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

Basic Financial Statements,
Supplementary Information and
Independent Auditors' Report

March 31, 2020 and 2019

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

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Roosevelt Island Operating Corporation:

Report on the Financial Statements

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, 2020 and 2019, and the related notes to financial statements, which collectively comprise RIOC's basic 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Roosevelt Island Operating Corporation as of March 31, 2020 and 2019, and the respective changes in financial 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 management's discussion and analysis on pages 4 through 15 and the required supplementary information, as listed in the table of contents, 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise RIOC's basic financial statements. The accompanying other supplementary information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and 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 other supplementary 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 , 2020, 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, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of RIOC's 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.

Williamsville, New York
, 2020

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, 2020 and 2019, 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, 2020 and 2019 and the percentage changes between March 31, 2020 and 2019:

	2020	2019	% Change
Current and other assets	$ 64,065,209	82,169,128	-22%
Long-term receivables	4,345,205	4,679,452	-7%
Capital assets, net	112,926,592	92,971,424	21%
Total assets	181,337,006	179,820,004	1%
Deferred outflows of resources	3,044,734	1,629,022	87%
Liabilities	51,739,050	51,147,881	1%
Deferred inflows of resources	4,538,464	3,135,017	45%
Net position:			
Net investment in capital assets	112,926,592	92,971,424	21%
Restricted for capital projects	13,698,290	30,622,724	-55%
Unrestricted	1,479,344	3,571,980	-59%
Total net position	$ 128,104,226	127,166,128	1%

On RIOC's Statement of Net Position at March 31, 2020 total assets of $181,337,006 and deferred outflow of resources of $3,044,734 exceeded total liabilities of $51,739,050 and deferred inflows of resources of $4,538,464 by $128,104,226 (total net position). Total assets are comprised of capital assets (e.g., buildings, machinery and equipment) totaling $112,926,592, noncurrent assets totaling $11,429,784, cash and short-term investments totaling $56,289,101 and other assets of $691,529. Liabilities are comprised of accounts payable and accrued expenses of $3,736,800, compensated absences of $746,772, unearned revenues of $35,254,812 (prepaid rents), total OPEB liability of $10,915,605, and other liabilities totaling $1,085,061. 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, $13,698,290 is available to be used to meet ongoing capital obligations. Additionally, $1,479,344 is available for ongoing operational expenses.

Increases in the deferred outflows of resources in the amount of $1,415,712 or 87% and deferred inflows of resources in the amount of $1,403,447 or 45% are due to RIOC's compliance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27," GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68," and GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." See notes 2(j) for additional information and 7(c-h) for the financial statement impact of compliance on the financial statements for pensions; and note 10 for OPEB.

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 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 revenue for the fiscal year ended March 31, 2020 were $31,064,586. For the fiscal year ended March 31, 2020, operating revenue decreased by $22,281,921 or 42% over the last fiscal year. This was mainly due to a decrease in ground rent revenue of $24,633,272. The decrease was mainly due to a one-time receipt of $25,028,000 from NYS for surrendering 2.62 acres of land to Cornell during the prior fiscal year ending March 31, 2019 and a decrease in other revenues of $288,616, offset by an increase in residential fees of $1,303,962 and interest income of $1,098,676.

RIOC's total expenses for the fiscal year ended March 31, 2020 were $30,126,488 and $30,574,250 for the last fiscal year ended March 31, 2019, including depreciation of $4,797,143 and $4,159,719, respectively. For fiscal year ended March 31, 2020, total operating expenses before depreciation decreased by $1,085,186 or 4% over the last fiscal year. This was mainly due to decreases in personal services of $281,522, insurance of $102,645, professional and legal services of $697,290, vehicles maintenance of $159,689, and supplies/services of $184,892.

The following summarizes RIOC's change in net position for the fiscal years ended March 31, 2020 and 2019:

	2020	2019	% Change
Operating revenue:			
Residential fees	$ 3,267,873	1,963,911	66%
Ground rent	14,352,953	38,986,225	-63%
Commercial rent	1,635,567	1,602,508	2%
Tramway revenue	4,526,290	4,443,715	2%
Public safety reimbursement	2,089,069	2,031,810	3%
Transport/parking revenue	2,536,106	2,462,039	3%
Interest income	1,660,035	561,359	196%
Unrealized loss	(17,041)	(7,410)	130%
Other revenues	1,013,734	1,302,350	-22%
Total operating revenue	31,064,586	53,346,507	-42%
Operating expenses:			
Personal services	13,286,860	13,568,382	-2%
Insurance	1,783,696	1,886,341	-5%
Professional services and legal services	1,147,413	1,844,703	-38%
Management fees	5,449,316	5,228,976	4%
Telecommunications	189,759	184,108	3%
Repairs and maintenance	1,309,881	1,270,541	3%
Vehicles maintenance	178,388	338,077	-47%
Equipment purchases/lease	195,554	145,932	34%
Supplies/services	1,154,972	1,339,864	-14%
Other expenses	633,506	607,607	4%
Total operating expenses, excluding depreciation	25,329,345	26,414,531	-4%
Operating income before depreciation	5,735,241	26,931,976	-79%
Depreciation expense	(4,797,143)	(4,159,719)	15%
Change in net position	938,098	22,772,257	-96%
Net position at beginning of year	127,166,128	104,393,871	22%
Net position at end of year	$ 128,104,226	127,166,128	1%

CAPITAL ASSETS

The following summarizes RIOC's net capital assets for the fiscal years ended March 31, 2020 and 2019 and the percentage change between fiscal years:

	2020	2019	% Change
Seawall	$ 13,206,943	9,407,192	40%
Buildings	31,826,315	20,218,443	57%
Landmarks	9,080,880	8,600,275	6%
Vehicles and equipment	2,920,082	2,958,417	-1%
Infrastructure	55,524,075	51,388,913	8%
Leasehold improvements	368,297	398,184	-8%
Total capital assets, net	$ 112,926,592	92,971,424	21%

The capital assets of $112,926,592 presented in the financial statements have been depreciated using the straight-line method, effective from the date of acquisition. The increase of $19,955,168 from the prior year is comprised of the addition of new capital assets of $24,769,352, which are part of RIOC's approved ten-year Capital Plan, offset by annual depreciation of $4,797,143, and the disposition of old capital assets in the amount of $24,638 with the corresponding accumulated depreciation on assets disposed of $7,597. Total depreciation expense for all capital assets amounted to $4,797,143 and $4,159,719 for the years ended March 31, 2020 and 2019, respectively. A more detailed analysis of RIOC's capital assets is presented in the notes to financial statements on pages 24-25.

INFRASTRUCTURE ASSETS

The amounts reported in the accompanying statements of net position for capital assets (net of depreciation) of RIOC of $112,926,592 and $92,971,424 at March 31, 2020 and 2019, 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 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

Seven (7) of the anticipated nine (9) buildings (collectively, the "Buildings") of the Southtown Development Project have been completed. The Lease for Building 8 ("Ground Lease") was executed as of December 26, 2018 ("Commencement Date"). From the Commencement Date to the earlier of (i) the date upon which one or more Temporary Certificates of Occupancy is issued by the New York City Department of Buildings for at least ninety percent (90%) of the Units in Building 8, or (ii) the second (2nd) anniversary of the Commencement Date, Construction Period Ground Rent shall be payable at the rate of $24,000 monthly ($288,000 annually). The earlier of (i) or (ii) in the preceding sentence is the Rent Commencement Date ('RCD").

Commencing on the RCD, currently projected to be in December of 2020, Ground Rent shall be \$576,000 annually, which shall increase by 3% annually and be re-set, as set forth in the Ground Lease. In addition, Developer shall pay to RIOC a Specified Rental Payment of \$16,800,000, which is due on the Rent Commencement Date. Building 9 Lease closing shall occur no later than 30 months after the Building 8 Lease Closing. Should closing fail to occur within the expected timeframe, RIOC is protected by a Letter of Credit in the amount of \$1,958,400. Unfortunately, due to the outbreak of the novel coronavirus, or COVID-19 pandemic that hit New York City in and around February 2020, negotiations for the ground lease have been suspended. RIOC, however, anticipates that plans contemplated for the construction of Building 9 will resume at such time it is deemed safe and appropriate.

Roosevelt Landings, formerly known as Eastwood, exited the Mitchell Lama ("ML") program in 2006. Units are now a mix of market rate, enhanced voucher, and Landlord Assistance Plan units, with rents that will convert to market rate upon vacancy. As of March 31, 2020, 441 or 44% of the units have been converted to market rate units. The ground lease for Roosevelt Landings expires in 2068. On October 17, 2019, RIOC's Board of Directors approved the sale of Roosevelt Landings. This property sale was very well received because of the new owner's commitment to maintain affordable housing units within the property. As part of that transaction, BSREP UA Roosevelt Landings, LLC, sold its interests and ground lease obligations in the property to Putnam Harlem JV LP, and Roosevelt Landings Owner, LLC as the beneficial owner to purchaser. The assignment of the lease and rights thereunder, per its terms, triggered a transaction payment due to RIOC in the amount of \$1,816,137. RIOC received that payment on October 23, 2019.

Island House exited from ML on September 28, 2012, under a thirty-year Affordability Plan. At that time, the ground lease for Island House was extended to 2068. This Plan provided a structure for the creation of a leasehold condominium and the conversion of the residential portion of the building to cooperative ownership. The conversion to cooperative ownership occurred on January 1, 2014, the first day of the year following the conversion in accordance with the terms of the lease. At least 65% of the units will either be sold as affordable CO-OPs or remain as affordable rentals; and as of March 31, 2020, 68 or 17% of the units have been converted to market rate.

