 2011	3,637,722	3,701,864
Battery Park City project assets – at cost, less accumulated depreciation (notes 2, 3(c), and 4)	489,138,376	477,128,491
Other assets	5,176,556	5,022,864
Total noncurrent assets	<u>746,841,108</u>	<u>756,293,998</u>
Total assets	<u>1,034,010,039</u>	<u>1,140,858,885</u>
<b>Deferred Outflow of Resources</b>		
Accumulated decrease in fair value of interest rate swaps	98,275,601	50,575,013
Total deferred outflows of resources	<u>98,275,601</u>	<u>50,575,013</u>
Total assets and deferred outflow of resources	<u>\$ 1,132,285,640</u>	<u>1,191,433,898</u>

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

Statements of Net Position

April 30, 2012 and 2011

<b>Liabilities and Net Position</b>	<b>2012</b>	<b>2011 (Restated)</b>
<b>Current liabilities:</b>		
Accrued interest on bonds	\$ 18,162,829	18,552,684
Accounts payable and other liabilities (note 14)	9,025,210	12,589,940
Due to the City of New York (note 12)	129,483,298	150,265,459
Due to the City of New York - 2010 Agreement (note 12)	61,657,016	119,988,247
Due to the Port Authority of New York & New Jersey (Note 19(f))	18,351	—
Deferred revenue (note 3(d)):		
PILOT revenue	26,742,675	25,410,882
Base rent and other revenue	13,411,880	14,129,002
Security and other deposits	88,275	134,042
2003 Revenue Bonds (notes 8, 9, and 10)	20,655,000	19,825,000
2009 Revenue Bonds (notes 8, 9, and 11)	115,000	255,000
Total current liabilities	279,359,534	361,150,256
<b>Noncurrent liabilities:</b>		
Deferred revenue (note 3(d)):		
Base rent and other revenue	310,275,128	322,142,674
Security and other deposits	21,846,456	20,729,434
OPEB - Battery Park City Authority (note 17)	18,019,312	17,248,085
OPEB - Battery Park City Parks Conservancy (note 18)	9,370,459	8,200,291
Fair value of interest rate swaps	98,275,601	50,575,013
Bonds outstanding (notes 8, 9, 10 and 11):		
2003 Revenue Bonds, less accumulated amortization of \$10,025,008 in 2012 and \$8,851,270 in 2011	962,370,964	984,199,702
2009 Revenue Bonds, less accumulated amortization of \$171,642 in 2012 and \$98,794 in 2011	88,259,365	88,447,213
Unamortized loss on extinguishment of 1993, 1996, and 2000 bonds	(23,853,179)	(25,629,546)
Total noncurrent liabilities	1,484,564,106	1,465,912,866
Total liabilities	1,763,923,640	1,827,063,122
<b>Net position (deficit) (note 3(f)):</b>		
Invested in capital assets, net of related debt	10,726,640	11,860,467
Restricted:		
Debt service	84,731,183	83,920,686
Under bond resolutions and other agreements	515,572	17,771,858
Unrestricted deficit	(727,611,395)	(749,182,235)
Total net position (deficit)	(631,638,000)	(635,629,224)
Total liabilities and net position (deficit)	\$ 1,132,285,640	1,191,433,898

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

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

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

Six-month periods ended April 30, 2012 and 2011

	<b>2012</b>	<b>2011</b>
Operating revenues:		
Revenues from ground leases (notes 5, 6, and 7):		
Base rent	\$ 29,766,254	29,452,557
Supplemental rent	801,879	917,312
Payments in lieu of real estate taxes	79,859,277	76,498,464
Civic facilities payments and other	6,475,754	7,222,026
Total operating revenues	116,903,164	114,090,359
Operating expenses:		
Wages and related benefits	7,041,659	6,930,453
OPEB - The Authority (note 17)	610,412	573,084
OPEB - The Conservancy (note 18)	612,495	569,352
Other operating and administrative expenses	7,255,488	6,620,708
Depreciation of project assets	4,074,630	3,849,086
Other depreciation and amortization	1,180,372	1,425,378
Total operating expenses	20,775,056	19,968,061
Operating income	96,128,108	94,122,298
Nonoperating revenues (expenses):		
Investment income on funds relating to:		
2003 Revenue Bonds (note 10)	1,244,688	1,244,993
2009 Revenue Bonds (note 11)	218,233	473,183
Corporate-designated, escrowed, and OPEB funds	1,077,638	1,233,552
Realized and unrealized gains and losses	496,982	(3,027,956)
Other revenue	—	514,015
Interest expense relating to:		
2003 Swap agreements – net interest expense	(6,238,411)	(6,332,649)
2003 Revenue Bonds (note 10)	(10,170,852)	(10,472,776)
2009 Revenue Bonds (note 11)	(1,849,734)	(1,852,285)
Loss from extinguishment	(888,184)	(888,183)
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts (note 12)	(41,859,513)	(40,050,010)
Provision for transfer to the City of New York per 2010 Agreement (note 12)	(24,642,329)	(15,575,004)
Total nonoperating expenses	(82,611,482)	(74,733,120)
Change in net position	13,516,626	19,389,178
Net deficit, beginning of period	(645,154,626)	(655,018,402)
Net deficit, end of period	\$ (631,638,000)	(635,629,224)

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

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

Statements of Cash Flows

Six-month periods ended April 30, 2012 and 2011

	<b>2012</b>	<b>2011</b>
Cash flows from operating activities:		
Cash receipts from:		
Tenant payments	\$ 108,870,310	105,297,315
Miscellaneous receipts	814,600	724,940
Total cash receipts from operating activities	109,684,910	106,022,255
Cash payments for:		
Salaries and benefits	(7,364,324)	(7,175,979)
Services and supplies	(5,489,814)	(3,814,086)
Total cash payments for operating activities	(12,854,138)	(10,990,065)
Net cash provided by operating activities	96,830,772	95,032,190
Cash flows from noncapital financing activities:		
Payments to Battery Park City Library	(45,807)	(165,720)
Payments to Pier A Contractors on behalf of the City of New York	(5,020,415)	(3,309,333)
Receipt from the New York City Educational Construction Fund	—	1,158,938
Contract closeout payment	—	(1,158,938)
Payments from lessees – site security deposits	447,307	1,529,042
Payments to lessees - site security deposits	(82,965)	—
Payments to The Port Authority New York & New Jersey	(20,638,145)	—
Payments to New York State - 2010 Agreement	—	(66,175,000)
Net cash used in noncapital financing activities	(25,340,025)	(68,121,011)
Cash flows from capital and related financing activities:		
Development costs – site improvements and construction	(9,401,096)	(10,325,284)
Capital asset expenditures	(845,052)	(81,870)
Auction fees for variable debt	(189,314)	(164,132)
Swap payment made on the 2003 Swap agreement	(6,657,614)	(6,751,681)
Swap interest payments received on the 2003 Swap agreement	327,138	330,447
Principal paydown on 2003 Revenue Bonds	(19,825,000)	(19,095,000)
Interest paid on 2003 Senior Revenue Bonds	(9,278,219)	(9,542,964)
Interest paid on 2003 Junior Revenue Bonds	(1,616,237)	(1,625,559)
Principal paydown on 2009 Senior Revenue Bonds	(255,000)	(245,000)
Interest paid on 2009 Senior Revenue Bonds	(2,520,153)	(2,522,603)
2009 Senior Revenue Bonds - Build America Bonds refund from U.S. Treasury	631,444	1,262,888
Net cash used in capital and related financing activities	(49,629,103)	(48,760,758)
Cash flows from investing activities:		
Interest and realized gains received on investment securities	2,767,079	3,528,327
Maturities and redemptions of investment securities	170,617,247	329,465,882
Purchases of investment securities	(242,751,565)	(416,370,591)
Net cash used in investing activities	(69,367,239)	(83,376,382)
Decrease in cash and cash equivalents	(47,505,595)	(105,225,961)
Cash and cash equivalents, beginning of period	208,793,931	376,420,921
Cash and cash equivalents, end of period	\$ 161,288,336	271,194,960

**HUGH L. CAREY BATTERY PARK CITY AUTHORITY**

(A Component Unit of the State of New York)

## Statements of Cash Flows

Six-month periods ended April 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 96,128,108	94,122,298
Adjustments to reconcile operating income to net cash provided by operating activities:		
Bad debt expense	89,723	124,128
Depreciation and amortization	6,056,076	5,274,464
Other	(162,925)	(248,888)
Changes in operating assets and liabilities:		
Increase in rents and other receivables	(1,725,858)	(949,024)
Decrease (increase) in other assets	74,604	(335,684)
Increase in accounts payable and other liabilities	2,965,320	2,030,873
Decrease in deferred revenue	(7,580,977)	(5,933,839)
Increase in OPEB	986,701	947,862
Net cash provided by operating activities	<u>\$ 96,830,772</u>	<u>95,032,190</u>
Reconciliation to cash and cash equivalents, end of period:		
Bank deposits	\$ 398,007	403,470
Cash and cash equivalents (note 3(e))	1,958,147	5,672,812
Investments with less than 91-day maturities (note 3(e))	<u>158,932,182</u>	<u>265,118,678</u>
Cash and cash equivalents, end of period	<u>\$ 161,288,336</u>	<u>271,194,960</u>

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

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

Notes to Financial Statements

April 30, 2012 and 2011

**(1) General**

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

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

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

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

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

**(2) Status of Project**

The Project consists of approximately 92 acres of landfill created, owned, and operated by the Authority (see note 4). The Project’s current plan of development includes approximately 35 acres of parkland and open spaces and provides for the construction, by private developers, of approximately 10.2 million square feet of office space, a 500,000-square-foot commodities trading facility, retail space, a marina, two hotels, a multiplex cinema, museums, three public schools, a public library, and approximately 8,600 residential units (see notes 5, 6, and 7).

**HUGH L. CAREY BATTERY PARK CITY AUTHORITY**  
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Notes to Financial Statements

April 30, 2012 and 2011

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 as promulgated by GASB.

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

**(b) *Use of Estimates***

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

**HUGH L. CAREY BATTERY PARK CITY AUTHORITY**  
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Notes to Financial Statements

April 30, 2012 and 2011

(c) **Project Assets**

Costs incurred by the Authority in developing the Project as of April 30, 2012 and 2011 are capitalized as project assets and classified as follows:

	<b>Balance at October 31, 2011</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance at April 30, 2012</b>
Land	\$ 83,015,653	—	—	83,015,653
Site improvements	371,669,435	1,278,879	—	372,948,314
Residential building and condominiums	123,041,419	6,929,241	—	129,970,660
Total project assets	<u>577,726,507</u>	<u>8,208,120</u>	<u>—</u>	<u>585,934,627</u>
Less accumulated depreciation:				
Site improvements	77,264,531	2,563,559	—	79,828,090
Residential building and condominiums	15,457,090	1,511,071	—	16,968,161
Total accumulated depreciation	<u>92,721,621</u>	<u>4,074,630</u>	<u>—</u>	<u>96,796,251</u>
Net project assets	<u>\$ 485,004,886</u>	<u>4,133,490</u>	<u>—</u>	<u>489,138,376</u>
	<b>Balance at October 31, 2010</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance at April 30, 2011</b>
Land	\$ 83,015,653	—	—	83,015,653
Site improvements	365,965,372	3,030,065	—	368,995,437
Residential building and condominiums	106,086,327	7,740,484	—	113,826,811
Total project assets	<u>555,067,352</u>	<u>10,770,549</u>	<u>—</u>	<u>565,837,901</u>
Less accumulated depreciation:				
Site improvements	72,214,805	2,504,782	—	74,719,587
Residential building and condominiums	12,645,519	1,344,304	—	13,989,823
Total accumulated depreciation	<u>84,860,324</u>	<u>3,849,086</u>	<u>—</u>	<u>88,709,410</u>
Net project assets	<u>\$ 470,207,028</u>	<u>6,921,463</u>	<u>—</u>	<u>477,128,491</u>

The Authority records project assets at historical cost. The costs of normal maintenance of the Project that do not add to the value of the Project or extend its useful life are not capitalized. Upon

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April 30, 2012 and 2011

completion, site improvement costs, which consist principally of infrastructure, streets, and civic and public facilities, are being depreciated by the straight-line method over the remaining lease years (to 2069). Interest costs incurred during construction related to cost of infrastructure and facilities for phases being developed were capitalized until such phases were substantially completed and ready for construction of buildings. The residential building is being depreciated over a useful life of 50 years and the condominium units through the first appraisal date of each lease.

