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

Financial Statements and Management's Discussion and Analysis

March 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

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

Contents

	Page
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 6
Basic Financial Statements:	
Statements of Net Assets	7
Statements of Activities	8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 22
Supplemental Information:	
Schedule of Operations by Department for the year ended March 31, 2010	23
Schedule of Operations by Department for the year ended March 31, 2009	24
Budget Variance for the year ended March 31, 2010	25 - 26
Budget Variance for the year ended March 31, 2009	27 - 28
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	29 - 30
Independent Auditors' Report on Compliance with Investment Guidelines	31

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Roosevelt Island Operating Corporation:

We have audited the accompanying statements of net assets of The Roosevelt Island Operating Corporation (RIOC), a component unit of the State of New York, as of March 31, 2010 and 2009 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of RIOC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Roosevelt Island Operating Corporation as of March 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 to 6, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and the presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of RIOC taken as a whole. The supplemental schedules listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of RIOC. These schedules are the responsibility of the RIOC's management. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated June 4, 2010 on our consideration of The Roosevelt Island Operating Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Toski, Schaefer & Co., P.C.

Williamsville, New York
June 4, 2010

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

Management's Discussion and Analysis

March 31, 2010 and 2009

I. INTRODUCTION

The financial statements of The Roosevelt Island Operating Corporation are presented under the concept of enterprise fund accounting. Since the Corporation receives substantially all of its revenue through business endeavors and activities and does not collect taxes or appropriations from other governments for operating activities, the business type of presentation meets the requirements of accounting principles generally accepted in the United States of America.

II. OVERVIEW

The financial statements are reported using the full accrual method of accounting and consist of the statements of net assets, statements of activities and statements of cash flows.

STATEMENTS OF NET ASSETS

	2010	2009
Current and other assets	$ 62,827,301	53,270,914
Capital assets, net	52,340,229	42,580,086
Total assets	$ 115,167,530	95,851,000
Total liabilities	$ 33,703,534	17,895,517
Net assets:		
Investment in capital assets	52,340,229	42,580,086
Restricted for capital projects	28,884,694	30,619,642
Unrestricted	239,073	4,755,755
Total net assets	$ 81,463,996	77,955,483

On RIOC's statement of net assets at March 31, 2010, total assets of $115,167,530 exceeded total liabilities of $33,703,534 by $81,463,996 (total net assets). Total assets are comprised of capital assets (e.g., buildings, machinery and equipment) totaling $52,340,229, cash and investments totaling $62,016,284 and other assets of $811,017. Liabilities are comprised of accounts payable of $311,573, deferred revenue of $31,376,617, other postemployment benefits of $1,279,812, and other liabilities totaling $735,532. Deferred revenue represents the net present value of ground rent revenue received for the Southtown and Octagon development projects that will be recognized over their respective lease terms. Of total net assets, $28,884,694 is available to be used to meet ongoing capital obligations. Additionally, $239,073 is available for ongoing operational expenses.

RIOC's statements of activities is used to report changes in the net assets, including depreciation expense. Note that revenue reported here is based on a standard of recognition whereby revenue is recorded when earned. The statements of activities details program revenue by major source and expenses by natural classification and indicates the change in net assets. RIOC's total revenue amounted to $23,409,825, which includes $23,050,853 in revenue identified as program revenue and $358,972 of non-program specific revenue, primarily interest income earned on investments. For the year ending March 31, 2010, included in residential fee income was a one-time fee of $3,050,000 for a mortgage recording fee on the Octagon Development project. Total expenses were $20,114,324 and $20,116,488 for the years ended March 31, 2010 and 2009, respectively. RIOC had an increase in its net assets from operations of $3,295,501 for the year ended March 31, 2010 as compared to a decrease in its net assets from operations of $141,006 for the year ended March 31, 2009.

STATEMENTS OF ACTIVITIES

	2010	2009
Revenue:		
Residential fees	$ 4,698,115	1,606,840
Ground rent	8,648,600	7,608,878
Commercial rent	1,525,403	1,568,971
Tramway revenue	3,526,508	3,672,097
Public safety reimbursement	1,521,494	1,433,743
Transportation and parking	2,384,636	2,456,171
Interest income	358,972	764,981
Other revenue	746,097	863,801
Total revenue	23,409,825	19,975,482
Expenses:		
Personal services	9,457,165	9,137,755
Insurance	1,134,571	1,315,025
Professional and legal services	379,789	658,544
Management fees	3,398,668	3,401,635
Telecommunications	104,212	93,173
Repairs and maintenance	305,870	399,536
Vehicles maintenance	240,565	254,178
Equipment purchases/lease	102,854	182,611
Supplies/services	1,091,325	1,141,142
Depreciation expense	3,243,359	2,853,450
Other expenses	655,946	679,439
Total expenses	20,114,324	20,116,488
Operating income (loss)	$ 3,295,501	(141,006)

III. CAPITAL ASSETS

The capital assets of $52,340,229 presented in the financial statements have been depreciated using the straight-line method, effective from the date of acquisition. The increase of $9,760,143 from the prior year represents depreciation expense of $3,243,359 offset by net additions of new capital assets valued at $13,003,502.