On or about March 27, 2014 ("Withdrawal Date"), Rivercross Tenants Corp. exited the ML program without settling the financial terms required under Amendment 1 to the Restated Ground Lease. The parties, upon RIOC's Board approval on April 18, 2018, subsequently entered into arbitration and concluded with a settlement agreement with authorization for a second amendment to the Restated Ground Lease ("Second Amendment"), with an effective date of May 30, 2018 ("Effective Date"). Pursuant to the Second Amendment, the ground rent was reset to \$2,500,000 ("Re-Set Ground Rent") per year as of the Withdrawal Date. As of April 1, 2022, and on each fifth anniversary of that date thereafter, the Re-Set Ground Rent will increase by 10%. On the Effective Date, a settlement in the amount of \$10,287,489 ("Settlement Amount") was made for the underpayment of ground rent during the period from the Withdrawal Date to the Effective Date. \$5,273,791 of the Settlement Amount was paid on the Effective Date and the remaining $5,013,698 was recorded as long-term receivable and will be paid in fifteen (15) equal annual installments of principal, together with interest thereon from the Effective Date at the rate of four percent (4%) per annum, commencing on the first anniversary of the Effective Date, and on each anniversary of such date in subsequent years.

On July 26, 2018, the ground lease with North Town Phase III Houses, Inc. ("Westview") was amended to: (1) extend the term through December 22, 2068; and (2) document the exit from the ML program in exchange for Westview to be maintained as an affordable housing complex for a period of 30 years pursuant to an Affordability Plan. The Affordability Plan provides that for the next 30 years at least 55% of the 361 residential units, (i.e. at least 199 units) will either be affordable restricted price cooperative apartments or affordable rental units. As of March 31, 2020, all 361 or 100% of the units are affordable. The existing ground rent with respect to the Residential Portion in the amount of $70,681 per annum remains in effect until the First Ground Rent Adjustment Date. Commencing as of the First Ground Rent Adjustment Date and continuing through and including the day preceding the fifth anniversary of the First Ground Rent Adjustment Date, the Ground Rent shall be $325,000 per annum, and would increase by 10% every 5 years during the 30-year affordable period, and thereafter at 4% per year. As used herein, the term "First Ground Rent Adjustment Date" means the later of (a) the first day of the Project's fiscal year immediately following the Master Cooperative Closing (provided the Master Cooperative Closing shall occur within three years of the date of this Fourth Amendment), or (b) the date of this Fourth Amendment, if the Master Cooperative Closing does not occur within three years of the date of this Fourth Amendment. If the Master Cooperative Closing occurs more than three years after the date of this Fourth Amendment, then the difference between the ground rent payable on the First Ground Rent Adjustment Date and the existing ground rent for the period between the date of this Fourth Amendment and the Master Cooperative Closing shall be paid to RIOC in twenty-four equal installments, commencing on the first day of the first month following the Master Cooperative Closing. The amended ground lease also caused RIOC to relinquish rights and reduce the amount of retail space within its portfolio; as those storefronts were excluded from the 2068 extension and thereby cause those property interests to revert back to Westview's owner. As a result, RIOC paid Hudson Related Retail LLC ("HRR") $329,846 for the unamortized cost of Initial Capital Improvements and subsequent alterations to the commercial space under the Sublease, and Retail Brokerage Fees incurred by HRR in marketing and leasing such commercial space

The Modernized Aerial Tramway ("Tram"), which was placed in service on November 31, 2010, is an efficient, safe, and relatively quick mode of transportation between Roosevelt Island and mid-town Manhattan. On March 1, 2017, following the issuance of a Request for Proposal ("RFP") and procurement process, RIOC entered into a five-year agreement (along with an optional five-year renewal) with Leitner-Poma for the operation and maintenance ("OM") of the Tram at a fixed cost of $21,767,456 for 5 years. Upon expiration of the 5-year term, there will be new negotiations for the optional five-year renewal. This contract ensures that the Tram continues to operate in a state-of-the-art condition. Additionally, any long-term repairs or overhauls that are needed will also be covered under the terms of this contract. The cost of the long-term repairs or overhauls are additional expenses that RIOC is responsible for and are approved in advance on an annual basis and included in RIOC's approved ten-year Capital Plan. The Tram's cabin load cells were replaced, and its' ropes and gear boxes were overhauled during the year. In addition to securing the above agreement with Leitner-Poma, on February 1, 2018, RIOC entered into an agreement with Hardesty and Hanover, a qualified Engineering Consultant, to provide engineering consulting services for long-term overhaul and maintenance projects for the Tram. This contract will provide RIOC with independent engineering assessments, particularly for long-term overhaul projects with large price estimates. The contract duration is for four years that are contemporaneous with Leitner-Poma's OM contract (along with up to five optional one-year renewals); and the fees are at an hourly rate ranging from $180 to $260 with a minimum annual cost of $50,000. For the fiscal year ended March 31, 2020, the cost was $41,000.

During the fiscal year that ended on March 31, 2020, total ridership on the Tram increased to 2,302,511 from 2,255,324 and Tramway revenues increased by $82,575 or 2% over the prior fiscal year ended March 31, 2019. The increase in ridership is attributed to the completion of the new Tram platforms and return to full service. However, the ridership had yet to reach full capacity due to reduced service for replacement of the Tram's cabin load cells and overhaul of the Tram's ropes and gear boxes; the availability of the New York City Ferry that now offers ferry service from Roosevelt Island to other shore points around Manhattan and Queens; and direct F subway train connections offered by the opening of the new 2nd Avenue subway line. Further, when the Governor implemented Executive Order New York on PAUSE on or about March 16, 2020, where non-essential workers were asked to stay home due to the pandemic, ridership continued to drop. RIOC expects a loss in revenue due to the sharp decrease in ridership as a result of the COVID-19 pandemic. That said, RIOC also anticipates ridership to eventually return to pre-pandemic numbers. The cost and revenue of the Tram were $4,814,596 and $4,526,290; respectively.

Additionally, RIOC, through a competitive bidding process, awarded a contract on December 5, 2017 to build a new Tramway elevator in Manhattan, located on East 63rd street and Second Avenue. Construction is steadily progressing and was due to be completed by Summer 2021. However, RIOC anticipates a delay in this completion date due to the COVID-19 pandemic. Indeed, although construction has continued throughout this uncertain time, delays are bound to occur as vendors have also been impacted by COVID-19. That said, construction is ongoing and is anticipated to be completed by winter of 2021. The estimated cost of this project is $6.9 million dollars. This project is part of RIOC's approved ten-year Capital Plan and its cost will be provided from RIOC's working capital.

The revitalization of Main Street and improvement of the retail spaces continues. On August 1, 2011 ("Commencement Date"), RIOC entered into a Master Sublease Agreement ("Agreement") with HRR to redevelop, improve, market, lease and professionally operate the Retail Spaces controlled by RIOC. RIOC received an annual guaranteed rent of $900,000 - increasing 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. The Agreement was amended on September 30, 2018 due to the expiration and non-renewal of the Westview Commercial Sublease ("Sublease") on July 24, 2018, and the removal of Sublease commercial space from the Agreement. Thus, on July 25, 2018, the compounded annual guaranteed rent of $1,023,507 was reduced to $910,746.

As mentioned above, RIOC paid HRR $329,846 for the unamortized cost of Initial Capital Improvements and subsequent alterations to the commercial space under the Sublease, and Retail Brokerage Fees incurred by HRR in marketing and leasing such commercial space. HRR was 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, 2019, Hudson Related Retail LLC invested $3,585,480 and reported a loss of $225,045. According to the Agreement, RIOC will share future profits equally once HRR is paid back its investment. HRR has yet to make any profit-sharing payment.

Roosevelt Island was selected by the City of New York ("City") for the site of the Cornell Tech Applied Sciences Graduate School ("Cornell"). The project, forecasted to be built in three phases over a twenty-year period, will be located on the City's Goldwater Hospital site ("Goldwater Site"). Because of resolutions passed by the Board of Directors, RIOC worked with Cornell throughout Phase I construction and will continue coordination throughout all construction phases. RIOC received, among other things, new roads and a new sewage system around the construction site because of its contributions to this project.

On December 21, 2013, the RIOC Board of Directors resolved, among other things, to amend its Master Lease with the City to exclude an additional 2.62 acres ("Parcel") surrounding the Goldwater Site so that it could be incorporated into the 9.8 acres being used for Cornell. As part of the surrender of the Parcel back to the City, the State made a commitment to fund an amount equivalent to $1,000,000 annually for 55 years (escalating 2.5% every 10 years) with payment fully made by December 31, 2018 to support capital infrastructure improvements on Roosevelt Island as determined in accordance with state budgetary procedure. RIOC received the full payment in the amount of $25,028,000 in December 2018. In addition, Cornell pays RIOC $400,000 annually for 55 years, (increasing by 2% every 10 years) for the parcel of land that it received.

Three of the five buildings in Phase I of the Cornell project, an academic building, a corporate co-location building, and graduate student housing, were completed in August 2017, and the campus officially opened for classes in the same month. Cornell has begun construction of the remainder of Phase I, which includes two additional buildings, an approximately 100-room hotel and an executive education center. This construction began in March 2018 and is projected to be complete early summer 2020. Phases II and II of the Cornell projects are have not started and are not required to be proposed before 2027.

RIOC is in the design phase to continue the renovation of the Sport Park facility. Renovations will overhaul the HVAC system, improve and repair other critical systems, improve the men's and women's locker rooms and bathrooms, and replace the windows and doors. The design phase of this renovation project was expected to be completed by Summer 2020 and the construction phase by Summer 2021 at an estimated total cost of $13 million dollars. However, plans for construction upon completion of those drawings, have been delayed due to COVID-19, and may not occur this year as originally planned. The cost of this project will be funded through RIOC's working capital.

In March 2017, RIOC issued an RFP seeking a qualified contractor with landmark restoration experience to perform renovations for the interior of Blackwell House, New York City's sixth oldest house and Roosevelt Island's oldest landmarked building. The project will restore the interior of the house to make it a community space for Roosevelt Island residents, as well as a tourism focal point of Main Street for visitors. Following that procurement process, RIOC entered into a contract with the successful bidder to perform all necessary repairs including stabilizing and waterproofing the building's infrastructure, installing new windows, and ADA-compliant access ramps. The project reached substantial completion in November 2019 at a cost of $3.2 million dollars and was funded through RIOC's working capital.

In March 2017, RIOC issued an RFP for the first phase of enhancements at its Youth Center, located on Main Street. Construction for the first phase, which included replacement of the roof and terrace, was completed in October 2017. Phase II of this project continues with replacing the windows in the main room that overlooks the courtyard, modernizing and beautifying the layout and interior design of the facility, including upgrades to the bathrooms to conform to ADA standards, expanding the teaching kitchen, new lighting, doors and other critical systems. The scope of the project was expanded and, as a result, the original contract for the project was terminated; another RFP was issued in January 2019; and the project resumed in May 2019. The project was substantially completed in Spring 2020 at a cost of approximately $2 million dollars and was funded through RIOC's working capital.