**(d) Revenue from Ground Leases**

Revenue from ground leases is recognized as income as such amounts become receivable under the provisions of each lease, except that PILOT and upfront lease payments received in advance of the period to which they apply are deferred and recognized as income during future periods. Given the nature of the Organization's operations, revenue from ground leases and related fees and agreements is considered operating revenue. All other revenues are considered nonoperating. In accordance with the lease terms, the Authority received upfront lease payments in fiscal periods prior to 2012 of \$40.7 million, \$60 million, \$42.5 million, \$22.5 million, \$33.9 million, and \$4.75 million from residential buildings on Site 22, Site 16/17, Site 3, Site 23, Site 24, and Site 2A, respectively. With the exception of Site 2A, the Authority is recognizing revenue for these payments on a straight-line basis over the first 25-year lease period. Upfront payments received from Site 2A were recognized through May 2011 in accordance with the lease terms. Amounts not recognized are reported as deferred revenue in current and noncurrent liabilities.

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

**(e) Investments and Deposits**

The Organization carries all investments at fair value based on quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Deposit and inherent risks that could affect the Organization's ability to provide services and meet its obligations as they become due are reported in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The Authority's investments in securities are held by the Authority's financial institutions in the Authority's name. The Authority's investments in U.S. Treasury Securities are backed by the full faith and credit of the U.S. government; investments in commercial paper maintain a credit rating no lower than 'A-1' grade; investments in federal agency and mortgage backed securities have the highest credit rating of 'AAA' and are supported by the U.S. government or its agencies; investments in municipal bonds are supported by Fannie Mae and rated 'AAA.' All other deposits or investments are fully collateralized or backed by the Federal Deposit Insurance Corporation ("FDIC") or letters of credit. All investments held in funds and accounts established in accordance with bond resolutions are held as trust assets by the trustee banks in the Authority's name.

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Notes to Financial Statements

April 30, 2012 and 2011

Total investments and deposits held by the Organization at April 30, 2012 and 2011 included within the balance sheet accounts: investments, corporate-designated, escrowed and postemployment benefit funds, bond resolution funds (see note 8), and residential lease required funds are as follows:

	April 30, 2012			April 30, 2011		
	Cost	Fair value	Weighted average maturity (years) (a)	Cost	Fair value	Weighted average maturity (years) (a)
U.S. Treasury securities:						
Treasury Bills	\$ 254,591,349	254,618,083	0.14	\$ 11,880,515	11,893,779	0.39
Treasury Bonds	57,507,344	61,418,446	4.31	62,340,803	64,500,677	2.84
Treasury Strips	337,562	830,337	5.66	337,562	752,644	6.11
Total						
U.S. Treasury securities	312,436,255	316,866,866		74,558,880	77,147,100	
Bankers acceptance	—	—	—	2,655,898	2,657,319	0.04
Commercial paper	53,753,567	53,759,013	0.06	171,505,474	171,518,914	0.04
Federal agency securities	66,194,280	68,409,755	1.97	305,880,819	307,882,919	0.85
Federal agency mortgage backed securities	14,990,192	16,149,288	2.87	20,470,286	21,630,489	3.49
Municipal bonds	28,230,012	29,995,072	3.70	23,397,601	23,959,682	3.57
Total						
investments	475,604,306	485,179,994	1.24	598,468,958	604,796,423	1.03
Cash and cash equivalents	1,958,147	1,958,147		5,672,812	5,672,812	
Total						
investments and deposits	\$ 477,562,453	487,138,141		604,141,770	610,469,235	

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

The Organization's permitted investments include: (i) 100% U.S. government guaranteed securities (U.S. Treasury notes, bonds, strips, T-bills, Ginnie Mae securities); (ii) notes, bonds, debentures, and mortgages of U.S. government-sponsored agencies provided that its obligations receive the highest credit rating; (iii) obligations of any corporation organized under the laws of any state in the United States maturing within 270 days provided that such obligations receive the highest rating of two independent rating services (commercial paper) which as of April 30, 2011 were A1/P1; (iv) municipal bonds issued by New York authorities and currently receive the highest rating by at least one rating agency (AAA/AAA long-term or VMIG1/A1+ short-term).

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

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

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

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

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

**(f) *Net Position***

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

**(g) *Deferred Costs***

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

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

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

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

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

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April 30, 2012 and 2011

the financial reports of state and local governmental employers. In accordance with GASB Statement No. 45, effective for the fiscal year beginning November 1, 2006, the Authority (a) implemented a systematic, accrual basis measurement and recognition of OPEB cost (expense) over a period that approximates an employee's years of service, and (b) provides information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan (see note 17).

In accordance with GASB Statement No. 45, effective for the fiscal year beginning November 1, 2009, the Conservancy (a) implemented a systematic, accrual basis measurement and recognition of OPEB cost (expense) over a period that approximates an employees' years of service, and (b) provides information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan (see note 18).

**(j) *Accounting and Financial Reporting for Derivative Instruments***

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB No. 53"). GASB No. 53 addresses the recognition, measurement and disclosure of information regarding derivative instruments for state and local governments. In accordance with GASB No. 53, the Authority evaluated the effectiveness of six interest-rate exchange agreements ("Swaps"), determined the swaps to be effective hedges and recorded the negative fair value of approximately \$98.3 million as of April 30, 2012 and retroactively recorded the negative fair value of approximately \$50.6 million and \$45.9 million at April 30, 2011, and 2010, respectively, as both an asset labeled as accumulated decrease in the fair value of the interest rate swap agreements (deferred outflow of resources per GASB No. 53) and a liability labeled as fair value of interest rate swaps, for comparative purposes.

In June 2011, GASB issued GASB No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 addresses the financial reporting for deferred outflows of resources and deferred inflows of resources. In accordance with GASB No. 63, for the period ended April 30, 2012, the Authority changed the format of the financial statements to comply with the new requirements which change the Balance Sheets to Statements of Net Position, and the Statements of Revenues, Expenses, and Changes in Net Assets (Deficit) to the Statement of Revenues, Expenses, and Changes in Net Position (Deficit). In addition, the Authority is reporting the accumulated decrease in the fair value of interest rate swaps in the deferred outflow of resources section on the statement of net position. The format of the financial statements for April 30, 2011 has been changed accordingly for comparative purposes.

**(4) *Rights of City to Reacquire Project Site***

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

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under its various bond resolutions. As of April 30, 2012, the City had not expressed its intent regarding its right to reacquire the Project site.

**(5) Commercial Development**

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

As of April 30, 2012, the WFC leases, which expire in 2069, provide for future base rent payments aggregating approximately \$973 million over the lease terms in the following annual amounts: (i) base rent of \$17 million per annum from 2013 through 2069 and (ii) additional base rent of \$5,561,220 payable by the BFP-affiliated lessees (2000 to 2014) (see note 7). In addition, the leases provide for rent relating to retail and other space and, with respect to each building, percentage rent based on cash flow, as defined, which commenced in 1997 and continues to 2016. Annual PILOT is also required to be paid to the Authority based on the assessed value of each building and the tax rate then applicable to real property located in the borough of Manhattan, unless alternative PILOT arrangements are set forth in the ground lease. The City determines the assessed value of each building. Each lessee, or certain authorized tenants of the lessee, has the right to appeal the assessment to the City Tax Commission and bring tax certiorari proceedings in State court to seek reductions in the amounts of such assessments. A number of administrative and judicial appeals on some of the parcels are currently pending for the current and prior tax years. While any such proceedings are pending, the lessee is required to pay PILOT based upon the assessments established by the City. If a lessee is successful in any such proceedings, subsequent rental payments to the Authority will be reduced to the extent necessary to offset the prior overpayment of PILOT as a result of the revised assessment.

In 1995, the Authority signed a lease with the New York Mercantile Exchange and its wholly owned subsidiary, Commodity Exchange Inc. (collectively, “NYMEX”), and other agreements along with the New York City Economic Development Corporation, the City, and the New York State Urban Development Corporation (doing business as the Empire State Development Corporation) for the development of a 500,000 square feet trading facility and office building complex to be located on Site 15. The Authority has constructed and paid for certain utility connections to the Project. The lease provides that, commencing on the occupancy date and continuing for a period of 20 years, the rent per annum shall be \$1 for the trading portion of the building and \$1 million for the office portion for the first 7 years of occupancy, \$1,500,000 for years 8 through 13, and \$2 million for the remainder of the 20-year period. The building was completed and occupied in July 1997. The NYMEX lease provides for an abatement program for PILOT payments for portions of the exchange project.

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

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January 2001, a lease was signed for the development of a luxury hotel (approximately 278,000 square feet) and residential complex on Site 1 south of the WFC (the south neighborhood).

In August 2005, a lease was signed by Goldman Sachs Headquarters LLC (“Goldman”) for the development of approximately 2.2 million square feet of trading and office headquarter space on Site 26 in the north neighborhood. The Site 26 ground lease requires that a \$161 million lump-sum rent payment be deposited with an escrow agent, which was paid in June 2007. During the fiscal year ended October 31, 2010 the Authority received \$169.3 million, which included interest accrued on the escrowed amount, from the escrow agent as the building was completed and the City fulfilled all of its obligations in relation to the site. PILOT payments under the lease are made subject to certain caps and exemptions to Goldman. In addition, in December 2005, Goldman made a \$3.5 million lease payment to the Authority which is held in escrow along with accrued interest earnings for the benefit of the local community to help fund a library in the base of Site 16/17, a residential building in the north neighborhood. Approximately \$4 million was disbursed to the New York Public Library by the Authority through April 30, 2012.

**(6) Residential and Other Development**

In 1980, the Authority entered into a lease with a limited-profit housing company (the “Housing Company”), which constructed an apartment complex consisting of 1,712 rental apartment units (the “Gateway Project”). In addition to the Gateway Project, the Authority entered into leases in the south neighborhood, pursuant to which developers constructed 18 buildings consisting of approximately 3,785 condominium and rental units, including 113 units in a mixed-use building containing a museum and the Ritz-Carlton Hotel. The final site on the Project in the south neighborhood was designated as a public school. In the north neighborhood, 9 buildings consisting of 2,515 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. Two leases were modified to provide for a 25% increase in ground rent spread over 25 years. This modification reduced the ground rent from the original terms at 6% of fair market value. With respect to lease years subsequent to any other reappraisal dates, base rent may not be less than an amount in excess of base rent payable for the lease year immediately prior thereto. Reappraisal dates occur every 15 years, commencing on the fifteenth anniversary of the first appraisal date. Twelve leases for buildings in the south neighborhood with condominium units were modified to provide for increased fixed ground rents spread over the first two reappraisal periods. This modification reduced the ground rent increases from the original terms at 6% of fair market value.