	2010	2009
Seawall	$ 2,948,781	2,920,202
Buildings	12,639,482	10,175,707
Land improvements	6,483,356	5,815,227
Machinery and equipment	3,949,972	3,380,141
Infrastructure	26,318,638	20,288,809
Net capital assets	$ 52,340,229	42,580,086

Total depreciation expense for all capital assets amounted to $3,243,359 and $2,853,450 for the years ended March 31, 2010 and 2009, respectively. A more detailed analysis of RIOC's capital assets is presented in the notes to financial statements on pages 13 and 14.

IV. INFRASTRUCTURE ASSETS

The amount reported in the accompanying statements of net assets for the capital assets (net of depreciation) of RIOC of $52,340,229 and $42,580,086 at March 31, 2010 and 200, respectively, does not include an amount for two infrastructure items: the bulk of the seawall, and Main Street (the road). Pursuant to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, addressing the capitalization of infrastructure assets, infrastructure assets dating from prior to 1980 are not required to be recognized. Improvements to such infrastructure items, however, are reported.

V. ECONOMIC FACTORS AFFECTING RIOC'S FUTURE FINANCIAL POSITION

The Tram Modernization project is currently in progress. A grant disbursement agreement between RIOC and the Empire State Development Corporation for the Tram Modernization in the amount of $15,000,000 was executed on September 29, 2008 and the funds were received by RIOC in February 2009. The total project cost is estimated to be $25,000,000 with expected project completion in fiscal year 2010/2011. Total cost incurred for the Tram Modernization project as of March 31, 2010 was $10,960,189.

The Southtown Development Project is proceeding. Southtown buildings five and six were completed in June and August 2009, respectively. RIOC received a one-time substantial completion payment for buildings five and six totaling $16,316,100. As per the lease agreement, building five generated sale fees to RIOC for each condominium sold - totaling $935,008 as of 03/31/2010. The balance to be paid upon individual sales is estimated to be $500,000. Development of the remaining three buildings - seven, eight, and nine - is scheduled to commence by December 2012. Should development fail to occur within the expected timeframe, RIOC will receive a payment secured by a letter of credit in the amount of $1,420,800. The downturn in the housing market may delay the development of the three buildings.

Construction on the Franklin D. Roosevelt Four Freedoms Park, located at the southern tip of the island began on March 31, 2010. The developer, FDR, LLC, estimates that the entire project, phases 1-3, will cost approximately $44,000,000, which Developer expects to raise from public and private funds. Funds for phase I have been secured from New York City, $4,738,000, New York State, $4,000,000, and the balance from private donations in the approximate amount of $7,000,000. Phase I is expected to be completed in the spring of 2011.

The development of Southpoint Park is progressing. Substantial completion for Phase I of the project was achieved at the end of March 2010 and substantial completion for Phase II is expected by mid-November 2010. The stabilization of the Renwick Ruins, which is a portion of Phase I of the project, was completed in May 2009. Appropriations for the $13,400,000 project were made by the City of New York for $4,500,000, and the State of New York for $4,400,000; RIOC will fund the remaining $4,500,000. As of 03/31/2010, the City of New York has paid $4,264,308 of the agreed funding.

RIOC continues to implement its five year capital management plan. Projects slated for fiscal year 10/11 include, but are not limited to: the Octagon Field Project, the 36th Avenue Bridge Helix (Ramp), repairs to the Motorgate parking facility, seawall railings, a wireless camera system, infrastructure improvements, rehabilitation of the AVAC building and the Good Shepherd Community Center.

VII. REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of RIOC's finances for all those with an interest in the Corporation's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Chief Financial Officer, The Roosevelt Island Operating Corporation, 591 Main Street, Roosevelt Island, New York 10044.

THE ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Net Assets
March 31, 2010 and 2009

Assets	2010	2009
Current assets:		
Cash	$ 503,357	438,683
Investments	61,512,927	48,254,410
Capital grant receivable for stabilization of Renwick Ruins	-	3,772,115
Receivables	553,868	711,743
Prepaid expenses	195,920	24,067
Total current assets	62,766,072	53,201,018
Security deposits	61,229	69,896
Capital assets, net of accumulated depreciation	52,340,229	42,580,086
Total assets	$ 115,167,530	95,851,000
Liabilities and Net Assets		
Current liabilities - accounts payable and accrued expenses	311,573	718,876
Security deposits	61,229	69,896
Compensated absences	566,497	478,151
Deferred revenue	31,376,617	15,646,113
Postemployment benefits other than pension	1,279,812	847,695
Other liabilities	107,806	134,786
Total liabilities	33,703,534	17,895,517
Net assets:		
Investment in capital assets	52,340,229	42,580,086
Restricted for capital projects	28,884,694	30,619,642
Unrestricted net assets	239,073	4,755,755
Total net assets	81,463,996	77,955,483
Commitments and contingencies (note 9)		
Total liabilities and net assets	$ 115,167,530	95,851,000

See accompanying notes to financial statements.

