ROOSEVELT ISLAND OPERATING CORPORATION

(A Component Unit of the State of New York)

Financial Statements and Management's Discussion and Analysis

March 31, 2012
(With Comparative Figures for 2011)

(With Independent Auditors' Report Thereon)

DADIA VALLES VENDIOLA LLP
CERTIFIED PUBLIC ACCOUNTANTS

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Roosevelt Island Operating Corporation

We have audited the accompanying statements of assets of Roosevelt Island Operating Corporation ("RIOC"), a component unit of the State of New York, as of March 31, 2012 and 2011, and the related statements of revenues, expenses and changes in fund net assets and cash flows for the years then ended. These financial statements are the responsibility of RIOC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RIOC's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Roosevelt Island Operating Corporation as of March 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2012 on our consideration of RIOC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The schedules listed in the accompanying Table of Contents under the heading of Supplemental Information are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Dadia Valles Vendrola LLP

Elmhurst, New York
May 25, 2012

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Management's Discussion and Analysis
March 31, 2012 and 2011

The following management's discussion and analysis (MD&A) provides a comprehensive overview of the financial position of Roosevelt Island Operating Corporation at March 31, 2012 and 2011, and the results of its operations for the years then ended. Management has prepared the financial statements and related footnote disclosures along with this MD&A in accordance with generally accepted accounting principles as defined by the Governmental Accounting Standards Board for state and local governments. This MD&A should be read in conjunction with the audited financial statements and accompanying notes to financial statements, which directly follow the MD&A.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts: *management's discussion and analysis* (this section), *basic financial statements,* and *supplemental information.* RIOC was created by the New York State Legislature in 1984 as a public benefit corporation charged with maintaining, operating, and developing Roosevelt Island. RIOC follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities of the Corporation. These statements are presented in a manner similar to a private business. While detailed sub-information is not presented, separate accounts are maintained for each fund to control and manage transactions for specific purposes and to demonstrate that RIOC is properly performing its contractual obligations.

FINANCIAL ANALYSIS OF THE CORPORATION

NET ASSETS

The following is a summary of the RIOC's statements of assets at March 31, 2012 and 2011 and the percentage changes between March 31, 2012 and March 31, 2011:

	2012	2011	% Change
Current and other assets	$ 46,439,059	$ 48,103,655	-3%
Capital assets, net	67,090,562	66,395,699	1%
Total assets	$ 113,529,621	$ 114,499,354	-1%
Liabilities	$ 33,458,916	$ 33,737,618	-1%
Net assets:			
Investment in capital assets	67,090,562	66,395,699	1%
Restricted for capital projects	11,113,352	13,743,612	-19%
Unrestricted	1,866,791	622,425	200%
Total net assets	$ 80,070,705	$ 80,761,736	-1%

On RIOC's statement of assets at March 31, 2012, total assets of $113,529,621 exceeded total liabilities of $33,458,916 by $80,070,705 (total net assets). Total assets are comprised of capital assets (e.g., buildings, machinery and equipment) totaling $67,090,562, cash and cash equivalents totaling $42,210,163 and other assets of $4,228,896. Liabilities comprised of accounts payable of $457,249, deferred revenue of $30,437,919, other postemployment benefits of $2,046,344, and other liabilities totaling $517,404. Deferred revenue represents the net present value of ground rent revenue received for the Southtown and Octagon development projects that will be recognized over their respective lease terms. Of total net assets, $11,113,352 is available to be used to meet ongoing capital obligations. Additionally, $1,866,791 is available for ongoing operational expenses.

Short-term investments decreased by $2,515,388 or 6%. This was mainly due to purchases of capital assets (infrastructure) totaling $4,130,906.

OPERATING ACTIVITIES

RIOC's statements of revenues, expenses and changes in fund net assets are used to report changes in the net assets, including depreciation expense. Revenues reported here are based on a standard of recognition whereby revenues are recorded when earned. The statements of revenues, expenses and changes in fund net assets detail program revenues by major source and expenses by natural classification and indicate the change in net assets.

RIOC's total operating revenues for the year ended March 31, 2012 amounted to $20,846,903, which includes $20,583,270 in revenues identified as program revenues and $263,633 of non-program specific revenues, primarily interest income earned on investments. During the fiscal year ending March 31, 2012, operating revenues increased by $3,158,255 or 18% over the last fiscal year. The increase in operating revenues is attributed to the Tramway revenue, which increased by $3,301,021 or 331%. The dramatic increase in Tramway revenue is due to the Tramway operating for 12 months during fiscal year 2012 versus 4 months for fiscal year 2011. The Tramway was out of service for 8 months in fiscal year 2011 for modernization. The new dual tram system provides higher capacity, faster, safer and smoother rides, and no downtime resulting in increased rider-ships and revenues. Residential fees decreased by $188,414 or 18% primarily due to a decrease in condo sales and transactions. Interest income declined by $110,751 or 30% due to the significant drop in the interest rate.

RIOC's total operating expenses were $21,567,047 in 2012 and $18,871,719 in 2011, including depreciation of $3,436,043 and $3,336,240, respectively. For the fiscal year ending March 31, 2012, total operating expenses before depreciation increased by $2,595,525 or 17% over the last fiscal year. The major contributor to the increased operating expenses is the management fee, which increased by $2,285,393 or 128%. The dramatic increase in management fees was due to the Tramway operating for 12 months during fiscal year 2012 versus 4 months for fiscal year 2011, wherein Tramway operating expense management fee increased by $2,264,800 or 197%. Professional and legal services increased by $364,830 or 109% mainly due to leasing and housing activities.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Management's Discussion and Analysis
March 31, 2012 and 2011
(continued)

The following summarizes RIOC's change in net assets for the fiscal years ended March 31, 2012 and 2011:

	2012	2011	% Change
Operating revenues:			
Residential fees	$ 878,320	$ 1,066,734	-18%
Ground rent	9,174,109	8,801,291	4%
Commercial rent	1,296,141	1,438,078	-10%
Tramway revenue	4,297,891	996,870	331%
Public safety reimbursement	1,613,297	1,579,764	2%
Transport/parking revenue	2,485,613	2,546,365	-2%
Interest income	263,633	374,384	-30%
Other revenues	837,899	885,162	-5%
Total operating revenues	20,846,903	17,688,648	18%
Operating expenses:			
Personal services	9,795,206	9,899,587	-1%
Insurance	1,061,546	1,104,969	-4%
Professional services and legal services	699,139	334,309	109%
Management fees	4,072,518	1,787,125	128%
Telecommunications	115,029	89,099	29%
Repairs and maintenance	382,153	415,273	-8%
Vehicles maintenance	318,719	260,456	22%
Equipment purchases/lease	112,977	103,367	9%
Supplies/services	1,039,350	999,169	4%
Other expenses	534,367	542,125	-1%
Total operating expenses excluding depreciation	18,131,004	15,535,479	17%
Operating income before depreciation	2,715,899	2,153,169	26%
Depreciation expenses	3,436,043	3,336,240	3%
Change in net assets	(720,144)	(1,183,071)	39%
Capital contributions for stabilization of Renwick Ruins	29,113	480,811	-94%
Total net assets, beginning of year	80,761,736	81,463,996	-1%
Total net assets, end of year	$ 80,070,705	$ 80,761,736	-1%

CAPITAL ASSETS

The following summarizes RIOC's capital assets for the fiscal years ended March 31, 2012 and 2011 and the percentage change between fiscal years:

	2012	2011	% Change
Seawall	$ 2,846,890	$ 2,897,836	-2%
Buildings	12,451,326	13,221,428	-6%
Land improvements	6,351,161	6,324,364	0%
Machinery and equipment	3,001,922	3,621,793	-17%
Infrastructure	42,439,263	40,330,278	5%
Net capital assets	$ 67,090,562	$ 66,395,699	1%

The capital assets of $67,090,562 presented in the financial statements have been depreciated using the straight-line method, effective from the date of acquisition. The increase of $694,863 from the prior year represents additions of new capital assets valued at $4,130,906 less depreciation expense of $3,436,043. Total depreciation expense for all capital assets amounted to $3,436,043 and $3,336,240 for the years ended March 31, 2012 and 2011, respectively. A more detailed analysis of RIOC's capital assets is presented in the notes to financial statements on page 16.