Annual PILOT is also required to be paid to the Authority during the term of these leases. PILOT is a lease payment by the tenants of each lease to the Authority in lieu of paying real property taxes to the City. PILOT is based on the assessed value of the premises as established by the City and the tax rate then applicable to similar classes of real property located in the borough of Manhattan. Many leases provide for an abatement equivalent to the real estate tax abatements provided for in the State’s Real Property Tax

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Law, and are either 10 or 20 years in duration. Abatements for two recent developments in the south neighborhood will end in 2020 and abatements for the north neighborhood will end in 2020 or thereafter.

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

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

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

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

On November 15, 2007, ground leases for Site 23 and Site 24, the last residential sites available for development in Battery Park City, between the Authority and MP Freedom LLC and MP Liberty LLC, respectively, became effective (both MP entities are controlled by The Milstein Organization). Under the leases, the tenants made pre-lease and lease payments totaling approximately \$60 million, including an upfront lease payment of \$56.5 million. Regular payments of base rent, PILOT, and other elements of rent, including a share of the proceeds of the sale of each condominium unit will be received by the Authority over the lease term. The ground lease tenants are also required to construct the core and shell of a community center and ball field maintenance facilities, which is owned by the Authority as condominium units. Construction of the buildings began in the spring of 2008 and was completed as of April 30, 2012.

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**(7) Future Minimum Lease Revenue**

The future minimum base rent and other minimum lease payments (including supplemental rent, as applicable, through the first appraisal date (see note 6)) to be received under the ground leases during each of the Authority's five fiscal years ending from October 31, 2013 through 2017 and through the end of the lease term (thereafter), are as follows (in 000s):

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Thereafter</u>	<u>Total</u>
Commercial development:							
Base rent	\$ 25,130	24,218	19,604	19,622	20,282	1,161,539	1,270,395
Residential developments:							
Gateway project base rent	305	305	305	305	305	6,923	8,448 (a)
S. Res. Neighborhood:							
Base rent	17,795	18,014	18,441	18,676	19,018	1,810,287	1,902,231
Other minimum payments	—	—	—	—	—	—	—
Subtotal S. Res.	<u>17,795</u>	<u>18,014</u>	<u>18,441</u>	<u>18,676</u>	<u>19,018</u>	<u>1,810,287</u>	<u>1,902,231</u>
N. Res. Neighborhood:							
Base rent	7,002	7,185	7,423	7,686	7,881	787,541	824,718
Other minimum payments	9,092	10,450	11,676	13,144	14,478	551,523	610,363
Subtotal N. Res.	<u>16,094</u>	<u>17,635</u>	<u>19,099</u>	<u>20,830</u>	<u>22,359</u>	<u>1,339,064</u>	<u>1,435,081</u>
Total	<u>\$ 59,324</u>	<u>60,172</u>	<u>57,449</u>	<u>59,433</u>	<u>61,964</u>	<u>4,317,813</u>	<u>4,616,155</u>

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

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

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**(8) 2003 and 2009 Revenue Bond Resolution Funds**

The current and noncurrent balance in the funds and accounts established in accordance with the Authority's 2003 Revenue Bond resolutions and held by the trustee is as follows at April 30, 2012 and 2011:

<u>April 30, 2012</u>	<b>2003 Revenue Bonds</b>			<b>Total 2003 Bonds</b>
	<b>General Bond Resolution</b>	<b>Senior Bonds</b>	<b>Junior Bonds</b>	
Reserve Fund	\$ 74,012,949	—	—	74,012,949
Project Operating Fund	8,153,167	—	—	8,153,167
Debt Service Funds	—	40,340,901	63,686,311	104,027,212
Residual Fund	124,555,290	—	—	124,555,290
Pledged Revenue Fund	40,010,420	—	—	40,010,420
	<u>\$ 246,731,826</u>	<u>40,340,901</u>	<u>63,686,311</u>	<u>350,759,038</u>

<u>April 30, 2011</u>	<b>2003 Revenue Bonds</b>			<b>Total 2003 Bonds</b>
	<b>General Bond Resolution</b>	<b>Senior Bonds</b>	<b>Junior Bonds</b>	
Reserve Fund	\$ 72,246,992	—	—	72,246,992
Project Operating Fund	8,927,948	—	—	8,927,948
Debt Service Funds	—	40,212,110	64,306,027	104,518,137
Residual Fund	110,297,189	—	—	110,297,189
Pledged Revenue Fund	33,566,484	—	—	33,566,484
	<u>\$ 225,038,613</u>	<u>40,212,110</u>	<u>64,306,027</u>	<u>329,556,750</u>

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In December 2009, as a result of the 2009 Senior Revenue Bonds issuance, funds and accounts were added to implement certain provisions of the 2003 Revenue Bonds resolutions and were held by the trustee as follows at April 30, 2012 and 2011:

<b>2009 Revenue Bonds</b>				
		<b>2009A</b>	<b>2009B</b>	<b>Total</b>
<b>April 30, 2012</b>		<b>Senior Revenue</b>	<b>Senior Revenue</b>	<b>2009</b>
		<b>Bonds</b>	<b>Bonds</b>	<b>Bonds</b>
Project Costs Fund	\$	29,583,395	5,731,931	35,315,326
		29,583,395	5,731,931	35,315,326

<b>2009 Revenue Bonds</b>				
		<b>2009A</b>	<b>2009B</b>	<b>Total</b>
<b>April 30, 2011</b>		<b>Senior Revenue</b>	<b>Senior Revenue</b>	<b>2009</b>
		<b>Bonds</b>	<b>Bonds</b>	<b>Bonds</b>
Project Costs Fund	\$	36,637,018	20,423,517	57,060,535
		36,637,018	20,423,517	57,060,535

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

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

Amounts in the Debt Service Funds and dedicated funds established under the 2003 Revenue Bond Resolutions are used to pay debt service on the respective bonds. To the extent not utilized to fund any future debt service deficiencies, the funds will be available to retire bonds issued there-under in the last year of bond maturity.

A Reserve Fund is held for the payments of debt service, which holds an approximate amount of the maximum annual debt service of the 2003 and 2009 Revenue Bonds. In December 2009, upon the issuance of the 2009 Revenue Bonds, an amount of \$1.5 million was added to the 2003 Reserve fund.

Amounts in the Project Operating Fund established under the 2003 General Bond Resolution are not pledged to pay debt service and may be used by the Authority for and on certain additional indebtedness,

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which may be issued by the Authority for the funding of maintenance, repair, and restoration of the public open areas and civic facilities, and administrative and other expenditures, as defined.

Amounts held in the Pledged Revenue Fund (“PRF”) are pledged and assigned for the payment of the debt service on the 2003 and 2009 Revenue Bonds and on certain additional indebtedness, which may be issued by the Authority and secured by the Authority’s revenue.

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

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

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

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

The Act, as amended, also authorizes the Authority to issue bonds for the purpose of furthering the development of a commodities and futures exchange facility in Battery Park City in an amount not to exceed \$110 million, plus the principal amount of bonds and notes issued to fund any related debt service reserve fund and to provide a portion of interest on and costs of issuance related to such indebtedness. As of April 30, 2012, no bonds were issued for this purpose.

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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 rate exchange agreements (see note 10).

Issuance of additional bonds by the Authority is subject to meeting certain conditions, including projected debt service coverage tests, and approval by the City and the State Public Authorities Control Board.

**(10) 2003 Revenue Bonds**

On October 16, 2003, the Authority issued \$406,350,000 (\$433,345,972 inclusive of net premium) of fixed-rate Senior Revenue Bonds, Series A (the "2003 Series A Bonds") and \$635,000,000 variable-rate Junior Revenue Bonds, comprising \$235,000,000 of Series B (the "2003 Series B Bonds") and \$400,000,000 of Series C (the "2003 Series C Bonds"), for a total of \$1,068,345,972. The bonds were issued for the following purposes:

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

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

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

The refunding resulted in the reacquisition price exceeding the net carrying amount of the refunded debt by \$39 million. The difference between the reacquisition price and the net carrying amount of the refunded debt is reflected on the Authority's balance sheet as an unamortized loss on extinguishment of debt and is being deferred over the life of the old debt with a pro rata charge to interest expense for the six-month periods ended April 30, 2012 and 2011.

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

At April 30, 2012, the 2003 Series A Bonds consist of the following serial bonds:

	<u>Coupon rates</u>	<u>Principal amounts</u>	<u>Interest</u>
Fiscal year ended:			
2012 (1/2 year)	3.00% – 5.50%	\$	8,957,991
2013	3.40% – 5.50%	15,205,000	17,531,970
2014	3.50% – 5.50%	16,140,000	16,735,258
2015	3.625% – 5.25%	17,165,000	15,880,183
2016 – 2020	3.75% – 5.25%	103,310,000	64,458,022
2021 – 2025	4.25% – 5.25%	134,935,000	33,753,233
2026 – 2027	4.625% – 5.00%	64,025,000	3,231,869
Totals		\$ 350,780,000	160,548,526

The Authority issued certain of the 2003 Series A Bonds at a discount and others at a premium, resulting in an overall net premium of approximately \$27 million, which is being amortized on a straight-line basis, over the lives of the 2003 Series A Bonds. At April 30, 2012 and 2011, the unamortized net bond premium was approximately \$17 million and \$18.1 million, respectively.

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

As of April 30, 2012, principal and interest payments due on the 2003 Series B Bonds and the 2003 Series C Bonds are as follows:

	<u>Junior B</u>		<u>Junior C</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Fiscal Year ended:						
2012 (1/2 year)	\$	—	569,451	—	926,046	—
2013	—	1,138,901	5,450,000	1,838,817	5,450,000	2,977,718
2014	—	1,138,901	5,450,000	1,812,266	5,450,000	2,951,167
2015	—	1,138,901	5,450,000	1,785,715	5,450,000	2,924,616
2016 – 2020	—	5,694,507	27,300,000	8,530,190	27,300,000	14,224,697
2021 – 2025	—	5,694,507	30,825,000	7,832,497	30,825,000	13,527,004
2026 – 2030	—	5,694,507	144,225,000	6,237,855	144,225,000	11,932,362
2031 – 2035	35,925,000	5,604,546	161,575,000	1,439,852	197,500,000	7,044,398
2036 – 2040	199,075,000	2,487,712	—	—	199,075,000	2,487,712
Total	\$ 235,000,000	29,161,933	380,275,000	30,403,238	615,275,000	59,565,171

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The 2003 variable-rate Junior Revenue Bonds were issued as Auction Rate Securities (“ARS”) and the principal and interest are insured by municipal bond insurance policies. Interest rates on these bonds are reset periodically through an auction process in the secondary market. The 2003 Series B Bonds reset on a 7-day auction cycle and the 2003 Series C Bonds reset on a 35-day auction cycle.

Interest in the above table is based on actual auction rates in effect closest to April 30, 2012, which were .478%, .478%, and .478% for Series B1, B2, and B3 of the 2003 Series B Bonds, respectively; and .480%, .480%, .478%, .482%.and .482% for Series C1, C2, C3, C4, and C5 of the 2003 Series C Bonds, respectively.

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

In February 2008, the auctions for the Authority’s ARS in the secondary market began to fail intermittently due to insufficient investor orders to support the product resulting in higher interest rates paid on the 2003 Series B and C Junior Revenue Bonds (variable-rate subordinate debt). On any failed auction date, the reset rate is set at a percentage of the 30-day London Interbank Offered Rate (LIBOR) based on the prevailing rating of the series bonds. The rates applied to the 30-day LIBOR on the 2003 Series B and C Bonds are 175%, 200%, or 225% for bonds rated AAA/AAA/Aaa, AA/AA/Aa, and A/A/A, respectively, depending on the prevailing rating of the series of bonds outstanding. The reset rates on auctions that settled from November 1, 2011 through April 30, 2012 ranged from a low of .478% to a high of .592% on the 2003 Series B Bonds and from a low of .478% to a high of .592% on the 2003 Series C Bonds.