THE ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Activities
Years ended March 31, 2010 and 2009

	2010	2009
Operating revenue:		
Residential fees	$ 4,698,115	1,606,840
Ground rent	8,648,600	7,608,878
Commercial rent	1,525,403	1,568,971
Tramway revenue	3,526,508	3,672,097
Public safety reimbursement	1,521,494	1,433,743
Transportation and parking	2,384,636	2,456,171
Interest income	358,972	764,981
Other revenue	746,097	863,801
Total operating revenue	23,409,825	19,975,482
Operating expenses:		
Personal services	9,457,165	9,137,755
Insurance	1,134,571	1,315,025
Professional services	334,595	451,874
Management fees	3,398,668	3,401,635
Legal services	45,194	206,670
Telecommunications	104,212	93,173
Repairs and maintenance	305,870	399,536
Vehicles maintenance	240,565	254,178
Equipment purchases/lease	102,854	182,611
Supplies/services	1,091,325	1,141,142
Depreciation expense	3,243,359	2,853,450
Other expenses	655,946	679,439
Total operating expenses	20,114,324	20,116,488
Operating income (loss)	3,295,501	(141,006)
Net asset at beginning of year	77,955,483	59,324,374
Capital contributions for tramway modernization	-	15,000,000
Capital contributions for stabilization of Renwick Ruins	213,012	3,772,115
Net asset at end of year	$ 81,463,996	77,955,483

See accompanying notes to financial statements.

THE ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Cash Flows
Years ended March 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Receipts from tenants and customers	$ 39,525,439	20,721,759
Payments related to employees	(9,343,791)	(9,074,482)
Payments to vendors	(7,840,910)	(7,810,221)
Net cash provided by operating activities	22,340,738	3,837,056
Cash flow from investing activities - purchase of capital assets	(13,002,674)	(13,334,734)
Cash flow from financing activities:		
Purchase of investments	(13,258,517)	(5,205,658)
Capital contributions for tramway modernization	-	15,000,000
Capital contributions for Renwick Ruin Project	3,985,127	-
Net cash provided by (used in) financing activities	(9,273,390)	9,794,342
Net increase (decrease) in cash	64,674	296,664
Cash at beginning of year	438,683	142,019
Cash at end of year	$ 503,357	438,683
Cash flows from operating activities:		
Operating income (loss)	3,295,501	(141,006)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	3,243,359	2,853,450
Provision for bad debt	-	(3,500)
Gain on disposition of assets	(828)	-
Changes in:		
Receivables	157,875	587,907
Prepaid expenses	(171,853)	(13,849)
Security deposits	-	2,201
Accounts payable and accrued expenses	(407,303)	285,113
Compensated absences	88,346	56,554
Deferred revenue	15,730,504	(309,231)
Postemployment benefits other than pension	432,117	436,338
Other liabilities	(26,980)	83,079
Net cash provided by operating activities	$ 22,340,738	3,837,056

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, The 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.

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

In 2007, RIOC changed its presentation from a governmental reporting entity to that of an enterprise fund. The financial statements (i.e., the statements of net assets and statements of activities) report information on all of the activities of RIOC. For the most part, the effect of interfund activity has been removed from these statements.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(2) Summary of Significant Accounting Policies, Continued

(a) Basis of Presentation, Continued

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

(b) Budgetary Information

During the year ended March 31, 2010, RIOC did not request appropriations for the State of New York and, as such, a budget was not required to be adopted by law. Accordingly, budgetary information was not included in the notes to financial statements. However, the Board did approve an operating budget for management's internal use, and is included under supplementary information.

(c) Cash and Investments

The following is a summary of cash and investments as of March 31, 2010 and 2009:

		2010	2009
Cash - deposits	$	503,357	438,683
Investments:			
Certificates of deposit (CDARS)		20,742,420	278,242
Money market accounts		40,770,507	47,976,168
		61,512,927	48,254,410
	$	62,016,284	48,693,093

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

As of March 31, 2010 and March 31, 2009, the market value of collateral securities held in escrow by JP Morgan Chase Bank, NA and managed by the National Collateral Management Group was $42,690,346 and $50,401,607, respectively.

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

(2) Summary of Significant Accounting Policies, Continued

(d) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported on the statements of net assets in the accompanying financial statements. Capital assets are defined by RIOC as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

(e) Deferred Revenue

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

(f) Compensated Absences

It is RIOC's policy to permit employees to accumulate a maximum of 280 hours of vacation time. For the year ended March 31, 2010, employees were allowed to accrue an additional 35 hours due to the cancellation of the State policy to purchase up to 35 hours of accrued time. All such pay is accrued when incurred in the accompanying financial statements.

(g) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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.

THE ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Notes to Financial Statements, Continued

(3) Capital Assets

Capital assets for the year ended March 31, 2010 are summarized as follows:

	Balance at April 1, 2009	Increase	Decrease	Balance at March 31, 2010
Capital assets:				
Seawall	$ 3,639,688	79,361	-	3,719,049
Buildings and building improvements	34,825,328	3,402,308	(1,259)	38,226,377
Landmarks	12,041,888	949,089	(120,000)	12,870,977
Vehicles	2,763,779	1,202,616	(56,093)	3,910,302
Equipment	3,240,376	200,086	(601,386)	2,839,076
Infrastructure	26,341,001	7,169,144	(2,276,257)	31,233,888
Total capital assets	82,852,060	13,002,604	(3,054,995)	92,799,669
Less accumulated depreciation:				
Seawall	(719,486)	(50,781)	-	(770,267)
Buildings and building improvements	(24,649,621)	(937,719)	-	(25,587,340)
Landmarks	(6,226,661)	(280,854)	120,000	(6,387,515)
Vehicles	(857,422)	(313,831)	56,093	(1,115,160)
Equipment	(1,766,592)	(519,039)	601,386	(1,684,245)
Infrastructure	(6,052,192)	(1,141,135)	2,278,414	(4,914,913)
Total accumulated depreciation	(40,271,974)	(3,243,359)	3,055,893	(40,459,440)
Net capital assets	$ 42,580,086	9,759,245	898	52,340,229

