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

Financial Statements and Management's
Discussion and Analysis

March 31, 2015 and 2014

(With Independent Auditors' Report Thereon)

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

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TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Roosevelt Island Operating Corporation:

We have audited the accompanying financial statements of Roosevelt Island Operating Corporation (RIOC), a component unit of the State of New York, as of and for the years ended March 31, 2015 and 2014, and the related notes to financial statements, which collectively comprise the RIOC's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Roosevelt Island Operating Corporation as of March 31, 2015 and 2014, and the respective changes in net position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other postemployment benefits - schedule of funding progress on pages 4 through 12 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise RIOC's basic financial statements. The accompanying schedules listed in the Table of Contents under the heading of Supplemental Information, which are the responsibility of management, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 25, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering RIOC's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 25, 2015

The following management's discussion and analysis (MD&A) provides a comprehensive overview of the financial position of Roosevelt Island Operating Corporation (RIOC) at March 31, 2015 and 2014, 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 additional 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 POSITION

The following is a summary of the RIOC's Statement of Net Position at March 31, 2015 and 2014 and the percentage changes between March 31, 2015 and 2014:

	2015	2014	% Change
Current and other assets	$ 60,309,201	47,340,871	27%
Capital assets, net	70,241,543	67,517,327	4%
Total assets	$ 130,550,744	114,858,198	14%
Liabilities	$ 33,556,378	33,778,527	-1%
Net position:			
Net investment in capital assets	70,241,543	67,517,327	4%
Restricted for capital projects	23,425,543	13,020,543	80%
Unrestricted	3,327,280	541,801	514%
Total net position	$ 96,994,366	81,079,671	20%

On RIOC's Statement of Net Position at March 31, 2015, total assets of $130,550,744 exceeded total liabilities of $33,556,378 by $96,994,366 (total net position). Total assets are comprised of capital assets (e.g., buildings, machinery and equipment) totaling $70,241,543, cash and cash equivalents totaling $54,952,267 and other assets of $5,356,934. Liabilities are comprised of accounts payable of $773,869, unearned revenues of $28,680,095 (prepaid rents), other post-employment benefits of $3,395,875, and other liabilities totaling $706,539. Unearned revenues represent the prepaid ground rent revenue received for the Southtown and Octagon development projects that will be recognized over their respective lease terms. Of total net position, $23,425,543 is available to be used to meet ongoing capital obligations. Additionally, $3,327,280 is available for ongoing operational expenses.

Short-term investments increased by $11,980,394 or 28.63%. This was mainly due to an increase in Residential Fee revenue by $15,309,289 or 1,452%, offset by a decline in condominium sales of $94,935 or 44.86%. The Residential Fee revenue increased primarily because of transaction fees from the refinancing of the existing mortgage of Roosevelt Island Associates ("Manhattan Park") in the amount of $12,600,000 as well as the assignment of the Eastwood lease to BSREP UA Roosevelt Landing LLC, in the amount of $2,737,658.

OPERATING ACTIVITIES

RIOC's Statements of Revenues, Expenses and Changes in Net Position are used to report changes in the net position, 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 Net Position detail program revenues by major source and expenses by natural classification and indicate the change in net position.

RIOC's total operating revenues for the fiscal year ending March 31, 2015 were $39,210,639. For the fiscal year ending March 31, 2015, operating revenues increased by $15,615,190 or 66.18% over the last fiscal year. This was mainly due to an increase in Residential Fee revenue of $15,309,289 or 1,452%, which includes transaction fees primarily from the refinancing of the existing mortgage of Manhattan Park in the amount of $12,600,000, and the assignment of the Eastwood lease to BSREP UA Roosevelt Landing LLC, in the amount of $2,737,658. In addition, other revenues increased by $437,112 or 40% mainly due to an increase in other permit fees including newly initiated construction permit fees of $64,311; T-Mobile Antenna License Fees of $45,497; and eligible FEMA reimbursements of $331,832. The transportation/parking revenue, which is comprised of street parking and Motorgate revenues as well as bus revenues and contractual payments from the Octagon, decreased by $137,895 or 6% in the aggregate. The aggregate decrease in transportation/parking revenue is due to: (1) revenue increases for both street parking of $112,258 or 80.77% and Motorgate of $90,795 or 4.85% due to respective rate increases; (2) an increase of $2,271 or 2% for Octagon bus payments; and (3) a decline of $343,218 or 99.48% due to the elimination of bus fares for on island transportation. The decline in transportation/parking revenue was offset by a decrease in transportation costs in connection with the bus operation of $102,795 or 6.55%. As a result, the decrease only amounted to $35,000 or 1.4%. Also, declining interest rates led to a decline in interest income of $20,064 or 12.71% as a result of the low-interest rate bearing short-term nature of RIOC's investments in accordance with the State's investment guidelines.

RIOC's total operating expenses for the fiscal year ending March 31, 2015 were $23,295,944 and $22,791,367 for the last fiscal year ending March 31, 2014, including depreciation of $3,518,632 and $3,498,737, respectively. For fiscal year ending March 31, 2015, total operating expenses before depreciation increased by $484,682 or 3% over the last fiscal year, which is due primarily to increases in insurance by $147,129, repairs and maintenance by $129,184, and supplies/services by $183,306. Personal services increased by $798,518 or 8% due mainly to the filling of vacant positions and increases in benefits primarily health and workers compensation insurance. Professional and legal services decrease by $829,468 or 59% due mainly to: (a) the replacement of consulting services for the engineering and public safety departments with full time personnel: and (b) a one-time contractual payment of $410,390 for real estate services in connection with the lease closing of Southtown building #7, which was recorded in FY 2013-14.

The following summarizes RIOC's change in net position for the fiscal years ended March 31, 2015 and 2014:

	2015	2014	% Change
Operating revenues:			
Residential fees	$ 16,363,941	1,054,652	1452%
Ground rent	10,465,282	10,519,864	-1%
Commercial rent	1,446,680	1,434,674	1%
Tramway revenue	5,211,790	5,117,937	2%
Public safety reimbursement	1,713,231	1,743,828	-2%
Transport/parking revenue	2,331,339	2,469,234	-6%
Interest income	137,833	157,897	-13%
Unrealized loss	(807)	(6,875)	-88%
Other revenues	1,541,350	1,104,238	40%
Total operating revenues	39,210,639	23,595,449	66%
Operating expenses:			
Personal services	10,928,951	10,130,433	8%
Insurance	1,580,232	1,433,013	10%
Professional services and legal services	571,271	1,400,739	-59%
Management fees	4,146,286	4,101,573	1%
Telecommunications	108,115	103,010	5%
Repairs and maintenance	481,890	352,706	37%
Vehicles maintenance	288,763	351,700	-18%
Equipment purchases/lease	91,929	54,464	69%
Supplies/services	1,158,788	975,482	19%
Other expenses	421,087	389,510	8%
Total operating expenses excluding depreciation	19,777,312	19,292,630	3%
Operating income before depreciation	19,433,327	4,302,819	352%
Depreciation expense	(3,518,632)	(3,498,737)	1%
Change in net position	15,914,695	804,082	1879%
Net position, beginning of year	81,079,671	80,275,589	1%
Net position, end of year	$ 96,994,366	81,079,671	20%

CAPITAL ASSETS

The following summarizes RIOC's capital assets for the fiscal years ended March 31, 2015 and 2014 and the percentage change between fiscal years:

		2015	2014	% Change
Seawall	$	3,065,121	3,014,291	2%
Buildings		13,929,241	12,532,919	10%
Land improvements		6,687,030	6,673,434	0%
Vehicles and equipment		1,597,153	1,847,358	(16%)
Infrastructure		44,853,909	43,385,186	3%
Leasehold improvements		109,089	64,139	41%
Total net position	$	70,241,543	67,517,327	4%

The capital assets of $70,241,543 presented in the financial statements have been depreciated using the straight-line method, effective from the date of acquisition. The increase of $2,724,216 from the prior year is comprised of the addition of new capital assets of $6,260,865 offset by disposal of old assets of $44,122 and related accumulated depreciation of $26,105 as well as annual depreciation of $3,518,632. Total depreciation expense for all capital assets amounted to $3,518,632 and $3,498,737 for the years ended March 31, 2015 and 2014, respectively. A more detailed analysis of RIOC's capital assets is presented in the notes to financial statements on pages 20-21.