On October 2, 2003, the Authority executed six Swaps with three counterparties. The Swaps were executed in conjunction with the Authority’s issuance of \$400 million of its 2003 Series C Bonds (the “Bonds”). The total notional amount of the Swaps was \$400 million. The effective date for the Swaps was October 16, 2003, which coincided with the delivery date of the Bonds. The Authority executed the Swaps in order to effectively convert the variable-rate Bonds to a net fixed rate. Based on the Swaps, the Authority owes interest calculated at a fixed rate of 3.452% to the counterparties that is paid semiannually. In return, the counterparties owe the Authority floating-rate interest equal to 65% of 30-day LIBOR, which is paid to the Authority on a monthly basis. The amortization schedules of the total amount of the Swaps and the Bonds are identical, with each having a final amortization of November 1, 2033.

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Fiscal Year ended:	<b>2003</b>		<b>Interest-rate swaps</b>		
	<b>Series C</b>				
	<b>Bonds</b>				
	<u>Principal</u>	<u>Payment</u>	<u>Receipts</u>	<u>Net payment</u>	
2012 (1/2 year)	\$		(6,563,547)	296,367	(6,267,180)
2013		5,450,000	(13,033,026)	584,240	(12,448,786)
2014		5,450,000	(12,844,892)	575,745	(12,269,147)
2015		5,450,000	(12,656,758)	567,250	(12,089,508)
2016 – 2020		27,300,000	(60,460,917)	2,708,748	(57,752,169)
2021 – 2025		30,825,000	(55,517,222)	2,482,775	(53,034,447)
2026 – 2030		144,225,000	(44,217,963)	1,884,196	(42,333,767)
2031 – 2034		161,575,000	(10,211,448)	335,159	(9,876,289)
Totals	\$	<u>380,275,000</u>	<u>(215,505,773)</u>	<u>9,434,480</u>	<u>(206,071,293)</u>

The above table includes payments based on the Authority's fixed-rate Swap payment obligation at an interest rate of 3.452% while the receipts are based on the floating rate equal to 65% of 30-day LIBOR on April 30, 2012 (65% of 0.2398% or 0.1559%), which the counterparties are obligated to pay the Authority on a monthly basis. Receipts are projected based on the latest interest rate at April 30, 2012, but will vary monthly.

In June 2008, GASB issued GASB No. 53 which addresses the recognition, measurement, and disclosure of information regarding derivative instruments for state and local governments. In accordance with GASB No. 53, the Authority evaluated the effectiveness of the Swaps, determined the Swaps to be effective hedges and recorded the negative fair value of approximately \$98.3 million at April 30, 2012 and \$50.6 million at April 30, 2011 as a liability and recorded a corresponding asset for the accumulated decrease in the fair value of the interest rate swap agreements (deferred outflows of resources per GASB No. 53). The fair market value was provided by the Authority's financial advisor and derived from financial models based upon reasonable estimates about relevant market conditions at the time. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each Swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the Swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the Swaps.

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

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

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

In September 2003, the Authority entered into an agreement with the City, which supplemented the Settlement Agreement, to provide for the custody of the Special Fund. The Authority established a new Special Fund to the credit of which was deposited approximately \$46 million. The Special Fund was funded from the proceeds of the former Special Fund created pursuant to a former 1993 Master Revenue Resolution upon the dissolution of such existing Special Fund in connection with the 2003 refunding of outstanding Authority bonds. The Special Fund may only be used by the Authority, as necessary: (i) to pay debt service obligations of the Authority on its bonds, or (ii) for purposes that are jointly agreed upon between the City and the Authority, as the same may be amended from time to time. Neither the Special Fund nor the monies on deposit from time to time therein may be pledged to secure any obligation pursuant to any Resolutions authorizing additional bonds or other bonds or debt obligations of the Authority. Income and earnings actually received by or for the account of the Authority from investments of monies on deposit from time to time in the Special Fund shall be treated as revenues (see note 19(f)).

**(11) 2009 Revenue Bonds**

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

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

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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 it expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable by the Authority on the bonds. For the six-month period ended April 30, 2012, the Authority received the May 2012 payment from the U.S. Treasury in the amount of \$631,444 pursuant to the subsidy. The Authority can give no assurances about future legislation or changes that may affect the availability, amount or receipt of such subsidy payments.

At April 30, 2012, the 2009 Series A Bonds consist of the following serial bonds:

	<u>Coupon rates</u>	<u>Principal amounts</u>	<u>Interest</u>	<u>BABs subsidy</u>	<u>Interest (net of BABs subsidy)</u>
Fiscal Year ended:					
2012 (1/2 year)	6.375%	\$ —	1,804,125	(631,444)	1,172,681
2013	6.375%	—	3,608,250	(1,262,888)	2,345,362
2014	6.375%	—	3,608,250	(1,262,888)	2,345,362
2015	6.375%	—	3,608,250	(1,262,888)	2,345,362
2016 – 2020	6.375%	—	18,041,250	(6,314,438)	11,726,812
2021 – 2025	6.375%	—	18,041,250	(6,314,438)	11,726,812
2026 – 2030	6.375%	—	18,041,250	(6,314,438)	11,726,812
2031 – 2035	6.375%	4,110,000	17,900,363	(6,265,127)	11,635,236
2036 – 2040	6.375%	52,490,000	8,799,094	(3,079,683)	5,719,411
Totals		\$ <u>56,600,000</u>	<u>93,452,082</u>	<u>(32,708,232)</u>	<u>60,743,850</u>

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

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As of April 30, 2012, principal and interest payments due on the 2009 Series B Bonds are as follows:

	<u>Coupon rates</u>	<u>Principal amounts</u>	<u>Interest</u>
Fiscal Year ended:			
2012 (1/2 year)	2.00%	\$	713,478
2013	2.00%	115,000	1,425,806
2014	2.00%	310,000	1,421,556
2015	2.50%	310,000	1,414,581
2016 – 2020	3.00% - 3.50%	1,680,000	6,932,919
2021 – 2025	3.50% - 5.00%	1,920,000	6,559,569
2026 – 2030	4.00% - 5.00%	2,125,000	6,092,706
2031 – 2035	4.125% - 5.00%	23,675,000	3,846,278
Totals		\$ <u>30,135,000</u>	<u>28,406,893</u>

The Authority issued certain of the 2009 Series B Bonds at a premium of approximately \$1.8 million, which is being amortized on a straight-line basis, over the lives of the 2009 Series B Bonds. At April 30, 2012 and 2011, the unamortized net bond premium was approximately \$1.6 million and \$1.7 million, respectively.

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

The Authority entered into the Settlement Agreement with the City which provides, in effect, that: (i) all PILOT received by the Authority from its tenants remaining after operating and administrative expenses, payment of a proportionate part of principal and interest on the 2003 and 2009 Revenue Bonds, and on any bonds issued to finance the HNYC housing program (see notes 9, 10 and 11), certain site development costs, and any agreed-upon commitments, will be remitted to the City; and (ii) all other rent payments and other revenue received by the Authority, remaining after payment of a proportionate part of the aforementioned items, will be retained by the Authority and spent in such manner and for such purposes as the Authority and the City shall jointly determine.

The \$87.6 million provided for the transfer to the City during the fiscal year ended October 31, 2011 was paid in June 2012. A provision in the amount of \$41.9 million has been charged to operations for the six-month period ended April 30, 2012. The Authority will distribute a portion of the estimated excess revenues at year-end as corporate funds to be spent in a manner and for such purposes as the Authority and the City jointly decided in accordance with the 2010 Agreement (see below).

In January 2007, the City and the Authority signed an agreement to increase the amount of bonds or other debt obligations the Authority may issue for infrastructure and other capital expenditures by an additional \$74.6 million.

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

On March 30, 2010, the Authority paid the City and the State \$133.8 million each pursuant to the 2010 agreement. The balance of the \$200 million due to both the City and the State, \$66.2 million each, was charged to operations as a provision for the fiscal year ended October 31, 2011 and paid March 2011 and May 2011, respectively. In addition, a provision in the amount of \$37 million was charged to operations for the fiscal year ended October 31, 2011 and was paid in June 2012 under the 2010 Agreement to the City 421-A fund. A provision in the amount of \$24.6 million was charged to operations for the six-month period ended April 30, 2012 as an estimated expected payment under the 2010 Agreement for the City 421-A fund.

**(13) Rents and Other Receivables**

Rents and other receivables comprise the following at April 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Swap interest receivable	\$ 49,693	50,761
Miscellaneous receivables	609,901	633,995
Due from NYC Pier A - restoration	6,916,861	4,036,766
Interest receivable	968,382	1,245,608
Due from Community Center Operations	1,442,245	—
Rents receivable	<u>3,679,365</u>	<u>1,581,114</u>
Total receivables	13,666,447	7,548,244
Less allowance for doubtful accounts	<u>(444,185)</u>	<u>(252,265)</u>
Net receivables	\$ <u>13,222,262</u>	<u>7,295,979</u>

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**(14) Accounts Payable and Other Liabilities**

Accounts payable and other liabilities at April 30, 2012 and 2011 comprise the following:

	<u>2012</u>	<u>2011</u>
Amounts due to vendors	\$ 1,892,556	3,566,605
Contract retention	2,873,515	2,686,137
Due to developers	27,416	77,425
State recovery costs	2,618,182	2,400,000
Accrued payroll and benefits	718,107	832,457
Accrued lease costs – Goldman	895,434	3,027,316
Total	<u>\$ 9,025,210</u>	<u>12,589,940</u>

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**(15) Long-Term Liabilities**

The Organization's bonds and other long-term liabilities as of April 30, 2012 and 2011 are comprised of the following obligations:

	<u>October 31, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>April 30, 2012</u>	<u>Due within one year</u>
Authority bonds outstanding:					
2003 Revenue Bonds:					
Series 2003A	\$ 365,155,000	—	14,375,000	350,780,000	15,205,000
Series 2003B	235,000,000	—	—	235,000,000	—
Series 2003C	385,725,000	—	5,450,000	380,275,000	5,450,000
Subtotal	985,880,000	—	19,825,000	966,055,000	20,655,000
Unamortized net premiums	17,557,833	—	586,869	16,970,964	—
Subtotal 2003 Bonds	1,003,437,833	—	20,411,869	983,025,964	20,655,000
Authority bonds outstanding:					
2009 Revenue Bonds:					
Series 2009A	56,600,000	—	—	56,600,000	—
Series 2009B	30,390,000	—	255,000	30,135,000	115,000
Subtotal	86,990,000	—	255,000	86,735,000	115,000
Unamortized net premiums	1,675,789	—	36,424	1,639,365	—
Subtotal 2009 Bonds	88,665,789	—	291,424	88,374,365	115,000
Total bonds outstanding	1,092,103,622	—	20,703,293	1,071,400,329	20,770,000
Other long-term liabilities:					
Unamortized loss on extinguishment	(24,741,363)		(888,184)	(23,853,179)	
OPEB - Authority	17,633,427	797,056	411,171	18,019,312	
OPEB - Conservancy	8,769,643	600,816		9,370,459	
Fair value of interest rate swaps	92,948,044	5,327,557		98,275,601	
Deferred revenue	358,010,660		7,580,977	350,429,683	40,154,555
Security and other deposits	21,233,516	849,907	148,692	21,934,731	88,275
Total other long-term liabilities	473,853,927	7,575,336	7,252,656	474,176,607	40,242,830
Total long-term liabilities	\$ 1,565,957,549	7,575,336	27,955,949	1,545,576,936	61,012,830