(3) Capital Assets

Capital assets for the year ended March 31, 2009 are summarized as follows:

	Balance at April 1, 2008	Increase	Decrease	Balance at March 31, 2009
Capital assets:				
Seawall	$ 3,500,000	139,688	-	3,639,688
Buildings and building improvements	33,934,785	890,543	-	34,825,328
Landmarks	8,092,401	3,949,487	-	12,041,888
Vehicles	2,523,279	240,500	-	2,763,779
Equipment	2,957,132	283,244	-	3,240,376
Infrastructure	18,509,729	7,831,272	-	26,341,001
Total capital assets	69,517,326	13,334,734	-	82,852,060
Less accumulated depreciation:				
Seawall	(671,230)	(48,256)	-	(719,486)
Buildings and building improvements	(23,749,714)	(899,907)	-	(24,649,621)
Landmarks	(6,018,895)	(207,766)	-	(6,226,661)
Vehicles	(599,454)	(257,968)	-	(857,422)
Equipment	(1,278,780)	(487,812)	-	(1,766,592)
Infrastructure	(5,100,451)	(951,741)	-	(6,052,192)
Total accumulated depreciation	(37,418,524)	(2,853,450)	-	(40,271,974)
Net capital assets	$ 32,098,802	10,481,284	-	42,580,086

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

Operating revenue in the accompanying statements of activities consist of income derived from the following sources:

(a) Residential Housing Companies

Manhattan Park - Under the terms of a land lease, dated August 4, 1986, expiring in 2068, with the housing company operating Manhattan Park (the Operator), the Operator is required to make annual payments of base ground rent of $100,000 to RIOC. Additional fixed ground rent of $1,900,000 is due annually, to be paid in monthly installments subject to certain rent credit adjustments set forth in the lease, and increased $100,000 annually through August 4, 2007. Rents after August 4, 2007 are based on several factors including a fixed base; gross income of the operator; a percentage of the appraised value of the Manhattan Park; and a percentage of the revenue of the Motorgate parking facility. Ground rents earned under the terms of this lease totaled approximately $3,825,000 and $3,725,000 for the years ended March 31, 2010 and 2009, respectively.

Eastwood - The ground lease between RIOC and North Town Phase I Houses, Inc. was amended and restated with the base ground rent increasing to $1 million per year effective October 1, 2006, plus a percentage interest in subsequent increasing rent rolls. Ground rents earned totaled $1,205,133 and $1,145,218 for the years ended March 31, 2010 and 2009, respectively.

Public Safety Cost Reimbursement - Reimbursements from four housing companies (known as the WIRE projects) Eastwood, Octagon, Southtown, and Manhattan Park for no less than 50% of the cost of maintaining a public safety department are included in public safety reimbursement on the accompanying statements of activities. Additionally, the Operator of the Southtown project and the operator of the Octogon project are responsible for their respective share of the cost of RIOC's public safety department, including those costs incurred during the construction phase of the Southtown project.

(b) Commercial Space Rental

Leases for commercial space on the Island are negotiated under varying terms with merchants operating on the Island. Lease terms generally range from 5 to 10 years.

(c) Tramway Fees

During February 2004, RIOC entered into an agreement with The New York Transit Authority (NYCTA) for revenue from the Tramway. In the agreement, RIOC receives from the NYCTA a base fare of the current prevailing transit fare for all swipes of full-fare Metro Cards, including transfers, in turnstiles located in RIOC's tram stations. However, as of June 28, 2009, the date NYCTA last increased the fare from $2.00 to $2.25, RIOC's share remained at $2.00. Negotiations are in progress addressing RIOC's fee-sharing. There is a franchise fee expense associated with this agreement that is ½ of 1 percent of gross sales. It should be noted that the Tramway overhaul project is scheduled to take the Tram out of service for approximately six months commencing March 2010, which will have a significant impact on both revenue and operating expenses.

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

(d) Transportation and Parking Fees

The Motorgate garage, the Roosevelt Island parking facility, is managed by an agent, Central Parking System (Central). This agreement is cancelable by RIOC on 30 day notice and by Central on 180 day notice. Central collects the parking fees and pays the operating costs in connection with the management of the garage. The excess of parking revenues over operating costs is returned to RIOC. RIOC shares the Motorgate revenue with Roosevelt Island Associates, operator of Manhattan Park, with RIOC receiving 61% of the net income. Motorgate revenue approximated $1,828,000 and $1,874,000 for the years ended March 31, 2009 and 2008, respectively.

Bus and parking meter revenues totaled $557,157 and $581,865 for the years ended March 31, 2010 and 2009, respectively.

(e) De-designation Fee Income

The development agreement for Southtown buildings five through nine between Hudson Related, Joint Venture and RIOC included a contingent de-designation (cancellation of project or portion of) fee of $2,252,198. As of the date of this report, Southtown buildings five and six were completed within the agreed upon timeframe, and resulted in the pro-rata reduction of the de-designation fee to $1,420,800. The remaining Southtown buildings, seven, eight and nine may not be developed before the determination date of December 31, 2012, which would result in de-designation fee income to the Corporation. The agreement is collateralized by a letter of credit issued by Deutsche Bank Trust Company, NA in the amount of $1,420,800, maturing on August 15, 2010, to be renewed annually.

