

NEW YORK JOB DEVELOPMENT AUTHORITY

Combined Financial Statements
and Independent Auditors' Report

March 31, 2011 and 2010

NEW YORK JOB DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

The Authority Members
New York Job Development Authority:

We have audited the accompanying combined balance sheets of New York Job Development Authority (a component unit of the State of New York) as of March 31, 2011 and 2010, and the related combined statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In accordance with Government Auditing Standards, we have also issued our report dated June 3, 2011 on our consideration of New York Job Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's discussion and analysis as presented on pages 3 to 8 is not a required part of the basic combined financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Toski, Schaefer & Co. P.C.

Williamsville, New York
June 3, 2011

NEW YORK JOB DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

March 31, 2011 and 2010

Our discussion and analysis of the New York Job Development Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the year ended March 31, 2011. Please read it in conjunction with the Authority's combined financial statements.

Overview

During the year ended March 31, 2011, the Authority continued its mission to spur job growth and capital investment in New York State by using authority granted to it and by leveraging State-guaranteed bonds to support low interest loans to manufacturers and other targeted industries throughout New York State. The loan program provides financing to encourage the growth of manufacturing and other private sector business in the State without requiring appropriation of taxpayers' funds.

Since 1995, the Authority has done business as Empire State Development ("ESD") and has been administratively consolidated with the New York State Urban Development Corporation ("UDC"). The Authority experienced financial difficulties in the mid-1990's. As a result, from 1997 through March 31, 2004 the Authority received from UDC, also doing business as the Empire State Development, an annual operating transfer to assist in meeting its legal obligations. No assistance was required in the years ended March 31, 2011 and 2010 and no assistance is expected to be required in the next fiscal year.

As a result of the improvements in collections of the reserved loans in the loan portfolio, the absorption of personnel costs by UDC, and the consolidation of the net assets of New York Liberty Development Corporation ("NYLDC") and Brooklyn Arena Local Development Corporation ("BALDC"), the Authority has achieved a net asset balance of \$59.1 million at March 31, 2011. NYLDC was created in 2002 to provide a vehicle for the State to issue Liberty Bonds in the wake of the terrorist attacks of September 11, 2001. BALDC was created in November 2008 to finance certain components of the Atlantic Yards land use improvement project.

In addition, in October 2003, the Authority caused the creation of Empire State Local Development Corporation ("ESLDC"). ESLDC has state-wide jurisdiction and was created to carry out various economic development initiatives through the use of pass through grants received from outside sources.

In June 2010, the Authority's Board of Directors authorized the creation of Canal Side Local Development Corporation ("CSLDC"). It is anticipated that CSLDC will have state-wide jurisdiction and help facilitate the financing of the Canal Side Yards Land Improvement Project in Buffalo.

NEW YORK JOB DEVELOPMENT AUTHORITY
Management's Discussion and Analysis, Continued

A summary of the Authority's financial information as of March 31, 2011 and 2010 is as follows:

Summary of Balance Sheets

<u>Assets</u>	<u>2011</u>	<u>2010</u>
	(In thousands)	
Cash and equivalents, restricted cash and temporary investments	\$ 80,751	73,367
Loans receivable, net	30,151	36,073
Financing leases, net	11,687	13,060
Other assets	540	685
	<u>\$ 123,129</u>	<u>123,185</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Special purpose bonds	23,289	27,903
Due to New York State Urban Development Corporation	25,896	25,185
Deferred grant revenue	14,593	17,180
Accounts payable and accrued expenses	260	275
	<u>64,038</u>	<u>70,543</u>
Total liabilities		
Net assets - restricted	<u>59,091</u>	<u>52,642</u>
Total liabilities and net assets	<u>\$ 123,129</u>	<u>123,185</u>

NEW YORK JOB DEVELOPMENT AUTHORITY
Management's Discussion and Analysis, Continued

Summary of Statements of Revenue,
Expenses and Changes in Net Assets

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Operating revenue:		
Loan interest	\$ 2,671	3,530
Grant income	8,406	17,410
Bond and note fee income	5,200	1,551
Other revenue	<u>580</u>	<u>354</u>
Total operating revenue	<u>16,857</u>	<u>22,845</u>
Operating expenses:		
Interest, principally bonds	1,277	1,598
Amortization of deferred financing costs	105	105
Credit and remarketing fees	281	156
General and administrative	184	261
Grants	8,406	17,410
New York Liberty Development Corporation	44	19
Brooklyn Arena Local Development Corporation	<u>75</u>	<u>-</u>
Total operating expenses	<u>10,372</u>	<u>19,549</u>
Operating income	<u>6,485</u>	<u>3,296</u>
Nonoperating revenue	36	134
Nonoperating expenses	<u>(72)</u>	<u>(196)</u>
Nonoperating expenses, net	<u>(36)</u>	<u>(62)</u>
Excess of revenue over expenses	6,449	3,234
Net assets - restricted at beginning of year	<u>52,642</u>	<u>49,408</u>
Net assets - restricted at end of year	<u>\$ 59,091</u>	<u>52,642</u>