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

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	<u>October 31, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>April 30, 2011</u>	<u>Due within one year</u>
Authority bonds outstanding:					
2003 Revenue Bonds:					
Series 2003A	\$ 378,800,000	—	13,645,000	365,155,000	14,375,000
Series 2003B	235,000,000	—	—	235,000,000	—
Series 2003C	391,175,000	—	5,450,000	385,725,000	5,450,000
Subtotal	1,004,975,000	—	19,095,000	985,880,000	19,825,000
Unamortized net premiums	18,731,571	—	586,869	18,144,702	—
Subtotal 2003 Bonds	1,023,706,571	—	19,681,869	1,004,024,702	19,825,000
Authority bonds outstanding:					
2009 Revenue Bonds:					
Series 2009A	56,600,000	—	—	56,600,000	—
Series 2009B	30,635,000	—	245,000	30,390,000	255,000
Subtotal	87,235,000	—	245,000	86,990,000	255,000
Unamortized net premiums	1,748,637	—	36,424	1,712,213	—
Subtotal 2009 Bonds	88,983,637	—	281,424	88,702,213	255,000
Total bonds outstanding	1,112,690,208	—	19,963,293	1,092,726,915	20,080,000
Other long-term liabilities:					
Unamortized loss on extinguishment	(26,517,729)		(888,183)	(25,629,546)	
OPEB - Authority	16,869,575	749,705	371,195	17,248,085	
OPEB - Conservancy	7,630,939	569,352		8,200,291	
Fair value of interest rate swaps	72,595,808		22,020,795	50,575,013	
Deferred revenue	368,401,966	—	6,719,408	361,682,558	39,539,884
Security and other deposits	20,547,530	482,939	166,993	20,863,476	134,042
Total other long-term liabilities	459,528,089	1,801,996	28,390,208	432,939,877	39,673,926
Total long-term liabilities	\$ 1,572,218,297	1,801,996	48,353,501	1,525,666,792	59,753,926

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

**(16) Retirement Costs**

*The Authority* – The Authority participates in the New York State and Local Employees’ Retirement System (“ERS”), and the Public Employees’ Group Life Insurance Plan (the “Plan”). These are cost-sharing multiple-employer, defined benefit retirement systems. The ERS and the Plan provide

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

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

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

Year	Amount
2012	\$ <u>526,582</u>
2011	624,001
2010	<u>357,492</u>
	\$ <u>1,508,075</u>

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

*The Conservancy* – The Conservancy sponsored a Tax Deferred Savings Annuity (“TDSA”), a 403(b) retirement plan, through December 2007 covering all its employees upon attainment of regular status. Eligible employees contributed up to 16.67% of their annual salary, but were limited to amounts necessary to meet nondiscrimination tests. The Conservancy contributed an amount equal to 25% of each employee’s contribution up to a maximum of 6% of annual salary. In addition, the Conservancy contributed an amount equal to 2% of each employee’s salary each pay period. After three years of employment, the Conservancy contributed an additional 1% of each employee’s annual earnings up to \$40,000. Employees’ contributions with accrued interest are fully vested at all times. Contributions by the Conservancy were subject to a five-year vesting using a cumulative 20% vesting schedule. No employer contributions were made for the six-month period ended April 30, 2012 and 2011. No contributions were made by the Conservancy’s employees for the six-month periods ended April 30, 2012 and 2011.

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

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participants to select their own investments from a range of options. CIRS issues an annual financial summary report for the Plans. The report can be obtained by contacting Cultural Institutions Retirement System or on their website at [www.cirsplans.org](http://www.cirsplans.org).

To be eligible under the CIRS Pension Plan, employees must be over the age of 21 and be employed for a minimum of one year at regular status. Benefits paid to retirees are based on age at retirement, years of credited service, and average compensation. The CIRS Pension Plan is a private pension plan governed by ERISA, and is characterized as a multiemployer plan by the U.S. Department of Labor. In the event of CIRS Pension Plan insolvency, the CIRS Pension Plan is covered under the Pension Benefit Guaranty Corporation. The total CIRS Pension Plan costs for eligible employees amounted to \$168.4 thousand and \$140 thousand for the periods ended April 30, 2012 and April 30, 2011, respectively. The Conservancy began participation in the CIRS Savings Plan during fiscal 2007. Under the CIRS Savings Plan, participants are required to contribute at least 2% of their base salary and direct the investment of their funds based on the investment options offered by the Savings Plan. To be eligible under this plan, employees must be over the age of 21 and be employed for a minimum of 3 months. Total contributions made by participants for the six-month periods ended April 30, 2012 and 2011 were \$120,059 and \$135,200, respectively.

**(17) Postemployment Healthcare Plan – Battery Park City Authority**

**(a) Plan Description**

The Authority is a participating employer in the New York State Health Insurance Program (“NYSHIP”), which is administered by the State as an agent multiple employer defined benefit plan. Under the plan the Authority provides certain healthcare benefits for eligible retired employees and their dependents under a single-employer noncontributory healthcare plan. Article XI of the New York State Civil Service Law assigns the authority to NYSHIP to establish and amend the benefit provisions of the plan and to establish maximum obligations of the plan members to contribute to the plan. The Authority’s Board is authorized to establish contribution rates for employees and retirees below those set by Civil Service Law. The Authority’s plan states that employees and/or their dependents become eligible for these benefits at 55 years of age when the employee has 10 years of State service. In calculating the 10-year service requirement, all of the employee’s service need not be with the Authority, but may be a composite of New York State service elsewhere, with a minimum of 3 years with the Authority. Employees with no prior State service must work a minimum of 10 years before they and their dependents are eligible for the retirement medical benefits. Eligible retirees hired on or after November 1, 2001, contribute 10% of the cost of single coverage and 25% of the cost of dependent coverage for health insurance benefits. The Authority covers 100% of the cost of single and dependent coverage for employees hired before November 1, 2001. A vestee is an Authority employee vested as a member of the retirement system administered by the State, has withdrawn from State service after meeting the Authority’s minimum service requirement, but has not met the age requirement for continuing health insurance. Approximately 93 participants, including 60 current employees, 3 vestees, and 30 retired and/or spouses of retired employees were eligible to receive these benefits at April 30, 2012. NYSHIP does not issue a stand-alone financial report and NYSHIP’s agent activities are included within the financial statements of the State.

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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 2009 an updated actuarial valuation was completed for the valuation date of November 1, 2009. Actuarial valuations involve estimates of the value of reported amounts, assumptions about the probability of events in the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Examples include assumptions about employment, mortality and the healthcare cost trend.

The Authority's annual OPEB cost for the plan is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Since the Authority used a one-year amortization period, the ARC in future years represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any interest on the unfunded actuarial accrued liability. The Authority's current period ARC is approximately \$610 thousand as detailed in the chart in the OPEB Status and Funding Progress section of this note. The 2009 triennial valuation includes an actuarial accrued liability ("AAL") adjustment calculation of \$1.8 million credit due primarily to overestimated increases in premiums. It is consistent with the amortization methodology used to calculate the Amortization of the Unfunded AAL, as permitted by GASB Technical Bulletin No. 2008-1, "*Determining the Annual Required Contribution Adjustment for Postemployment Benefits*," issued on December 15, 2008.

**(b) Funding**

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

**(c) Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the November 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10% (net of administrative expenses) including inflation, declining 1% each year to an ultimate trend rate of 5%. Both rates include a 3.5% inflation assumption.

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

The Authority's OPEB obligation and the funded status of the plan as of April 30, 2012 and 2011 are as follows:

	<b>2012</b>	<b>2011</b>
Actuarial Accrued Liability (AAL):		
Net OPEB obligation beginning of year	\$ 17,633,427	16,869,575
Annual Required Contribution (ARC):		
Normal cost	417,759	397,865
Interest to period end	374,561	350,130
Payments for retirees during period	(224,527)	(194,574)
ARC amortization	(181,908)	(174,911)
Net OPEB obligation end of period	\$ 18,019,312	17,248,085
Actuarial Accrued Liability (AAL) November 1, 2011 and 2010	\$ 17,633,427	16,869,575
Funded OPEB plan assets	—	—
Unfunded Actuarial Accrued Liability (UAAL) November 1, 2010 and 2009	\$ 17,633,427	16,869,575
Funded ratio (actuarial value of plan assets/AAL)	—%	—%
Covered payroll	\$ 3,061,380	4,589,190
UAAL as percentage of covered payroll	576%	368%

Corporate assets held at April 30, 2012 and 2011 in a separate corporate OPEB account for the exclusive purpose of paying OPEB obligations were approximately \$19.6 million and \$18 million, respectively. The OPEB assets are included on the balance sheet within the other corporate designated, escrowed, and postemployment benefit funds financial statement classification. The Authority's policy is to contribute the annual ARC to the designated account each year and pay all OPEB expenses from such account.

**(18) Postemployment Healthcare Plan – Battery Park City Parks Conservancy**

**(a) Plan Description**

The Conservancy decided effective February 1, 2010 to provide its retirees with health benefits as a participating employer in NYSHIP, which is administered by the State as an agent multiple employer defined benefit plan. Under the plan, the Conservancy provides certain healthcare benefits for eligible retired employees and their dependents under a single-employer noncontributory healthcare plan. Article XI of the New York State Civil Service Law assigns the authority to NYSHIP to establish and amend the benefit provisions of the plans and to establish maximum obligations of the plan members to contribute to the plan. The Conservancy's Board is authorized to establish

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contribution rates for employees and retirees below those set by Civil Service Law. The Conservancy's Plan states that employees and/or their dependents become eligible for these benefits when the employee reach 55 years of age and has 10 years of service. In calculating the 10-year service requirement, all of the employee's service needs to be with the Conservancy. Employees must work a minimum of 10 years before they and their dependents are eligible for the retirement medical benefits. Eligible retirees contribute 10% of the cost of single coverage and 25% of the cost of dependent coverage for health insurance benefits which may be offset with sick leave benefits. A vestee is a Conservancy employee vested as a member of the retirement system administered by the CIRS (see note 16), has withdrawn from service after meeting the Conservancy's minimum service requirement, but has not met the age requirement for continuing health insurance. Approximately 77 participants, comprising of 75 current employees and 2 retirees, were eligible to receive these benefits at April 30, 2012. NYSHIP does not issue a stand-alone financial report and NYSHIP's agent activities are included within the financial statements of the State.

Effective February 1, 2010, the Conservancy implemented accrual accounting for its OPEB obligations, based on the approach provided in GASB Statement No. 45. The first actuarial valuation date was February 1, 2009 with results rolled into fiscal years 2011, 2012 and 2013. Actuarial valuations involve estimates of the value of reported amounts, assumptions about the probability of events in the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Examples include assumptions about employment mortality and the healthcare cost trend.

The Conservancy's annual OPEB cost for the plan is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Since the Conservancy used a one-year amortization period, the ARC in future years represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any interest on the unfunded actuarial accrued liability. The Conservancy's current period ARC is approximately \$612 thousand as detailed in the chart in the OPEB Status and Funding Progress section of this note.

**(b) Funding**

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

**(c) Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the February 1, 2009 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10% (net of administrative expenses) including inflation, declining 1% each year to an ultimate trend rate of 5%. Both rates include a 3.5% inflation assumption.