On March 13, 2018, RIOC issued an RFP seeking bids for architectural design services for a dedicated Bike Ramp for bicyclists traveling between the Roosevelt Island Bridge and street level on the Island. On July 23, 2018, RIOC entered into contract with the successful bidder to provide the design services and collaborate on the project from design through construction. The Bike Ramp will improve safety for both cyclists and motorists and increase ease of access for cyclists coming onto the Island. The estimated cost is $4 million dollars. RIOC intends to fund the project in part by use of a grant in the amount of $2,963,705 in federal transportation funds awarded to RIOC through the Transportation Alternative Program (TAP) - Congestion Mitigation and Air Quality (CMAQ) Improvement Program, with the remainder funded through RIOC's capital program. RIOC has also had discussions with select state and local officials concerning additional contributions of capital funds. The grant requires four separate reviews by NYS DOT. RIOC submitted for the first review and expected to receive approval to move forward this year. The project provides a vital link for cyclists between the Island and dedicated bike lanes in Queens and is expected to be used by Island residents, visitors and commuters. This project is expected to be completed by the Fall of 2022.

On April 24, 2019, New York State Department of Transportation awarded RIOC \$5,000,000 for funding a Bike Lane. This is a reimbursement funding that will cover up to 80% of eligible cost. Total cost of the project is \$6.25M. This project was expected to start in the Spring of 2020 and be completed by Summer 2021. However, the design schedule has been extended due to COVID-19, and the completion is yet to be determined.

Design documents to reconstruct the seawall in Southpoint Park, which extends from the northern tip of the park to the beginning of the Four Freedoms State Park on both the east and west sides, extending approximately 1600 linear feet, are complete. RIOC received permits from City, State and Federal oversight agencies with jurisdiction over work operation. RIOC estimates that the repairs will cost approximately \$9.6 million dollars. RIOC anticipates receiving \$600,000 from FEMA for the damage caused by Hurricane Irene and Superstorm Sandy. The balance of the cost will be provided through RIOC's working capital. The project will also remediate contaminated soil conditions and remove construction debris placed along the shoreline. On March 30, 2020, RIOC issued an RFP for construction to hire contractors through its competitive bidding process to complete the work. Upon Board approval of the successful bidder, RIOC expects construction to begin in July 2020. The approved permits for waterside operations prohibit working in the water between March and June. This restriction, among others due to COVID-19, may extend the construction duration to approximately two years.

Design drawings for the Seawall Railings Replacement ("Railings") project were finalized and approved by all requisite agencies/entities in March 2017. RIOC entered into a contract on December 8, 2017. The Railings, which span approximately 3.5 miles, was completed in September 2019. The total cost was \$9.4 million dollars and was provided through RIOC's working capital.

On February 7, 2018, RIOC issued an RFP seeking professional services from a qualified firm to redevelop and repair Octagon Field, one of Roosevelt Island's most popular outdoor fields. The first phase of improvements at Octagon Field, including the installation of a new synthetic turf, new LED lighting fixtures and path upgrades were completed in Fall 2019, at a cost of \$1.1 million dollars, which was provided through RIOC's working capital. At the opening day ceremony, RIOC renamed the field to honor, John McManus, its' recently deceased Chief of Public Safety Department. During his tenure as the Chief of RIOC's Public Safety Department, Jack dedicated many hours to coaching youth soccer teams. When the field reopened, permit requests stabilized to equal pre-construction numbers. RIOC had planned a second phase of improvements, valued at \$5.9 million dollars, to reconstruct and expand the public rest room, install a new shade structure, create new ADA accessible seating areas, install new ADA compliant paths and improve landscaped areas. However, these additional improvements are now stalled due to COVID-19. RIOC plans to revisit these plans when the pandemic subsides. The total estimated cost of the project is \$5.9 million dollars, which will be provided through RIOC's working capital.

On January 9, 2019, RIOC issued an RFP seeking bids to renovate a section of the Motorgate structure. Motorgate is the central parking facility for Roosevelt Island residents. Renovation includes repair of spalled and delaminated concrete support beams inside the garage, repair of concrete deck and ceilings, including connecting joints, application of waterproofing system on parking deck, ramps, walkways, and curbs, removal and replacement of existing floor drains, and restriping of parking spaces, installation of electric charging stations, and installation of new directional signage. Bids were received on March 6, 2019 and the selection of the successful bidder was made in April 2019. The project started in June 2019 and will be completed in December 2020 at a total cost of $20 million dollars, which will be provided through RIOC's working capital.

Roosevelt Island's Automated Vacuum Collection system ("AVAC") is a network of underground pneumatic tubes that connects every building to a central garbage collection station ("Terminal Station"). AVAC uses vacuum to pull garbage through these tubes and empties it into large containers for carting off the Island. AVAC, one of the first full-scale pneumatic installations in the world, is now in need of upgrading as its original equipment is near the end of its expected life.

The first phase of improvements to modernize the AVAC were completed in March 2020. These upgrades, at a cost estimate of approximately $2M, required piping, replaced outdated controls, piping and exhaust systems and installed new laser censors that automated steps in the collection process. These upgrades have greatly reduced the annual energy consumption at the facility. A second phase of work will replace equipment and controls in the building including the separator, compactor, compressor and ancillary systems. This is in the early planning and budget phase, design work was scheduled to start in FY21; however, due to the COVID-19 pandemic, it is now uncertain as to when this phase will be scheduled. That said, the AVAC system is fully operational and capable of servicing all Roosevelt Island needs.

The Lighthouse, a historical landmark located at the northern tip of the Island, needs an overhaul to restore its interior and exterior. Also, there are two wooden bridges leading to the Lighthouse that had deteriorated and needed to be replaced. Replacement of the wooden bridges commenced in April 2019 and was completed by May 2019. The renovation of the Lighthouse is to be done in two phases. Proposed designs were reviewed and approved by the State Historic Preservation Office. The project will restore the interior stairs, lighthouse tower and reconstruct the lantern to match the original Renwick profile. Designs are scheduled to be complete in June 2020, an RFP for construction services will be delayed as a result of the Covid-19 pandemic. The total estimated cost of the project is $2 million dollars, which will be provided through RIOC's working capital.

The expansion of Lighthouse park design commenced in Fall 2019 and was scheduled to be completed in Summer 2020. However, due to the COVID-19 pandemic, this project is currently on hold until further notice. The total estimated cost of the project is $15 million dollars, which will be provided through RIOC's working capital.

The Smallpox Hospital, another historical landmark located on the southern end of the Island, was the first major U.S. hospital dedicated to the care of victims of smallpox. It is now a ruin in need of stabilization and restoration. With approval from RIOC, a stabilization study was done by the Four Freedoms Park Conservancy, operator of the Franklin D. Roosevelt Four Freedom Park, which is adjacent to the Smallpox Hospital.

The stabilization study concluded in Schematic Design drawings detailing the structural needs of the ruin and an estimated cost to complete the restoration work is being evaluated. RIOC subsequently applied and received funding in the amount of $500,000 from New York State to complete the stabilization studies and prepare full construction documents. All survey and investigative work are complete, a final report with phasing options and estimates is under review. The architect continues to work on construction documents which will be complete by January 2021. The balance of the cost will be provided through RIOC's working capital.

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, 2020 and 2019

	2020	2019
Assets:		
Current assets:		
Cash	$ 2,904,561	4,406,746
Short-term investments	53,384,540	66,322,351
Receivables	471,390	1,009,220
Prepaid expenses	220,139	399,387
Total current assets	56,980,630	72,137,704
Noncurrent investments	7,084,579	10,031,424
Long-term receivables	4,345,205	4,679,452
Capital assets, net of accumulated depreciation	112,926,592	92,971,424
Total assets	181,337,006	179,820,004
Deferred outflows of resources:		
Pensions	1,146,069	1,577,834
OPEB	1,898,665	51,188
Total deferred outflows of resources	3,044,734	1,629,022
Liabilities:		
Current liabilities - accounts payable and accrued expenses	3,736,800	2,725,534
Compensated absences	746,772	770,317
Unearned revenue	35,254,812	35,977,989
Total OPEB liability	10,915,605	11,255,264
Net pension liability - proportionate share - ERS	1,085,061	418,777
Commitments and contingencies (note 9)		
Total liabilities	51,739,050	51,147,881
Deferred inflows of resources:		
Pensions	476,298	1,390,917
OPEB	4,062,166	1,744,100
Total deferred inflows of resources	4,538,464	3,135,017
Net position:		
Net investment in capital assets	112,926,592	92,971,424
Restricted for capital projects	13,698,290	30,622,724
Unrestricted	1,479,344	3,571,980
Total net position	$ 128,104,226	127,166,128

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, 2020 and 2019

	2020	2019
Operating revenue:		
Residential fees	$ 3,267,873	1,963,911
Ground rent	14,352,953	38,986,225
Commercial rent	1,635,567	1,602,508
Tramway revenue	4,526,290	4,443,715
Public safety reimbursement	2,089,069	2,031,810
Transport/parking revenue	2,536,106	2,462,039
Interest income	1,660,035	561,359
Loss on disposition of assets	(17,041)	(7,410)
Other revenue	1,013,734	1,302,350
Total operating revenue	31,064,586	53,346,507
Operating expenses:		
Personal services	13,286,860	13,568,382
Insurance	1,783,696	1,886,341
Professional services and legal services	1,147,413	1,844,703
Management fees	5,449,316	5,228,976
Telecommunications	189,759	184,108
Repairs and maintenance	1,309,881	1,270,541
Vehicles maintenance	178,388	338,077
Equipment purchases/lease	195,554	145,932
Supplies/services	1,154,972	1,339,864
Other expenses	633,506	607,607
Total operating expenses, excluding depreciation	25,329,345	26,414,531
Operating income before depreciation	5,735,241	26,931,976
Depreciation expense	(4,797,143)	(4,159,719)
Change in net position	938,098	22,772,257
Net position at beginning of year	127,166,128	104,393,871
Net position at end of year	$ 128,104,226	127,166,128

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, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Receipts from tenants and customers	$31,230,527	57,354,404
Payments related to employees	(11,857,489)	(12,523,282)
Payments to vendors	(11,990,527)	(12,672,020)
Net cash provided by operating activities	7,382,511	32,159,102
Cash flows from capital and related financing activities:		
Purchase of capital assets	(24,769,352)	(19,399,098)
Sale (purchase) of noncurrent investments	12,937,811	(12,688,733)
Sale of short-term investments	2,946,845	(21,154)
Net cash used in capital and related financing activities	(8,884,696)	(32,108,985)
Net change in cash	(1,502,185)	50,117
Cash at beginning of year	4,406,746	4,356,629
Cash at end of year	$ 2,904,561	4,406,746
Cash flows from operating activities:		
Change in net position	938,098	22,772,257
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation	4,797,143	4,159,719
Loss on disposition of assets	17,041	7,410
Changes in:		
Receivables	872,077	4,723,662
Prepaid expenses	179,248	(358,144)
Deferred outflows of resources	(1,415,712)	(506,288)
Accounts payable and accrued expenses	1,011,266	1,051,245
Compensated absences	(23,545)	36,505
Unearned revenue	(723,177)	(723,175)
Total OPEB liability	(339,659)	(1,207,414)
Net pension liability - proportionate share - ERS	666,284	(718,961)
Deferred inflows of resources	1,403,447	2,922,286
Net cash provided by operating activities	$ 7,382,511	32,159,102

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 or the Corporation) 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.