INFRASTRUCTURE ASSETS

The amounts reported in the accompanying statements of assets for the capital assets (net of depreciation) of RIOC of $67,090,562 and $66,395,699 at March 31, 2012 and 2011, respectively, do not include an amount for two infrastructure items: the bulk of the seawall, and Main Street (the road). Pursuant to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, addressing the capitalization of infrastructure assets, infrastructure assets dating from prior to 1980 are not required to be recognized. Improvements to such infrastructure items, however, are reported.

ECONOMIC FACTORS AFFECTING RIOC'S FUTURE FINANCIAL POSITION

Six (6) of the anticipated nine (9) buildings of the Southtown Development Project have been completed. The developer, Hudson/Related Joint Venture, has an option to develop the remaining three (3) that expire December 31, 2012. Should development fail to occur within the expected timeframe, RIOC is protected by a letter of credit in the amount of $1,420,800. The downturn in the housing market may delay the development of the three buildings. However, RIOC believes that the development will occur as the economy recovers and the housing market rebounds.

The Tram Modernization project was substantially completed and back in operation on November 30, 2010. The Tram stations improvements are scheduled to be completed by the end of 2012. The infrastructure improvement was funded through a $15 million grant from the State of New York and $10 million from RIOC. The dual Tram system now better meets the transportation needs of the residents and visitors: more passengers are shuttled quickly and safely; there is greater availability - the system allows for one cabin to continue operations while the other is down for preventive maintenance; and it is more reliable with redundant generators to power the system. As a result of these increased efficiencies and capabilities, rider-ship on the Tram is increasing. During the fiscal year ended March 31, 2012, Tramway revenue exceeded the budget by $553,891 or 15% (see Budget variance report - page 30)

The construction of the Franklin D. Roosevelt Four Freedoms Park, located at the southern tip of the island, is progressing as scheduled. Phase I is 100% complete. Phase II was accelerated and is about 90% complete with expected completion by June 2012. Phase III is approximately 40% complete and is expected to be completed by fall 2012. The developer, Franklin and Eleanor Roosevelt Institute, "FERI", estimates that the entire project, phases 1-3, will cost approximately $41,023,675, whereby the majority will come from private funds raised by FERI. Funds for Phase I have been secured from New York City, $4,738,000; New York State, $4,000,000; as well as private donations in the amount of $6,905,000. Funds for Phase II consist of appropriations from New York State, $2,000,000; New York City, $5,000,000; the Manhattan Borough President's Office, $500,000; and private donations of $12,826,704. Funds for Phase III consist of a Federal appropriation, $471,609; New York City, $1,000,000; as well as private donations in the amount of $6,081,700. The opening of this meritorious site - amongst significant other merits the only memorial dedicated to the former President in his home state - will be a destination attraction for international and national visitors, thereby increasing visitor traffic to Roosevelt Island.

The development of Southpoint Park is progressing. Phase I, which include the stabilization of the Renwick Ruins, was completed and Phase II has been substantially completed; the park is open to the public. The $13,300,000 project is funded by appropriations from the City of New York for $4,500,000, the State of New York for $4,400,000, and $4,400,000 from RIOC. The park significantly enhances the availability of vibrant open space to the community, while naturally benefiting in usage from the scores of visitors that the aforementioned Franklin D. Roosevelt Four Freedoms Park will attract.

The revitalization of Main Street and improvement of the retail businesses are in progress. On August 1, 2011, RIOC entered into a Master Sublease Agreement with Hudson/Related Realty LLC to redevelop, improve, market, lease and professionally operate the Retail Spaces controlled by RIOC. RIOC receives an annual guaranteed rent of $900,000 - escalating by 2% annually beginning on the first anniversary of the Commencement Date for the first five years and 2.5% annually thereafter - as well as participation in the profits of the Master Sub-lessee. Hudson/Related Realty LLC has recently confirmed the execution of new leases, which will soon bring new businesses to Main Street.

During the late summer of 2011, Roosevelt Island weathered Hurricane Irene. RIOC has identified various sites on the island, including sections of the seawall, which incurred damages during the storm. RIOC worked with the NYS Office of Emergency Management and FEMA to identify eligible projects, upon which RIOC must expend funds - during the course of repair work - in order to qualify for Federal Aid. As repair work is completed, the eligible costs are submitted to FEMA/OEM for review and approval. Once approved, the Corporation will receive the Federal share of the eligible costs as a reimbursement. To date, FEMA has estimated damages of $548,000 and RIOC estimates its reimbursement of expenses to be approximately $414,000.

RIOC continues to implement its five-year capital management plan. A rehabilitation project on the Motorgate project including, but not limited to, work such as parking deck waterproofing and construction of a steel wall enclosure for open areas of the garage has led to the reopening of spaces that had been previously closed - thereby increasing the number of revenue producing parking spaces. Phase 1 of the wireless security camera system has been completed and Phase II is in progress. Projects slated for fiscal year 12/13 include, but are not limited to: renovations at the Tram station, LED lighting installation in the Motorgate garage, seawall railings and wall repairs, and, the installation of a slate roof on the Good Shepherd Community Center.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of RIOC's finances for all those with an interest in the Corporation'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 Officer, The Roosevelt Island Operating Corporation, 591 Main Street, Roosevelt Island, New York 10044.

THE ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Assets
March 31, 2012
(With Comparative Figures for 2011)

	2012	2011
Assets		
Current assets		
Cash	$ 417,734	$ 867,434
Short-term investments	41,792,429	44,307,817
Receivables	983,142	1,098,961
Prepaid expenses	1,199,409	488,390
Total current assets	44,392,714	46,762,602
Noncurrent investments	2,046,345	1,279,824
Security deposits	-	61,229
Capital assets, net of accumulated depreciation	67,090,562	66,395,699
Total assets	$ 113,529,621	$ 114,499,354
Liabilities and Net Assets		
Current liabilities - accounts payable and accrued expenses	$ 457,249	$ 534,283
Security deposits	-	61,229
Compensated absences	413,532	514,730
Deferred revenue	30,437,919	30,814,428
Postemployment benefits other than pension	2,046,344	1,708,479
Other liabilities	103,872	104,469
Total liabilities	33,458,916	33,737,618
Net assets:		
Investment in capital assets	67,090,562	66,395,699
Restricted for capital projects	11,113,352	13,743,612
Unrestricted net assets	1,866,791	622,425
Total net assets	80,070,705	80,761,736
Total liabilities and net assets	$ 113,529,621	$ 114,499,354

See accompanying notes to financial statements.