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

The Conservancy's OPEB obligation and the funded status of the plan as of April 30, 2012 and 2011 are as follows:

	<b>2012</b>	<b>2011</b>
Actuarial Accrued Liability (AAL):		
Net OPEB obligation beginning of year	\$ 8,769,643	7,630,939
Amortization payment		—
Annual Required Contribution (ARC):		
Normal cost	421,031	400,982
Interest to period end	191,465	168,370
Payments for retirees during period	(11,679)	—
Net OPEB obligation end of period	\$ 9,370,460	8,200,291
Actuarial Accrued Liability (AAL) November 1, 2011 and November 1, 2010	\$ 8,769,643	7,630,939
Funded OPEB plan assets	—	—
Unfunded Actuarial Accrued Liability (UAAL) November 1, 2011 & November 1, 2010	\$ 8,769,643	7,630,939
Funded ratio (actuarial value of plan assets/AAL)	—%	—%
Covered payroll	\$ 4,065,192	4,044,331
UAAL as percentage of covered payroll	216%	189%

Corporate assets held at April 30, 2012 and 2011 in a separate corporate OPEB account for the exclusive purpose of paying OPEB obligations were approximately \$9.8 million and \$8.4 million, respectively. The OPEB assets are included on the balance sheet within the other corporate designated, escrowed, and postemployment benefit funds financial statement classification. The Conservancy's policy is to contribute the annual ARC to the designated account each year and pay all OPEB expenses from such account.

**(19) Commitments and Other Matters**

- (a) The Authority has entered into construction and other related contracts, having unexpended balances aggregating approximately \$29 million as of April 30, 2012.
- (b) The Authority rents office space in One World Financial Center, as well as community meeting space, field offices, and maintenance space in condominium buildings in Battery Park City. Total rent expense amounted to \$749 thousand and \$716 thousand for the six-month periods ended April 30, 2012 and 2011, respectively.

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- (c) The terrorist attack on the World Trade Center on September 11, 2001 destroyed the North Bridge and severely damaged the South Bridge owned by the Authority. After commencing suit against the insurers of the bridges to obtain funds for physical loss and damage to the bridges, a settlement was reached in the sum of \$38 million. Pursuant to a written agreement made in December 2005, the insurance monies were deposited, in May 2006, into an interest-bearing account (“Insurance Fund”), jointly controlled by the Authority and the Management Committee of the World Financial Center, (comprised of Brookfield Financial Properties, American Express Company, and Merrill Lynch & Co.), for the purposes of: (i) ensuring access into Battery Park City from the pedestrian concourse (Concourse) which The Port Authority of New York & New Jersey (“PANYNJ”), and now Brookfield, is constructing under West Street, connecting the World Trade Center site and the World Financial Center Pavilion, and (ii) restoring the South Bridge. These funds are not recorded as assets of the Authority in the accompanying balance sheets. In March 2009, the Authority and the Management Committee entered into an agreement permitting the following withdrawals from the Insurance Fund: (i) up to \$1,747,000 to fund the cost of the foundation of a structure, proposed by Brookfield, which would shelter the Concourse escalator bank in front of, and provide access to, the Winter Garden, and (ii) up to \$4,405,000 to fund the Authority’s construction of an eastern extension of the South Bridge, as part of a project to renovate the Bridge. As of April 30, 2012, a total of \$7,671,695 had been withdrawn from the Insurance Fund, consisting of (i) withdrawals, of \$1,302,933 and \$5,885,474 in December of 2009 and 2011, respectively, to fund the foundation costs referred to above and a portion of the World Financial Center Pavilion expenses, (ii) the withdrawal, in March 2010, of \$483,288 to fund certain soft costs of the Authority for the South Bridge extension.
- (d) In November 2007, the Authority designated the New York City School Construction Authority (“SCA”) as the ground lessee and developer of Site 2B for the purpose of constructing a public school for elementary and intermediate school students. The school opened in the fall of 2010 and the Authority will receive nominal rent for the site.
- (e) The City owns Pier A (a three-story historic landmark building), and a contiguous upland area (together, the “Pier”), which are located adjacent to the Project at its southern tip. In December 2007, the Authority and the City executed a nonbinding Term Sheet, providing for their negotiation in good faith of a long-term lease of the Pier (the “Lease”), based on the major terms described in the Term Sheet. The lease was executed in October 2008. Under the lease, the Authority is redeveloping the Pier with funding provided by the City, which will then be used for recreational, maritime, and ancillary uses, including retail purposes. At April 30, 2012 and 2011, the cumulative amounts the Authority had received from the City for Pier A related costs, were approximately \$13.1 million and \$8 million, respectively.
- (f) On October 23, 2007, the members of the Authority approved a proposal by the Governor to pay up to \$40 million of Special Fund monies (see note 10) to the PANYNJ for the construction of a planned pedestrian concourse running under Route 9A. The concourse will connect the Winter Garden (on the west, at the edge of Battery Park City) and the World Trade Center site on the east. As of April 30, 2012, the Authority disbursed a total sum of \$34,076,152 to the PANYNJ.
- (g) Pursuant to its ground lease with Goldman providing for construction by Goldman of a new world headquarters building in Battery Park City, the Authority entered into an arrangement as of July 18,

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2007 under which Goldman may make purchases related to construction, furnishing, and equipping the building without liability for New York State and City sales tax, for an aggregate sales tax exemption of up to \$60 million. To qualify for the exemption, the Authority is liable for payment of Goldman's purchases in connection with the building, in an amount not to exceed \$100 million (in addition to the value of goods delivered to the building), which purchases Goldman is to make as agent of the Authority, but which Goldman is obligated to pay pursuant to its ground lease. The Goldman Sachs Group, Inc. (the corporate parent of Goldman) executed a guaranty to assure reimbursement of any amounts paid by the Authority as a consequence of this arrangement. The likelihood of any payments made directly by the Authority resulting from this arrangement is considered remote.

**(20) Battery Park City Parks Conservancy**

The Conservancy was incorporated on December 2, 1987 as a New York not-for-profit corporation. The Authority, as sole member of the Conservancy, designated the Authority's members to serve as the Conservancy's board of directors. By approval of the Board of Directors, the Conservancy added the Authority's President as an additional director. The Conservancy was formed by the Authority to comply with certain requirements of agreements between the Authority and the City pursuant to which the Authority is obligated to maintain and repair the parks and open spaces in and around Battery Park City's residential areas. In March 1988, the Authority entered into a management agreement with the Conservancy, which authorized the Conservancy to undertake all responsibilities, related to the operation, maintenance, and repair of such parks and open spaces. For the six-month periods ended April 30, 2012 and 2011, the Authority paid the Conservancy approximately \$3.9 million and \$3.7 million, respectively, for services, which are included in the Authority's operating expenses. Additionally, approximately \$186 thousand and \$175 thousand at April 30, 2012 and 2011, respectively, is payable by the Authority to the Conservancy. Both are eliminated in the blending of the Conservancy's financial statements into the Authority's financial statements (see Other Supplementary Information – Combining Balance Sheet).

**(21) Litigation**

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

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

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

The court directed that the Special Masters (who were appointed by Judge Hellerstein) select 150 cases from the docket to create a "pool" of eligible Plaintiffs from which the 45 cases were to be chosen. Subsequent to Judge Hellerstein's Order to select 45 cases to proceed with discovery, the court unilaterally altered its approach to the docket and decided that fewer cases, involving more defendants, should proceed forward with discovery. In this regard, the court issued an order selecting 10 cases to proceed with discovery and eventual trial. One of the court's selections chose to opt into the Victim's Compensation Fund ("VCF") and 9 cases are proceeding with discovery.

Any Plaintiff currently suing for damages related to 9/11 debris removal was permitted to elect to participate in the VCF which was amended and reopened under the Zadroga Act provided that: (1) they began their work in these covered locations prior to May 30, 2002; (2) they file their claim within two years of July 1, 2011; and (3) they dismiss their lawsuits against all parties on or before January 3, 2011. Plaintiffs were not obligated to file a claim with the amended VCF and could elect to proceed with this litigation (and also still participate in the Title I healthcare portion). A majority of the Plaintiffs did not opt into the VCF and chose to pursue this litigation. The Plaintiffs who participated in the amended VCF are barred from suing the Authority and were required to drop their lawsuits, thereby reducing the Authority's potential exposure.

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Of the 9 cases proceeding through discovery, 7 involve Plaintiffs that allege to have worked at locations within Battery Park City. Pursuant to an agreement with one of the firms representing the Plaintiffs, 5 of the 7 Plaintiffs appeared for examinations under General Municipal Law 50-h. These examinations were completed in May. The depositions of all 9 Plaintiffs are expected to be completed by the end of August 2012. The Plaintiffs are proceeding with discovery against the defendants and the Authority has produced a witness for deposition and has satisfied all of its discovery obligations to date.

- c) Metrotech Contracting Corporation (“Metrotech”), was a contractor hired by the Authority that filed for bankruptcy, and asserted a number of claims against the Authority in the bankruptcy proceeding. The claims totaled approximately \$693,000, relating to work Metrotech allegedly performed for the Authority and for which it was not paid. Pursuant to Settlement Stipulations in Bankruptcy Court in September 2009, the Authority paid out \$188,111 of this claim, which was for subcontractors’ liens on Authority projects. Subsequently, the Court declined to grant Metrotech bankruptcy protection and the bankruptcy petition was dismissed. A surety claims that it has paid off the liens filed by Metrotech’s subcontractors and has requested that the Authority pay it approximately \$250,000 of the monies that Metrotech claimed was due. No legal proceedings in this matter have been filed.

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<b>Assets</b>	<b>Battery Park City Authority</b>	<b>Battery Park City Parks Conservancy</b>	<b>Eliminations</b>	<b>Total</b>
Current assets:				
Bank deposits	\$ 12,718	385,289	—	398,007
Investments	554,046	—	—	554,046
Restricted assets:				
Rents and other receivables (net of allowance for doubtful accounts of \$444,185)	13,201,688	206,471	(185,897)	13,222,262
2003 Revenue Bond Resolution Funds	264,350,356	—	—	264,350,356
2009 Revenue Bond Resolution Funds	2,635,153	—	—	2,635,153
Corporate-designated and escrowed funds	6,009,107	—	—	6,009,107
Total current assets	<u>286,763,068</u>	<u>591,760</u>	<u>(185,897)</u>	<u>287,168,931</u>
Noncurrent assets:				
Restricted assets:				
2003 Revenue Bond Resolution Funds	86,408,682	—	—	86,408,682
2009 Revenue Bond Resolution Funds	32,680,173	—	—	32,680,173
Residential lease required funds	21,340,720	—	—	21,340,720
Corporate-designated, escrowed, and OPEB funds	73,159,904	—	—	73,159,904
Deferred costs:				
Bond issuance costs, less accumulated amortization of \$18,123,320	35,298,975	—	—	35,298,975
Costs of leases, less accumulated amortization of \$1,041,804	3,637,722	—	—	3,637,722
Battery Park City project assets – at cost, less accumulated depreciation	489,138,376	—	—	489,138,376
Other assets	4,955,099	221,457	—	5,176,556
Total noncurrent assets	<u>746,619,651</u>	<u>221,457</u>	<u>—</u>	<u>746,841,108</u>
Total assets	<u>1,033,382,719</u>	<u>813,217</u>	<u>(185,897)</u>	<u>1,034,010,039</u>
<b>Deferred Outflow of Resources</b>				
Accumulated decrease in fair value of interest rate swaps	98,275,601	—	—	98,275,601
Total deferred outflows of resources	<u>98,275,601</u>	<u>—</u>	<u>—</u>	<u>98,275,601</u>
Total assets and deferred outflow of resources	<u>\$ 1,131,658,320</u>	<u>813,217</u>	<u>(185,897)</u>	<u>1,132,285,640</u>