(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 Government Accounting Standards Board (GASB) pronouncements and Accounting Principles Board (APB) opinions issued before November 30, 1989, unless they conflict with GASB pronouncements.

(b) Budgetary Information

During the fiscal year ended March 31, 2020, RIOC did not request appropriations from the State of New York. Accordingly, budgetary information was not included in the notes to financial statements. However, the Board did approve an operating budget, which is included as other supplementary information.

(c) Cash and Cash Equivalents

The following is a summary of cash and cash equivalents as of March 31, 2020 and 2019:

	2020	2019
Cash - deposits	$ 2,904,561	4,406,746
Short-term investments:		
Certificates of deposit (CDARS)	21,542,758	63,880,711
Insured cash sweep (ICS)	28,599,411	-
Money market accounts	3,242,371	2,441,640
	53,384,540	66,322,351
Total cash and short-term investments	$ 56,289,101	70,729,097

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

The money market and cash accounts are secured by a letter of credit from Federal Home Loan Bank of Chicago and collateral securities held in escrow by JP Morgan Chase Bank, NA and managed by the National Collateral Management Group with market values totaling $20,000,000 and $50,000,000 as of March 31, 2020 and 2019, respectively.

(2) Summary of Significant Accounting Policies, Continued

(c) Cash and Cash Equivalents, Continued

Investments managed internally consist of certificates of deposit, "CDARS", and insured cash sweep, "ICS", which are FDIC insured programs 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 for postemployment benefits other than pensions under GASB Statement No. 75 and are invested in collateralized money market accounts and CDARS. The carrying amount of these investments are $7,084,579 and $10,031,424 for the years ended March 31, 2020 and 2019, respectively. The CDARS are fully insured by FDIC.

(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

(2) Summary of Significant Accounting Policies, Continued

(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, 2020 and 2019 were $746,772 and $770,317, respectively.

(g) Unearned Revenue

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

Breakdown is as follows:

Buildings	Balance at April 1, 2019	Additions	Amortization	Balance at March 31, 2020
Octagon	$ 2,355,880	-	(47,355)	2,308,525
Southtown Bldg #1	1,583,818	-	(31,838)	1,551,980
Southtown Bldg #2	1,511,304	-	(30,377)	1,480,927
Southtown Bldg #3	3,229,792	-	(64,921)	3,164,871
Southtown Bldg #4	4,210,925	-	(84,642)	4,126,283
Southtown Bldg #5	5,377,305	-	(108,086)	5,269,219
Southtown Bldg #6	8,276,739	-	(166,366)	8,110,373
Southtown Bldg #7	9,432,226	-	(189,592)	9,242,634
Total	$ 35,977,989	-	(723,177)	35,254,812

(h) Public Purpose Grants

Included in "Other Expenses" are expenditures for public purpose grants of $338,000 and $233,803 for the years ended March 31, 2020 and 2019, respectively. The grants were awarded to various Island-based not-for-profits upon evaluation of their applications and Board approval.

(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, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets, deferred outflows of resources and deferred inflows of resources 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.

(2) Summary of Significant Accounting Policies, Continued

(j) Deferred Outflows and Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. Pensions and OPEB have deferred outflows of resources. For pensions, the Corporation has two items that qualify for reporting in this category. The first item represents changes in the Corporation's proportion of the collective net pension liability (ERS System) and includes differences between expected and actual experience with regard to economic and demographic factors and the net difference between projected and actual investment earnings on pension plan investments. The second item is the Corporation contributions to the pension system (ERS System) subsequent to the measurement date. For OPEB, the Corporation has two items that qualify for reporting in this category; the first represents the change of assumptions or other inputs, and the second represents estimated net contributions subsequent to the measurement date.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Pensions and OPEB have deferred inflows of resources. For pensions, the Corporation has one item that qualifies for reporting in this category and represents changes in the Corporation's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the Corporation's contributions and its proportion share of total contributions to the pension system not included in pension expense. For OPEB, the Corporation has two items that qualify for reporting in this category; the first represents the difference between actual and expected experience, and the second represents the changes of assumptions or other inputs.

(k) Accounting and Financial Reporting for Pensions

The Corporation has adopted the provisions of GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27" and GASB Statement No. 71 - "Pension Transitions for Contributions Made Subsequent to the Measurement Date - an Amendment to GASB Statement No. 68." These Statements require the Corporation to report as an asset and/or liability its portion of the collective pension asset and/or liability in the New York State and Local Retirement System. The implementation of these Statements also requires the Corporation to report deferred outflows and/or inflows of resources for the effect of the net change in the Corporation's proportion of the collective net pension asset and/or liability and difference during the measurement period between the Corporation's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Also included as deferred outflows of resources are the Corporation contributions to the pension system subsequent to the March 31, 2019 measurement date. See notes 7(b-h).

(3) Capital Assets

Capital assets for the year ended March 31, 2020 are summarized as follows:

	Balance at April 1, 2019	Increase	Decrease	Balance at March 31, 2020
Capital assets:				
Seawall	$ 10,707,132	3,977,984	-	14,685,116
Building and building improvements	58,013,056	13,777,932	(46,588)	71,744,400
Landmarks	17,464,805	773,486	-	18,238,291
Vehicles	4,502,091	87,845	(24,638)	4,565,298
Equipment	3,762,112	640,931	-	4,403,043
Infrastructure	66,589,444	5,511,174	(2,108)	72,098,510
Leasehold improvement	448,303	-	-	448,303
Total capital assets	161,486,943	24,769,352	(73,334)	186,182,961
Less accumulated depreciation:				
Seawall	(1,299,940)	(178,233)	-	(1,478,173)
Building and building improvements	(37,794,613)	(2,170,060)	46,588	(39,918,085)
Landmarks	(8,864,530)	(292,881)	-	(9,157,411)
Vehicles	(2,758,033)	(320,395)	7,597	(3,070,831)
Equipment	(2,547,753)	(429,675)	-	(2,977,428)
Infrastructure	(15,200,531)	(1,376,012)	2,108	(16,574,435)
Leasehold improvement	(50,119)	(29,887)	-	(80,006)
Total accumulated depreciation	(68,515,519)	(4,797,143)	56,293	(73,256,369)
Net capital assets	$ 92,971,424	19,972,209	(17,041)	112,926,592

(3) Capital Assets, Continued

Capital assets for the year ended March 31, 2019 are summarized as follows:

	Balance at April 1, 2018	Increase	Decrease	Balance at March 31, 2019
Capital assets:				
Seawall	$ 4,598,860	6,108,272	-	10,707,132
Building and building improvements	56,259,944	1,753,112	-	58,013,056
Landmarks	15,250,646	2,214,159	-	17,464,805
Vehicles	3,657,257	878,662	(33,828)	4,502,091
Equipment	3,282,209	479,903	-	3,762,112
Infrastructure	58,954,300	7,635,144	-	66,589,444
Leasehold improvement	118,457	329,846	-	448,303
Total capital assets	142,121,673	19,399,098	(33,828)	161,486,943
Less accumulated depreciation:				
Seawall	(1,202,599)	(97,341)	-	(1,299,940)
Building and building improvements	(35,949,810)	(1,844,803)	-	(37,794,613)
Landmarks	(8,607,439)	(257,091)	-	(8,864,530)
Vehicles	(2,437,472)	(346,979)	26,418	(2,758,033)
Equipment	(2,200,401)	(347,352)	-	(2,547,753)
Infrastructure	(13,951,437)	(1,249,094)	-	(15,200,531)
Leasehold improvement	(33,060)	(17,059)	-	(50,119)
Total accumulated depreciation	(64,382,218)	(4,159,719)	26,418	(68,515,519)
Net capital assets	$ 77,739,455	15,239,379	(7,410)	92,971,424

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

Operating revenues in the accompanying statements 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, 6 and 7 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 City), the owner of Roosevelt Island. Ground rents account for nearly 73% 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, 2020 and 2019.

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 $4,100,000 and percentage rent of $2,040,649. For the years ended March 31, 2020 and 2019, the percentage rent earned was $2,040,649.

Cornell - The Master Lease between RIOC and the City dated December 23, 1969 was amended on December 19, 2013 ("Effective Date") to exclude an additional 2.62 acres ("Parcel") surrounding the Goldwater Site so that it could be incorporated into the 9.8 acres being used for Cornell. As part of the surrender of the Parcel back to the City, the State made a commitment to fund an amount equivalent to $1,000,000 annually for 55 years (escalating 2.5% every 10 years) with payment fully made by December 31, 2018 to support capital infrastructure improvements on Roosevelt Island as determined in accordance with state budgetary procedure. RIOC received the full payment in the amount of $25,028,000 in December 2018. Commencing on the Effective Date, Cornell pays RIOC $400,000 annually for 55 years, (increasing by 2% every 10 years) for the Parcel that it received.