(f) 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
2011	$ 10,397,935	1,501,609
2012	10,815,470	1,661,068
2013	11,098,178	1,831,627
2014	11,570,542	1,862,015
2015	12,293,301	1,893,314
	$ 56,175,425	8,749,633

(5) Management Agreements

The Roosevelt Island Tramway system is operated by Doppelmayr, Inc. (a wholly owned subsidiary of Doppelmayr Group AG) until March 2010. Doppelmayr paid the operating costs in connection with the day to day operations of the tramway and collected tramway revenues through February 2004, at which time revenues began being collected through the New York Transit Authority. RIOC pays Doppelmayr a fixed fee of approximately $244,432 and $233,000 per month in 2010 and 2009, respectively. The shutdown of the Tram system on March 1, 2010 for modernization necessitated the termination of the Doppelmayr agreement, which resulted in union severance payments of approximately $152,000.

(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:

(1) Plan Description

RIOC's non-union employees participate in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. ERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York serves as sole trustee and administrative head of ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of ERS and for the custody and control of their funds. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Albany, New York 12244.

(2) 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 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. Under the authority of the

(7) Retirement Plans, Continued

(a) Non-Union Employees:

(2) Funding Policy, Continued

NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulated fund. RIOC is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were approximately:

March 31, 2008	$ 175,362
March 31, 2009	264,157
March 31, 2010	357,700

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 $163,576 and $162,339 for the years ended March 31, 2010 and 2009, respectively, to union employees' defined contribution plans.

(8) Risk Management

RIOC purchases commercial insurance policies in varying amounts for general liability, vehicle liability, damage to fixed assets, and public officials and employee liability coverage. Coverage has not been materially reduced, nor have settled claims exceeded commercial coverage in any of the past three years.

(9) Commitments and Contingencies

Commitments and contingencies at March 31, 2010 and 2009 are detailed as follows:

(a) Leases

RIOC has agreements with four housing companies operating on the Island to sublease space occupied by the housing companies. Rent expense for the years ended March 31, 2010 and 2009 approximated $86,000 per year.

(b) Litigation

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

(9) Commitments and Contingencies, Continued

(c) Prior Years NewYork State Appropriations

During 2009 and 2010, the Office of the State Comptroller of the State of New York, requested confirmation of the following potential liabilities:

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

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

(10) Postemployment Benefits Other Than Pensions

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

Plan Description - The Corporation provides continuation of medical coverage to employees that retire at age 55 or older with five years of service if hired before April 1, 1975 or ten years of service if hired after April 1, 1975. For employees with a date of retirement after April 1, 1983 and at least ten years of service, 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, 2010 and 2009 amounted to $473,981 and $473,981, respectively. At March 31, 2010, the liability for retired employees included in noncurrent accrued fringe benefits amounted to $1,279,812.

The number of participants as of January 1, 2010 was as follows:

Active employees		32
Retired employees		5
Spouses of retired employees		-
	Total	37

Funding Policy - The Authority currently pays for postemployment health care benefits on a pay-as-you-go basis. These financial statements assume that pay-as-you-go funding will continue.

Benefit Obligations and Normal Cost

	2010	2009
Actuarial accrued liability (AAL):		
Retired employees	$ 3,085,595	3,085,595
Active employees	523,533	523,533
Total	$ 3,609,128	3,609,128
Underfunded actuarial accrued liability (UAAL)	$ 3,609,128	3,609,128
Normal cost at beginning of year	$ 402,657	402,657

Annual OPEB Cost and Net OPEB Obligation

	2010	2009
Annual required contribution	$ 472,806	472,806
Interest on net OPEB obligation	16,454	16,454
Adjustment to annual required contribution	(15,279)	(15,279)
Annual OPEB cost (expense)	473,981	473,981
Contribution made on a pay-as-you-go basis	(41,864)	(37,643)
Increase in net OPEB obligation	432,117	436,338
Net OPEB obligation at beginning of year	847,695	411,357
Net OPEB obligation at end of year	$ 1,279,812	847,695

(10) Postemployment Benefits, Continued

Actuarial methods and assumptions:

Funding interest rate	4.0%
2008 Medical trend rate (Health/Drugs)	9%/9%
2009 Medical trend rate (Health/Drugs)	12%/12%
2010Medical trend rate (Health/Drugs)	10%/9%
Ultimate trend rate (Health/Drugs)	5%/5%
Year Ultimate trend rate rendered	2013/2014
Annual payroll growth rate	3.5%
Actuarial cost method	Attained Age
The remaining amortization period at March 31, 2010	28 years

(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. 51 - "Accounting and Financial Reporting for Intangible Assets," establishes accounting and financial reporting requirements for intangible assets in an effort to reduce inconsistencies in accounting and financial reporting of intangible assets. The requirements of the statement are effective for periods beginning after June 15, 2009, which is fiscal year beginning April 1, 2010 for RIOC. This statement is not expected to have a material effect on future financial statements of RIOC.

GASB Statement No. 52 - "Land and Other Real Estate Held as Investments by Endowments," establishes consistent standards for the reporting of land and other real estate held as investments by similar entities and requires endowments to report their land and other real estate investments at fair value. The requirements of the statement are effective for periods beginning after June 15, 2008, which is the fiscal year beginning April 1, 2009 for RIOC. This statement is not expected to have a material effect on future financial statements of RIOC.