INFRASTRUCTURE ASSETS

The amounts reported in the accompanying statements of net position for capital assets (net of depreciation) of RIOC of $70,241,543 and $67,517,327 at March 31, 2015 and 2014, respectively, do not include an amount for two infrastructure items: (1) the bulk of the seawall; and (2) 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. However, improvements to such infrastructure items are disclosed.

ECONOMIC FACTORS AFFECTING RIOC'S FUTURE FINANCIAL POSITION

Six (6) of the anticipated nine (9) buildings ("Buildings") of the Southtown Development Project have been completed. Of the remaining Buildings, the Building 7 Lease was closed on October 10, 2013 and construction is near completion. According to the lease documents, the Building 8 Lease Closing shall occur no later than 30 months after the Building 7 Lease Closing; and the Building 9 Lease Closing shall occur no later than 30 months after the Building 8 Lease Closing. Should development fail to occur within the expected timeframe, RIOC is protected by a letter of credit in the amount of $2,438,400. RIOC believes that the development will occur based in part on the increased interest in the Island as a result of the multi-billion dollar Cornell Technion project on the Island.

Based upon the provisions of the ground lease between RIOC and Riverwalk 7, LLC ("Ground Lease"), RIOC will receive monthly rent payments upon the Rent Commencement Date, which is the earlier of: (1) the date upon which one or more Temporary Certificates of Occupancy is issued for at least 90% of the completed units; or (2) October 10, 2015. Commencing on the Rent Commencement Date, RIOC will also receive annual ground rent of $725,760, subject to a yearly increase of three (3%) for the first thirty (30 years). On the Rent Commencement Date, RIOC will receive a lump-sum prepayment in an amount equal to $10,080,000 as provided for in the Ground Lease. Further, RIOC will receive a Fixed Public Safety Payment at the rate of $20.00 per unit per month, increasing 4% annually.

It is RIOC's understanding that as of March 27, 2014, Rivercross Tenants Corp. ("Housing Company") has exited the Mitchell-Lama program. Section Six of Amendment #1 to Restated Ground Lease ("Amendment"), which extended the term until 2068, provides that if the parties are unable to reach an agreement on the Financial Terms by no later than sixty days prior to the effective date Housing Company is leaving the Mitchell-Lama program, the dispute shall be settled by arbitration in the City of New York subject to certain procedures set forth in the Amendment. The arbitration process was begun, but subsequently a standstill agreement was entered into by the parties until September 14, 2015.

The Modernized Tram, which was placed in service on November 31, 2010, 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 resulting in increased efficiencies and capabilities. The infrastructure improvement will be funded by a $15 million grant from the State of New York and $10 million from RIOC. Ridership on the Tram is increasing due to increased activities on the Island including the development of Southtown and Cornell Technion; and higher visitorship to the Four Freedoms State Park. During the fiscal year ended March 31, 2015, Tramway revenue exceeded the budget by $258,790 or 5% (see Budget variance report - page 35).

The revitalization of Main Street and improvement of the retail businesses are in progress. On August 1, 2011 ("Commencement Date"), RIOC entered into a Master Sublease Agreement ("Agreement") with Hudson Related Retail LLC ("HRR") 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. HRR is required to invest no less than $2,365,000 in the aggregate in capital improvements during the first five years of the Agreement. According to its certified financial statements as of December 31, 2014, Hudson Related Retail LLC invested $2,460,019 and incurred a loss of ($447,033). According to the Agreement, RIOC will share future profits evenly once HRR is paid back its investment. HRR is yet to recoup any of its investment and has not made any profit sharing payment. RIOC anticipates that profit sharing will not begin for several more years.

Roosevelt Island was selected by the City of New York ("City") for the site of the Cornell/Technion Applied Sciences Graduate School ("Cornell"). The project, which is projected to be built in three phases over a twenty year period, will be located on the City's Goldwater Hospital site ("Goldwater Site"). To facilitate this project, on December 12, 2013, RIOC's Board resolved to: (1) amend its' Master Lease with the City to exclude the 2.62 acre surrounding the site ("Parcel") so that it may be incorporated into the City's 9.8 acre Goldwater Site for the Cornell Campus; (2) approve and adopt the State Environmental Quality Review Act Findings Statement ("SEQRA"); (3) execute the Letter of Resolution regarding State Historic Preservation Act ("SHPA"); (4) enter into agreements with the State of New York ("State"), Cornell, and New York City Economic Development Corporation ("NYCEDC"), including a Development Agreement with Cornell; and (5) authorize all related actions.

For the surrender of the Parcel back to the City, RIOC will receive a financial contribution from the State of $1,000,000 annually for 55 years payable to RIOC (escalating 2.5% every 10 years) in accordance with State budgetary procedure, with the present value of the payment fully made by December 31, 2018, to support capital infrastructure improvement on Roosevelt Island. In addition, Cornell will pay RIOC $400,000 annually for 55 years (escalating 2% every 10 years). RIOC received the full amount of $400,000 for FY 2014 and 2015.

RIOC has responsibility for the surrounding seawall and promenade but Cornell, at its sole cost will be responsible for the following: mitigation under SEQRA and SHPA; infrastructure improvements on, around, and under Loop Road (includes roadway work, sewers, relocation of electrical duct banks, and gas service); access to the RIOC premises under permits and License Agreements providing work plans, bonding and insurance, and incorporating construction protocols including but not limited to truck access, all approved by RIOC; air and noise pollution mitigation; payment for RIOC's Engineer and Consultant to review Work Plans for work to occur on the RIOC premises and to monitor performance of work by Cornell or its agents pursuant to Work Plans; repair of damage on the Island caused by Cornell or its agents; general indemnification for work performed by Cornell or its agents; environmental indemnification for environmental liabilities caused by Cornell or its agents; and increased security by Cornell at southern end of the Island. Cornell has commenced construction on the project site, and will continue limited barging.

The expected increase in vehicular traffic due to construction of Cornell development in Southtown, and increased tourist traffic in Four Freedoms State Park, has precipitated the need to conduct a structural evaluation of the Roosevelt Island Helix Bridge Ramp, which was rehabilitated in 1987. A qualified engineering firm was procured in May 2013; the pursuant contract includes corrective engineering and design services, preparation of contract documents, and assistance with construction. The design documents are complete; RIOC subsequently released an RFP for construction and received proposals on August 20, 2014. The awarded contractor could not obtain the required indemnity bonds. Since there is no imminent danger, RIOC has postponed the release of a second RFP in light of the ongoing construction on the Island, including the installation of risers and trenching for a high-pressure gas line that will benefit both Island residents and Cornell.

The New York City Health and Hospitals Corporation ("HHC") initially announced its intention to close and abandon in place a large steam plant located on the Island as of March 31, 2014. The plant provides heat to the Goldwater Site, Coler Hospital and several RIOC-owned facilities including Sportspark, AVAC, and the Bus Garage/Warehouse. Ownership and issues of responsibility concerning the steam plant and steam tunnel remain unresolved. The anticipated closure of the steam plant has created several issues for RIOC. First, because HHC had announced a closing date of March 31, 2014, RIOC was compelled to implement a costly temporary heating system at its Sportspark facility in advance of that date to prevent the interruption of heat if the steam plant were closed. The steam plant was closed in the fall of 2014 and the temporary heating system has since been in operation. RIOC will have to replace this temporary system with a permanent system at an estimated cost of $1.5 million. RIOC has obtained the services of a qualified engineering firm which has provided a complete design subject to the review of NYC Department of Buildings ("DOB"). After approval has been obtained from DOB, a contractor will be selected via a competitive bidding process.

Additional engineering services were also retained for necessary repairs and recommended upgrades at the Sportspark facility. The consultants prepared a report of the facility's lighting, plumbing, and roofing systems. The analysis is complete, and it is anticipated that some of the recommended resulting upgrades will increase the efficiency of the aforementioned permanent heating system. In addition, the report indicated certain necessary emergency relief, including expedited repair of the roof of the facility which is expected to cost around $3 million and needs to be completed before the other repair work can be done. RIOC has engaged an engineering firm to complete the design work for the Sportspark roof and expects to review a completed design by May 2015. A Request for Proposals ("RFP") for construction will be issued in early May once the design has been approved.