THE ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Revenues, Expenses and Changes in Fund Net Assets
Year ended March 31, 2012
(With Comparative Figures for 2011)

	2012	2011
Operating revenues:		
Residential fees	$ 878,320	$ 1,066,734
Ground rent	9,174,109	8,801,291
Commercial rent	1,296,141	1,438,078
Tramway revenue	4,297,891	996,870
Public safety reimbursement	1,613,297	1,579,764
Transport/parking revenue	2,485,613	2,546,365
Interest income	263,633	374,384
Other revenues	837,899	885,162
Total operating revenues	20,846,903	17,688,648
Operating expenses:		
Personal services	9,795,206	9,899,587
Insurance	1,061,546	1,104,969
Professional services and legal services	699,139	334,309
Management fees	4,072,518	1,787,125
Telecommunications	115,029	89,099
Repairs and maintenance	382,153	415,273
Vehicles maintenance	318,719	260,456
Equipment purchases/lease	112,977	103,367
Supplies/services	1,039,350	999,169
Other expenses	534,367	542,125
Total operating expenses excluding depreciation	18,131,004	15,535,479
Operating income before depreciation	2,715,899	2,153,169
Depreciation expenses	3,436,043	3,336,240
Change in net assets	(720,144)	(1,183,071)
Total net assets, beginning of year	80,761,736	81,463,996
Capital contributions for stabilization of Renwick Ruins	29,113	480,811
Net assets, end of year	$ 80,070,705	$ 80,761,736

See accompanying notes to financial statements.

The Roosevelt Island Operating Corporation
(A Component Unit of the State of New York)
Statements of Cash Flows
Year ended March 31, 2012
(With Comparative Figures for 2011)

	2012	2011
Cash flows from all activities:		
Receipts from tenants and customers	$ 20,712,144	$ 16,576,486
Payments related to employees	(9,553,102)	(9,471,069)
Payments vendors	(9,255,816)	(5,755,727)
Net cash provided by operating activities	1,903,226	1,349,690
Cash flow from investing activities		
Purchase of capital assets	(4,130,906)	(17,391,710)
Purchases of noncurrent investments	(766,521)	(432,129)
Purchase of short-term investments	(25,672,950)	(25,676,024)
Sale of short-term investments	28,188,338	42,033,439
Net cash provided by investing activities	(2,382,039)	(1,466,424)
Cash flow from financing activities		
Capital contributions for Renwick Ruins Project	29,113	480,811
Net cash provided by financing activities	29,113	480,811
Net increase in cash	(449,700)	364,077
Cash at beginning of year	867,434	503,357
Cash at end of year	$ 417,734	$ 867,434
Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	$ (720,144)	$ (1,183,071)
Adjustments to reconcile operating income (loss) to net cash provided by all activities:		
Depreciation and amortization	3,436,043	3,336,240
Provision for bad debt	(5,650)	2,980
Changes in:		
Receivables	121,469	(548,073)
Prepaid expenses	(711,019)	(292,470)
Accounts payable and accrued expenses	(77,034)	222,710
Compensated absences	(101,198)	(51,767)
Deferred revenue	(376,509)	(562,189)
Postemployment benefits other than pension	337,865	428,667
Other liabilities	(597)	(3,337)
Net cash provided by operating activities	$ 1,903,226	$ 1,349,690

See accompanying notes to financial statements.

1. Organization

In 1969, the City of New York entered into a lease with the New York State Urban Development Corporation (UDC) for the development of Roosevelt Island. In May 1981, pursuant to a memorandum of understanding between UDC and the New York State Division of Housing and Community Renewal (DHCR), responsibility for Roosevelt Island was assigned to DHCR. DHCR then assigned all of its rights and responsibilities to Safe Affordable Housing for Everyone, Inc. (SAHE), a corporation under the direct control of the New York State Commissioner of Housing.

Effective April 1, 1981, SAHE, a Community Development Corporation (formed under Article (6) of the Private Housing Finance Law), became responsible for the day-to-day operation of the services and facilities of Roosevelt Island.

On September 4, 1984, Roosevelt Island Operating Corporation (RIOC) was organized pursuant to Chapter 899 of the New York Unconsolidated Law as a public benefit corporation. The responsibility for the operation, security and maintenance of Roosevelt Island was transferred from SAHE to RIOC on April 1, 1985.

Generally accepted accounting principles require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Governmental Accounting Standards Board codification 2100, The Financial Reporting Entity, have been considered and there are no agencies or entities which should be, but are not, combined with the financial statements of RIOC. However, RIOC is considered a component unit of the State of New York.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

RIOC was created by the New York State Legislature in 1984 as a public benefit corporation charged with maintaining, operating, and developing Roosevelt Island. RIOC follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities of the Corporation. These statements are presented in a manner similar to a private business. While detailed sub-information is not presented, separate accounts are maintained for each fund to control and manage transactions for specific purposes and to demonstrate that RIOC is properly performing its contractual obligations.

2. Summary of Significant Accounting Policies (continued)

(a) Basis of Presentation (continued)

The financial statements of RIOC are prepared in accordance with generally accepted accounting principles (GAAP). RIOC's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and Accounting Principles Board (APB) opinions issued after November 30, 1989, unless they conflict with GASB pronouncements.

(b) Budgetary Information

During the year ended March 31, 2012, RIOC did not request appropriations for the State of New York and, as such, a budget was not required to be adopted by law. Accordingly, budgetary information was not included in the notes to financial statements. However, the Board did approve an operating budget for management's internal use, and is included under supplementary information.

(c) Cash and Cash Equivalents

The following is a summary of cash and cash equivalents as of March 31, 2012 and 2011:

	2012	2011
Cash - deposits	$ 417,734	$ 867,434
Short-term investments:		
Certificates of deposit (CDARS)	20,990,528	31,052,404
Money market accounts	20,801,901	13,255,413
	41,792,429	44,307,817
Total cash and cash equivalents	$ 42,210,163	$ 45,175,251

RIOC defines cash and cash equivalents as short-term, highly liquid investments with purchased maturities of three months or less.

The money market accounts are secured by collateral securities held in escrow by JP Morgan Chase Bank, NA and managed by the National Collateral Management Group with market values totaling $23,616,692 and $14,362,095 as of March 31, 2012 and March 31, 2011, respectively.

Investments managed internally consist of certificates of deposit, "CDARS", a FDIC insured program administered by Amalgamated Bank, with purchased maturities of twelve months or less, and interest bearing cash deposit accounts. RIOC is limited under its investment guidelines primarily to the investment of funds in obligations of the United States of America (United States Government Securities), the State of New York, high grade Corporate Securities or certificates of

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents (continued)

deposit. All cash and funds invested in certificates in any fiduciary bank or trust company must be secured at all times by United States Government Securities or obligations of the State of New York, with a market value, combined with any FDIC coverage, at least equal to the amount of such deposits. Monies held by the Trustees are only secured by obligations guaranteed by the United States of America.

(d) Noncurrent Investments

This represents funds set aside to satisfy the obligation of the postemployment benefits other than pension under GASB Statement No. 45 and are invested in certificates of deposits.

(e) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported on the statement of assets in the accompanying financial statements. Capital assets are defined by RIOC as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment of RIOC are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Seawall (improvement of 1995)	73
Buildings	40
Building improvements	15
Infrastructure	50
Vehicles	10
Office equipment	5
Computer equipment	5

2. Summary of Significant Accounting Policies (continued)

(f) Deferred Revenue

Deferred revenue reported in the statement of assets represents amounts collected in advance for lease-related payments pertaining to subsequent fiscal years. These amounts will be recognized as income on an annual basis over a period of the remaining fifty-seven years on the ground lease for the City of New York expiring in 2068 under the accrual basis of accounting.