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

(b) Ground Rent, Continued

BSREP UA 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 $1,784,450 and $1,716,855 for the years ended March 31, 2020 and 2019, respectively.

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 1, 2013 - increasing by 10% on each 5th anniversary for 30 years.

Northtown Phase IV Houses, Inc. (Rivercross) - Pursuant to the Second Amendment of the Restated Lease between RIOC and Rivercross dated May 30, 2018 ("Effective Date"), the ground rent was reset to $2,500,000 ("Re-Set Ground Rent") per year effective as of March 27, 2014. As of April 1, 2022, and on each fifth anniversary of that date thereafter, the Re-Set Ground Rent will increase by 10%. On the Effective Date, a settlement in the amount of $10,287,489 ("Settlement Amount") was made for the underpayment of ground rent during the period from the Withdrawal Date to the Effective Date. $5,273,791 of the Settlement Amount was paid on the Effective Date and the remaining $5,013,698 will be paid in fifteen (15) equal annual installments of principal, together with interest thereon from the Effective Date at the rate of four percent (4%) per annum, commencing on the first anniversary of the Effective Date, and on each anniversary of such date in subsequent years.

Ground rents for Southtown Buildings #1, 2, 3 and 4 and for a portion of Buildings #5, 6 and 7, as well as the Octagon were paid in advance and are reflected under note 2 paragraph (g) Unearned revenue. Ground rents earned for Building #1-8 totaled $2,956,767 and $2,669,529 for the years ended March 31, 2020 and 2019, respectively.

(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 - escalating by 2% annually for the first five years and 2.5% annually thereafter, 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, 2019, Hudson Related Retail LLC invested $3,585,480 and reported a of $225,045.

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

(c) Commercial Rent, Continued

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 $275,000 per annum or 10% of gross receipts for the period May 1, 2016 to April 30, 2021. 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.

(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 $4,526,290 and $4,443,715 for the years ended March 31, 2020 and 2019, respectively. Tramway costs were $4,814,596 and $4,689,332 for the years ended March 31, 2020 and 2019, 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 ('PSD"). Public safety reimbursements were $2,089,069 and $2,031,810 for the years ended March 31, 2020 and 2019, respectively. PSD costs were $4,249,977 and $3,811,240, for the years ended March 31, 2020 and 2019, respectively.

(f) Transportation and Parking Fees

The Motorgate Garage, the Roosevelt Island parking facility, is managed by SP Plus ("SP") under an agreement which expired but parties are continuing to adhere to its terms. This agreement is cancelable by RIOC on 30-day notice and by SP on 180-day notice. SP 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.

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

(f) Transportation and Parking Fees, Continued

RIOC's share of Motorgate revenues totaled $2,083,510 and $2,046,844 for the years ended March 31, 2020 and 2019, respectively. Parking costs were $1,137,319 and $1,035,343, for the years ended March 31, 2020 and 2019, respectively. Transportation revenues from the provision of bus services totaled $127,881and $125,374 for the years ended March 31, 2020 and 2019, respectively. The cost of running the bus service totaled $1,342,039 and $1,945,529 for the same respective periods. Additionally, revenues from street parking meters for these periods totaled $324,715 and $289,821, respectively.

(g) Interest and Other Revenues

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

(h) De-designation Fee Income

The Development Agreement for Southtown buildings ("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 $1,958,400. 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, 2019, to be renewed annually. The Building 8 Lease was closed on December 26, 2018 and construction is expected to be completed within 24 months. 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 $1,958,400.

(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
2021	$ 16,857,699	1,655,209
2022	17,671,332	1,701,716
2023	18,756,781	1,730,116
2024	19,050,210	1,759,175
2025	19,352,644	1,788,909
Total	$ 91,688,666	8,635,125

(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. On March 1, 2017, RIOC negotiated a 5-year fixed fee operating agreement at an annual cost of $4,100,000 with an annual increase of 3% per year.

RIOC also has a parking management agreement with SP for the management of Motorgate Garage. This agreement is cancelable by RIOC on 30-day notice and by SP on 180-day notice. RIOC pays an annual management fee of $40,000 and the 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) Union Employees

Union employees participate in separate defined contribution plans, which are administered by each union. RIOC contributed $265,572 and $204,409 for the years ended March 31, 2020 and 2019, respectively, to union employees' defined contribution plans.

(b) 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.

(7) Retirement Plans, Continued

(b) Non-Union Employees, Continued

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. Employees 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 and Local Employees Retirement System (ERS) 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 62 with 20 years of service.

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.

(7) Retirement Plans, Continued

(c) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At March 31, 2020 and 2019, the Corporation reported the following liability for its proportionate share of the net pension liability for ERS which were measured as of March 31, 2019 and 2018, respectively. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Corporation's proportionate share of the net pension liability was based on a projection of the Corporation's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports provided to the Corporation.

Measurement date	3/31/2019	3/31/2018
Net pension liability	$ 1,085,061	418,777
Corporation's proportion of the Plan's net pension liability	0.0153142%	0.0129755%
Increase from prior year	0.0023387	0.0008670

For the years ended March 31, 2020 and 2019, the Corporation recognized pension expense of $702,847 and $494,110, respectively, for ERS. At March 31, 2020 and 2019 the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 213,671	72,838	149,364	123,429
Changes of assumptions	272,740	-	277,684	-
Net difference between projected and actual investment earnings on pension plan investments	-	278,487	608,241	1,200,606
Changes in proportion and differences between the Corporation's contributions and proportionate share of contributions	140,241	124,973	52,560	66,882
Corporation's contributions subsequent to the measurement date	519,417	-	489,985	-
Total	$ 1,146,069	476,298	1,577,834	1,390,917

(7) Retirement Plans, Continued

(c) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

Corporation contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending	ERS
2021	$ 226,814
2022	$ (208,555)
2023	$ (17,682)
2024	$ 149,777

(d) Actuarial Assumptions

The total pension liability as of the March 31, 2019 measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Measurement date	March 31, 2019
Actuarial valuation date	April 1, 2018
Investment rate of return, (net of investment expense, including inflation)	7.0%
Salary increases	4.2%
Inflation	2.5%
Cost-of-living adjustments	1.3%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

(7) Retirement Plans, Continued

(d) Actuarial Assumptions, Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	Target Allocation	Long-term expected real rate of return*
Asset type:		
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Private equity	10.00%	7.50%
Real estate	10.00%	5.55 %
Absolute return strategies (1)	2.00%	3.75%
Opportunistic portfolio	3.00%	5.68%
Real assets	3.00%	5.29%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	(0.25%)
Inflation - indexed bonds	4.00%	1.25%

* The real rate of return is net of the long-term inflation assumption of 2.5%

(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity.

(e) Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(7) Retirement Plans, Continued

(f) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Corporation's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Corporation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Corporation's proportionate share of the net pension asset (liability)	$ (4,744,059)	(1,085,061)	1,988,757

(g) Pension Plan Fiduciary Net Position

The components of the collective net pension liability of participating employers as of the respective measurement dates, were as follows:

	(Dollars in Millions)	
Valuation date	3/31/2019	3/31/18
Employers' total pension liability	$(189,803)	(183,400)
Fiduciary net position	182,718	180,173
Employers' net pension liability	$ (7,085)	(3,227)
Ratio of fiduciary net position to the Employers' total pension liability	96.3%	98.2%

(h) Contributions to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Retirement contributions as of March 31, 2020 and 2019 represent the projected employer contribution for the period of April 1, 2019 through March 31, 2020 and April 1, 2018 through March 31, 2019, respectively based on paid ERS wages multiplied by the employer's contribution rate, by tier. This amount has been recorded as deferred outflows of resources in the accompanying financial statements.

(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, 2020 were appropriately increased to provide adequate protection for RIOC as follows:

(8) Risk Management, Continued

Coverages	2019-2020 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, 2020 and 2019 are detailed as follows:

(a) 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 its 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") 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.

(b) Leases

RIOC has agreements with four (4) housing companies, namely Westview, Eastwood, Island House, and Rivercross, operating on the Island to sublease commercial space occupied by the housing companies. Rent expense for the years ended March 31, 2020 and 2019 were approximately $319,288 and $239,315, respectively.

(c) 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.

(10) Postemployment Benefits Other Than Pensions

The Corporation implemented GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" effective for its fiscal year beginning April 1, 2018.

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 88% for employees and 73% for an employee's spouse.

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

Total expenditures charged to operations for the years ended March 31, 2020 and 2019 amounted to $321,725 and $651,018, respectively. At March 31, 2020 and 2019, the liability for active and retired employees included in non-current accrued fringe benefits amounted to $10,915,605 and $11,255,264, respectively.

The number of participants as of March 31, 2020 was as follows:

Active employees	49
Retired employees	12
Spouses of retired employees	6
Total	67

Total OPEB Liability

The Corporation's total OPEB liability of $10,915,605 was measured as of December 31, 2019 and was determined by an actuarial valuation as of March 31, 2019. The methodology used to measure the total OPEB liability as of March 31, 2020 reflects the same census that was used for the last full actuarial valuation, with an update to premium and claims rates to reflect actual experience in the interim. The valuation assumes that there have been no significant changes from the prior valuation in benefit provisions, size or composition of the population covered by the plan, or other factors that would significantly impact the long-term assumptions.

(10) Postemployment Benefits Other Than Pensions, Continued

Actuarial Assumptions and Other Inputs

The total OPEB liability as of December 31, 2020 measurement date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary scale	3.22%
Discount rate	2.75%
Healthcare cost trend rates	5.20% for 2020, decreasing to an ultimate rate of 4.18%

Changes in the Total OPEB Liability

	2020	2019
Total OPEB liability at beginning of year	$ 11,255,264	12,462,678
Changes for the year:		
Service cost	722,931	823,753
Interest on total OPEB liability	436,683	432,928
Differences between actual and expected experience	(3,663,694)	(1,284,925)
Changes in assumptions or other inputs	2,390,063	(972,145)
Benefit payments	(225,642)	(207,025)
Total changes	(339,659)	(1,207,414)
Total OPEB liability at end of year	$ 10,915,605	11,255,264

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the Corporation, as well as what the Corporation's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current discount rate:

	1% Decrease (1.75%)	Discount Rate (2.75%)	1% Increase (3.75%)
Total OPEB liability	$ 13,227,710	10,915,605	9,175,884

This analysis represents sensitivity of the OPEB liability as of March 31, 2020.