The Corporation has engaged a consultant to provide engineering design and marine permitting services for the completion of the Southpoint Park ("SPP") shorelines. Failures due to deterioration exist along both shores, and the west shore seawall consists of a succession of different masonry construction types, ranging from cut granite to large concrete blocks interspersed with eroded gaps. The eastern seawall, while in generally better condition, does have some localized failures including but not limited to damage to some 100 linear feet that was breached during Hurricane Irene; the portion damaged by the storm event has been approved by FEMA as a project for disaster recovery funding. Public access to the shorelines is not practical until structural integrity is restored. Moreover, loss of park area continues to occur as erosion penetrates beyond the wall breaches.

As noted above, Roosevelt Island was affected by Hurricane Irene. Before and during the storm, RIOC staff took measures to mitigate potential damage and to protect lives and property. Similarly, staff and contractor labor was used immediately following the storm to clear the roads and open spaces of debris and downed trees. Under Federal guidelines, these efforts were identified as eligible for reimbursement by FEMA. The following projects to rehabilitate portions of the Island impacted by Hurricane Irene were approved by FEMA and completed: (1) repairs to fencing damaged by falling trees; (2) repairs to damaged stone benches and walkways; (3) replacement of safety mulch washed away from playgrounds; (4) repairs to damaged streetlights adorning the open space at Lighthouse Park and the underlying electric wiring; and (5) repairs to several hundred linear feet of the West Side Sidewalk. For the aforementioned projects and other eligible expenses, RIOC has incurred $374,992. FEMA will reimburse RIOC 75% of the eligible costs based upon approved claims.

Similarly, the Island experienced damages caused by Hurricane Sandy during October 2012. Before and during the storm, RIOC staff took measures to mitigate potential damage and to protect lives and property. Similarly, staff labor was used immediately following the storm to clear the roads and open spaces of debris and downed trees, as well as prohibiting public access to potentially hazardous areas. Projects that RIOC has completed and/or expects to complete in the near future include: (1) repairs to damaged electric wiring in Lighthouse Park; (2) repairs to the footbridges in Lighthouse Park; (3) repairs to the Westside Pier; and (4) repairs to undermined z-bricks on the promenades. Both completed and in-progress work has been identified to FEMA/OEM and the projects have been deemed eligible under Federal guidelines. RIOC has received $112,400 in connection with these projects and other eligible expenses based upon a 90% effective cost-share rate. For the eligible projects for which work continues, $150,560 has been incurred to date, which will also be reimbursed at the 90% cost-share rate. All projects resulting from Hurricane Sandy have been filed and must be completed prior to November 3rd, 2016 - which is anticipated to be more than sufficient.

Repairs to the South Point Seawall, extending from the northern tip of the South Point park to the beginning of the Four Freedoms State Park on both the east and west side of approximately 1600 linear feet, are in progress; the design development documents were completed and accepted by RIOC and the final design documents for construction are in progress. RIOC has applied to the DEP for the construction permits, and DEP has received the permits from the Army Corp of Engineers. The consultant is in the process of finalizing the required soil management plan for the work with DEC. RIOC has received the final design documents and permits, and has issued a Request for Qualifications (RFQ) to identify contractors capable of performing the specialized marine construction services. RIOC received 13 responses to the RFQ and will issue an RFP for construction. RIOC estimates that the repairs would cost approximately $16.5 million inclusive of replacement of the seawall railings and be completed by 2016. Of the estimated $16.5 million, FEMA has deemed an estimated $1,098,656 of expenses to be incurred for the repair of approximately 100 linear feet of seawall breached during Hurricane Irene as eligible for reimbursement. Of this $1,098,656 in eligible expenses RIOC has incurred $58,673 to date. FEMA will reimburse 75% of the eligible costs based upon approved claims. RIOC has also submitted an application to the FEMA Hazard Mitigation Grant Program in the amount of $15.3 million and is awaiting a response from FEMA.

RIOC's capital improvement plan provides a framework for the Corporation to renew existing aged infrastructure, and maintain the quality of life for the Island's residents, workers, and visitors. The Corporation achieves this by making capital improvements and strategically acquiring capital assets that support essential services such as transit, sanitation, and public safety. Significant projects in progress include repairs to the Helix Ramp estimated at $2.5 million; maintaining a state of good repair on the Island's newly renovated Aerial Tramway including the replacement of the current elevator with an ADA-compliant one and the addition of a new ADA-compliant elevator as well as rehabilitation of the Manhattan-station roof at $3.5 million; renovation of the Bus Garage/Warehouse for an estimated cost of $3.9 million; rehabilitation of the Island's seawall for an estimated cost of $21.6 million; replacement of the railings for an estimated cost of $6 million; removal of Z-Bricks and replacement with asphalt paving on Main Street for an estimated cost of $600,000; augmentation of rip-rap along the Steam Tunnel on the eastern side of the Island for an estimated cost of $500,000; improvements to the Sportspark facility including the implementation of a permanent heating system at an estimated cost of $700,000, and replacement of the roof at an estimated cost of $3 million; and the island wide security camera system at an estimated cost of $1.2 million for Phases 1 and 2 as well as a portion of Phase 3.

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.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Net Position
March 31, 2015 and 2014

Assets	2015	2014
Current assets:		
Cash	$ 1,130,550	244,565
Short-term investments	53,821,717	41,841,323
Receivables	865,847	1,322,482
Prepaid expenses	1,595,684	1,545,134
Total current assets	57,413,798	44,953,504
Noncurrent investments	2,895,403	2,387,367
Capital assets, net of accumulated depreciation	70,241,543	67,517,327
Total assets	$ 130,550,744	114,858,198
Liabilities and Net Position		
Current liabilities - accounts payable and accrued expenses	773,869	1,090,012
Compensated absences	654,762	579,748
Unearned revenue	28,680,095	29,213,679
Postemployment benefits other than pension	3,395,875	2,892,456
Other liabilities	51,777	2,632
Total liabilities	33,556,378	33,778,527
Net position:		
Net investment in capital assets	70,241,543	67,517,327
Restricted for capital projects	23,425,543	13,020,543
Unrestricted net assets	3,327,280	541,801
Total net position	96,994,366	81,079,671
Commitments and contingencies (note 9)		
Total liabilities and net position	$ 130,550,744	114,858,198

See accompanying notes to financial statements.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Revenues, Expenses and Changes in Net Position
Years ended March 31, 2015 and 2014

	2015	2014
Operating revenue:		
Residential fees	$ 16,363,941	1,054,652
Ground rent	10,465,282	10,519,864
Commercial rent	1,446,680	1,434,674
Tramway revenue	5,211,790	5,117,937
Public safety reimbursement	1,713,231	1,743,828
Transport/parking revenue	2,331,339	2,469,234
Interest income	137,833	157,897
Unrealized loss	(807)	(6,875)
Other revenue	1,541,350	1,104,238
Total operating revenue	39,210,639	23,595,449
Operating expenses:		
Personal services	10,928,951	10,130,433
Insurance	1,580,232	1,433,013
Professional services and legal services	571,271	1,400,739
Management fees	4,146,286	4,101,573
Telecommunications	108,115	103,010
Repairs and maintenance	481,890	352,706
Vehicles maintenance	288,763	351,700
Equipment purchases/lease	91,929	54,464
Supplies/services	1,158,788	975,482
Other expenses	421,087	389,510
Total operating expenses	19,777,312	19,292,630
Operating income before depreciation	19,433,327	4,302,819
Depreciation expense	3,518,632	3,498,737
Change in net position	15,914,695	804,082
Net position at beginning of year	81,079,671	80,275,589
Net position at end of year	$ 96,994,366	81,079,671

See accompanying notes to financial statements.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Cash Flows
Years ended March 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Receipts from tenants and customers	$ 39,650,759	23,191,233
Payments related to employees	(10,832,430)	(10,096,743)
Payments to vendors	(9,183,049)	(9,109,941)
Net cash provided by operating activities	19,635,280	3,984,549
Cash flows from capital and related financing activities:		
Purchase of capital assets	(6,260,865)	(2,301,859)
Purchase of noncurrent investments	(12,488,430)	(336,911)
Purchase of short-term investments	-	(2,976,727)
Sale of short-term investments	-	1,183,372
Net cash used in capital and related financing activities	(18,749,295)	(4,432,125)
Net increase (decrease) in cash	885,985	(447,576)
Cash at beginning of year	244,565	692,141
Cash at end of year	$ 1,130,550	244,565
Cash flows from operating activities:		
Operating income	15,914,695	804,082
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,518,632	3,498,737
Loss on disposition of asset	18,017	10,337
Changes in:		
Receivables	456,635	(236,331)
Prepaid expenses	(50,550)	(107,832)
Accounts payable and accrued expenses	(316,143)	280,553
Compensated absences	75,014	23,597
Unearned revenue	(533,584)	(697,266)
Postemployment benefits other than pension	503,419	509,786
Other liabilities	49,145	(101,114)
Net cash provided by operating activities	$ 19,635,280	3,984,549

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 (GASB) 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 additional 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.