Breakdown is as follows:

Buildings	Balance at April 01, 2011	Additions	Amortization	Balance at March 31, 2012
Octagon	$ 2,734,715	$ -	$ (47,354)	$ 2,687,361
Southtown Bldg #1	1,838,501	-	(31,835)	1,806,666
Southtown Bldg #2	1,754,328	-	(30,378)	1,723,950
Southtown Bldg #3	3,749,154	-	(64,920)	3,684,234
Southtown Bldg #4	4,888,060	-	(84,642)	4,803,418
Southtown Bldg #5	6,241,998	-	(108,087)	6,133,911
Southtown Bldg #6	9,607,672	-	(166,367)	9,441,305
Sportspark Field	-	157,074	-	157,074
Total	$ 30,814,428	$ 157,074	$ (533,583)	$ 30,437,919

(g) Compensated Absences

It is RIOC's policy to accrue for unused compensated absences for all full time employees. Accrued compensated time as of March 31, 2012 and 2011 were $413,532 and $514,730, respectively.

(h) Public Purpose Grants

Included in "Other Expenses" are expenditures for public purpose grants totaling $275,000 per year for the years ended 2012 and 2011. The Roosevelt Island Youth Center was awarded $175,000 each year to help fund operating expenses. This is a contractual obligation between RIOC and Roosevelt Landings which was agreed to as one of the terms of Roosevelt Landings Lease Agreement (the Youth Center's Landlord) in exchange for free rent and utilities. The remaining grants of $100,000 are awarded to various Island-based not-for-profits that must apply each year and require Board approval.

2. Summary of Significant Accounting Policies (continued)

(i) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

3. Capital Assets

Capital assets for the year ended March 31, 2012 are summarized as follows:

Buildings	Balance at April 01, 2011	Increase	Decrease	Balance at March 31, 2012
Capital assets:				
Seawall	$ 3,719,049	$ -	$ -	$ 3,719,049
Building and building improvements	39,924,943	401,149	-	40,326,092
Landmarks	12,989,185	311,149	-	13,300,334
Vehicles	4,277,552	38,069	-	4,315,621
Equipment	3,104,128	172,115	-	3,276,243
Infrastructure	46,176,522	3,208,424	-	49,384,946
Total capital assets	110,191,379	4,130,906	-	114,322,285
Less accumulated depreciation:				
Seawall	(821,213)	(50,946)	-	(872,159)
Building and building improvements	(26,703,515)	(1,171,250)	-	(27,874,765)
Landmarks	(6,664,821)	(284,352)	-	(6,949,173)
Vehicles	(1,533,747)	(428,510)	-	(1,962,257)
Equipment	(2,226,140)	(401,545)	-	(2,627,685)
Infrastructure	(5,846,244)	(1,099,440)	-	(6,945,684)
Total accumulated depreciation	(43,795,680)	(3,436,043)	-	(47,231,723)
Net capital assets	$ 66,395,699	$ 694,863	$ -	$ 67,090,562

3. Capital Assets (continued)

Capital assets for the year ended March 31, 2011 are summarized as follows:

	Balance at April 1, 2010	Increase	Decrease	Balance at March 31, 2011
Capital assets:				
Seawall	$ 3,719,049	$ -	$ -	$ 3,719,049
Building and building improvements	38,226,377	1,698,566	-	39,924,943
Landmarks	12,870,977	118,208	-	12,989,185
Vehicles	3,910,302	367,250	-	4,277,552
Equipment	2,839,076	265,052	-	3,104,128
Infrastructure	31,233,888	14,942,634	-	46,176,522
Total capital assets	92,799,669	17,391,710	-	110,191,379
Less accumulated depreciation:				
Seawall	(770,267)	(50,946)	-	(821,213)
Building and building improvements	(25,587,340)	(1,116,175)	-	(26,703,515)
Landmarks	(6,387,515)	(277,306)	-	(6,664,821)
Vehicles	(1,115,160)	(418,587)	-	(1,533,747)
Equipment	(1,684,245)	(541,895)	-	(2,226,140)
Infrastructure	(4,914,913)	(931,331)	-	(5,846,244)
Total accumulated depreciation	(40,459,440)	(3,336,240)	-	(43,795,680)
Net capital assets	$ 52,340,229	$ 14,055,470	$ -	$ 66,395,699

4. Operating Revenues, Basic Rent and Housing Company Reimbursement

Operating revenues in the accompanying statement of revenues, expenses and fund net assets consist of income derived from the following sources:

(a) Residential Fees

The net present value (NPV) fee for Southtown buildings # 4, 5 and 6 were collected in advance and recognized over the term of the lease – see above section 2 (f) Deferred Revenue. Tax equivalent payments (TEP) are collected and recognized from Southtown buildings # 5 and 6 over the term of the lease. Condo sales fees are collected and recognized upon closing of a sale. TEP and NPV are fixed and the Condo fees vary according to sales.

4. Operating Revenues, Basic Rent and Housing Company Reimbursement (continued)

(b) Ground Rent

Ground rents are derived from ground subleases between RIOC and various developers of housing on Roosevelt Island. Most of the ground subleases expire in 2068, which coincides with the expiration of the master lease between RIOC and New York City, the owner of Roosevelt Island. Ground rents account for nearly 50% of annual revenues. The two main sources of ground rents are Manhattan Park and Roosevelt Landings (formerly Eastwood). The other streams of ground rents are from Southtown Buildings #1,2,3,4,5 and 6; Island House; Rivercross; and, Octagon.

Manhattan Park - Under the terms of the ground sublease between RIOC and Roosevelt Island Associates, dated August 4, 1986, expiring in 2068, annual rent, which commenced on the Rent Commencement Date of January 1, 1991, consists of a base ground rent of $100,000 and additional fixed ground rent of $1,900,000, increasing $100,000 annually through December 31, 2011. As of January 1, 2012 and continuing through December 31, 2026, annual ground rent consists of the base ground rent of $100,000 and additional fixed ground rent of $4,000,000. Beyond 2026 until expiration in 2068, the ground rent is based upon the appraised value of the property times an applicable percentage, which is the market rate of return. Ground rents earned under the terms of the ground sublease were $4,025,000 and $3,925,000 for the years ended March 31, 2012 and 2011, respectively.

In addition to the ground rent mentioned above, RIOC receives a percentage payment, which is based on a percentage of Manhattan Park's annual rent rolls. Percentage payments received were $2,040,649 for the year ended March 31, 2012, and the same amount, $2,040,649, for the year ended March 31, 2011.

Roosevelt Landings (formerly Eastwood) - The ground sublease between RIOC and North Town Phase 1 Houses, Inc., dated March 15, 1972, was amended and restated with the base ground rent increasing to $1 million per year effective October 1, 2006, plus a percentage interest in subsequent increasing rent rolls. Ground rents earned totaled $1,289,330 and $1,216,459 for the years ended March 31, 2012 and 2011, respectively.

(c) Commercial Rent

On August 1, 2011, RIOC entered into a Master Sublease Agreement with Hudson Related Retail LLC to redevelop, improve, market, lease and professionally operate the Commercial Retail Spaces controlled by RIOC. Hudson Related Retail LLC will pay RIOC an annual guaranteed rent of $900,000 plus participation in the profits of Hudson Related Retail LLC.