NEW YORK JOB DEVELOPMENT AUTHORITY
Management's Discussion and Analysis, Continued

Liquidity

The Authority's cash and equivalents and investments totaled approximately \$80.8 million and \$73.4 million at March 31, 2011 and 2010, respectively. The increase is primarily due to \$10.6 million in loan collections, \$5.8 million in grant funds from the Port Authority of New York and New Jersey for projects through ESLDC, such as the 7th Regiment Armory, \$5.2 million in fees earned on the sale of Liberty Bonds for the One Bryant Park project and the World Trade Center project, offset by a \$5.0 million grant disbursement to Goldmans Sachs, a \$3.4 million grant disbursement to the 7th Regiment Armory and a \$5.8 million debt service disbursement.

The Authority's loan receivable balance totaled \$30.1 million and \$36.1 million at March 31, 2011 and 2010, respectively. The decrease is primarily due to approximately \$6.6 million in loan collections offset by increases of \$0.1 million of deferred loan income amortization and \$0.5 million in recovery of provision on loan losses.

Approximately 36% of the consolidated net asset balance results from the net fees earned by NYLDC over the last several years.

Cash generated from operations exceeded the Authority's operating requirements for the year ended March 31, 2011 by approximately \$6.4 million, primarily due to the receipt of \$5.7 million in bond fees and \$2.4 million in loan interest offset by a \$1.7 million in bond disbursements.

Capitalization

As of March 31, 2011, the Authority had approximately \$23.3 million in bonds outstanding. Total debt decreased by approximately \$4.6 million through scheduled maturities of bonds of \$4.5 million (exclusive of approximately \$0.1 million of bond premium amortization).

Investment Ratings

As of March 31, 2011, the Authority's outstanding debt had the following ratings from the two major rating agencies:

<u>Issue</u>	<u>Ratings</u>	
	<u>FITCH</u>	<u>S&P</u>
Special Purpose Fixed Rate Bonds Series '04 A	AA-	AA
Special Purpose Fixed Rate Bonds Series '04 B	AA-	AA

NEW YORK JOB DEVELOPMENT AUTHORITY
Management's Discussion and Analysis, Continued

Excess of Revenue over Expenses

The excess of revenue over expenses for the fiscal year ended March 31, 2011 amounted to \$6.4 million compared with \$3.2 million in fiscal 2010. This increase is primarily due to the receipt of \$5.2 million in bond and note fee income offset by the reduction of interest and general and administrative expenses.

Revenue

Operating revenue approximated \$16.9 million in fiscal 2011 compared to \$22.8 million in fiscal 2010. The decrease is primarily due to the reduction of loan interest collected and a decrease in grant income offset by an increase in bond fees.

Loan interest decreased by approximately \$0.9 million as rates on the variable loans continued to decrease. Grant income decreased by \$9.0 million, primarily within ESLDC, as it funded fewer projects than were funded in the previous fiscal year. Funding comes from the Port Authority and is immediately expensed. There is no effect on net income.

Bond and note fee income increased by approximately \$3.6 million in the fiscal year ended March 31, 2011 primarily due to the fact that there was a \$0.3 million fee earned on the sale of Liberty Bonds for the World Trade Center project and a \$4.9 million fee earned on the sale of Liberty Bonds for the One Bryant Park project as compared to a \$1.6 million fee earned in the previous fiscal year.

Other revenue increased by approximately \$0.2 million due to a increase of \$0.2 million in recovery of provision on loan losses in the fiscal year 2011.

Nonoperating expenses, net, decreased by \$0.03 million in the fiscal year ended March 31, 2011 as a result of a slight decrease in investment income due to the continued decline in short-term interest rates throughout the year.

Operating Expenses

Operating expenses for the fiscal year ended March 31, 2011 were \$10.4 million compared with \$19.5 million in the fiscal year ended March 31, 2010. The decrease is primarily due to the fact that grant expenses for ESLDC decreased by \$9.0 million as fewer projects were funded than in the previous fiscal year. The expense represents immediate disbursement of funds received from the Port Authority because ESLDC is merely a pass through. There is no effect on net income.

NEW YORK JOB DEVELOPMENT AUTHORITY
Management's Discussion and Analysis, Continued

Interest on bonds decreased by \$0.3 million due to the maturity of certain bonds.

Related bond expenses (credit and remarketing fees) increased by \$0.1 million, primarily due to a slight increase in letter of credit fees.

General and administrative expenses decreased by \$0.08 million primarily due to a decrease in outside storage fees and loan servicing and collection efforts.

The Authority's financial position remains strong. No assistance has been received from UDC since fiscal year ended March 31, 2004. There was no new loan activity for the fiscal year ended March 31, 2011. There are approximately \$1.0 million in loans approved but not closed. In the coming fiscal year, management does not foresee any events that would have a significant negative effect on the financial position of the Authority.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the New York Job Development Authority's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Chief Financial and Administrative Officer, New York Job Development Authority d/b/a Empire State Development, 633 Third Avenue, New York, New York 10017.