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

(2) Summary of Significant Accounting Policies, Continued

(b) Budgetary Information

During the year ended March 31, 2015, 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, which is included under supplementary information.

(c) Cash and Cash Equivalents

The following is a summary of cash and cash equivalents as of March 31, 2015 and 2014:

		2015	2014
Cash - deposits	$	1,130,550	244,565
Short-term investments:			
Certificates of deposit (CDARS)		21,218,472	21,185,589
Money market accounts		32,603,245	20,655,734
		53,821,717	41,841,323
Total cash and short-term investments	$	54,952,267	42,085,888

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 $37,915,593 and $24,715,933 as of March 31, 2015 and 2014, respectively.

As of March 31, 2015, bank balances of $554,776 were uninsured.

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's investment guidelines limited its investments of funds primarily to obligations of the United States of America (United States Government Securities), the State of New York, high grade Corporate Securities or certificates of 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 collateralized money market and CDARS. The carrying amount of these investments are $2,895,403 and 2,387,367 for the years ended March 31, 2015 and 2014, respectively.

(2) Summary of Significant Accounting Policies, Continued

(e) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported on the statements of net position 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 assets 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:

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

(f) Compensated Absences

It is RIOC's policy to accrue for unused absences for all full time employees. Accrued compensatory time as of March 31, 2015 and 2014 were $654,762 and $579,748, respectively.

(g) Unearned Revenue

Unearned revenue reported in the statement of net position 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-three years on the ground lease for the City of New York expiring in 2068 under the accrual basis of accounting.

(2) Summary of Significant Accounting Policies, Continued

Breakdown is as follows:

Buildings	Balance at April 1, 2014	Additions	Amortization	Balance at March 31, 2015
Octagon	$ 2,592,654	-	(47,356)	2,545,298
Southtown Bldg # 1	1,742,994	-	(31,836)	1,711,158
Southtown Bldg #2	1,663,194	-	(30,378)	1,632,816
Southtown Bldg #3	3,554,394	-	(64,920)	3,489,474
Southtown Bldg #4	4,634,134	-	(84,642)	4,549,492
Southtown Bldg #5	5,917,738	-	(108,086)	5,809,652
Southtown Bldg #6	9,108,571	-	(166,366)	8,942,205
Total	$ 29,213,679	-	(533,584)	28,680,095

(h) Public Purpose Grants

Included in "Other Expenses" are expenditures for public purpose grants of $275,500 and $258,925 for the years ended March 31, 2015 and 2014 respectively. The Roosevelt Island Youth Center was granted $175,000 each year to help fund operating expenses. The remaining grants were awarded to various Island-based not-for-profits upon evaluation of their applications and Board approval. The future of the Public Purpose Fund program is uncertain.

(i) Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America 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.

(j) Subsequent Events

Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issues.

(3) Capital Assets

Capital assets for the year ended March 31, 2015 are summarized as follows:

Buildings	Balance at April 1, 2014	Increase	Decrease	Balance at March 31, 2015
Capital assets:				
Seawall	$ 3,989,825	106,510	-	4,096,335
Building and building improvements	42,943,973	2,725,436	-	45,669,409
Landmarks	14,217,014	325,472	-	14,542,486
Vehicles	4,286,979	61,330	(44,122)	4,304,187
Equipment	3,392,366	325,836	-	3,718,202
Infrastructure	52,674,648	2,665,113	-	55,339,761
Leasehold improvements	67,289	51,168	-	118,457
Total capital assets	121,572,094	6,260,865	(44,122)	127,788,837
Less accumulated depreciation:				
Seawall	(975,534)	(55,680)	-	(1,031,214)
Building and building improvements	(30,411,054)	(1,329,114)	-	(31,740,168)
Landmarks	(7,543,580)	(311,876)	-	(7,855,456)
Vehicles	(2,733,959)	(435,995)	26,105	(3,143,849)
Equipment	(3,098,028)	(183,359)	-	(3,281,387)
Infrastructure	(9,289,462)	(1,196,390)	-	(10,485,852)
Leasehold improvement	(3,150)	(6,218)	-	(9,368)
Total accumulated depreciation	(54,054,767)	(3,518,632)	26,105	(57,547,294)
Net capital assets	$ 67,517,327	2,742,233	(18,017)	70,241,543

(3) Capital Assets, Continued

Capital assets for the year ended March 31, 2014 are summarized as follows:

Buildings	Balance at April 1, 2013	Increase	Decrease	Balance at March 31, 2014
Capital assets:				
Seawall	$ 3,725,049	264,776	-	3,989,825
Building and building improvements	42,006,797	937,176	-	42,943,973
Landmarks	14,049,173	167,841	-	14,217,014
Vehicles	4,395,262	2,261	(110,544)	4,286,979
Equipment	3,375,166	17,200	-	3,392,366
Infrastructure	51,790,208	884,440	-	52,674,648
Leasehold improvements	39,122	28,167	-	67,289
Total capital assets	119,380,777	2,301,861	(110,544)	121,572,094
Less accumulated depreciation:				
Seawall	(923,160)	(52,374)	-	(975,534)
Building and building improvements	(29,093,167)	(1,317,887)	-	(30,411,054)
Landmarks	(7,239,886)	(303,694)	-	(7,543,580)
Vehicles	(2,397,748)	(436,417)	100,206	(2,733,959)
Equipment	(2,905,508)	(192,520)	-	(3,098,028)
Infrastructure	(8,096,767)	(1,192,695)		(9,289,462)
Leasehold improvement	-	(3,150)	-	(3,150)
Total accumulated depreciation	(50,656,236)	(3,498,737)	100,206	(54,054,767)
Net capital assets	$ 68,724,541	(1,196,876)	(10,338)	67,517,327

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

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

(a) Residential Fees

The net present value (NPV) fee for Octagon and Southtown buildings #1, 2, 3, 4, 5 and 6 were collected in advance and recognized over the term of the lease - see above section 2 (g) Unearned Revenue. Tax equivalent payments (TEP) are collected and recognized from Southtown buildings # 5, 6 and 7 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. Excluding one-time transaction payments of $12,600,000 and $2,737,638 from the refinancing of the existing mortgage of Manhattan Park and the assignment of the Eastwood Lease to BSREP UA Roosevelt Landings, LLC; respectively, ground rents account for nearly 45% 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, 6 and 7; Island House; Rivercross; and Octagon.

Manhattan Park - Under the terms of the ground sublease between RIOC and Roosevelt Island Associates dated August 4, 1986 and 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 $4,100,000 for the years ended March 31, 2015 and 2014.

In addition to the ground rent mentioned above, RIOC received a percentage payment, which is based on a tiered percentage formula of Manhattan Park's gross income. As of January 1, 2012 and continuing through December 31, 2026, the percentage payment will increase by the excess of the applicable percentages of gross income over the sum of the prior year's fixed ground rent of $4,000,000 and percentage rent of $2,040,649. For the year ended March 31, 2015, the percentage rent earned was $2,040,649; and the same amount, $2,040,649, for the year ended March 31, 2014. Furthermore, on June 26, 2014, RIOC's board approved the refinancing of the existing mortgage for Manhattan Park, which resulted in transaction fees in the amount of $12,600,000.

Roosevelt Landings (formerly Eastwood) - Pursuant to an Amended and Restated Lease between RIOC and North Town Roosevelt, LLC ("North Town") dated September 21, 2006 (the "Eastwood Lease"), the base ground rent increased to $1 million per year effective October 1, 2006, plus a percentage increase in accordance with annual rent rolls increases. Ground rents earned totaled $1,416,484 and $1,390,642 for the years ended March 31, 2015 and 2014, respectively. On July 18, 2014, North Town entered into a Purchase and Sale Agreement ("PSA") by and among North Town, as seller, and BSREP US Operating LLC, as purchaser, pursuant to which North Town's interest as tenant in the Eastwood Lease was to be assigned to the purchaser, or its designee. On

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

(b) Ground Rent, Continued

September 10, 2014, RIOC's board approved the assignment of the lease to BSREP UA Roosevelt Landings LLC, a designee of BSREP US Operating LLC. In connection with the assignment of the Eastwood Lease, RIOC received a Transaction Payment in the amount of $2,737,638.