4. Operating Revenues, Basic Rent and Housing Company Reimbursement (continued)

(d) Tramway Revenue

During February 2004, RIOC entered into an agreement with The New York Transit Authority (NYCTA) for revenue collection from the Tramway. In the agreement, RIOC receives from the NYCTA a base fare of the current prevailing transit fare for all swipes of full-fare Metro Cards, including transfers, in turnstiles located in RIOC's tram stations. The funds are transmitted to RIOC via electronic funds transfer and the NYCTA supplies appropriate reports for the reconciliation of the revenue and rider-ship. There is a franchise fee expense associated with this agreement that is ½ of 1 percent of gross sales.

(e) Public Safety Reimbursement

Reimbursements from four housing companies (known as the WIRE projects) Westview, Island House, Rivercross, Eastwood and Manhattan Park for no less than 50% of the cost of maintaining a public safety department are included in public safety reimbursement on the accompanying statements of revenues, expenses, and changes in fund net assets. Additionally, the Operator of the Southtown and the Octagon project are responsible for their respective share of the cost of RIOC's public safety department. Public safety reimbursements were $1,613,297 and $1,579,764 for fiscal year ending March 31, 2012 and 2011, respectively.

(f) Transportation and Parking Fees

The Motorgate Garage, the Roosevelt Island parking facility, is managed by an agent, Central Parking System ("Central"). This agreement is cancelable by RIOC on 30-day notice and by Central on 180-day notice. Central collects the parking fees and pays the operating costs in connection with the management of the garage. The excess of parking revenues over operating costs is returned to RIOC. RIOC shares the Motorgate revenue with Roosevelt Island Associates, operator of Manhattan Park, with RIOC receiving 61% of the net income. Motorgate revenue approximated $1,889,000 and $1,937,000 for the years ended March 31, 2012 and 2011, respectively.

Bus and parking meter revenues totaled $596,336 and $609,617 for the years ended March 31, 2012 and 2011, respectively.

(g) Interest and Other Revenues

Interest income is derived from deposits that are either FDIC insured or collateralized by government securities according to the investment guidelines of the State of New York. Other revenues comprised of fees for usage of the sports fields and facilities.

(h) De-designation Fee Income

The development agreement for Southtown buildings five through nine between Hudson Related Joint Venture and RIOC included a contingent de-designation (cancellation of project or portion of) fee of $2,252,198. As of the date of this report, Southtown buildings five and six were completed within the agreed upon timeframe, and resulted in the pro-rata reduction of the de-designation fee to $1,420,800. The remaining Southtown buildings seven, eight and nine may not be developed before the determination date of December 31, 2012, which would result in de-designation fee income to the corporation. The agreement is collateralized by a letter of credit issued by Deutsche Bank Trust Company, NA in the amount of $1,420,800 maturing on August 15, 2012, to be renewed annually.

(i) Future Minimum Payments Due

Future minimum payments due to RIOC under current leases all with the housing companies and leases for commercial space are as follows:

Years ending March 31	Housing Companies	Commercial Leases
2013	$ 11,114,970	$ 1,436,586
2014	11,601,033	1,465,632
2015	12,337,866	1,695,366
2016	13,529,227	1,725,806
2017	14,653,964	1,781,969
Total	$ 63,237,060	$ 8,105,359

5. Management Agreements

The Roosevelt Island Tramway System is operated by Leitner-Poma of America, Inc., a subsidiary of Pomagalski S.A, the designer and builder of the modernized Tramway system, which went into operation on November 30, 2010. RIOC entered into a 5-year fixed fee operating agreement at an annual cost of $3,397,200.

RIOC also has a parking management agreement with Central Parking System ("Central") for the management of Motorgate Garage. This agreement is cancelable by RIOC on 30-day notice and by Central on 180-day notice. RIOC pays an annual management fee of $40,000 and certain operating costs in connection with the management of the garage.

6. Income Taxes

RIOC is a public benefit corporation of the State of New York and as such is exempt from income tax under Section 115 of the Internal Revenue Code. Accordingly, no income taxes have been provided for in the financial statements.

7. Retirement Plans

Retirement plans in which RIOC contributes are detailed as follows:

(a) Non-Union Employees:

Plan Description

RIOC's non-union employees participate in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. ERS provides 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 serves as sole trustee and administrative head of ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of ERS and for the custody and control of their funds. ERS issues 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 Retirement Systems, Albany, New York 12244.

Funding Policy

ERS is contributory (3%) except for employees who joined the System before July 27, 1976. Employees who joined the System after July 27, 1976, but prior to January 1, 2011, and have been members of the System for at least ten years, or have at least ten years of credited service are not required to contribute 3% of their salaries. Employee hired after January 1, 2011 shall contribute 3% of salary for the duration of employment. 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 accumulated fund. RIOC is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were approximately:

March 31, 2010	$	357,700
March 31, 2011	$	389,011
March 31, 2012	$	639,065

RIOC has made the required contributions for each year.

7. Retirement Plans (continued)

(b) Union Employees

Union employees participate in separate defined contribution plans, which are administered by each union. RIOC contributed $197,630 and $200,676 for the years ended March 31, 2012 and 2011, respectively, to union employees' defined contribution plans.

8. Risk Management

RIOC purchases commercial insurance policies to adequately protect against potential loss stemming from general liability, vehicle liability, property damage, and public officials and employee liability. Through a competitive bidding and selection, RIOC changed its insurance broker of record to better meet its insurance needs. Coverages for the forthcoming fiscal year ended March 31, 2013 were appropriately increased to provide adequate protection for RIOC as follows:

Coverages	2012-2013 Coverage Amount
General liability - RIOC and Tram	$125 million limit
Property	$75 million loss limit
Boiler and machinery	$100 million limit
Automobile	$1 million limit
Directors and officers liability	$5 million limit

9. Commitments and Contingencies

Commitments and contingencies at March 31, 2012 and 2011 are detailed as follows:

(a) Leases

RIOC has agreements with four (4) housing companies operating on the Island to sublease commercial space occupied by the housing companies. Rent expense for the years ended March 31, 2012 and 2011 approximated $86,000 per year.

9. Commitments and Contingencies (continued)

(b) Litigation

RIOC is a defendant in various lawsuits. In the opinion of RIOC's legal counsel, these suits are without substantial merit and should not result in judgments which in the aggregate would have a material adverse effect on RIOC's financial statements.

(c) Prior Years' New York State Appropriations

The Office of the State Comptroller of the State of New York, requested confirmation of the following potential liabilities:

Appropriation # 0060083	fiscal year 89/90	$ 1,299,964
Appropriation # 0066230	fiscal year 90/91	2,463,531
Appropriation # 0071968	fiscal year 91/92	2,702,481
Appropriation # 0078460	fiscal year 92/93	1,346,400
Appropriation # 0084266	fiscal year 93/94	1,648,254
		$ 9,460,630

The above were appropriations paid to RIOC to subsidize general fund operations. Management's position is that all appropriations were fully spent resulting in no unspent funds. It is management's view, based on internal findings, that due to the fact that there were no unspent funds, the above potential liability will be resolved with an outcome of no amount due to the State of New York.