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April 30, 2012

Liabilities and Net Position	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current liabilities:				
Accrued interest on bonds	\$ 18,162,829	—	—	18,162,829
Accounts payable and other liabilities	8,622,806	588,301	(185,897)	9,025,210
Due to the City of New York	129,483,298	—	—	129,483,298
Due to the City of New York - 2010 Agreement	61,657,016	—	—	61,657,016
Due to the Port Authority of New York & New Jersey	18,351	—	—	18,351
Deferred revenue:				
PILOT revenue	26,742,675	—	—	26,742,675
Base rent and other revenue	13,411,880	—	—	13,411,880
Security and other deposits	88,275	—	—	88,275
2003 Revenue Bonds	20,655,000	—	—	20,655,000
2009 Revenue Bonds	115,000	—	—	115,000
Total current liabilities	278,957,130	588,301	(185,897)	279,359,534
Noncurrent liabilities:				
Deferred revenue:				
Base rent and other revenue	310,275,128	—	—	310,275,128
Security and other deposits	21,846,456	—	—	21,846,456
OPEB - The Authority	18,019,312	—	—	18,019,312
OPEB - The Conservancy	—	9,370,459	—	9,370,459
Fair value of interest rate swaps	98,275,601	—	—	98,275,601
Bonds outstanding:				
2003 Revenue Bonds, less accumulated amortization of \$10,025,008	962,370,964	—	—	962,370,964
2009 Revenue Bonds, less accumulated amortization of \$171,642	88,259,365	—	—	88,259,365
Unamortized loss on extinguishment of 1993, 1996, and 2000 bonds	(23,853,179)	—	—	(23,853,179)
Total noncurrent liabilities	1,475,193,647	9,370,459	—	1,484,564,106
Total liabilities	1,754,150,777	9,958,760	(185,897)	1,763,923,640
Net position (deficit):				
Invested in capital assets, net of related debt	10,726,640	—	—	10,726,640
Restricted:				
Debt service	84,731,183	—	—	84,731,183
Under bond resolutions and other agreements	515,572	—	—	515,572
Unrestricted (deficit)	(718,465,852)	(9,145,543)	—	(727,611,395)
Total net position (deficit)	(622,492,457)	(9,145,543)	—	(631,638,000)
Total liabilities and net position (deficit)	\$ 1,131,658,320	813,217	(185,897)	1,132,285,640

See independent accountants' review report.

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Other Supplementary Information – Combining Statement of Net Position

April 30, 2011 (Restated)

<b>Assets</b>	<b>Battery Park City Authority</b>	<b>Battery Park City Parks Conservancy</b>	<b>Eliminations</b>	<b>Total</b>
Current assets:				
Bank deposits	\$ 6,041	397,429	—	403,470
Investments	1,340,351	—	—	1,340,351
Restricted assets:				
Rents and other receivables (net of allowance for doubtful accounts of \$252,265)	7,295,416	175,518	(174,955)	7,295,979
2003 Revenue Bond Resolution Funds	241,494,400	—	—	241,494,400
2009 Revenue Bond Resolution Funds	2,775,153	—	—	2,775,153
Corporate-designated and escrowed funds	131,255,534	—	—	131,255,534
Total current assets	<u>384,166,895</u>	<u>572,947</u>	<u>(174,955)</u>	<u>384,564,887</u>
Noncurrent assets:				
Restricted assets:				
2003 Revenue Bond Resolution Funds	88,062,350	—	—	88,062,350
2009 Revenue Bond Resolution Funds	54,285,382	—	—	54,285,382
Residential lease required funds	20,218,112	—	—	20,218,112
Corporate-designated, escrowed, and OPEB funds	71,037,953	—	—	71,037,953
Deferred costs:				
Bond issuance costs, less accumulated amortization of \$16,585,313	36,836,982	—	—	36,836,982
Costs of leases, less accumulated amortization of \$977,662	3,701,864	—	—	3,701,864
Battery Park City project assets – at cost, less accumulated depreciation	477,128,491	—	—	477,128,491
Other assets	4,819,239	203,625	—	5,022,864
Total noncurrent assets	<u>756,090,373</u>	<u>203,625</u>	<u>—</u>	<u>756,293,998</u>
Total assets	<u>1,140,257,268</u>	<u>776,572</u>	<u>(174,955)</u>	<u>1,140,858,885</u>
	<b>Deferred Outflow of Resources</b>			
Accumulated decrease in fair value of interest rate swaps	50,575,013	—	—	50,575,013
Total deferred outflows of resources	50,575,013	—	—	50,575,013
Total assets and deferred outflow of resources	<u>\$ 1,190,832,281</u>	<u>776,572</u>	<u>(174,955)</u>	<u>1,191,433,898</u>

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Other Supplementary Information – Combining Statement of Net Position

April 30, 2011 (Restated)

Liabilities and Net Position	Battery Park City Authority	Battery Park City Parks Conservancy	Eliminations	Total
Current liabilities:				
Accrued interest on bonds	\$ 18,552,684	—	—	18,552,684
Accounts payable and other liabilities	12,218,834	546,061	(174,955)	12,589,940
Due to the City of New York	150,265,459	—	—	150,265,459
Due to the City of New York - 2010 Agreement	119,988,247	—	—	119,988,247
Due to the Port Authority of New York & New Jersey	—	—	—	—
Deferred revenue:				
PILOT revenue	25,410,882	—	—	25,410,882
Base rent and other revenue	14,129,002	—	—	14,129,002
Security and other deposits	134,042	—	—	134,042
2003 Revenue Bonds	19,825,000	—	—	19,825,000
2009 Revenue Bonds	255,000	—	—	255,000
Total current liabilities	360,779,150	546,061	(174,955)	361,150,256
Noncurrent liabilities:				
Deferred revenue:				
Base rent and other revenue	322,142,674	—	—	322,142,674
Security and other deposits	20,729,434	—	—	20,729,434
OPEB - The Authority	17,248,085	—	—	17,248,085
OPEB - The Conservancy	—	8,200,291	—	8,200,291
Fair value of interest rate swaps	50,575,013	—	—	50,575,013
Bonds outstanding:				
2003 Revenue Bonds, less accumulated amortization of \$8,851,270	984,199,702	—	—	984,199,702
2009 Revenue Bonds, less accumulated amortization of \$98,794	88,447,213	—	—	88,447,213
Unamortized loss on extinguishment of 1993, 1996, and 2000 bonds	(25,629,546)	—	—	(25,629,546)
Total noncurrent liabilities	1,457,712,575	8,200,291	—	1,465,912,866
Total liabilities	1,818,491,725	8,746,352	(174,955)	1,827,063,122
Net position (deficit):				
Invested in capital assets, net of related debt	11,860,467	—	—	11,860,467
Restricted:				
Debt service	83,920,686	—	—	83,920,686
Under bond resolutions and other agreements	17,771,858	—	—	17,771,858
Unrestricted (deficit)	(741,212,455)	(7,969,780)	—	(749,182,235)
Total net position (deficit)	(627,659,444)	(7,969,780)	—	(635,629,224)
Total liabilities and net position (deficit)	\$ 1,190,832,281	776,572	(174,955)	1,191,433,898

See independent accountants' review report.

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

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

Six-month period ended April 30, 2012

	<b>Battery Park City Authority</b>	<b>Battery Park City Parks Conservancy</b>	<b>Eliminations</b>	<b>Total</b>
Operating revenues:				
Revenues from ground leases:				
Base rent	\$ 29,766,254	—	—	29,766,254
Supplemental rent	801,879	—	—	801,879
Payments in lieu of real estate taxes	79,859,277	—	—	79,859,277
Civic facilities payments and other	6,267,742	4,352,909	(4,144,897)	6,475,754
Total operating revenues	<u>116,695,152</u>	<u>4,352,909</u>	<u>(4,144,897)</u>	<u>116,903,164</u>
Operating expenses:				
Wages and related benefits	3,887,726	3,153,933	—	7,041,659
OPEB - The Authority	610,412	—	—	610,412
OPEB - The Conservancy	—	612,495	—	612,495
Other operating and administrative expenses	10,722,794	677,591	(4,144,897)	7,255,488
Depreciation of project assets	4,074,630	—	—	4,074,630
Other depreciation and amortization	1,145,580	34,792	—	1,180,372
Total operating expenses	<u>20,441,142</u>	<u>4,478,811</u>	<u>(4,144,897)</u>	<u>20,775,056</u>
Operating income	<u>96,254,010</u>	<u>(125,902)</u>	<u>—</u>	<u>96,128,108</u>
Nonoperating revenues (expenses):				
Interest income on funds relating to:				
2003 Revenue Bonds	1,244,688	—	—	1,244,688
2009 Revenue Bonds	218,233	—	—	218,233
Corporate-designated, escrowed, and OPEB funds	1,077,638	—	—	1,077,638
Realized and unrealized gains and losses	496,982	—	—	496,982
Interest expense relating to:				
2003 Swap agreements – net expense	(6,238,411)	—	—	(6,238,411)
2003 Revenue Bonds	(10,170,852)	—	—	(10,170,852)
2009 Revenue Bonds	(1,849,734)	—	—	(1,849,734)
Loss from extinguishment	(888,184)	—	—	(888,184)
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts	(41,859,513)	—	—	(41,859,513)
Provision for transfer to the City of New York per 2010 agreement	(24,642,329)	—	—	(24,642,329)
Total nonoperating expenses	<u>(82,611,482)</u>	<u>—</u>	<u>—</u>	<u>(82,611,482)</u>
Change in net position	13,642,528	(125,902)	—	13,516,626
Net (deficit), beginning of period	<u>(636,134,985)</u>	<u>(9,019,641)</u>	<u>—</u>	<u>(645,154,626)</u>
Net (deficit), end of period	<u>\$ (622,492,457)</u>	<u>(9,145,543)</u>	<u>—</u>	<u>(631,638,000)</u>

See independent accountants' review report.

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

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

Six-month period ended April 30, 2011

	<b>Battery Park City Authority</b>	<b>Battery Park City Parks Conservancy</b>	<b>Eliminations</b>	<b>Total</b>
Operating revenues:				
Revenues from ground leases:				
Base rent	\$ 29,452,557	—	—	29,452,557
Supplemental rent	917,312	—	—	917,312
Payments in lieu of real estate taxes	76,498,464	—	—	76,498,464
Civic facilities payments and other	7,011,245	4,171,589	(3,960,808)	7,222,026
Total operating revenues	<u>113,879,578</u>	<u>4,171,589</u>	<u>(3,960,808)</u>	<u>114,090,359</u>
Operating expenses:				
Wages and related benefits	3,599,024	3,331,429	—	6,930,453
OPEB - The Authority	573,084	—	—	573,084
OPEB - The Conservancy	—	569,352	—	569,352
Other operating and administrative expenses	9,839,669	741,847	(3,960,808)	6,620,708
Depreciation of project assets	3,849,086	—	—	3,849,086
Other depreciation and amortization	1,389,317	36,061	—	1,425,378
Total operating expenses	<u>19,250,180</u>	<u>4,678,689</u>	<u>(3,960,808)</u>	<u>19,968,061</u>
Operating income	<u>94,629,398</u>	<u>(507,100)</u>	<u>—</u>	<u>94,122,298</u>
Nonoperating revenues (expenses):				
Interest income on funds relating to:				
2003 Revenue Bonds	1,244,993	—	—	1,244,993
2009 Revenue Bonds	473,183	—	—	473,183
Corporate-designated, escrowed, and OPEB funds	1,233,552	—	—	1,233,552
Realized and unrealized gains and losses	(3,027,956)	—	—	(3,027,956)
Other revenue	514,015	—	—	514,015
Interest expense relating to:				
2003 Swap agreements – net expense	(6,332,649)	—	—	(6,332,649)
2003 Revenue Bonds	(10,472,776)	—	—	(10,472,776)
2009 Revenue Bonds	(1,852,285)	—	—	(1,852,285)
Loss from extinguishment	(888,183)	—	—	(888,183)
Provision for transfer to the City of New York of payments in lieu of real estate taxes and other amounts	(40,050,010)	—	—	(40,050,010)
Provision for transfer to the City of New York per 2010 agreement	(15,575,004)	—	—	(15,575,004)
Total nonoperating expenses	<u>(74,733,120)</u>	<u>—</u>	<u>—</u>	<u>(74,733,120)</u>
Change in net position	19,896,278	(507,100)	—	19,389,178
Net (deficit), beginning of period	<u>(647,555,722)</u>	<u>(7,462,680)</u>	<u>—</u>	<u>(655,018,402)</u>
Net (deficit), end of period	<u>\$ (627,659,444)</u>	<u>(7,969,780)</u>	<u>—</u>	<u>(635,629,224)</u>

See independent accountants' review report.