Northtown Phase II Houses, Inc. (Island House) - The ground sublease between RIOC and North Town Phase II Houses, Inc., dated October 30, 1972, was amended with the base rent increasing from $136,000 to $236,000 per year effective January 01, 2013 - increasing by 10% on each 5th anniversary for 30 years.

Northtown Phase IV Houses, Inc. (Rivercross) - An amendment to the restated ground sublease was executed with Rivercross Tenants Corp, as successor in interest to Northtown Phase IV Associates effective March 29, 2011 ("Effective Date"). On the first anniversary of the Effective Date, residential ground rent to RIOC increased 4% from $2,624.48 to $2,729.46 per month - increasing by 4% on each anniversary of the Effective Date through 2068.

Ground rents for Southtown Buildings # 1, 2, 3, 4 and for a portion of Buildings # 5 and 6, as well as the Octagon were paid in advance and are reflected under note 2 paragraph (g) Unearned revenue. The current portion of ground rents for Building #5 and 6 totaled $1,450,825 in accordance with the ground leases dated August 06, 2007. Southtown Building #7, which is under construction, paid $211,680 in ground rents as per the terms of the ground lease dated October 10, 2013.

(c) Commercial Rent

On August 1, 2011, RIOC entered into a Master Sublease Agreement with Hudson Related Retail LLC (HRR) to redevelop, improve, market, lease and professionally operate the Commercial Retail Spaces controlled by RIOC. HRR will pay RIOC an annual guaranteed rent of $900,000 plus participation in the profits of HRR. According to the agreement, RIOC will share future profits evenly once HRR is paid back its investment. According to its certified financial statements as of December 31, 2014, Hudson Related Retail LLC invested $2,460,019 and incurred a loss of ($447,033).

In addition, RIOC entered into a license with HCK Recreation, Inc. ("HCK") on November 16, 1989 for the operation of a tennis facility, which was amended three times with the latest amendment requiring HCK to pay the greater of $250,000 per annum or 10% of gross receipts for the period May 1, 2011 to April 30, 2016. Furthermore, on January 15, 2002, RIOC entered into an agreement with The Child School ("School") to develop and operate the School. The agreement requires the School to pay $275,000 per annum with an escalation in an amount equal to the percentage increase in the State's Education Department tuition reimbursement received by the School.

(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 City Transit Authority ("NYCTA") for revenue collection from the Tramway. In the agreement, RIOC receives from the NYCTA a fare of $2.00 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 ridership. There is a franchise fee expense associated with this agreement that is ½ of 1 percent of gross sales. Tramway revenues were $5,211,790 and $5,117,937 for the years ended March 31, 2015 and 2014, respectively.

(e) Public Safety Reimbursement

The intent of the initial agreements with the four original Mitchell-Lama housing projects (the "WIRE Projects") was for RIOC to recoup approximately 50% of the cost of maintaining a public safety department on the Island. Accordingly, no less than 50% of such costs have been reimbursed by the WIRE Projects and are included in public safety reimbursement on the accompanying statements of revenues, expenses, and changes in fund net position. Additionally, Manhattan Park, Southtown and the Octagon projects are responsible for their respective share of the cost of RIOC's public safety department. Public safety reimbursements were $1,713,231 and $1,743,828 for the years ended March 31, 2015 and 2014, 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. RIOC's share of Motorgate revenues totaled $1,962,485 and $1,871,690 for the years ended March 31, 2015 and 2014, respectively.

Transportation revenues from the provision of bus services totaled $117,615 and $458,562 for the years ended March 31, 2015 and 2014, respectively. The decline in bus service revenues was offset by a cost-savings of $102,795 for operating the bus service. The cost of running the bus service totaled $1,467,270 and $1,570,065 for the same respective periods. Additionally, revenues from street parking meters for these periods totaled $251,239 and $138,982.

(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.

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

(h) De-designation Fee Income

The Development Agreement for Southtown buildings ("Buildings") seven (7) through nine (9) between Hudson Related Joint Venture ("Developer") and RIOC included a contingent de-designation (cancellation of project or portion of) fee of $2,438,400. The Development Agreement is collateralized by a Guaranty Letter of Credit issued by Deutsche Bank Trust Company, NA in the amount of $2,438,400 maturing on August 15, 2015, to be renewed annually. The Building 7 Lease was closed on October 10, 2013 and construction is in progress. The Building 8 Lease Closing shall occur no later than 30 months after the Building 7 Lease Closing; and the Building 9 Lease Closing shall occur no later than 30 months after the Building 8 Lease Closing. In the event that the Developer fails to close a Building lease in accordance with the foregoing schedule, except if due to RIOC, RIOC may draw the entire balance of the Guaranty Letter of Credit and apply same at its sole discretion, and in addition thereto, at its sole option, de-designate the Developer for each such Building and for the remainder of the Building.

(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
2016	$ 13,293,824	1,512,957
2017	13,618,358	1,569,119
2018	15,199,106	1,605,957
2019	15,573,855	1,873,776
2020	16,645,892	2,174,604
Total	$ 74,331,035	8,736,413

(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 a minimal annual cost of $3,397,200 plus certain operating costs associated with operation of the Tramway System. It is expected that this agreement will be re-bid in 2015.

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 a minimal annual management fee of $40,000 and certain maintenance and 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

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. For Tier 6 employees, beginning April 1, 2013, contributions are as follows: Up to $45K = 3%; $45,001 to $55K = 3.5%; $55,001 to $75K = 4.5%; $75,001 to $100K = 5.75%; Greater than $100K = 6% for the entire duration of State 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.

New York State Employees Retirement System ("NYSERS") eligibility requirements:

Tier 1 (Member before July 1, 1973):

a. For reduced pension benefits: Age 55 with 5 years of service.
b. For full pension benefits: Age 55 with 20 years of service.

Tiers 2, 3, and 4 (Became a member after July 1, 1973):

a. For reduced pension benefits: Age 55 with 5 years of service.
b. For full pension benefits: Age 55 with 30 years of service or age 62 with 20 years of service.

(7) Retirement Plans, Continued

(a) Non-Union Employees, Continued

Tier 5 (Became a member on or after January 1, 2010):

a. For reduced pension benefits: Age 55 with 10 years of service.
b. For full pension benefits: Age 62 with 10 years of service.

Tier 6 (Became a member on or after April 1, 2012):

a. For reduced pension benefits: Age 55 with 10 years of service.
b. For full pension benefits: Age 63 with 10 years of service.

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, 2013	$ 583,380
March 31, 2014	$ 540,970
March 31, 2015	$ 516,769

RIOC has made the required contributions for each year.

(b) Union Employees

Union employees participate in separate defined contribution plans, which are administered by each union. RIOC contributed $256,793 and $216,680 for the years ended March 31, 2015 and 2014, 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. Coverages for the forthcoming fiscal year ended March 31, 2016 were appropriately increased to provide adequate protection for RIOC as follows:

Coverages	2015-2016 Coverage Amount
General liability - RIOC and Tram	$125 million limit
Property	$75 million limit
Boiler and machinery	$100 million limit
Automobile	$1 million limit
Public officials liability	$5 million limit

(9) Commitments and Contingencies

Commitments and contingencies at March 31, 2015 and 2014 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, 2015 and 2014 were approximately $155,984 and $86,000; respectively.

(9) Commitments and Contingencies, Continued

(b) Litigation

RIOC is a defendant in various lawsuits. In the opinion of RIOC's legal counsel, these suits should not result in judgments which in the aggregate would have a material adverse effect on RIOC's financial statements.