COMBINED FINANCIAL STATEMENTS

NEW YORK JOB DEVELOPMENT AUTHORITY
Combined Balance Sheets
March 31, 2011 and 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Cash and equivalents	\$ 2,602,503	4,734,215
Cash - restricted	108,495	108,387
Temporary investments in marketable securities	78,040,028	68,524,349
Accrued interest receivable	189,761	228,314
Loans receivable, net of allowance of \$8,104,000 in 2011 and \$8,634,000 in 2010	30,151,310	36,073,559
Financing leases, net of allowance of \$782,210 in 2011 and \$782,210 in 2010	11,687,470	13,060,030
Deferred financing costs, net of accumulated amortization of \$1,819,900 in 2011 and \$1,714,600 in 2010	342,552	447,875
Prepaid insurance	7,270	8,673
Total assets	<u>\$ 123,129,389</u>	<u>123,185,402</u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Special purpose bonds	23,288,671	27,902,634
Due to New York State Urban Development Corporation	25,895,799	25,185,539
Deferred grant revenue	14,593,208	17,180,124
Accounts payable and accrued expenses	260,262	275,272
Total liabilities	64,037,940	70,543,569
Net assets - restricted	59,091,449	52,641,833
Commitments and contingencies (notes 10 and 11)		
Total liabilities and net assets	<u>\$ 123,129,389</u>	<u>123,185,402</u>

See accompanying notes to combined financial statements.

NEW YORK JOB DEVELOPMENT AUTHORITY
Combined Statements of Revenue, Expenses and Changes in Net Assets
Years ended March 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenue:		
Loan interest	\$ 2,671,673	3,530,497
Grant income	8,405,770	17,409,803
Bond and note fee income	5,200,171	1,551,236
Other revenue	580,120	353,595
Total operating revenue	<u>16,857,734</u>	<u>22,845,131</u>
Operating expenses:		
Interest, principally bonds	1,276,986	1,597,582
Amortization of deferred financing costs	105,323	105,323
Credit and remarketing fees	281,000	156,344
General and administrative	184,291	261,438
Grants	8,405,770	17,409,803
New York Liberty Development Corporation	44,018	18,627
Brooklyn Arena Local Development Corporation	74,991	-
Total operating expenses	<u>10,372,379</u>	<u>19,549,117</u>
Operating income	<u>6,485,355</u>	<u>3,296,014</u>
Nonoperating revenue (expenses):		
Investment income, including change in fair value	36,580	133,964
Interest - New York State Urban Development Corporation	(72,319)	(196,504)
Nonoperating expenses, net	<u>(35,739)</u>	<u>(62,540)</u>
Excess of revenue over expenses	6,449,616	3,233,474
Net assets - restricted at beginning of year	<u>52,641,833</u>	<u>49,408,359</u>
Net assets - restricted at end of year	<u>\$ 59,091,449</u>	<u>52,641,833</u>

See accompanying notes to combined financial statements.

NEW YORK JOB DEVELOPMENT AUTHORITY
Combined Statements of Cash Flows
Years ended March 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from interest on loans and financing leases	\$ 2,464,709	3,296,942
Cash received from grants	8,405,770	17,409,803
Cash received from bond and related fees	5,733,171	1,018,236
Other operating cash receipts	50,683	25,644
Interest paid on bonds payable	(1,383,583)	(1,556,507)
Cash paid for related bond expenses	(281,000)	(156,344)
Cash paid for general and administrative expenses	(87,582)	(25,354)
Cash paid for grants	(8,405,770)	(17,409,803)
Cash paid for NYLDC operating expenses	(44,018)	(18,627)
Cash paid for BALDC operating expenses	(62,732)	-
Net cash provided by operating activities	<u>6,389,648</u>	<u>2,583,990</u>
Cash flows from noncapital financing activities - special purpose bond retirements	<u>(4,525,000)</u>	<u>(4,725,000)</u>
Cash flows from investing activities:		
Proceeds from sale of temporary investments in marketable securities	481,669,914	467,131,907
Purchase of temporary investments in marketable securities	(491,131,559)	(456,711,860)
Interest on investments	1,292	171,185
Principal collected on loans receivable	6,563,169	5,619,280
Principal collected on financing leases	1,506,594	1,393,569
Reduction of Port Authority appropriation for grant disbursements	(8,405,770)	(17,409,803)
Port Authority appropriation received for grants	<u>5,800,000</u>	<u>4,200,000</u>
Net cash provided by (used in) investing activities	<u>(3,996,360)</u>	<u>4,394,278</u>
Net increase (decrease) in cash and equivalents	(2,131,712)	2,253,268
Cash and equivalents at beginning of year	<u>4,734,215</u>	<u>2,480,947</u>
Cash and equivalents at end of year	<u>\$ 2,602,503</u>	<u>4,734,215</u>

(Continued)

See accompanying notes to combined financial statements.