(d) Revenue Allocation Agreement – between New York State Urban Development Corporation ("UDC"), now known as the Empire State Development Corporation (ESD") and Roosevelt Island Operating Corporation ("RIOC")

On August 3rd, 1988 ESD and RIOC entered into an agreement in the sharing of all revenues derived by RIOC in order for ESD to recover it's investment in Roosevelt Island. The total amount invested in developing the Roosevelt Island infrastructure and funding of ESD's operating deficits prior to the assignment of operations to RIOC amounted to $170,356,976 along with a stated interest rate of 5.74%. The agreement calls for revenues to be allocated in the following manner; (1) RIOC Operating Expenditures, (2) All Other State Subsidies, (3) State (RIOC) Capital Investments and (4) ESD Debt. To date, no revenues have been allocated for the ESD debt other than "Tax Equivalency Payments" ("TEP") payments for the islands original affordable "Mitchell Lama" buildings. ESD acknowledges that there are significant projected future capital investments to be made by RIOC and that it is highly unlikely that there would be sufficient excess revenues to share with ESD.

9. Commitments and Contingencies (continued)

(e) Claims

The contractor for the modernization of the Roosevelt Island Aerial Tramway has submitted claims to RIOC for additional compensation in the amount of $18,794,956 (on top of the fixed fee contracted price of $16,693,894) on account of various items of alleged extra work and alleged interferences to its work. RIOC believes that these claims are without merit.

In addition, the contractor also claims a Contract Sum balance of $1,995,230 under the Design/Build Agreement. The claimed Contract Sum balance is disputed by RIOC for reason of various incomplete items of Work and contractor's failure to return the Tramway to service within the Contract Time.

The Corporation's legal counsels are reviewing these claims and have not yet formed an opinion on these matters.

10. Postemployment Benefits Other Than Pensions

The Corporation implemented the accounting and disclosure requirements of GASB Statement No. 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" effective for its fiscal year beginning April 1, 2007.

Plan Description - The Corporation provides continuation of medical coverage to administrative, non-represented employees (those categorized as M/C) that retire at age 55 or older with five (5) years of service with the Corporation or a combination of service with a previous NYS public employer and a minimum of one (1) year service with RIOC. The employee must meet the requirements for retiring as a member of the NYS Employees Retirement System, and the employee must be enrolled in NYSHIP. The Corporation contributes 90% for employees and 75% for an employee's spouse.

The Corporation provides certain health care benefits for retired employees. Substantially all of the Corporation's non-union employees may become eligible for these benefits if they reach the normal retirement age, of the respective tier of the New York State Employees' Retirement System, while working for the Corporation. The Corporation, on an annual basis, accrues the cost which represents the present value of these benefits to be paid over the estimated lives of the retirees.

Total expenditures charged to operations for the years ended March 31, 2012 and 2011 amounted to $461,412 and $488,603, respectively. At March 31, 2012, the liability for retired employees included in non-current accrued fringe benefits amounted to $2,046,344.

10. Postemployment Benefits Other Than Pensions (continued)

The number of participants as of January 1, 2012 was as follows:

Active employees	40
Retired employees	12
Spouses of retired employees	-
Total	52

Funding Policy - The Corporation currently pays for post-retirement health care benefits on a pay-as-you-go basis. These financial statements assume that pay-as-you-go funding will continue. The fund set aside for this purpose is discussed in Note 2 (d).

Benefit Obligations and Normal Cost

	2012	2011
Actuarial accrued liability (AAL):		
Actuarial accrued liability	$ 4,641,422	$ 4,114,910
Less: Actuarial value of assets	-	-
Unfunded actuarial accrued liability (UAAL)	$ 4,641,422	$ 4,114,910
Normal cost	$ 274,538	$ 323,259

Annual OPEB Cost and Net OPEB Obligation

	2012	2011
Annual required contribution	$ 458,992	$ 486,790
Interest on net OPEB obligation	68,339	51,192
Adjustment to annual required contribution	(65,919)	(49,379)
Annual OPEB cost (expense)	461,412	488,603
Contribution made on a pay-as-you-go basis	(123,547)	(59,936)
Increase in net OPEB obligation	337,865	428,667
Net OPEB obligation at beginning of year	1,708,479	1,279,812
Net OPEB obligation at end of year	$ 2,046,344	$ 1,708,479

10. Postemployment Benefits Other Than Pensions (continued)

Actuarial methods and assumptions:

Valuation method	Projected Unit Credit Method
Amortization period	30 years
Amortization method	Level percent of pay, open group
Interest rate	4.0%
Inflation rate	3.0%
Annual payroll growth rate	3.5%
Retirement rates	Later of age 65 and first eligibilit

Healthcare cost trend:

Year	Medical Trend Rate
2011	8.0%
2012	7.5%
2013	7.0%
2014	6.5%
2015	6.0%
2016	5.5%
2017 and beyond	5.0%

11. Pollution Remediation Obligations

In accordance with the GASB Statement No. 49 - "Accounting for Pollution Remediation Obligations," management has concluded that no obligating event has occurred that would require recognition of a future pollution remediation obligation in the accompanying financial statements.

12. Accounting Standards Issued But Not Implemented

GASB Statement No. 57 – "OPEB Measurements by Agent Employers and Agent Multiple Employer Plans," addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The requirements of the statement are effective for periods beginning after June 15, 2011, which is the fiscal year beginning April 1, 2012 for RIOC. Management has not yet determined the effect that this statement will have on the future financial statements of RIOC.

12. Accounting Standards Issued But Not Implemented (continued)

GASB Statement No. 60 – "Accounting and Financial Reporting for Service Concession Arrangements" which addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The requirements for Statement 60 are effective for financial statements for periods beginning after December 15, 2011, which is the fiscal year beginning April 1, 2012 for RIOC. Management has not yet determined the effect that this statement will have on the future financial statements of RIOC.

GASB Statement No. 63 – "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011, which is the fiscal year beginning April 1, 2012 for RIOC. Management has not yet determined the effect that this statement will have on the future financial statements of RIOC.

GASB Statement No. 64 – "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53" seeks to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011, which is the fiscal year beginning April 1, 2012 for RIOC. Management has not yet determined the effect that this statement will have on the future financial statements of RIOC.

Roosevelt Island Operating Corporation
(A Component Unit of the State of New York)
Schedule of Operations by Department
Year Ended March 31, 2012