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

GASB Statement No. 53 - "Accounting and Financial Reporting for Derivative Instruments," addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments, and requires governments to test the effectiveness of derivative instruments, and record ineffective derivative instruments at fair value. The requirements of the statement are effective for periods beginning after June 15, 2009, which is the fiscal year beginning April 1, 2010 for RIOC. This statement is not expected to have a material effect on future financial statements of RIOC.

GASB Statement No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions," enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. The requirements of the statement are effective for periods beginning after June 15, 2010, which is the fiscal year beginning April 1, 2011 for RIOC. Management has not yet determined the effect that this statement will have on the future financial statements of RIOC.

The Roosevelt Island Operating Corporation
(A Component Unit of the State of New York)
Schedule of Operations by Department
Year ended March 31, 2010

	General Fund									
	Operations	Public Safety	Bus	Parking	Parks/Rec.	Tram	Public purpose fund	Capital fund	Reserved fund	Total
Operating revenue:										
Residential fees	$ 419,664	-	-	-	-	-	-	109,678	4,168,773	4,698,115
Ground rent	8,648,600	-	-	-	-	-	-	-	-	8,648,600
Commercial rent	1,525,403	-	-	-	-	-	-	-	-	1,525,403
Tramway revenue	-	-	-	-	-	3,526,508	-	-	-	3,526,508
Public safety reimbursement	-	1,521,494	-	-	-	-	-	-	-	1,521,494
Transportation and parking	-	-	442,126	1,942,510	-	-	-	-	-	2,384,636
Interest income	25,853	-	-	-	-	-	2,498	25,228	305,393	358,972
Other revenue	180,315	-	-	-	388,282	177,500	-	-	-	746,097
Total operating revenue	10,799,835	1,521,494	442,126	1,942,510	388,282	3,704,008	2,498	134,906	4,474,166	23,409,825
Operating expenses:										
Personal Services:										
Salaries	3,468,107	1,864,431	617,117	-	415,236	-	-	-	-	6,364,891
Temporary employees	169,121	7,770	-	-	31,282	-	-	-	-	208,173
Employee benefits	1,877,082	554,723	223,276	-	140,674	-	-	-	-	2,795,755
Compensated absences	88,346	-	-	-	-	-	-	-	-	88,346
Total personal services	5,602,656	2,426,924	840,393	-	587,192	-	-	-	-	9,457,165
Other Than Personal Services:										
Insurance	1,014,571	-	-	-	-	120,000	-	-	-	1,134,571
Professional services	249,864	635	-	-	17,989	66,039	-	68	-	334,595
Management fees	-	-	-	647,782	-	2,750,886	-	-	-	3,398,668
Legal services	4,327	-	-	-	-	-	-	40,867	-	45,194
Telecommunications	104,212	-	-	-	-	-	-	-	-	104,212
Repairs and maintenance	224,838	2,965	10,558	4,505	27,035	35,969	-	-	-	305,870
Vehicles maintenance	26,331	27,799	186,201	-	234	-	-	-	-	240,565
Equipment purchases/ lease	73,664	8,131	6,727	-	2,056	12,276	-	-	-	102,854
Supplies/ services	502,835	28,455	28,389	84,679	209,846	237,121	-	-	-	1,091,325
Depreciation expense	-	-	-	-	-	-	-	3,243,359	-	3,243,359
Other expenses	135,361	14,448	5,572	-	88,067	138,038	274,460	-	-	655,946
Total other than personal services	2,336,003	82,433	237,447	736,966	345,227	3,360,329	274,460	3,284,294	-	10,657,159
Total operating expenses	7,938,659	2,509,357	1,077,840	736,966	932,419	3,360,329	274,460	3,284,294	-	20,114,324
Operating income (loss)	$ 2,861,176	(987,863)	(635,714)	1,205,544	(544,137)	343,679	(271,962)	(3,149,388)	4,474,166	3,295,501

The Roosevelt Island Operating Corporation
(A Component Unit of the State of New York)
Schedule of Operations by Department
Year ended March 31, 2009