(c) Revenue Allocation Agreement - between New York State Urban Development Corporation (UDC), now known as the Empire State Development (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%. In addition, there are other State Operating Subsidies and State Capital Investments that were received and may have to be repaid under the terms of the Revenue Allocation Agreement. The agreement calls for revenues to be allocated in the following manner; (1) RIOC Operating Expenditures, (2) Satisfaction of UDC's Accrued Operating Deficit, (3) Satisfaction of UDC's Public Facilities Debt, (4) Satisfaction of other State Operating Subsidies, and (5) Satisfaction of other State Capital Investments. To date, no revenues have been allocated for the satisfaction of ESD debt other than "Tax Equivalency Payments" ("TEP") payments for Roosevelt Island's original affordable "Mitchell-Lama" buildings. ESD has acknowledged that there are significant projected future capital investments to be made by RIOC.

(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" (OPEB) 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.

(10) Postemployment Benefits Other Than Pensions, Continued

Total expenditures charged to operations for the years ended March 31, 2015 and 2014 amounted to $643,553 and $637,017, respectively. At March 31, 2015, the liability for active and retired employees included in non-current accrued fringe benefits amounted to $3,395,875.

The number of participants as of January 1, 2015 was as follows:

Active employees	36
Retired employees	9
Spouses of retired employees	6
Total	51

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 funds have been set aside for this purpose and are discussed in note 2(d), but a trust has not been established. Currently, OPEB trusts are not allowed in New York State.

Benefit Obligations and Normal Cost	2015	2014
Actuarial accrued liability (AAL):		
Actuarial accrued liability	$ 6,833,798	6,636,223
Less: Actuarial value of assets	-	-
Unfunded actuarial accrued liability (UAAL)	$ 6,833,798	6,636,223
Normal cost	$ 363,865	364,808
Annual OPEB Cost and Net OPEB Obligation		
Annual required contribution	$ 647,671	640,408
Interest on net OPEB obligation	115,698	95,307
Adjustment to annual required contribution	(119,816)	(98,698)
Annual OPEB cost (expense)	643,553	637,017
Contribution made on a pay-as-you-go basis	(140,134)	(127,230)
Increase in net OPEB obligation	503,419	509,787
Net OPEB obligation at beginning of year	2,892,456	2,382,669
Net OPEB obligation at end of year	$ 3,395,875	2,892,456

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	2.5%
Retirement rates	Later of age 65 and first eligibility

(10) Postemployment Benefits Other Than Pensions, Continued

Healthcare cost trend:

Year	Medical Trend Rate
2014	10.8%
2015	6.1%
2016	5.5%
2020	5.4%
2030	5.5%
2040	5.5%
2050	5.1%
Ultimate	4.2%

(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 Yet Implemented

- GASB Statement No. 67 - "Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25" replaces existing standards of financial reporting and notes disclosures for most pension plans that are administered through trusts or equivalent arrangements. The provisions of this statement are effective for periods beginning after June 15, 2014, which is the fiscal year beginning April 1, 2015 for RIOC. This statement is not expected to have a material effect on the financial statements of the Corporation.
- GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27" replaces existing standards of accounting and financial reporting for pension plans that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The provisions of this statement are effective for periods beginning after June 15, 2014, which is the fiscal year beginning April 1, 2015 for RIOC. Management has not yet determined the effect, if any, that this statement will have on the future financial statements of RIOC.

(12) Accounting Standards Issued But Not Yet Implemented, Continued

- GASB Statement No. 69 - "Government Combinations and Disposals of Government Operations" establishes accounting and financial reporting standards for government mergers, acquisitions, and disposals. The Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effect of those transactions. The requirements of this Statement are effective for periods beginning after December 15, 2013, which is the fiscal year beginning April 1, 2014 for the Corporation. RIOC had no merger, acquisition, or disposal and accordingly did not make any such disclosure.

- GASB Statement No. 70 - "Accounting and Financial Reporting for Nonexchange Financial Guarantees" improves the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The requirements of this statement are effective for periods beginning after June 15, 2013, which is the fiscal year beginning April 1, 2014 for the Corporation. RIOC did not extend nor receive any financial guarantees and accordingly recognized neither a liability nor such revenue.

- GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date" addresses an issue regarding application of the transition provisions of GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions." This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this statement are effective for the same period that the entity implements GASB Statement No. 68. Management is in the process of evaluating the potential impact due to the implementation of this statement on the financial statements of the Corporation.

- GASB Statement No. 72 - "Fair Value Measurement and Application." This statement, which was issued in February 2015, provides guidance regarding accounting and financial reporting issues related to fair value measurements for certain investments and disclosures related to fair value measurements. The requirements of this statement are effective for periods beginning after June 15, 2015, which is the fiscal year beginning April 1, 2016 for the Corporation. The statement is being evaluated for its effect on the financial statements of the Corporation.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Required Supplementary Information - Schedule of Funding Progress
Other Postemployment Benefits
Last Three Fiscal Years

	Actuarial		Unfunded Actuarial			Unfunded Liability as a Percentage
Valuation Date	Value of Assets	Accrued Liability	Accrued Liability	Funded Ratio	Covered Payroll	of Covered Payroll
October 23, 2014	$ -	6,833,798	6,833,798	0%	2,635,442	259.30%
October 23, 2013	-	6,636,223	6,636,223	0%	2,558,682	259.36%
April 1, 2012	-	4,879,082	4,879,082	0%	3,541,286	137.78%

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Schedule of Operations by Department
Year ended March 31, 2015

	General Fund										
	General Fund	Operations	Public Safety	Transportation	Parking	Parks/Rec.	Tram	Public purpose fund	Capital fund	Reserved fund	Total
Revenue:											
Residential fees	$15,908,997	15,908,997	-	-	-	-	-	-	253,358	201,586	16,363,941
Ground rent	10,065,282	10,065,282	-	-	-	-	-	-	400,000	-	10,465,282
Commercial rent	1,446,680	1,446,680	-	-	-	-	-	-	-	-	1,446,680
Tramway revenue	5,211,790	-	-	-	-	-	5,211,790	-	-	-	5,211,790
Public safety reimbursement	1,713,231	-	1,713,231	-	-	-	-	-	-	-	1,713,231
Transportation and parking	2,331,339	-	-	117,615	2,213,724	-	-	-	-	-	2,331,339
Interest income	6,784	6,784	-	-	-	-	-	2	5,845	125,202	137,833
Unrealized loss	-	-	-	-	-	-	-	-	(807)	-	(807)
Other revenue	1,541,350	833,023	-	-	-	708,327	-	-	-	-	1,541,350
Total revenue	38,225,453	28,260,766	1,713,231	117,615	2,213,724	708,327	5,211,790	2	658,396	326,788	39,210,639
Expenses:											
Personal services:											
Salaries	6,897,711	3,435,939	2,070,511	882,454	-	508,807	-	-	-	-	6,897,711
Temporary employees	165,994	157,579	-	-	-	8,415	-	-	-	-	165,994
Employee benefits	3,790,231	2,420,548	877,569	321,296	-	170,818	-	-	-	-	3,790,231
Compensated absences	75,015	75,015	-	-	-	-	-	-	-	-	75,015
Total personal services	10,928,951	6,089,081	2,948,080	1,203,750	-	688,040	-	-	-	-	10,928,951
Other than personal services:											
Insurance	1,580,232	1,410,348	-	-	-	-	169,884	-	-	-	1,580,232
Professional services	260,737	172,386	41,811	-	-	46,540	-	-	-	-	260,737
Management fees	4,146,286	-	-	-	706,770	-	3,439,516	-	-	-	4,146,286
Legal services	310,534	310,534	-	-	-	-	-	-	-	-	310,534
Telecommunications	108,115	108,115	-	-	-	-	-	-	-	-	108,115
Island improvements/capital plan	163,984	163,984	-	-	-	-	-	-	-	-	163,984
Repairs and maintenance	317,906	198,844	7,093	4,958	1,154	36,541	69,316	-	-	-	317,906
Vehicles maintenance	288,763	69,126	24,328	194,752	-	557	-	-	-	-	288,763
Equipment purchases/lease	91,929	80,271	2,145	2,230	-	-	7,283	-	-	-	91,929
Supplies/services	1,158,788	482,957	93,154	60,387	51,319	276,025	194,946	-	-	-	1,158,788
Other expenses	145,587	69,831	14,690	1,193	-	59,873	-	275,500	-	-	421,087
Total other than personal services	8,572,861	3,066,396	183,221	263,520	759,243	419,536	3,880,945	275,500	-	-	8,848,361
Total operating expenses, excluding depreciation	19,501,812	9,155,477	3,131,301	1,467,270	759,243	1,107,576	3,880,945	275,500	-	-	19,777,312
Operating income (loss) before depreciation	18,723,641	19,105,289	(1,418,070)	(1,349,655)	1,454,481	(399,249)	1,330,845	(275,498)	658,396	326,788	19,433,327
Depreciation expense	-	-	-	-	-	-	-	-	(3,518,632)	-	(3,518,632)
Operating income (loss)	$18,723,641	19,105,289	(1,418,070)	(1,349,655)	1,454,481	(399,249)	1,330,845	(275,498)	(2,860,236)	326,788	15,914,695