NEW YORK JOB DEVELOPMENT AUTHORITY
Combined Statements of Cash Flows, Continued

	<u>2011</u>	<u>2010</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 6,485,355	3,296,014
Adjustments to reconcile operating income to net cash provided by operating activities:		
Recovery of provision for loss on loans receivable, loan guarantees and financing leases	(529,437)	(327,950)
Operating expenses paid by UDC	181,261	222,190
Due from NYS Urban Development Corp. BALDC	533,000	(533,000)
Amortization - deferred financing costs	105,323	265,369
Amortization - deferred loan income	(111,483)	(111,483)
Amortization - deferred lease premiums	(134,034)	(155,758)
Amortization - bond premium	(88,962)	(104,561)
Change in:		
Accrued interest receivable	38,553	33,686
Prepaid insurance	1,403	(19)
Accounts payable and accrued expenses	<u>(91,331)</u>	<u>(498)</u>
Net cash provided by operating activities	<u>\$ 6,389,648</u>	<u>2,583,990</u>

See accompanying notes to combined financial statements.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements
March 31, 2011 and 2010

Note 1 - Corporate Background and Activities

(a) General

New York Job Development Authority (the "Authority" or "JDA"), doing business as Empire State Development ("ESD"), is a public benefit corporation organized and existing under the laws of the State of New York (the "State"). The Authority's main function is assisting private sector business expansion and job creation throughout the State. As a public benefit corporation, the Authority is tax exempt. The Authority is a component unit of the State and, as such, its financial statements are included in the State's general purpose financial statements.

(b) Activities

The principal activities of the Authority are providing business and industrial loans, described in the Authority's enabling legislation as "Special Purpose Loans," and the guarantee of loans made by banking organizations (as defined in the enabling legislation), described as "Special Purpose Loan Guarantees." All such loans and loan guarantees are made to businesses with operations in the State, and are provided for acquisition of real estate or machinery and equipment. The Authority generally requires security for loans and loan guarantees with the underlying assets and other available collateral.

The Authority finances these activities through the issuance of State guaranteed bonds and notes (the "Bonds") limited by the Constitution of the State and applicable legislation to an aggregate principal amount of \$900,000,000 outstanding at any time. To date, enabling legislation allows an aggregate principal amount of \$750,000,000 to be outstanding at any time.

The guarantee of the Bonds by the State is authorized by the New York Job Development Authority Act, as amended by Section 1813 of Title 8 Article 8 of the Public Authorities Law and Section 8 Article X of the Constitution of New York State. Under these provisions, if the Authority fails to pay, when due, the principal or interest on the Bonds or if sued by any holder of the Bonds, the State Comptroller must set apart from the first revenues thereafter received from any source, applicable to the General Fund of the State, a sum sufficient to pay such principal and interest, and shall so apply the monies thus set apart. Effectively, the State is subrogated to the rights of the bondholders. The net assets of the fund are considered restricted.

The Authority has the power to create local development corporations under Section 1804 of the New York Public Authorities Law and Section 1411 of the New York Not-for-Profit Corporation Law. The Authority has created three Local Development Corporations, the New York Liberty Development Corporation (the "NYLDC"), the Empire State Local Development Corporation (the "ESLDC"), and the Brooklyn Arena Local Development Corporation (the "BALDC"). The Authority's Board has authorized the creation of the Canal Side Local Development Corporation (the "CSLDC").

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 1 - Corporate Background and Activities, Continued

(b) Activities, Continued

JDA substantially controls the operations of the Local Development Corporations. Under Governmental Accounting Standard Board Statement (GASB) No. 39 - "The Financial Reporting Entity," NYLDC, ESLDC and BALDC are considered blended component units of the Authority, and their assets, liabilities, and results of operations are combined with the operations of the Authority for financial reporting purposes.

Note 2 - Summary of Significant Accounting Policies

(a) Basis of Accounting

The Authority follows enterprise fund reporting, accordingly, the accompanying combined financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

The Authority complies with all applicable pronouncements of the Governmental Accounting Standards Board as well as with authoritative pronouncements applicable to non-governmental entities (e.g. Financial Accounting Standards Board Statements) that do not conflict with GASB pronouncements.

The Authority's combined financial statements are presented consistent with enterprises whose principal activities are considered a financing enterprise.

(b) Use of Estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

(c) Cash and Equivalents

Cash and equivalents include cash deposits with banks and highly liquid temporary investments with original or remaining maturities of 90 days or less.