(10) Postemployment Benefits Other Than Pensions, Continued

Sensitivity of the total OPEB liability to changes in the healthcare costs trend rates

The following presents the total OPEB liability of the Corporation, as well as what the Corporation's total OPEB liability would be if it were calculated using a rate that is 1-percentage point lower (4.20% to 3.18%) or 1-percentage point higher (6.20% to 5.18%) than the current health care cost trend rate:

	1% Decrease (4.20% to 3.18%)	Trend Rate (5.20% to 4.18%)	1% Increase (6.20% to 5.18%)
Total OPEB liability	$ 8,942,188	10,915,605	13,586,439

This analysis represents sensitivity of the OPEB liability as of March 31, 2020.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At March 31, 2020 and 2019 the Corporation reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ -	3,531,905	-	992,897
Changes of assumptions	1,846,867	530,261	-	751,203
Contributions subsequent to the measurement date	51,798	-	51,188	-
	$ 1,898,665	4,062,166	51,188	1,744,100

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2021. Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending	
2021	$ (802,432)
2022	$ (802,432)
2023	$ (494,652)
2024	$ (115,783)

(11) Pollution Remediation Obligations

In accordance with the GASB Statement No. 49 - "Accounting and Financial Reporting 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. 87 - "Leases." This Statement, issued in June 2017, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2021, which is the fiscal year beginning April 1, 2022 for the Corporation. Management is in process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Corporation.

GASB Statement No. 89 - "Accounting for Interest Cost Incurred before the End of a Construction Period." This Statement, issued in June 2018, establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" which are superseded by this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, which is the fiscal year beginning April 1, 2021 for the Corporation. 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. 91 - "Conduit Debt Obligations." This Statement, issued in May of 2019, requires a single method be used for the reporting of conduit debt obligations. The focus of the Statement is to improve financial reporting by eliminating diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, which is the fiscal year beginning April 1, 2022 for the Corporation. Management is in the process of evaluating the potential impact of this Statement on the financial statements of the Corporation.

GASB Statement No. 92 - "Omnibus 2020." This Statement, issued in January 2020, clarifies implementation of GASB Statements No. 73, 74, 84 and 87, generally effective for fiscal years beginning after June 15, 2021, which is the fiscal year beginning April 1, 2022 of the Corporation. Management is in the process of evaluating the potential impact of this Statement on the financial statements of the Corporation.

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

GASB Statement No. 93 - "Replacement of Interbank Offered Rates." This Statement, issued in March 2020, addresses the accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) - most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021. The requirements of this Statement are effective for reporting periods after June 15, 2021, which is the fiscal year beginning April 1, 2022 for the Corporation. 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. 94 - "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." This Statement, issued in March 2020, addresses issues related to public-private and public-public partnerships (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, which is the fiscal year beginning April 1, 2023 for the Corporation. Management is in the process of evaluating the potential impact of this Statement on the financial statements of the Corporation.

(13) Subsequent Events

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 virus on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the Corporation and its future results and financial position is not presently determinable.

GASB issued Statement No. 95 - "Postponement of the Effective Dates of Certain Authoritative Guidance" in May 2020. This Statement has the primary objective of providing temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Disclosures in note 12 have been updated accordingly.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Required Supplementary Information
Schedule of Changes in Corporation's
Total OPEB Liability and Related Ratios
Year ended March 31, 2020

Total OPEB liability:	2020	2019
Service cost	$ 722,931	823,753
Interest on total OPEB liability	436,683	432,928
Differences between expected and actual experience	(3,663,694)	(1,284,925)
Changes in assumptions or other inputs	2,390,063	(972,145)
Benefit payments	(225,642)	(207,025)
Net change in total OPEB liability	(339,659)	(1,207,414)
Total OPEB liability - beginning	11,255,264	12,462,678
Total OPEB liability- ending	$10,915,605	11,255,264
Covered payroll	$ 4,398,752	4,398,752
Total OPEB liability as a percentage of covered payroll	248.6%	255.9%

Notes to schedule:

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2020	2019
2.75%	3.71%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Corporation is presenting information for those years for which information is available.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Required Supplementary Information
Schedule of Corporation's Proportionate Share of the Net Pension Liability
Year ended March 31, 2020

NYSERS Pension Plan

	2020	2019	2018	2017	2016
Corporation's proportion of the net pension liability	0.0153142%	0.0129755%	0.0121085%	0.0115185%	0.0115841%
Corporation's proportionate share of the net pension liability	$1,085,061	418,777	1,137,738	1,848,752	391,340
Corporation's covered payroll	$4,297,080	3,887,580	3,494,884	3,291,106	2,734,022
Corporation's proportionate share of the net pension liability as a percentage of its covered payroll	25.25%	10.77%	32.55%	56.17%	14.31%
Plan fiduciary net position as a percentage of the total pension liability	96.3%	98.2%	94.7%	90.7%	97.5%

* This schedule is presented to illustrate the requirements to show information for 10 years. However, information is presented for those years that are available.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Required Supplementary Information
Schedule of Corporation's Pension Contributions
Year ended March 31, 2020

NYSERS Pension Plan

	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 519,417	489,985	459,071	465,927	480,350	516,769	540,970	583,380
Contributions in relation to the contractually required contribution	519,417	489,985	459,071	465,927	480,350	516,769	540,970	583,380
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-
Corporation's covered payroll	$4,297,080	3,887,580	3,494,884	3,291,106	2,734,022	2,665,135	2,662,409	2,906,547
Contributions as a percentage of covered payroll	12.09%	12.60%	13.14%	14.16%	17.57%	19.39%	20.32%	20.07%

* This schedule is presented to illustrate the requirements to show information for 10 years. However, information is presented for those years that are available.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Other Supplementary Information
Schedule of Operations by Department
Year ended March 31, 2020

	General Fund										
	Operations	Public Safety	Transportation	Parking	Parks/Rec.	Tram	Total General Fund	Public purpose fund	Capital fund	Reserved fund	Total
Operating revenue:											
Residential fees	$2,509,372	-	-	-	-	-	2,509,372	-	445,055	313,446	3,267,873
Ground rent	13,952,953	-	-	-	-	-	13,952,953	-	400,000	-	14,352,953
Commercial rent	1,635,567	-	-	-	-	-	1,635,567	-	-	-	1,635,567
Tramway revenue	-	-	-	-	-	4,526,290	4,526,290	-	-	-	4,526,290
Public safety reimbursement	-	2,089,069	-	-	-	-	2,089,069	-	-	-	2,089,069
Transportation and parking	-	-	127,881	2,408,225	-	-	2,536,106	-	-	-	2,536,106
Interest income	419,214	-	-	-	-	-	419,214	-	19,248	1,221,573	1,660,035
Loss on disposition of assets	-	-	-	-	-	-	-	-	(17,041)	-	(17,041)
Other revenue	582,807	-	-	-	410,641	-	993,448	-	20,286	-	1,013,734
Total operating revenue	19,099,913	2,089,069	127,881	2,408,225	410,641	4,526,290	28,662,019	-	867,548	1,535,019	31,064,586
Operating expenses:											
Personal services:											
Salaries	4,575,002	2,879,420	799,108	-	817,917	-	9,071,447	-	-	-	9,071,447
Temporary employees	156,751	-	-	-	39,424	-	196,175	-	-	-	196,175
Employee benefits	2,276,986	1,140,378	337,325	-	288,094	-	4,042,783	-	-	-	4,042,783
Compensated absences	(23,545)	-	-	-	-	-	(23,545)	-	-	-	(23,545)
Total personal services	6,985,194	4,019,798	1,136,433	-	1,145,435	-	13,286,860	-	-	-	13,286,860
Other than personal services:											
Insurance	1,570,313	-	-	-	-	213,383	1,783,696	-	-	-	1,783,696
Professional services and marketing/advertising	980,160	180	-	-	117,053	8,770	1,106,163	-	-	-	1,106,163
Management fees	-	-	-	1,067,040	-	4,382,276	5,449,316	-	-	-	5,449,316
Legal services	41,250	-	-	-	-	-	41,250	-	-	-	41,250
Telecommunications	189,759	-	-	-	-	-	189,759	-	-	-	189,759
Island improvements/capital plan	322,288	-	-	-	-	-	322,288	-	-	-	322,288
Repairs and maintenance	933,843	12,039	23,545	15,032	690	2,444	987,593	-	-	-	987,593
Vehicles maintenance	33,708	21,582	122,363	-	735	-	178,388	-	-	-	178,388
Equipment purchases/lease	181,645	8,838	1,248	-	-	3,823	195,554	-	-	-	195,554
Supplies/services	506,936	115,925	57,816	55,247	215,148	203,900	1,154,972	-	-	-	1,154,972
Other expenses	190,498	15,415	634	-	88,902	-	295,449	337,985	-	72	633,506
Total other than personal services	4,950,400	173,979	205,606	1,137,319	422,528	4,814,596	11,704,428	337,985	-	72	12,042,485
Total operating expenses, excluding depreciation	11,935,594	4,193,777	1,342,039	1,137,319	1,567,963	4,814,596	24,991,288	337,985	-	72	25,329,345
Operating income (loss) before depreciation	7,164,319	(2,104,708)	(1,214,158)	1,270,906	(1,157,322)	(288,306)	3,670,731	(337,985)	867,548	1,534,947	5,735,241
Depreciation expense	-	-	-	-	-	-	-	-	(4,797,143)	-	(4,797,143)
Change in net position	$7,164,319	(2,104,708)	(1,214,158)	1,270,906	(1,157,322)	(288,306)	3,670,731	(337,985)	(3,929,595)	1,534,947	938,098

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Other Supplementary Information
Schedule of Operations by Department
Year ended March 31, 2019