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Schedule of Operations by Department
Year ended March 31, 2014

	General Fund										
	General Fund	Operations	Public Safety	Transportation	Parking	Parks/Rec.	Tram	Public purpose fund	Capital fund	Reserved fund	Total
Revenue:											
Residential fees	$ 488,076	488,076	-	-	-	-	-	-	364,990	201,586	1,054,652
Ground rent	10,119,864	10,119,864	-	-	-	-	-	-	400,000	-	10,519,864
Commercial rent	1,434,674	1,434,674	-	-	-	-	-	-	-	-	1,434,674
Tramway revenue	5,117,937	-	-	-	-	-	5,117,937	-	-	-	5,117,937
Public safety reimbursement	1,743,828	-	1,743,828	-	-	-	-	-	-	-	1,743,828
Transportation and parking	2,469,234	-	-	458,562	2,010,672	-	-	-	-	-	2,469,234
Interest income	5,749	5,749	-	-	-	-	-	2	1,876	150,270	157,897
Unrealized loss	-	-	-	-	-	-	-	-	(6,875)	-	(6,875)
Other revenue	1,104,238	362,611	-	-	-	741,627	-	-	-	-	1,104,238
Total revenue	22,483,600	12,410,974	1,743,828	458,562	2,010,672	741,627	5,117,937	2	759,991	351,856	23,595,449
Expenses:											
Personal services:											
Salaries	6,511,432	3,155,765	1,981,121	907,029	-	467,517	-	-	-	-	6,511,432
Temporary employees	180,795	180,795	-	-	-	-	-	-	-	-	180,795
Employee benefits	3,414,609	2,206,980	723,557	326,968	-	157,104	-	-	-	-	3,414,609
Compensated absences	23,597	23,597	-	-	-	-	-	-	-	-	23,597
Total personal services	10,130,433	5,567,137	2,704,678	1,233,997	-	624,621	-	-	-	-	10,130,433
Other than personal services:											
Insurance	1,433,013	1,283,013	-	-	-	-	150,000	-	-	-	1,433,013
Professional services	1,193,957	907,365	243,090	-	-	42,985	517	-	-	-	1,193,957
Management fees	4,101,573	-	-	-	640,165	-	3,461,408	-	-	-	4,101,573
Legal services	206,782	206,782	-	-	-	-	-	-	-	-	206,782
Telecommunications	103,010	103,010	-	-	-	-	-	-	-	-	103,010
Island improvements/capital plan	6,000	6,000	-	-	-	-	-	-	-	-	6,000
Repairs and maintenance	346,706	240,362	12,047	12,858	29,854	16,119	35,466	-	-	-	346,706
Vehicles maintenance	351,700	47,597	22,747	280,672	-	684	-	-	-	-	351,700
Equipment purchases/lease	54,464	46,761	3,955	(317)	-	-	4,065	-	-	-	54,464
Supplies/services	975,482	469,370	69,171	39,570	61,426	153,981	181,964	-	-	-	975,482
Other expenses	130,562	66,435	5,717	3,286	-	55,124	-	258,948	-	-	389,510
Total other than personal services	8,903,249	3,376,695	356,727	336,069	731,445	268,893	3,833,420	258,948	-	-	9,162,197
Total operating expenses, excluding depreciation	19,033,682	8,943,832	3,061,405	1,570,066	731,445	893,514	3,833,420	258,948	-	-	19,292,630
Operating income (loss) before depreciation	3,449,918	3,467,142	(1,317,577)	(1,111,504)	1,279,227	(151,887)	1,284,517	(258,946)	759,991	351,856	4,302,819
Depreciation expense	-	-	-	-	-	-	-	-	3,498,737	-	3,498,737
Operating income (loss)	$ 3,449,918	3,467,142	(1,317,577)	(1,111,504)	1,279,227	(151,887)	1,284,517	(258,946)	(2,738,746)	351,856	804,082

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Budget Variance Report
For the year ended March 31, 2015

	Actual	Budget	Favorable (Unfavorable) Variance	Percent
Revenue:				
Residential fees revenue	$16,363,941	1,030,000	15,333,941	1489%
Ground rent	10,465,282	10,092,000	373,282	4%
Commercial rent	1,446,680	1,483,000	(36,320)	-2%
Tramway revenue	5,211,790	4,953,000	258,790	5%
Public safety reimbursement	1,713,231	1,763,000	(49,769)	-3%
Transport/parking revenue	2,331,339	2,384,000	(52,661)	-2%
Interest income	137,833	175,000	(37,167)	-21%
Unrealized loss	(807)	-	(807)	-100%
Other revenue	1,541,350	1,260,000	281,350	22%
Total revenue	39,210,639	23,140,000	16,070,639	69%
Expenses:				
Personal services (PS) :				
Salaries	6,614,751	6,952,749	337,998	5%
Salaries OT	282,960	175,000	(107,960)	-62%
Temporary employees	165,994	175,000	9,006	5%
Workers compensation and disability	284,646	162,253	(122,393)	-75%
ER payroll taxes	612,899	612,209	(690)	0%
Health insurance	1,324,997	1,539,259	214,262	14%
Dental/vision	81,381	73,067	(8,314)	-11%
Pension	773,562	830,581	57,019	7%
Other employee benefits	712,746	542,516	(170,230)	-31%
Compensated absences expenses	75,015	-	(75,015)	-100%
Total personal services (PS)	10,928,951	11,062,634	133,683	1%
Other than personal services (OTPS) :				
Insurance	1,580,232	1,380,000	(200,232)	-15%
Professional services	255,049	618,000	362,951	59%
Marketing/advertising	5,688	18,000	12,312	68%
Management fees	4,146,286	4,104,000	(42,286)	-1%
Legal services	310,533	475,000	164,467	35%
Telecommunications	108,115	130,000	21,885	17%
Island improvements - capital plan	163,984	6,000	(157,984)	-2633%
Repairs and maintenance	236,794	383,000	146,206	38%
Repairs and maintenance equipment	28,012	25,500	(2,512)	-10%
Other repairs and maintenance	53,100	100,000	46,900	47%

(Continued)

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Budget Variance Report, Continued

	Actual	Budget	Favorable (Unfavorable) Variance	Favorable (Unfavorable) Percent
Vehicles gas	$ 175,691	186,000	10,309	6%
Vehicles repair and maintenance	86,228	81,000	(5,228)	-6%
Vehicles parts	26,844	57,000	30,156	53%
Equipment lease	48,638	19,000	(29,638)	-156%
Office equipment purchase	6,138	12,000	5,862	49%
Equipment purchases	26,667	58,000	31,333	54%
Other equipment purchases	10,487	12,000	1,513	13%
Exterminator	1,870	15,000	13,130	88%
Uniforms	63,321	63,000	(321)	-1%
Light, power, heat	743,854	830,000	86,146	10%
Water and sewer	41,982	12,000	(29,982)	-250%
Office supplies	14,768	17,000	2,232	13%
Parts and supplies	231,209	222,900	(8,309)	-4%
Service maintenance agreement	61,783	76,000	14,217	19%
Employee travel and meal	3,241	5,900	2,659	45%
Employee training	14,789	79,400	64,611	81%
Shipping	14,641	11,000	(3,641)	-33%
Subscriptions/membership	12,880	9,000	(3,880)	-43%
Other expenses	316,468	331,000	14,532	4%
Island events - community relations	59,069	91,000	31,931	35%
Total other than personal services (OTPS)	8,848,361	9,427,700	579,339	6%
Total expenses	19,777,312	20,490,334	713,022	3%
Operating income before depreciation	19,433,327	2,649,666	16,783,661	633%
Depreciation expense	3,518,632	3,677,000	158,368	4%
Net surplus (deficit)	$15,914,695	(1,027,334)	16,942,029	1649%

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Budget Variance Report
For the year ended March 31, 2014