(d) Investment Securities

Investment securities consist of temporary investment of available cash and debt service reserve funds in marketable securities. Investment securities are reported at fair value in the combined balance sheets, and investment income, including changes in fair value, is reported as nonoperating revenue in the combined statements of revenue, expenses and changes in net assets.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 2 - Summary of Significant Accounting Policies, Continued

(d) Investment Securities, Continued

The fair value of investment securities, which include United States government and Federal agency obligations, and obligations of state and local governments is generally based on quoted market prices. Interest earning investment instruments, including time deposits and repurchase agreements with maturities of one year or less, are reported at amortized cost. Investment income also includes realized gains and losses from disposition of investments on a specific identification basis. Collateral for these investments is held in the Authority's name by financial institutions as custodians. Investment securities that are not required by bond indentures to be held by independent trustees are maintained and held by the New York State Department of Taxation and Finance.

(e) Loans and Financing Leases Receivable

Loans and financing leases are generally reported at their principal amounts outstanding, net of allowances for possible credit losses. The Authority lends funds for the acquisition of land and buildings which are generally repayable over 15 to 20 years. Loans to fund machinery and equipment are generally repayable over 7 to 10 years. Generally, all loans represent second mortgages or other subordinated positions. Interest revenue on loans and financing leases is credited to interest income based on loan principal amounts outstanding at appropriate interest rates. Interest is not accrued on loans which are delinquent three or more months and which management considers uncollectible. In addition, the Authority provides financing leases for property previously acquired in foreclosure. Financing leases generally require repayment over periods ranging from one to 20 years.

(f) Allowance for Possible Credit Losses and Estimated Loan Guarantee Losses

The allowance for possible credit losses provides for risks of losses inherent in the credit extension process. The Authority maintains this allowance on a specific and general basis at levels considered adequate to meet present and future losses on loans and financing leases. Estimates of loan guarantee losses are based on similar analyses. This evaluation encompasses business and economic conditions, the character, quality and performance of the portfolios, availability of collateral and the risks inherent in these loans. Accordingly, these estimates could change in the near term.

(g) Foreclosed Properties

The Authority may hold title to properties acquired in satisfaction of loans, including in-substance foreclosures. Such amounts, if any, are carried at the lower of cost or estimated fair market value.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 2 - Summary of Significant Accounting Policies, Continued

(h) Deferred Financing Costs

Financing costs and bond issuance premiums/discounts are deferred and amortized on a straight line basis, which approximates the effective yield method, over the period of the related debt. Loan origination and commitment fees and certain incremental direct loan costs are deferred and amortized over the estimated remaining lives of the related loans using the straight line basis, which approximates the effective yield method.

(i) Grant Revenue and Expense

ESLDC administers certain grant funds from various sources. These grants are awarded for specifically designated projects and are distributed directly to the projects. ESLDC records revenue upon disbursement of the grants to grantees. Grant advances not disbursed to grantees are recorded as deferred revenue.

NYLDC recognizes grant expense upon the disbursement of grants to grantees.

(j) Subsequent Events

The Authority has evaluated events after March 31, 2011, and through June 3, 2011, which is the date the combined financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these combined financial statements.

Note 3 - Local Development Corporations

(a) New York Liberty Development Corporation

In August 2002, at the request of the Governor, the Authority caused the creation of New York State Liberty Development Corporation ("NYLDC"). NYLDC was created as a conduit for the issuance of qualified New York Liberty Bonds ("Liberty Bonds") and such other non-federally tax-exempt obligations as may be appropriate. Bond proceeds are used to finance private projects primarily in the New York Liberty Zone located in lower Manhattan. NYLDC receives fees in connection with each bond or note issuance. In certain instances, the bond issuance fees earned are shared with other entities. The summarized balance sheets of NYLDC as of March 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Cash and equivalents	\$ 1,360,501	1,275,562
Temporary investments in marketable securities	<u>19,942,121</u>	<u>14,923,776</u>
Net assets	\$ <u>21,302,622</u>	<u>16,199,338</u>

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 3 - Local Development Corporations, Continued

(a) New York Liberty Development Corporation, Continued

The summarized statements of revenue and expenses of NYLDC for the years ended March 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Bonds and note fee income	\$ 5,200,171	1,018,236
Investment income	23,451	19,486
NYLDC operating expenses	<u>(44,018)</u>	<u>(18,627)</u>
Excess of revenue over expenses	\$ <u>5,179,604</u>	<u>1,019,095</u>

During the year ended March 31, 2011 NYLDC issued Liberty bonds in the aggregate face amount of \$650 million on behalf of and for the benefit of the One Bryant Park project and issued recovery zone bonds in the aggregate face amount of \$338 million on behalf of and for the benefit of the 3 World Trade Center project. In order to provide for the staged financing of Tower 3 and Tower 4, and to exclude bond financing for Tower 2 at the World Trade Center site, on October 12, 2010, the Series 2009A Bonds were mandatorily tendered for purchase and were re-designated into two Series: (1) \$1,276,955,000 Multi-Model Liberty Revenue Bonds, Series 2009A-1 and (2) \$1,303,000,000 Multi-Model Liberty Revenue Bonds, Series 2009A-2. The Initial Series 2009A-1 Bonds, the Series 2009A-2 Bonds and the Initial Series 2009B Bonds were remarketed and made subject to mandatory tender for purchase on November 18, 2010 and January 27, 2011, and on January 27, 2011 were re-designed as \$1,275,795,000 Series 2009A-1 Bonds, \$1,303,000,000 Series 2009A-2 Bonds, \$13,545,000 Series 2009B-1 Bonds and \$1,160,000 Series 2009B-2 Bonds, and made subject to mandatory tender for purchase on April 28, 2011.