	General Fund						Total General Fund	Public purpose fund	Capital fund	Reserved fund	Total
	Operations	Public Safety	Transportation	Parking	Parks/Rec.	Tram					
Operating revenue:											
Residential fees	$ 813,235	-	-	-	-	-	813,235	-	837,230	313,446	1,963,911
Ground rent	13,558,225	-	-	-	-	-	13,558,225	-	25,428,000	-	38,986,225
Commercial rent	1,602,508	-	-	-	-	-	1,602,508	-	-	-	1,602,508
Tramway revenue	-	-	-	-	-	4,443,715	4,443,715	-	-	-	4,443,715
Public safety reimbursement	-	2,031,810	-	-	-	-	2,031,810	-	-	-	2,031,810
Transportation and parking	-	-	125,374	2,336,665	-	-	2,462,039	-	-	-	2,462,039
Interest income	225,056	-	-	-	-	-	225,056	-	6,887	329,416	561,359
Loss on disposition of assets	-	-	-	-	-	-	-	-	(7,410)	-	(7,410)
Other revenue	717,443	-	-	-	584,907	-	1,302,350	-	-	-	1,302,350
Total operating revenue	16,916,467	2,031,810	125,374	2,336,665	584,907	4,443,715	26,438,938	-	26,264,707	642,862	53,346,507
Operating expenses:											
Personal services:											
Salaries	4,365,571	2,679,675	1,222,441	-	880,227	-	9,147,914	-	-	-	9,147,914
Temporary employees	94,444	-	-	-	19,114	-	113,558	-	-	-	113,558
Employee benefits	2,637,850	979,051	353,543	-	299,961	-	4,270,405	-	-	-	4,270,405
Compensated absences	36,505	-	-	-	-	-	36,505	-	-	-	36,505
Total personal services	7,134,370	3,658,726	1,575,984	-	1,199,302	-	13,568,382	-	-	-	13,568,382
Other than personal services:											
Insurance	1,698,181	-	-	-	-	188,160	1,886,341	-	-	-	1,886,341
Professional services and marketing/advertising	1,269,706	-	-	-	190,652	22,615	1,482,973	-	-	-	1,482,973
Management fees	-	-	-	953,572	-	4,275,404	5,228,976	-	-	-	5,228,976
Legal services	361,730	-	-	-	-	-	361,730	-	-	-	361,730
Telecommunications	184,108	-	-	-	-	-	184,108	-	-	-	184,108
Island improvements/capital plan	245,315	-	-	-	-	-	245,315	-	-	-	245,315
Repairs and maintenance	931,174	25,105	16,808	21,387	19,314	11,438	1,025,226	-	-	-	1,025,226
Vehicles maintenance	46,358	27,416	262,902	-	1,401	-	338,077	-	-	-	338,077
Equipment purchases/lease	116,465	9,639	15,244	-	2,504	2,080	145,932	-	-	-	145,932
Supplies/services	722,445	68,041	72,984	60,384	226,435	189,575	1,339,864	-	-	-	1,339,864
Other expenses	209,733	22,313	1,607	-	140,076	60	373,789	233,818	-	-	607,607
Total other than personal services	5,785,215	152,514	369,545	1,035,343	580,382	4,689,332	12,612,331	233,818	-	-	12,846,149
Total operating expenses, excluding depreciation	12,919,585	3,811,240	1,945,529	1,035,343	1,779,684	4,689,332	26,180,713	233,818	-	-	26,414,531
Operating income (loss) before depreciation	3,996,882	(1,779,430)	(1,820,155)	1,301,322	(1,194,777)	(245,617)	258,225	(233,818)	26,264,707	642,862	26,931,976
Depreciation expense	-	-	-	-	-	-	-	-	(4,159,719)	-	(4,159,719)
Change in net position	$3,996,882	(1,779,430)	(1,820,155)	1,301,322	(1,194,777)	(245,617)	258,225	(233,818)	22,104,988	642,862	22,772,257

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Other Supplementary Information
Budget Variance Report
Year ended March 31, 2020

	Actual	Budget	Favorable (Unfavorable) Variance	Favorable (Unfavorable) Percent
Operating revenue:				
Residential fees	$3,267,873	2,420,000	847,873	35%
Ground rent	14,352,953	14,554,000	(201,047)	(1%)
Commercial rent	1,635,567	1,629,000	6,567	1%
Tramway revenue	4,526,290	4,676,000	(149,710)	(3%)
Public safety reimbursement	2,089,069	2,071,000	18,069	1%
Transport/parking revenue	2,536,106	2,587,000	(50,894)	(2%)
Interest income	1,660,035	365,000	1,295,035	355%
Loss on disposition of assets	(17,041)	-	(17,041)	(100%)
Other revenue	1,013,734	2,398,000	(1,384,266)	(58%)
Total operating revenue	31,064,586	30,700,000	364,586	1%
Operating expenses:				
Personal services (PS) :				
Salaries	8,753,757	9,645,144	891,387	9%
Salaries OT	317,690	230,560	(87,130)	(38%)
Temporary employees	196,175	165,000	(31,175)	(19%)
Workers compensation and disability	100,087	252,682	152,595	60%
ER payroll taxes	742,483	857,957	115,474	13%
Health insurance	1,768,787	2,305,852	537,065	23%
Dental/vision	65,602	109,677	44,075	40%
Pension	968,419	1,174,561	206,142	18%
Other employee benefits	397,405	981,774	584,369	60%
Compensated absences expenses	(23,545)	-	23,545	100%
Total personal services (PS)	13,286,860	15,723,207	2,436,347	15%
Other than personal services (OTPS) :				
Insurance	1,783,696	1,976,000	192,304	10%
Professional services	1,082,391	1,243,388	160,997	13%
Marketing/advertising	23,772	26,000	2,228	9%
Management fees	5,449,316	5,165,000	(284,316)	(6%)
Legal services	41,250	515,000	473,750	92%
Telecommunications	189,759	250,000	60,241	24%
Island improvements - capital plan	322,288	499,461	177,173	35%
Repairs and maintenance	630,099	1,875,500	1,245,401	66%
Repairs and maintenance equipment	36,377	55,600	19,223	35%
Other repairs and maintenance	321,117	260,000	(61,117)	(24%)

(Continued)

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

	Actual	Budget	Favorable (Unfavorable) Variance	Favorable (Unfavorable) Percent
Operating expenses, continued:				
Other than personal services (OTPS), continued:				
Vehicles gas	$ 123,141	130,000	6,859	5%
Vehicles repair and maintenance	47,703	108,500	60,797	56%
Vehicles parts	7,544	21,500	13,956	65%
Equipment lease	117,902	30,000	(87,902)	(293%)
Office equipment purchase	14,375	22,500	8,125	36%
Equipment purchases	42,985	41,500	(1,485)	(4%)
Other equipment purchases	20,292	46,000	25,708	56%
Exterminator	22,529	15,000	(7,529)	(50%)
Uniforms	98,862	83,300	(15,562)	(19%)
Light, power, heat	662,042	735,000	72,958	10%
Water and sewer	27,147	38,500	11,353	29%
Office supplies	30,445	32,000	1,555	5%
Parts and supplies	232,235	215,900	(16,335)	(8%)
Service maintenance agreement	81,712	138,580	56,868	41%
Employee travel and meal	6,154	13,150	6,996	53%
Employee training	33,810	116,100	82,290	71%
Shipping	12,210	18,950	6,740	36%
Subscriptions/membership	30,816	24,000	(6,816)	(28%)
Other expenses	455,660	254,050	(201,610)	(79%)
Island events - community relations	94,856	134,000	39,144	29%
Total other than personal services (OTPS)	12,042,485	14,084,479	2,041,994	14%
Total operating expenses, excluding depreciation	25,329,345	29,807,686	4,478,341	15%
Operating income before depreciation	5,735,241	892,314	4,842,927	543%
Depreciation expense	(4,797,143)	(4,234,164)	(562,979)	13%
Change in net position	$ 938,098	(3,341,850)	4,279,948	(128%)

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Other Supplementary Information
Budget Variance Report
Year ended March 31, 2019

	Actual	Budget	Favorable (Unfavorable) Variance	Percent
Operating revenue:				
Residential fees	$ 1,963,911	1,483,000	480,911	32%
Ground rent	38,986,225	35,665,000	3,321,225	9%
Commercial rent	1,602,508	1,572,000	30,508	2%
Tramway revenue	4,443,715	5,482,000	(1,038,285)	(19%)
Public safety reimbursement	2,031,810	2,014,000	17,810	1%
Transport/parking revenue	2,462,039	3,155,000	(692,961)	(22%)
Interest income	561,359	141,000	420,359	298%
Loss on disposition of assets	(7,410)	-	(7,410)	100%
Other revenue	1,302,350	1,691,000	(388,650)	(23%)
Total operating revenue	53,346,507	51,203,000	2,143,507	4%
Operating expenses:				
Personal services (PS) :				
Salaries	8,700,176	9,247,392	547,216	6%
Salaries OT	447,738	343,000	(104,738)	(31%)
Temporary employees	113,558	165,000	51,442	31%
Workers compensation and disability	232,219	252,391	20,172	8%
ER payroll taxes	786,719	812,042	25,323	3%
Health insurance	1,755,002	2,012,059	257,057	13%
Dental/vision	79,386	98,074	18,688	19%
Pension	698,519	1,074,076	375,557	35%
Other employee benefits	718,560	940,070	221,510	24%
Compensated absences expenses	36,505	-	(36,505)	(100%)
Total personal services (PS)	13,568,382	14,944,104	1,375,722	9%
Other than personal services (OTPS) :				
Insurance	1,886,341	1,924,000	37,659	2%
Professional services	1,447,827	948,388	(499,439)	(53%)
Marketing/advertising	35,146	59,400	24,254	41%
Management fees	5,228,976	5,072,000	(156,976)	(3%)
Legal services	361,730	590,000	228,270	39%
Telecommunications	184,108	167,200	(16,908)	(10%)
Island improvements - capital plan	245,315	311,292	65,977	21%
Repairs and maintenance	479,266	123,000	(356,266)	(290%)
Repairs and maintenance equipment	115,577	31,500	(84,077)	(267%)
Other repairs and maintenance	430,383	110,000	(320,383)	(291%)

(Continued)