	General Fund						Public	Capital	Reserved	
	Operations	Public Safety	Transportation	Parking	Parks/Rec.	Tram	Purpose Fund	Fund	Fund	Total
Operating Revenues:										
Residential fees	$ 369,739	$ -	$ -	$ -	$ -	$ -	$ -	$ 306,995	$ 201,586	$ 878,320
Ground rent	9,174,109	-	-	-	-	-	-	-	-	9,174,109
Commercial rent	1,296,141	-	-	-	-	-	-	-	-	1,296,141
Tramway revenue	-	-	-	-	-	4,297,891	-	-	-	4,297,891
Public safety reimbursement	-	1,613,297	-	-	-	-	-	-	-	1,613,297
Transport/parking revenue	-	-	449,827	2,035,786	-	-	-	-	-	2,485,613
Interest income	12,976	-	-	-	-	-	(5)	3,373	247,289	263,633
Other revenues	167,420	-	-	-	670,479	-	-	-	-	837,899
Total operating revenues	11,020,385	1,613,297	449,827	2,035,786	670,479	4,297,891	(5)	310,368	448,875	20,846,903
Operating Expenses										
Personal Services:										
Salaries	3,311,788	1,986,680	724,628	-	438,816	-	-	-	-	6,461,912
Temporary employees	132,143	5,520	-	-	27,690	-	-	-	-	165,353
Employee benefits	2,131,670	657,007	275,617	-	204,845	-	-	-	-	3,269,139
Compensated absences expenses	(101,198)	-	-	-	-	-	-	-	-	(101,198)
Total personal services	5,474,403	2,649,207	1,000,245	-	671,351	-	-	-	-	9,795,206
Other Than Personal Services (OTPS):										
Insurance	911,546	-	-	-	-	150,000	-	-	-	1,061,546
Professional services	550,671	-	-	-	40,839	-	-	-	-	591,510
Management fees	-	-	-	638,951	-	3,433,567	-	-	-	4,072,518
Legal services	107,629	-	-	-	-	-	-	-	-	107,629
Telecommunications	115,029	-	-	-	-	-	-	-	-	115,029
Repairs and maintenance	317,166	8,531	18,199	14,334	8,483	15,440	-	-	-	382,153
Vehicles maintenance	44,134	35,423	238,522	-	640	-	-	-	-	318,719
Equipment purchases/lease	93,129	8,269	6,407	-	-	5,172	-	-	-	112,977
Supplies/services	536,046	98,358	37,975	70,620	136,995	159,356	-	-	-	1,039,350
Other expenses	132,368	16,635	2,395	-	106,494	2,025	274,450	-	-	534,367
Total Other Than Personal Services (OTPS)	2,807,718	167,216	303,498	723,905	293,451	3,765,560	274,450	-	-	8,335,798
Total operating expenses excluding depreciation	8,282,121	2,816,423	1,303,743	723,905	964,802	3,765,560	274,450	-	-	18,131,004
Operating income (loss) before depreciation	2,738,264	(1,203,126)	(853,916)	1,311,881	(294,323)	532,331	(274,455)	310,368	448,875	2,715,899
Depreciation expense	-	-	-	-	-	-	-	3,436,043	-	3,436,043
Operating income (loss)	$ 2,738,264	$ (1,203,126)	$ (853,916)	$ 1,311,881	$ (294,323)	$ 532,331	$ (274,455)	$ (3,125,675)	$ 448,875	$ (720,144)

The Roosevelt Island Operating Corporation
(A Component Unit of the State of New York)
Schedule of Operations by Department
Year Ended March 31, 2011

	General Fund						Public	Capital	Reserved	
	Operations	Public Safety	Bus	Parking	Parks/Rec.	Tram	Purpose Fund	Fund	Fund	Total
Operating Revenues:										
Residential fees	$ 369,739	$ -	$ -	$ -	$ -	$ -	$ -	$ 161,509	$ 535,486	$ 1,066,734
Ground rent	8,801,291	-	-	-	-	-	-	-	-	8,801,291
Commercial rent	1,438,078	-	-	-	-	-	-	-	-	1,438,078
Tramway revenue	-	-	-	-	-	996,870	-	-	-	996,870
Public safety reimbursement	-	1,579,764	-	-	-	-	-	-	-	1,579,764
Transport/parking revenue	-	-	484,772	2,061,593	-	-	-	-	-	2,546,365
Interest income	9,246	-	-	-	-	-	17	5,902	359,219	374,384
Other revenues	179,000	-	-	-	456,162	-	-	250,000	-	885,162
Total operating revenues	10,797,354	1,579,764	484,772	2,061,593	456,162	996,870	17	417,411	894,705	17,688,648
Operating Expenses:										
Personal Services :										
Salaries	3,623,233	1,967,898	690,290	-	477,136	-	-	-	-	6,758,557
Temporary employees	152,500	9,000	-	-	55,571	-	-	-	-	217,071
Employee benefits	1,936,630	624,596	253,392	-	161,108	-	-	-	-	2,975,726
Compensated absences expenses	(51,767)	-	-	-	-	-	-	-	-	(51,767)
Total personal services	5,660,596	2,601,494	943,682	-	693,815	-	-	-	-	9,899,587
Other Than Personal Services (OTPS):										
Insurance	993,647	-	-	-	-	111,322	-	-	-	1,104,969
Professional services	264,760	2,500	-	-	54,294	-	-	-	-	321,554
Management fees	-	-	-	633,948	-	1,153,177	-	-	-	1,787,125
Legal services	11,120	-	-	-	-	-	-	1,634	-	12,754
Telecommunications	89,099	-	-	-	-	-	-	-	-	89,099
Repairs and maintenance	254,768	3,500	33,537	11,055	89,096	23,317	-	-	-	415,273
Vehicles maintenance	55,895	32,053	170,481	-	2,027	-	-	-	-	260,456
Equipment purchases/lease	88,987	3,909	4,922	-	-	5,549	-	-	-	103,367
Supplies/services	492,136	96,726	30,121	69,648	128,939	181,600	-	-	-	999,170
Other expenses	151,682	10,665	13,827	-	89,670	1,246	275,000	-	35	542,125
Total Other Than Personal Services (OTPS)	2,402,094	149,353	252,888	714,651	364,026	1,476,211	275,000	1,634	35	5,635,892
Total operating expenses excluding depreciation	8,062,690	2,750,847	1,196,570	714,651	1,057,841	1,476,211	275,000	1,634	35	15,535,479
Operating income (loss) before depreciation	2,734,664	(1,171,083)	(711,798)	1,346,942	(601,679)	(479,341)	(274,983)	415,777	894,670	2,153,169
Depreciation expense	-	-	-	-	-	-	-	3,336,240	-	3,336,240
Operating income (loss)	$ 2,734,664	$ (1,171,083)	$ (711,798)	$ 1,346,942	$ (601,679)	$ (479,341)	$ (274,983)	$ (2,920,463)	$ 894,670	$ (1,183,071)

The Roosevelt Island Operating Corporation (RIOC)
(A Component Unit of the State of New York)
Budget Variance Report
Year Ended March 31, 2012