During the year ended March 31, 2010, NYLDC issued Liberty bonds in the aggregate face amount of \$2,593 billion on behalf of and for the benefit of 2 World Trade Center LLC, 3 World Trade Center LLC and 4 World Trade Center LLC (collectively, the "Borrowers"). The Bonds were issued to finance a portion of the cost of construction by the Borrowers of one or more buildings known as Towers 2, 3 and 4 at the World Trade Center site in Lower Manhattan.

Since inception, NYLDC has issued an aggregate of \$4.984 billion (at face amount of \$4.835 billion) of Liberty Bonds, \$338 million of Recovery Zone Bonds, and \$730 million of taxable notes excluding remarketing and refunding bonds on behalf of project owners. As of March 31, 2011, the total outstanding conduit debt amounted to \$5.1 billion. Liberty bonds, Recovery Zone bonds, and taxable notes are not the obligation of NYLDC, the Authority, or the State. Repayment of the bonds and notes is the obligation of respective project owners.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 3 - Local Development Corporations, Continued

(b) Empire State Local Development Corporation

In October 2003, the Authority caused the creation of Empire State Local Development Corporation ("ESLDC"). ESLDC has state-wide jurisdiction and was created to carry out various economic development initiatives through the use of pass through grants received from outside sources. The summarized balance sheets of ESLDC as of March 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Cash and equivalents	\$ 522,448	1,625,746
Temporary investments in marketable securities	14,070,760	15,554,378
Deferred grant revenue	<u>(14,593,208)</u>	<u>(17,180,124)</u>
Net assets	\$ <u> -</u>	<u> -</u>

The deferred grant revenue represents grant funds received that have not yet been disbursed to the grantee. The summarized statements of revenue and expenses of ESLDC for the years ended March 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Grant revenue	\$ 8,405,770	17,409,803
Grant expenses	<u>(8,405,770)</u>	<u>(17,409,803)</u>
Excess of revenue over expenses	\$ <u> -</u>	<u> -</u>

(c) Brooklyn Arena Local Development Corporation

In November 2008, the Authority caused the creation of Brooklyn Arena Local Development Corporation ("BALDC"). BALDC has state-wide jurisdiction and was created as conduit for the issuance of both taxable and tax exempt bonds to finance the construction and related cost of the Arena. The summarized balance sheets of BALDC at March 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Cash and equivalents	\$ 471,620	-
Due from New York State Urban Development Corporation	-	533,000
Accounts payable and accrued expenses	<u>(12,259)</u>	<u> -</u>
Net assets	\$ <u>459,361</u>	<u>533,000</u>

The summarized statement of revenue and expenses of BALDC for the years ended March 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Bonds and note fee income	\$ -	533,000
Interest income	1,352	-
Expenses	<u>(74,991)</u>	<u> -</u>
Excess (deficiency) of revenue over expenses	\$ <u>(73,639)</u>	<u>533,000</u>

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 3 - Local Development Corporations, Continued

(c) Brooklyn Arena Local Development Corporation, Continued

BALDC did not issue bonds during the year ended March 31, 2011. During the year ended March 31, 2010, BALDC issued Brooklyn Arena LDC Bonds in the aggregate face amount of \$511 million (at an issue price of \$507 million) on behalf of and for the benefit of the Barclays Center Project. BALDC received \$533,000 in fees in connection with the Series 2009 bond issuance. As of March 31, 2011, the total outstanding conduit debt is \$511 million. BALDC bonds are not the obligation of BALDC, the Authority or the State. Repayment of the bonds will be made from payment-in-lieu-of taxes and rental payments made by the Arena developer.

Note 4 - Liquidity and Restructuring

In October 1996, UDC completed a refunding of its outstanding general purpose bonds. UDC is required to utilize the savings generated from this refunding as provided in Section 103 of Chapter 309 of the Laws of 1996 (the "Act") to pay the lawfully incurred debts and obligations of JDA. UDC is directed to the extent of the net savings, as defined in the Act, to make such payments on behalf of the State of New York as provided in the Act. There were no payments to JDA from UDC during the years ended March 31, 2011 and 2010. It is not anticipated that JDA will require any funds from UDC during the year ending March 31, 2012.

As a public unit of the State of New York, NYJDA receives up to \$250,000 FDIC coverage each for the aggregate of all interest-bearing accounts and unlimited FDIC coverage on all non-interest bearing accounts held in a single financial institution located in the same state as NYJDA. At March 31, 2011 and 2010, all of NYJDA's bank balances were fully collateralized.