	Actual	Budget	Favorable (Unfavorable) Variance	Favorable (Unfavorable) Percent
Revenue:				
Residential fees revenue	$1,054,652	1,028,000	26,652	3%
Ground rent	10,519,864	10,057,000	462,864	5%
Commercial rent	1,434,674	1,466,000	(31,326)	-2%
Tramway revenue	5,117,937	4,350,000	767,937	18%
Public safety reimbursement	1,743,828	1,712,000	31,828	2%
Transport/parking revenue	2,469,234	2,745,000	(275,766)	-10%
Interest income	157,897	211,000	(53,103)	-25%
Unrealized loss	(6,875)	-	(6,875)	-100%
Other revenue	1,104,238	754,000	350,238	46%
Total revenue	23,595,449	22,323,000	1,272,449	6%
Expenses:				
Personal services (PS) :				
Salaries	6,258,144	6,561,694	303,550	5%
Salaries OT	253,288	175,000	(78,288)	-45%
Temporary employees	180,795	175,000	(5,795)	-3%
Workers compensation and disability	182,167	162,202	(19,965)	-12%
ER payroll taxes	582,366	596,308	13,942	2%
Health insurance	1,134,576	1,332,136	197,560	15%
Dental/vision	68,962	75,402	6,440	9%
Pension	757,651	843,708	86,057	10%
Other employee benefits	688,887	480,115	(208,772)	-43%
Compensated absences expenses	23,597	-	(23,597)	-100%
Total personal services (PS)	10,130,433	10,401,565	271,132	3%
Other than personal services (OTPS) :				
Insurance	1,433,013	1,200,000	(233,013)	-19%
Professional services	1,191,410	478,000	(713,410)	-149%
Marketing/advertising	2,547	29,000	26,453	91%
Management fees	4,101,573	4,102,000	427	0%
Legal services	206,782	375,000	168,218	45%
Telecommunications	103,010	125,000	21,990	18%
Island improvements - capital plan	6,000	12,000	6,000	50%
Repairs and maintenance	255,790	413,000	157,210	38%
Repairs and maintenance equipment	35,518	28,000	(7,518)	-27%
Other repairs and maintenance	55,398	120,000	64,602	54%

(Continued)

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Budget Variance Report, Continued

	Actual	Budget	Favorable (Unfavorable) Variance	Favorable (Unfavorable) Percent
Vehicles gas	$ 201,379	167,000	(34,379)	-21%
Vehicles repair and maintenance	88,213	81,000	(7,213)	-9%
Vehicles parts	62,108	57,000	(5,108)	-9%
Equipment lease	25,564	24,000	(1,564)	-7%
Office equipment purchase	5,376	20,000	14,624	73%
Equipment purchases	17,044	60,000	42,956	72%
Other equipment purchases	6,480	12,000	5,520	46%
Exterminator	18,620	17,000	(1,620)	-10%
Uniforms	36,266	68,000	31,734	47%
Light, power, heat	601,940	642,000	40,060	6%
Water and sewer	39,094	12,000	(27,094)	-226%
Office supplies	15,259	19,000	3,741	20%
Parts and supplies	225,394	212,000	(13,394)	-6%
Service maintenance agreement	38,909	80,000	41,091	51%
Employee travel and meal	3,829	3,200	(629)	-20%
Employee training	7,029	64,400	57,371	89%
Shipping	13,630	11,000	(2,630)	-24%
Subscriptions/membership	12,102	8,400	(3,702)	-44%
Other expenses	298,745	331,000	32,255	10%
Island events - community relations	54,175	85,000	30,825	36%
Total other than personal services (OTPS)	9,162,197	8,856,000	(306,197)	-3%
Total expenses	19,292,630	19,257,565	(35,065)	0%
Operating income before depreciation	4,302,819	3,065,435	1,237,384	40%
Depreciation expense	3,498,737	3,649,000	150,263	4%
Net surplus (deficit)	$ 804,082	(583,565)	1,387,647	238%

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CERTIFIED PUBLIC ACCOUNTANTS

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 Board of Directors
Roosevelt Island Operating Corporation:

We have audited in accordance with the 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, the financial statements of Roosevelt Island Operating Corporation ("RIOC"), a component unit of the State of New York, as of and for the years ended March 31, 2015 and 2014, and the related notes to financial statements, which collectively comprise RIOC's basic financial statements, and have issued our report thereon dated June 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RIOC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of RIOC's internal control.

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 RIOC's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether RIOC's financial statements are free from 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 the following instance of noncompliance which is required to be reported under Government Auditing Standards.

Uninsured Bank Balance

As of March 31, 2015, the Corporation was uninsured as required by New York State Law for a portion of its Amalgamated Bank accounts. Deposits of $22,453,364 were FDIC insured or collateralized except for $554,776 at this financial institution.

Roosevelt Island Operating Corporation Response to Finding

Upon notice of the finding, RIOC's Finance Department immediately collateralized the uninsured monies. To prevent any re-occurrence, RIOC's Finance Department will monitor the deposits and corresponding insurance on a daily basis to ensure that all deposits at Amalgamated Bank are fully insured.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RIOC's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering RIOC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 25, 2015

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH INVESTMENT GUIDELINES

The Board of Directors
Roosevelt Island Operating Corporation:

Report on Investment Program Compliance

We have audited the Roosevelt Island Operating Corporation's ("RIOC"), a component unit of the State of New York, compliance with the types of compliance requirements described in the Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program during the year ended March 31, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance of RIOC's investment program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; and, the State of New York Investment Guidelines for Public Authorities. Those standards and the 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 types of compliance requirements referred to above that could have a direct and material effect on the investment program occurred. An audit includes examining, on a test basis, evidence about RIOC'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 on compliance for the investment program. However, our audit does not provide a legal determination of RIOC's compliance.

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Opinion on Investment Program

In our opinion, the Roosevelt Island Operating Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its investment program for the year ended March 31, 2015.

Report on Internal Control over Compliance

Management of RIOC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered RIOC's internal control over compliance with the types of requirement that could have a direct and material effect on the investment program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the investment program and to test and report on internal control over compliance in accordance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RIOC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York. Accordingly, this report is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 25, 2015

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

REPORT TO THE BOARD

June 25, 2015

The Board of Directors
Roosevelt Island Operating Corporation

Dear Board Members:

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, 2015 and have issued our report thereon dated June 25, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated February 20, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Accounting Principles

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by RIOC are described in note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2015. We noted no transactions entered into by RIOC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting RIOC's financial statements were:

- Management's estimate of the accumulated depreciation is based on determining useful lives of assets.

- Collection of receivables - Receivables are stated at the amount management estimates will be collectible on outstanding balances. A valuation allowance is provided based on management's estimate of probable uncollectible amounts.

- OPEB liability - Management's estimate of postemployment benefits is calculated using assumptions for future years health care benefits and contributions on a pay as you go basis. Full detail of assumptions is located in note 10 of the financial statements.

For the year ended March 31, 2015, we evaluated the key factors and assumptions used by management in determining that accounting estimates were reasonable in relation to the financial statements taken as a whole.

Significant Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of commitments and contingencies in note 9.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to RIOC's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as RIOC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

* * * * * *

This information is intended solely for the use of the Board of Directors and management of RIOC and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Toski & Co., CPAs, P.C.

TOSKI & CO., CPAs, P.C.

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Roosevelt Island Operating Corporation:

In planning and performing our audit of the financial statements of Roosevelt Island Operating Corporation (RIOC) as of and for the year ended March 31, 2015, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, we considered RIOC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RIOC's internal control. Accordingly, we do not express an opinion on the effectiveness of RIOC's internal control.

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 deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the RIOC's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Other Matters

Other Audit Reports - We noted that RIOC was cited by other auditors in prior years for violations in regards to management's override of controls over policies for credit cards and emergency requisitioning of services. We increased our risk assessment and audit procedures regarding credit cards and procurement and noted no exceptions to the policies that were established by the Board.

Disaster Recovery - We noted and confirmed with management that RIOC has not fully implemented a formal contingency plan to ensure the continued operation of data processing in the event of a localized disaster. To avoid severe impairment to RIOC's process operations in the event of a prolonged failure or localized disaster we recommend that the RIOC complete its process to establish a disaster recovery plan and perform periodic test operations to ensure that the plan is effective.

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This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 25, 2015