	General Fund									
	Operations	Public Safety	Bus	Parking	Parks/Rec.	Tram	Public purpose fund	Capital fund	Reserved fund	Total
Operating revenue:										
Residential fees	$ 469,006	-	-	-	-	-	-	1,097,557	40,277	1,606,840
Ground rent	7,608,878	-	-	-	-	-	-	-	-	7,608,878
Commercial rent	1,568,971	-	-	-	-	-	-	-	-	1,568,971
Tramway revenue	-	-	-	-	-	3,672,097	-	-	-	3,672,097
Public safety reimbursement	-	1,433,743	-	-	-	-	-	-	-	1,433,743
Transportation and parking	-	-	456,624	1,999,547	-	-	-	-	-	2,456,171
Interest income	196,552	-	-	-	-	-	6,768	302,358	259,303	764,981
Other revenue	236,777	-	-	-	627,024	-	-	-	-	863,801
Total operating revenue	10,080,184	1,433,743	456,624	1,999,547	627,024	3,672,097	6,768	1,399,915	299,580	19,975,482
Operating expenses:										
Personal Services:										
Salaries	3,413,144	1,922,603	583,443	-	418,652	-	-	-	-	6,337,842
Temporary employees	109,146	27,998	-	-	21,584	-	-	-	-	158,728
Employee benefits	1,746,422	479,630	223,372	-	135,207	-	-	-	-	2,584,631
Compensated absences	56,554	-	-	-	-	-	-	-	-	56,554
Total personal services	5,325,266	2,430,231	806,815	-	575,443	-	-	-	-	9,137,755
Other Than Personal Services:										
Insurance	875,382	-	-	-	-	439,643	-	-	-	1,315,025
Professional services	300,813	-	-	-	24,190	158,108	-	(31,237)	-	451,874
Management fees	-	-	-	688,770	-	2,712,865	-	-	-	3,401,635
Legal services	164,294	-	-	-	-	-	-	42,376	-	206,670
Telecommunications	93,173	-	-	-	-	-	-	-	-	93,173
Repairs and maintenance	347,571	-	15,168	1,473	31,082	4,242	-	-	-	399,536
Vehicles maintenance	33,998	29,315	190,035	-	830	-	-	-	-	254,178
Equipment purchases/ lease	149,728	19,772	1,286	-	872	10,953	-	-	-	182,611
Supplies/ services	521,511	128,830	36,312	88,334	98,119	268,036	-	-	-	1,141,142
Depreciation expense	-	-	-	-	-	-	-	2,853,450	-	2,853,450
Other expenses	98,453	34,852	3,521	-	123,853	139,434	279,326	-	-	679,439
Total other than personal services	2,584,923	212,769	246,322	778,577	278,946	3,733,281	279,326	2,864,589	-	10,978,733
Total operating expenses	7,910,189	2,643,000	1,053,137	778,577	854,389	3,733,281	279,326	2,864,589	-	20,116,488
Operating income (loss)	$ 2,169,995	(1,209,257)	(596,513)	1,220,970	(227,365)	(61,184)	(272,558)	(1,464,674)	299,580	(141,006)

The Roosevelt Island Operating Corporation
(A Component Unit of the State of New York)
Budget Variance Report
For The Year Ending March 31, 2010

	Actual	Budget	Favorable (Unfavorable) Variance	Percent
Revenue:				
Residential Fees Revenue	$ 4,698,115	1,178,847	3,519,268	299%
Ground rent	8,648,600	8,265,626	382,974	5%
Commercial Rent	1,525,403	1,547,783	(22,380)	-1%
Tramway Revenue	3,526,508	1,850,000	1,676,508	91%
Public Safety Reimbursement	1,521,494	1,515,935	5,559	0%
Transport/ Parking Revenue	2,384,636	2,504,040	(119,404)	-5%
Interest Income	358,972	374,700	(15,728)	-4%
Other Revenue	746,097	550,580	195,517	36%
Total Revenue	23,409,825	17,787,511	5,622,314	32%
Expenses:				
Personal Services (PS) :				
Salaries	6,231,737	6,402,782	171,045	3%
Salaries OT	133,155	125,000	(8,155)	-7%
Temporary Employees	208,173	135,000	(73,173)	-54%
Workers Compensation & Disability	151,426	188,800	37,374	20%
ER Payroll Taxes	566,450	540,244	(26,206)	-5%
Health Insurance	971,600	960,872	(10,728)	-1%
Dental/Vision	67,885	72,064	4,179	6%
Pension	521,276	442,964	(78,312)	-18%
Other Employee Benefits	517,117	77,957	(439,160)	-563%
Compensated Absences Expenses	88,346	-	(88,346)	-100%
Total Personal Services (PS)	9,457,165	8,945,683	(511,482)	-6%
Other Than Personal Services (OTPS) :				
Insurance	1,134,571	1,119,000	(15,571)	-1%
Professional Services	321,462	356,000	34,538	10%
Marketing / Advertising	13,133	17,400	4,267	25%
Management Fees	3,398,668	2,140,000	(1,258,668)	-59%
Legal Services	45,194	325,000	279,806	86%
Telecommunications	104,212	102,300	(1,912)	-2%
Repairs & Maintenance	230,255	325,000	94,745	29%
Repairs & Maintenance Equipment	17,388	64,000	46,612	73%
Other Repairs & Maintenance	58,227	56,000	(2,227)	-4%
Vehicles Gas	109,121	166,500	57,379	34%

(Continued)

The Roosevelt Island Operating Corporation
(A Component Unit of the State of New York)
Budget Variance Report
For The Year Ending March 31, 2010

	Actual	Budget	Favorable (Unfavorable) Variance	Percent
Vehicles Repair & Maintenance	49,544	193,600	144,056	74%
Vehicles Parts	81,900	20,000	(61,900)	-310%
Equipment Lease	14,786	16,200	1,414	9%
Office Equipment Purchase	19,464	32,000	12,536	39%
Equipment Purchases	41,484	69,500	28,016	40%
Other Equipment Purchases	27,120	40,000	12,880	32%
Exterminator	14,659	15,600	941	6%
Uniforms	23,608	91,000	67,392	74%
Light, Power, Heat	599,101	544,800	(54,301)	-10%
Water & Sewer	126,700	140,000	13,300	10%
Office Supplies	22,375	30,400	8,025	26%
Parts & Supplies	246,754	299,800	53,046	18%
Service Maintenance Agreement	58,126	111,500	53,374	48%
Depreciation Expenses	3,243,359	3,186,700	(56,659)	-2%
Employee Travel & Meal	6,832	18,500	11,668	63%
Employee Training	26,867	84,800	57,933	68%
Shipping	12,197	18,700	6,503	35%
Subscriptions / Membership	11,353	12,400	1,047	8%
Other Expenses	510,205	430,900	(79,305)	-18%
Island Events - Community Relations	88,494	165,000	76,506	46%
Total Other Than Personal Services (OTPS)	10,657,159	10,192,600	(464,559)	-5%
Total Expenses	$ 20,114,324	19,138,283	(976,041)	-5%
NET SURPLUS/(DEFICIT)	$ 3,295,501	(1,350,772)	4,646,273	344%