Note 5 - Temporary and Debt Service Reserve Fund Investments

Financial Investments

Authorization for investments is governed by written internal investment guidelines, statutes, State guidelines and bond resolutions. Permitted investments include:

- Obligations of the United States Treasury, agencies and instrumentalities;
- Direct obligations of the State of New York, its political subdivisions, and public authorities;
- Collateralized investments, which are fully secured as to principal by U.S. Treasury securities and obligations of the U.S. Government, with financial institutions which meet specified criteria;
- Repurchase agreements with financial institutions doing business in the State of New York which are listed as primary government securities dealers by New York's Federal Reserve Bank and which are collateralized by U.S. Government securities;

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 5 - Temporary and Debt Service Reserve Fund Investments, Continued

- Commercial paper issued by domestic banks, corporations and financial companies rated "A-1" or better by Standard & Poor's Corporation or "P-1" or better by Moody's Investors Services, Inc.;
- Certificates of deposit; and
- Units, shares or interest in a mutual fund or money market fund of regulated investment companies that meet specified criteria.

Temporary and debt service reserve fund investments at March 31, 2011 and 2010 consist of the following:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
U.S. Government and Federal				
Agency obligations	\$ 35,406,127	35,412,841	68,512,000	68,524,349
Commercial paper	12,296,298	12,224,350	-	-
Repurchase agreements	30,400,000	30,402,837	-	-
	<u>\$ 78,102,425</u>	<u>78,040,028</u>	<u>68,512,000</u>	<u>68,524,349</u>

Fair Value Measurements

The Financial Accounting Standards Board established a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Level 1 are assets and liabilities whose inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access. The Authority holds financial instruments with quoted prices in active markets for identical assets (level 1) of \$78,040,028 and \$68,524,349 at March 31, 2011 and 2010, respectively.

The investments are reported at fair value in the combined financial statements as of March 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
U.S. Government and Federal Agency obligations	\$ 35,412,841	68,524,349
State and Local Government obligations	12,224,350	-
Repurchase agreements	30,402,837	-
	<u>\$ 78,040,028</u>	<u>68,524,349</u>

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 6 - Financing Leases Receivable

Minimum lease payments to be received under financing lease agreements for each of the next five years and thereafter as of March 31, 2011 were as follows:

2012	\$ 2,092,481
2013	2,014,526
2014	1,888,092
2015	1,909,022
2016	1,867,180
Thereafter	<u>6,935,751</u>
	16,707,052
Less:	
Portion attributable to interest	(4,237,372)
Allowance for possible credit losses	<u>(782,210)</u>
Total	<u>\$ 11,687,470</u>

Note 7 - Allowances for Possible Credit Losses and Estimated Loan Guarantee Losses

The estimated allowances for possible credit and loan guarantee losses are based primarily on a continuing evaluation of the portfolios, and of current economic conditions and such other factors which management believes require consideration in estimating future risks. Additions to the allowances are made by charges to expense. Reductions of the allowances are reported as other revenue. A summary of loan loss allowance activity for year ended March 31, 2011, with comparative totals for the year ended March 31, 2010, is as follows (in thousands):

	Allowances for losses on				
	Loans	Financing leases	Loan guarantees	Totals 2011	Totals 2010
Beginning balances	\$ 8,634	782	-	9,416	9,779
Net provisions (reductions)	(530)	-	-	(530)	(328)
Write-offs	-	-	-	-	(35)
Ending balances	<u>\$ 8,104</u>	<u>782</u>	<u>-</u>	<u>8,886</u>	<u>9,416</u>

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 8 - Special Purpose Bonds Payable

The principal amount of special purpose bonds outstanding as of March 31, 2011 and 2010 is as follows (in thousands):

	<u>2011</u>	<u>2010</u>	<u>Coupon rate percentage</u>	<u>Maturity date</u>
Fixed rate special purpose bonds:				
2004 Series A	\$ 7,785	12,310	4.00 - 5.00	2012 - 2013
2004 Series B	<u>15,435</u>	<u>15,435</u>	5.06 - 5.41	2014 - 2018
	23,220	27,745		
Add unamortized bond premium	<u>69</u>	<u>158</u>		
Total	<u>\$ 23,289</u>	<u>27,903</u>		

The maturities of special purpose bonds outstanding (in thousands) for the five years following March 31, 2011 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 4,280	1,172	5,452
2013	3,505	976	4,481
2014	3,090	808	3,898
2015	3,090	652	3,742
2016	<u>3,085</u>	<u>493</u>	<u>3,578</u>
	<u>\$ 17,050</u>	<u>4,101</u>	<u>21,151</u>

Aggregate principal maturities subsequent to 2016 are approximately \$6.2 million. The Authority has the option, in some cases, to retire bonds prior to maturity as stipulated in the respective debt agreements. Each series of bonds is issued pursuant to a separate trust indenture.

Certain bond issues give the bondholder the option of electing early redemption. The Authority has entered into letters and lines of credit arrangements with financial institutions to provide liquidity in the event of the inability to remarket the variable rate tax exempt bonds.