	Actual	Budget	Favorable (Unfavorable) Variance	Favorable (Unfavorable) Percent
Operating revenues:				
Residential fees	$ 878,320	$ 966,775	$ (88,455)	-9%
Ground rent	9,174,109	9,199,000	(24,891)	0%
Commercial rent	1,296,141	1,607,000	(310,859)	-19%
Tramway revenue	4,297,891	3,744,000	553,891	15%
Public safety reimbursement	1,613,297	1,615,000	(1,703)	0%
Transport/parking revenue	2,485,613	2,576,000	(90,387)	-4%
Interest income	263,633	509,000	(245,367)	-48%
Other revenues	837,899	617,000	220,899	36%
Total operating revenues	20,846,903	20,833,775	13,128	0%
Operating expenses:				
Personal Services :				
Salaries	6,316,468	6,349,785	33,317	1%
Salaries-overtime	145,444	175,000	29,556	17%
Temporary employees	165,353	175,000	9,647	6%
Workers compensation & disability	190,595	186,098	(4,497)	-2%
ER payroll taxes	573,367	579,699	6,332	1%
Health insurance	1,083,897	1,190,395	106,498	9%
Dental/vision	75,411	72,482	(2,929)	-4%
Pension	836,645	700,868	(135,777)	-19%
Other employee benefits	509,224	473,804	(35,420)	-7%
Compensated absences expenses	(101,198)	-	101,198	100%
Total Personal Services	9,795,206	9,903,131	107,925	1%
Other Than Personal Services (OTPS) :				
Insurance	1,061,546	940,000	(121,546)	-13%
Professional services	583,375	404,200	(179,175)	-44%
Marketing/advertisting	8,135	18,600	10,465	56%
Management fees	4,072,518	4,135,200	62,682	2%
Legal services	107,629	375,000	267,371	71%
Telecommunications	115,029	106,800	(8,229)	-8%
Repairs and maintenance	286,126	391,400	105,274	27%
Repairs and maintenance equipment	18,288	21,600	3,312	15%
Other repairs and maintenance	77,738	85,000	7,262	9%
Vehicles gas	171,689	146,100	(25,589)	-18%
Vehicles repairs and maintenance	83,908	83,600	(308)	0%
Vehicles parts	63,122	34,200	(28,922)	-85%
Equipment lease	18,485	20,600	2,115	10%
Office equipment purchase	17,726	22,200	4,474	20%
Equipment purchases	54,731	57,800	3,069	5%
Other equipment purchases	22,036	26,000	3,964	15%
Exterminator	10,780	15,600	4,820	31%
Uniforms	53,375	69,870	16,495	24%
Light, power, and heat	667,272	469,000	(198,272)	-42%
Water and sewer	9,067	20,000	10,933	55%
Office supplies	17,187	20,700	3,513	17%
Parts and supplies	251,878	227,100	(24,778)	-11%
Service maintenance agreement	29,790	80,100	50,310	63%
Employee travel and meal	19,388	17,200	(2,188)	-13%
Employee training	50,142	56,400	6,258	11%
Shipping	9,933	13,400	3,467	26%
Subscriptions/membership	15,464	14,500	(964)	-7%
Other expenses	337,288	340,000	2,712	1%
Island Events - Community relations	102,153	85,000	(17,153)	-20%
Total Other Than Personal Services	8,335,798	8,297,170	(38,628)	0%
Total operating expenses excluding depreciation	18,131,004	18,200,301	69,297	0%
Operating income (loss) before depreciation	2,715,899	2,633,474	82,425	3%
Depreciation expenses	3,436,043	3,256,000	(180,043)	-6%
Operating income (loss)	$ (720,144)	$ (622,526)	$ (97,618)	-16%

The Roosevelt Island Operating Corporation
(A Component Unit of the State of New York)
Budget Variance Report
Year Ended March 31, 2011

	Actual	Budget	Favorable (Unfavorable) Variance	Favorable (Unfavorable) Percent
Operating revenues:				
Residential fees	1,066,734	1,209,125	(142,391)	-12%
Ground rent	8,801,291	8,821,573	(20,282)	0%
Commercial rent	1,438,078	1,501,609	(63,531)	-4%
Tramway revenue	996,870	2,359,000	(1,362,130)	-58%
Public safety reimbursement	1,579,764	1,576,362	3,402	0%
Transport/parking revenue	2,546,365	2,507,000	39,365	2%
Interest income	374,384	455,875	(81,491)	-18%
Other revenues	885,162	594,654	290,508	49%
Total operating revenues	17,688,648	19,025,198	(1,336,550)	-7%
Operating expenses:				
Personal Services:				
Salaries	6,653,053	6,462,299	(190,754)	-3%
Salaries - overtime	105,503	175,000	69,497	40%
Temporary employees	217,071	175,000	(42,071)	-24%
Workers compensation & disability	156,548	182,030	25,482	14%
ER payroll taxes	599,700	583,963	(15,737)	-3%
Health insurance	1,026,071	1,080,627	54,556	5%
Dental/vision	69,377	71,507	2,130	3%
Pension	589,687	583,260	(6,427)	-1%
Other employee benefits	534,344	466,471	(67,873)	-15%
Compensated absences expenses	(51,767)	-	51,767	100%
Total Personal Services	9,899,587	9,780,157	(119,430)	-1%
Other Than Personal Services (OTPS) :				
Insurance	1,104,969	1,180,000	75,031	6%
Professional services	294,273	450,900	156,627	35%
Marketing /advertisting	27,282	27,600	318	1%
Management fees	1,787,125	2,305,500	518,375	22%
Legal services	12,754	325,000	312,246	96%
Telecommunications	89,099	104,820	15,721	15%
Repairs and maintenance	328,304	394,600	66,296	17%
Repairs and maintenance equipment	28,443	31,200	2,757	9%
Other repairs and maintenance	58,526	75,000	16,474	22%
Vehicles gas	150,256	146,100	(4,156)	-3%
Vehicles repair and maintenance	79,998	137,600	57,602	42%
Vehicles parts	30,202	30,200	(2)	0%
Equipment lease	9,523	25,880	16,357	63%
Office equipment purchase	20,063	25,200	5,137	20%
Equipment purchases	48,371	66,200	17,829	27%
Other equipment purchases	25,410	26,000	590	2%
Exterminator	7,095	15,600	8,505	55%
Uniforms	32,421	102,245	69,824	68%
Light, power, heat	670,590	558,700	(111,890)	-20%
Water and sewer	3,109	30,000	26,891	90%
Office supplies	18,705	27,720	9,015	33%
Parts and supplies	231,094	275,100	44,006	16%
Service maintenance agreement	36,155	91,700	55,545	61%
Employee travel and meal	8,760	18,480	9,720	53%
Employee training	65,987	84,478	18,491	22%
Shipping	11,329	13,440	2,111	16%
Subscriptions /membership	13,412	13,100	(312)	-2%
Other expenses	354,544	424,200	69,656	16%
Island Events - Community relations	88,093	92,000	3,907	4%
Total Other Than Personal Services	5,635,892	7,098,563	1,462,671	21%
Total operating expenses excluding depreciation	15,535,479	16,878,720	1,343,241	8%
Operating income (loss) before depreciation	2,153,169	2,146,478	6,691	0%
Depreciation expenses	3,336,240	3,363,000	26,760	1%
Operating income (loss)	$ (1,183,071)	$ (1,216,522)	$ 33,451	3%

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Roosevelt Island Operating Corporation

We have audited the financial statements of Roosevelt Island Operating Corporation ("RIOC"), a component unit of the State of New York, as of and for the year ended March 31, 2012 and have issued our report thereon dated May 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 RIOC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RIOC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of RIOC'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 combination of significant 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 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether RIOC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement 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 board of directors, management of the Corporation and appropriate officials of the State of New York, and is not intended to be and should not be used by anyone other than these specified parties.

Elmhurst, New York
May 25, 2012

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH INVESTMENT GUIDELINES

The Board of Directors
Roosevelt Island Operating Corporation

We have audited Roosevelt Island Operating Corporation's ("RIOC") compliance with the State Comptroller's Investment Guidelines as required by 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, 2012. Management is responsible for RIOC's compliance with those requirements. Our responsibility is to express an opinion on RIOC's compliance based on our examination.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and State of New York Investment Guidelines for Public Authorities. Those standards and State of New York Comptroller's Investment Guidelines for Public Authorities require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on investment compliance occurred. An audit includes examining on a test basis, evidence about Roosevelt Island Operating Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Roosevelt Island Operating Corporation's compliance with those requirements.

In our opinion, Roosevelt Island Operating Corporation complied, in all material respects, with the aforementioned requirements for the year ended March 31, 2012.

This report is intended solely for the information and use of the board of directors, management of the Corporation and appropriate officials of the State of New York, and is not intended to be and should not be used by anyone other than these specified parties.

Dadia Valles Vendiola LLP

Elmhurst, New York
May 25, 2012

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