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

Other Supplementary Information – Combining Statement of Cash Flows  
Six-month period ended April 30, 2012

	<u>Battery Park City Authority</u>	<u>Battery Park City Parks Conservancy</u>	<u>Eliminations</u>	<u>Total</u>
Cash flows from operating activities:				
Cash receipts from:				
Tenant payments	\$ 108,870,310			108,870,310
Receipts from the Authority		3,855,718	(3,855,718)	—
Miscellaneous receipts	603,030	211,570		814,600
Total cash receipts from operating activities	<u>109,473,340</u>	<u>4,067,288</u>	<u>(3,855,718)</u>	<u>109,684,910</u>
Cash payments for:				
Salaries and benefits	(4,044,324)	(3,320,000)		(7,364,324)
Services and supplies	(8,906,182)	(439,350)	3,855,718	(5,489,814)
Total cash payments for operating activities	<u>(12,950,506)</u>	<u>(3,759,350)</u>	<u>3,855,718</u>	<u>(12,854,138)</u>
Net cash provided by operating activities	<u>96,522,834</u>	<u>307,938</u>	<u>—</u>	<u>96,830,772</u>
Cash flows from noncapital financing activities:				
Payments to Battery Park City Library	(45,807)	—	—	(45,807)
Payments to Pier A Contractors on behalf of the City of New York	(5,020,415)	—	—	(5,020,415)
Payments from lessees – site security deposits	447,307	—	—	447,307
Payments to lessees - site security deposits	(82,965)	—	—	(82,965)
Payments to The Port Authority of New York & New Jersey	(20,638,145)	—	—	(20,638,145)
Net cash used in noncapital financing activities	<u>(25,340,025)</u>	<u>—</u>	<u>—</u>	<u>(25,340,025)</u>
Cash flows from capital and related financing activities:				
Development costs – site improvements and construction	(9,401,096)	—	—	(9,401,096)
Capital asset expenditures	(816,993)	(28,059)	—	(845,052)
Auction fees for variable debt	(189,314)	—	—	(189,314)
Swap payment made on the 2003 Swap agreement	(6,657,614)	—	—	(6,657,614)
Swap interest payments received on the 2003 Swap agreement	327,138	—	—	327,138
Principal paydown on 2003 Revenue Bonds	(19,825,000)	—	—	(19,825,000)
Interest paid on 2003 Senior Revenue Bonds	(9,278,219)	—	—	(9,278,219)
Interest paid on 2003 Junior Revenue Bonds	(1,616,237)	—	—	(1,616,237)
Principal paydown on 2009 Senior Revenue Bonds	(255,000)	—	—	(255,000)
Interest paid on 2009 Senior Revenue Bonds	(2,520,153)	—	—	(2,520,153)
2009 Senior Revenue Bonds - Build America Bonds refund from US Treas	631,444	—	—	631,444
Net cash used in capital and related financing activities	<u>(49,601,044)</u>	<u>(28,059)</u>	<u>—</u>	<u>(49,629,103)</u>
Cash flows from investing activities:				
Interest and realized gains received on investment securities	2,767,079	—	—	2,767,079
Redemptions and sales of investment securities	170,617,247	—	—	170,617,247
Purchases of investment securities	(242,751,565)	—	—	(242,751,565)
Net cash used in investing activities	<u>(69,367,239)</u>	<u>—</u>	<u>—</u>	<u>(69,367,239)</u>
Increase (decrease) in cash and cash equivalents	(47,785,474)	279,879	—	(47,505,595)
Cash and cash equivalents, beginning of period	208,688,521	105,410	—	208,793,931
Cash and cash equivalents, end of period	<u>\$ 160,903,047</u>	<u>385,289</u>	<u>—</u>	<u>161,288,336</u>

**HUGH L. CAREY BATTERY PARK CITY AUTHORITY**

(A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Cash Flows

Six-month period ended April 30, 2012

	<u>Battery Park City Authority</u>	<u>Battery Park City Parks Conservancy</u>	<u>Eliminations</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 96,254,010	(125,902)	—	96,128,108
Adjustments to reconcile operating income to net cash provided by operating activities:				
Bad debt expense	89,723	—	—	89,723
Depreciation and amortization	6,021,284	34,792	—	6,056,076
Other	(162,925)	—	—	(162,925)
Changes in operating assets and liabilities:				
(Increase) decrease in rents and other receivables	(1,711,726)	(190,176)	176,044	(1,725,858)
(Increase) decrease in other assets	116,994	(42,390)	—	74,604
Increase (decrease) in accounts payable and other liabilities	3,110,566	30,798	(176,044)	2,965,320
Decrease in deferred revenue	(7,580,977)	—	—	(7,580,977)
Increase in OPEB	385,885	600,816	—	986,701
Net cash provided by operating activities	\$ <u>96,522,834</u>	<u>307,938</u>	<u>—</u>	<u>96,830,772</u>
Reconciliation to cash and cash equivalents, end of period:				
Bank deposits	\$ 12,718	385,289	—	398,007
Cash and cash equivalents	1,958,147	—	—	1,958,147
Investments with less than 91-day maturities	<u>158,932,182</u>	<u>—</u>	<u>—</u>	<u>158,932,182</u>
Cash and cash equivalents, end of period	\$ <u><u>160,903,047</u></u>	<u><u>385,289</u></u>	<u><u>—</u></u>	<u><u>161,288,336</u></u>

See independent accountants' review report.

**HUGH L. CAREY BATTERY PARK CITY AUTHORITY**

(A Component Unit of the State of New York)

Other Supplementary Information – Combining Statement of Cash Flows

Six-month period ended April 30, 2011

	<u>Battery Park City Authority</u>	<u>Battery Park City Parks Conservancy</u>	<u>Eliminations</u>	<u>Total</u>
Cash flows from operating activities:				
Cash receipts from:				
Tenant payments	\$ 105,297,315	—	—	105,297,315
Receipts from the Authority		3,669,415	(3,669,415)	—
Miscellaneous receipts	<u>507,927</u>	<u>217,013</u>	<u>—</u>	<u>724,940</u>
Total cash receipts from operating activities	<u>105,805,242</u>	<u>3,886,428</u>	<u>(3,669,415)</u>	<u>106,022,255</u>
Cash payments for:				
Salaries and benefits	(3,690,959)	(3,485,020)	—	(7,175,979)
Services and supplies	<u>(6,871,268)</u>	<u>(612,233)</u>	<u>3,669,415</u>	<u>(3,814,086)</u>
Total cash payments for operating activities	<u>(10,562,227)</u>	<u>(4,097,253)</u>	<u>3,669,415</u>	<u>(10,990,065)</u>
Net cash provided by (used in) operating activities	<u>95,243,015</u>	<u>(210,825)</u>	<u>—</u>	<u>95,032,190</u>
Cash flows from noncapital financing activities:				
Payments to Battery Park City Library	(165,720)	—	—	(165,720)
Payments to Pier A Contractors on behalf of the City of New York	(3,309,333)	—	—	(3,309,333)
Receipt from the New York City Educational Construction Fund	1,158,938	—	—	1,158,938
Contract closeout payment	(1,158,938)	—	—	(1,158,938)
Payments from lessees – site security deposits	1,529,042	—	—	1,529,042
Payments to The Port Authority of New York & New Jersey	—	—	—	—
Payments to New York State - 2010 Agreement	<u>(66,175,000)</u>	<u>—</u>	<u>—</u>	<u>(66,175,000)</u>
Net cash used in noncapital financing activities	<u>(68,121,011)</u>	<u>—</u>	<u>—</u>	<u>(68,121,011)</u>
Cash flows from capital and related financing activities:				
Development costs – site improvements and construction	(10,325,284)	—	—	(10,325,284)
Capital asset expenditures	(81,870)	—	—	(81,870)
Auction fees for variable debt	(164,132)	—	—	(164,132)
Swap payment made on the 2003 Swap agreement	(6,751,681)	—	—	(6,751,681)
Swap interest payments received on the 2003 Swap agreement	330,447	—	—	330,447
Principal paydown on 2003 Revenue Bonds	(19,095,000)	—	—	(19,095,000)
Interest paid on 2003 Senior Revenue Bonds	(9,542,964)	—	—	(9,542,964)
Interest paid on 2003 Junior Revenue Bonds	(1,625,559)	—	—	(1,625,559)
Principal paydown on 2009 Senior Revenue Bonds	(245,000)	—	—	(245,000)
Interest paid on 2009 Senior Revenue Bonds	(2,522,603)	—	—	(2,522,603)
2009 Senior Revenue Bonds - Build America Bonds refund from US Treasury	<u>1,262,888</u>	<u>—</u>	<u>—</u>	<u>1,262,888</u>
Net cash used in capital and related financing activities	<u>(48,760,758)</u>	<u>—</u>	<u>—</u>	<u>(48,760,758)</u>
Cash flows from investing activities:				
Interest and realized gains received on investment securities	3,528,327	—	—	3,528,327
Redemptions and sales of investment securities	329,465,882	—	—	329,465,882
Purchases of investment securities	<u>(416,370,591)</u>	<u>—</u>	<u>—</u>	<u>(416,370,591)</u>
Net cash used in investing activities	<u>(83,376,382)</u>	<u>—</u>	<u>—</u>	<u>(83,376,382)</u>
Decrease in cash and cash equivalents	<u>(105,015,136)</u>	<u>(210,825)</u>	<u>—</u>	<u>(105,225,961)</u>
Cash and cash equivalents, beginning of period	<u>375,812,667</u>	<u>608,254</u>	<u>—</u>	<u>376,420,921</u>
Cash and cash equivalents, end of period	\$ <u><u>270,797,531</u></u>	<u><u>397,429</u></u>	<u><u>—</u></u>	<u><u>271,194,960</u></u>

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

Other Supplementary Information – Combining Statement of Cash Flows  
Six-month period ended April 30, 2011

	<u>Battery Park City Authority</u>	<u>Battery Park City Parks Conservancy</u>	<u>Eliminations</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 94,629,398	(507,100)	—	94,122,298
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Bad debt expense	124,128	—	—	124,128
Depreciation and amortization	5,238,403	36,061	—	5,274,464
Other	(248,888)	—	—	(248,888)
Changes in operating assets and liabilities:				
(Increase) decrease in rents and other receivables	(952,375)	(134,202)	137,553	(949,024)
Increase in other assets	(256,384)	(79,300)	—	(335,684)
Increase (decrease) in accounts payable and other liabilities	2,264,062	(95,636)	(137,553)	2,030,873
Decrease in deferred revenue	(5,933,839)	—	—	(5,933,839)
Increase in OPEB	378,510	569,352	—	947,862
Net cash provided by (used in) operating activities	\$ <u>95,243,015</u>	<u>(210,825)</u>	<u>—</u>	<u>95,032,190</u>
Reconciliation to cash and cash equivalents, end of period:				
Bank deposits	\$ 6,041	397,429	—	403,470
Cash and cash equivalents	5,672,812	—	—	5,672,812
Investments with less than 91-day maturities	265,118,678	—	—	265,118,678
Cash and cash equivalents, end of period	\$ <u>270,797,531</u>	<u>397,429</u>	<u>—</u>	<u>271,194,960</u>

See independent accountants' review report.