The Roosevelt Island Operating Corporation
(A Component Unit of the State of New York)
Budget Variance Report
For The Year Ending March 31, 2009

	Actual	Budget	Favorable (Unfavorable) Variance	Percent
Revenue:				
Residential Fees Revenue	$ 1,606,840	2,152,417	(545,577)	-25%
Ground rent	7,608,878	7,707,472	(98,594)	-1%
Commercial Rent	1,568,971	1,542,194	26,777	2%
Tramway Revenue	3,672,097	3,027,671	644,426	21%
Public Safety Reimbursement	1,433,743	1,444,279	(10,536)	-1%
Transport/ Parking Revenue	2,456,171	2,646,916	(190,745)	-7%
Interest Income	764,981	1,222,675	(457,694)	-37%
Other Revenue	863,801	611,869	251,932	41%
Total Revenue	19,975,482	20,355,493	(380,011)	-2%
Expenses:				
Personal Services (PS) :				
Salaries	6,182,545	6,086,133	(96,412)	-2%
Salaries OT	155,297	225,000	69,704	31%
Temporary Employees	158,727	235,000	76,273	32%
Workers Compensation & Disability	134,622	186,080	51,458	28%
ER Payroll Taxes	539,224	557,156	17,931	3%
Health Insurance	895,428	1,022,926	127,498	12%
Dental/Vision	84,460	86,817	2,357	3%
Pension	426,496	518,101	91,605	18%
Other Employee Benefits	504,401	40,956	(463,445)	1132%
Compensated Absences Expenses	56,555	-	(56,554)	0%
Total Personal Services (PS)	9,137,755	8,958,169	(179,585)	-2%
Other Than Personal Services (OTPS) :				
Insurance	1,315,025	1,432,409	117,384	8%
Professional Services	415,103	1,129,000	713,897	63%
Marketing / Advertising	36,771	35,000	(1,771)	-5%
Management Fees	3,401,635	3,106,003	(295,632)	-10%
Legal Services	206,670	446,700	240,030	54%
Telecommunications	93,173	92,300	(873)	-1%
Repairs & Maintenance	347,108	345,560	(1,548)	0%
Repairs & Maintenance Equipment	24,373	165,500	141,128	85%
Other Repairs & Maintenance	28,055	70,000	41,945	60%
Vehicles Gas	157,372	304,000	146,628	48%

(Continued)

The Roosevelt Island Operating Corporation
(A Component Unit of the State of New York)
Budget Variance Report
For The Year Ending March 31, 2009

	Actual	Budget	Favorable (Unfavorable) Variance	Percent
Vehicles Repair & Maintenance	91,064	290,500	199,436	69%
Vehicles Parts	5,742	21,000	15,258	73%
Equipment Lease	28,080	14,400	(13,680)	-95%
Office Equipment Purchase	30,314	60,500	30,186	50%
Equipment Purchases	78,865	110,000	31,135	28%
Other Equipment Purchases	45,352	100,000	54,648	55%
Exterminator	6,471	20,000	13,530	68%
Uniforms	200,945	175,000	(25,945)	-15%
Light, Power, Heat	534,541	522,301	(12,240)	-2%
Water & Sewer	-	52,000	52,000	100%
Office Supplies	22,324	33,600	11,276	34%
Parts & Supplies	271,565	527,500	255,935	49%
Service Maintenance Agreement	105,296	122,900	17,604	14%
Depreciation Expenses	2,853,450	2,630,561	(222,890)	-8%
Employee Travel & Meal	17,198	10,200	(6,998)	-69%
Employee Training	54,381	89,526	35,145	39%
Shipping	16,918	18,000	1,082	6%
Subscriptions / Membership	8,224	13,650	5,426	40%
Other Expenses	458,064	506,285	48,223	10%
Island Events - Community Relations	124,654	200,000	75,346	38%
Total Other Than Personal Services (OTPS)	10,978,733	12,644,395	1,665,663	13%
Total Expenses	$ 20,116,488	21,602,564	1,486,078	7%
NET SURPLUS/(DEFICIT)	**$ (141,006)**	**(1,247,071)**	**1,106,065**	**89%**

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

Board of Directors
The Roosevelt Island Operating Corporation:

We have audited the financial statements of The Roosevelt Island Operating Corporation (a component unit of the State of New York) as of and for the year ended March 31, 2010, and have issued our report thereon dated June 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

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

Toski, Schaefer & Co., P.C.

Williamsville, New York
June 4, 2010

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INDEPENDENT ACCOUNTANTS' REPORT ON INVESTMENT COMPLIANCE

Board of Directors
Roosevelt Island Operating Corporation:

We have examined the Roosevelt Island Operating Corporation's (the Corporation) compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York during the year ended March 31, 2010. Management is responsible for the Corporation's compliance with those requirements. Our responsibility is to express an opinion on the Corporation's compliance based on our examination.

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

In our opinion, the Corporation complied, in all material respects, with the aforementioned requirements during the year ended March 31, 2010.

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

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

Toski, Schaefer & Co. P.C.

Williamsville, New York
June 4, 2010