No commercial paper was outstanding at March 31, 2011 and 2010. The Authority has entered into a revolving letter of credit agreement with financial institutions to support commercial paper notes issued in order to facilitate their sale. The letter of credit was left in place in case commercial paper notes are issued in the future, and at March 31, 2011 the total amount of unused letters of credit was \$35 million.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 9 - Due to New York State Urban Development Corporation

New York State Urban Development Corporation ("UDC") provides all of the management and operational oversight for the Authority. At March 31, 2011 and 2010, amounts due to UDC are primarily attributable to costs, including all payroll and related costs, allocated to or paid by UDC on behalf of the Authority for various general and administrative expenses. These costs, plus interest, approximated \$254,000 and \$342,000 during the years ended March 31, 2011 and 2010, respectively. The balance due at March 31, 2011 and 2010, excluding grant funds held by the Authority amounted to \$25,895,799 and \$25,185,539, respectively. The interest rate used is the annualized average weighted yield earned by UDC on its investment portfolio. The interest portion of the accumulated liability covers the last sixteen fiscal years and amounts to approximately \$7,276,000 at March 31, 2011.

Note 10 - Commitments

Special Purpose Fund loans approved by the Authority, but not yet closed, approximated \$1.0 million at March 31, 2011.

Note 11 - Contingencies

The Authority has been named as a defendant in legal actions arising from the operation of various economic development initiatives. In addition, defendants in mortgage loan foreclosure proceedings initiated by the Authority have asserted defenses and counter claims for damages. The Authority believes that the ultimate outcome of such litigation will not have a material adverse effect on its financial condition.

Note 12 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions," enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. The requirements of the Statement are effective for periods beginning after June 15, 2010, which is the fiscal year beginning April 1, 2011 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 12 - Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 57 - "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans," amends GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," to allow agent employers that have individual employer OPEB plans, with less than 100 plan members to use the alternate measurement method, regardless of the total number of plan members in the multiple-employer OPEB plan in which it participates. The requirements of this statement are effective for periods beginning after June 15, 2011, which is the fiscal year beginning April 1, 2012 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 59 - "Financial Instruments Omnibus" updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The requirements of this statement are effective for periods beginning after June 15, 2010, which is the fiscal year beginning April 1, 2011 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 60 - "Accounting and Financial Reporting for Service Concession Arrangements" addresses how to account for and report service concession arrangements, a type of public-private partnership. This statement provides guidance on whether the transferor or the operator should report the capital asset in its financial statements, when to recognize up-front payments from an operator as revenue and how to record any obligation of the transferor to the operator. The requirements of this statement are effective for periods beginning after December 15, 2011, which is the fiscal year beginning April 1, 2012 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 61 - "The Financial Reporting Entity: Omnibus" is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14 "The Financial Reporting Entity" and No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." This statement amends the criteria for including component units by only including those component units for which the elected officials are financially accountable or that the government determines would be misleading to exclude. This statement also amends the criteria for blending of component units to include only those component units that are so intertwined with the primary government that they are essentially the same as the primary government. The requirements of the statement are effective for periods beginning after June 15, 2012, which is the fiscal year beginning April 1, 2013 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

NEW YORK JOB DEVELOPMENT AUTHORITY
Notes to Combined Financial Statements, Continued

Note 12 - Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. This statement incorporates into the GASB's authoritative literature the applicable guidance issued before November 30, 1989 from FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. The requirements of the statement are effective for periods beginning after December 15, 2011, which is the fiscal year beginning April 1, 2012 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

TOSKI, SCHAEFER & CO., P.C.
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Authority Members
New York Job Development Authority:

We have audited the combined financial statements of New York Job Development Authority (the "Authority"), a component unit of the State of New York, as of and for the year ended March 31, 2011, and have issued our report thereon dated June 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Authority members, management, others within the Authority and the New York State Office of State Comptroller, and is not intended to be and should not be used by anyone other than these specified parties.

Toski, Schaefer & Co. P.C.

Williamsville, New York
June 3, 2011

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INDEPENDENT AUDITORS' REPORT ON INVESTMENT COMPLIANCE

The Authority Members
New York Job Development Authority:

We have examined the New York Job Development Authority (the "Authority") a component unit of the State of New York, compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York during the year ended March 31, 2011. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the year ended March 31, 2011.

In accordance with Government Auditing Standards, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grants, and abuse that are material to the Authority's compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Authority complied with the aforementioned requirements and not for the purpose of expressing an opinion on the internal control over compliance with those requirements or other matters; accordingly, we express no such opinion. The results of our tests disclosed no matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Authority members, management, the New York State Legislature, the New York State Office of the State Comptroller, the New York State Senate, the New York State Division of the Budget, and the New York State Authorities Budget Office and is not intended to be and should not be used by anyone other than those specified parties.

Toski, Scheepers & Co. P.C.

Williamsville, New York
June 3, 2011