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

	Actual	Budget	Favorable (Unfavorable) Variance	Favorable (Unfavorable) Percent
Operating expenses, continued:				
Other than personal services (OTPS), continued:				
Vehicles gas	$ 136,536	114,000	(22,536)	(20%)
Vehicles repair and maintenance	172,631	143,000	(29,631)	(21%)
Vehicles parts	28,910	19,500	(9,410)	(48%)
Equipment lease	43,506	27,000	(16,506)	(61%)
Office equipment purchase	22,953	35,850	12,897	36%
Equipment purchases	55,444	27,000	(28,444)	(105%)
Other equipment purchases	24,029	1,000	(23,029)	(2303%)
Exterminator	7,985	13,500	5,515	41%
Uniforms	76,485	64,500	(11,985)	(19%)
Light, power, heat	727,425	740,000	12,575	2%
Water and sewer	16,887	38,500	21,613	56%
Office supplies	24,047	36,100	12,053	33%
Parts and supplies	430,642	217,500	(213,142)	(98%)
Service maintenance agreement	56,393	75,500	19,107	25%
Employee travel and meal	6,245	13,200	6,955	53%
Employee training	99,230	52,380	(46,850)	(89%)
Shipping	13,833	18,550	4,717	25%
Subscriptions/membership	25,176	26,220	1,044	4%
Other expenses	306,496	462,450	155,954	34%
Island events - community relations	156,627	113,000	(43,627)	(39%)
Total other than personal services (OTPS)	12,846,149	11,575,530	(1,270,619)	(11%)
Total operating expenses, exlcluding depreciation	26,414,531	26,519,634	105,103	1%
Operating income before depreciation	26,931,976	24,683,366	2,248,610	9%
Depreciation expense	(4,159,719)	(4,110,839)	(48,880)	1%
Change in net position	$22,772,257	20,572,527	2,199,730	11%

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

The Board of Directors
Roosevelt Island Operating Corporation:

We have audited, 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, 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, 2020, and the related notes to financial statements, which collectively comprise RIOC's basic financial statements, and have issued our report thereon dated , 2020.

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 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.

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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.

Williamsville, New York
, 2020

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, 2020

CONFIDENTIAL

The Board of Directors
Roosevelt Island Operating Corporation

Dear Board Members:

We have completed our audit of the financial statements of the Roosevelt Island Operating Corporation (RIOC) for the year ended March 31, 2020. Considering the test character of our audit, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against irregularities which a test examination may not disclose. This report is intended solely for the information and use of the Board of Directors, management and others within RIOC. We now present for your consideration our comment and recommendation based upon observations made during our audit.

Accounting for Leases

Under current guidance, leases are classified as either capital or operating depending on whether the lease meets any of four tests. In many cases, this results in reporting lease transactions differently than similar nonlease financing transactions.

Governmental Accounting Standards Board (GASB) Statement No. 87 - "Leases," which was originally effective for RIOC's fiscal year beginning April 1, 2020 is now effective for RIOC's fiscal year beginning April 1, 2022 as a result of GASB issuing Statement No. 95 - "Postponement of the Effective Dates of Certain Authoritative Guidance" in May of 2020. GASB No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

We recommend that RIOC gain an understanding of this Statement, develop a plan to fully review all current lease agreements, and to document the accounting treatment of each lease under this Statement to minimize any difficulties at the time of implementation. Proper documentation will also assist in the accounting and reporting for future periods.

* * * * *

We take this opportunity to thank the staff of the Roosevelt Island Operating Corporation for the courtesy and cooperation extended to us during the audit. If you have any questions regarding the foregoing comments or wish any assistance in their implementation, please contact us at your convenience.

Very truly yours,

EFPR GROUP, CPAs, PLLC

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

ANNUAL INVESTMENT REPORT

March 31, 2020

EFPR GROUP, CPAs PLLC

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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH SECTION 201.3 OF TITLE TWO OF THE OFFICIAL COMPILATION OF CODES, RULES AND REGULATIONS OF THE STATE OF NEW YORK

To the Board of Directors
Roosevelt Island Operating Corporation
Roosevelt Island, New York

We have examined Roosevelt Island Operating Corporation's (RIOC) 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 (Section 201.3) during the year ended March 31, 2020. Management is responsible for RIOC's compliance with those requirements. Our responsibility is to express an opinion on RIOC's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether RIOC complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether RIOC complied with the specified requirements referenced above. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on RIOC's compliance with Section 201.3.

In our opinion, RIOC complied, in all material respects, with the requirements of Section 201.3 for the year ended March 31, 2020.

In accordance with Government Auditing Standards, we have issued our report dated June 18, 2019, in which we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws and regulations that have a material effect on RIOC's compliance with Section 201.3 and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether RIOC complied with the aforementioned requirements and not for the purpose of expressing an opinion on the effectiveness of 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 RIOC's management, the Board of Directors, the New York State Office of the State Comptroller, and the New York State Authority Budget Office and is not intended and should not be used by anyone other than those specified parties.

Williamsville, New York
, 2020

NEW YORK STATE OF OPPORTUNITY. | Roosevelt Island Operating Corporation

ANDREW M. CUOMO
Governor

SUSAN G. ROSENTHAL
President & CEO

Roosevelt Island Operating Corporation
Annual Investment Report
FY 2019 - 2020

Investment Guidelines

Public Authorities Law Section 2925 ("PAL 2925") requires Public Authorities to develop and adopt comprehensive investment guidelines ("Guidelines"), which shall set forth, among other things:

- a list of permitted investments
- what types of investments shall be secured with collateral and to what extent
- what types of securities are accepted as collateral
- how collateral shall be valued and monitored
- standards for qualifying firms with which business is transacted
- what types of investments shall be made pursuant to written contracts
- a detailed list of the total fees or commissions paid for investment services
- provisions for annual independent audit of all investment; and
- provisions for preparing and filing annual investment reports.

In compliance with PAL 2925, Roosevelt Island Operating Corporation ("RIOC") has developed and adopted such Guidelines, a copy of which is attached.

Summary of Investments by Investment Type

Investment Type	3/31/2020 Market Value	3/31/2019 Market Value	Increase (Decrease)
Cash deposits	$ 2,904,561	4,406,746	(1,502,185)
Money Market	3,242,371	2,443,912	798,459
Insured Cash Sweep	28,599,411	-	28,599,411
Certificate of Deposits	28,627,337	73,909,863	(45,282,526)
Total	$ 63,373,680	80,760,521	(17,386,841)

The total investments as of March 31, 2020 and March 31, 2019 were $63,373,680 and $80,760,521, respectively. All the investments were fully FDIC insured or collateralized.

Certificate of Deposits ("CD") decreased by $45,282,526 mainly due to the investment of $28,599,411 in Insured Cash Sweep ("ICS") and payments for capital projects. Also, Cash deposits decreased by $1,502,185 mainly due to payments for capital projects and transfers to money market.

Investment Income

Investment Type	Year Ended 3/31/2020	Year Ended 3/31/2019	Increase (Decrease)
Certificate of Deposits	$ 835,344	318,313	517,031
Insured Cash Sweep	399,980	-	399,980
Money Market	200,503	75,929	124,574
Total	$ 1,435,827	394,242	1,041,585
Investment Yield (Annualized)	2.27%	0.5%	2.22%

The total income from investments for the fiscal years ended March 31, 2020 and March 31, 2019 were $1,435,827 and $394,242, respectively.

The increase in investment income of $1,041,585 is due to higher interest rates.

Fees and commissions

No fees or commissions were paid for investment services by RIOC for the fiscal year ending March 31, 2020.

Amendments to Guidelines

The guidelines were approved by the RIOC Board of Directors in June 2018. There were no amendments to the Guidelines during the fiscal year ending March 31, 2020.

Independent Audit Report

As required by PAL 2925, an independent audit of RIOC's compliance with its Guidelines was conducted and a copy of the Independent Auditor's report on compliance is attached.

ROOSEVELT ISLAND OPERATING CORPORATION
INVESTMENT GUIDELINES

Introduction

On July 2, 1985, the Roosevelt Island Operating Corporation adopted comprehensive corporate investment guidelines as required by Section 2925 of the New York Public Authorities Law (the "Investment Guidelines"). Section 2925 requires that the Investment Guidelines be annually reviewed and approved by the Directors of the Roosevelt Island Operating Corporation. The following Investment Guidelines amend and restate the guidelines previously adopted, and are adopted in consideration of the New York State Comptroller's Investment Guidelines for Public Authorities and in accordance with Chapter 899 of the Laws of 1984 (the "RIOC Act") and Section 2925 of the New York Public Authorities Law.

ARTICLE ONE
Definitions

As used herein the terms set forth below are defined as follows:

1.1 "Chief Financial Officer" means a Treasurer, a Vice President for Fiscal or Financial Affairs or the highest financial officer in the Corporation.

1.2 "Chief Executive Officer" means the President of the Corporation.

1.3 "Comptroller" means the State Comptroller.

1.4 "Corporation" means the Roosevelt Island Operating Corporation (sometimes referred to as "RIOC"), a body corporate and politic constituting a public benefit corporation and a political subdivision of the State of New York, created and established pursuant to Chapter 899 of the Laws of 1984 of the State of New York (the "RIOC Act").

1.5 "Investment Funds" means all monies and financial resources available for investment by the Corporation on its own behalf or on behalf of any other entity or individual, and not required for immediate use or disbursement.

1.6 "Repurchase Agreement" means a repurchase agreement satisfying the requirements set forth in Article 4 herein.

1.7 "Securities" means any or all of the investment obligations of the categories described in Section 4.1 of Article Four herein.

1.8 "State" means the State of New York.

1.9 "Depository" means a bank, savings and loan association, savings bank or credit union designated by the Corporation to hold deposits of monies required for immediate use or disbursement, other than Investment Funds. The obligation on the part of the Depository is that it keep the deposit and, upon request, restore it to the depositor or otherwise deliver it according to the original trust.

ARTICLE TWO
Scope

These guidelines shall govern the investment and reinvestment of Investment Funds and the sale and liquidation of investments, as well as the monitoring, maintenance, accounting, reporting and internal controls by and of the Corporation with respect to such investment, sale, reinvestment and liquidation.

ARTICLE THREE
Investment Objectives

The Corporation's investment activities shall have as their first and foremost objective the safeguarding of the principal amount of the Investment Funds. Additional considerations regarding the Corporation's investment activities shall be liquidity of investments and realization of a reasonable return on investments. In furtherance of achieving these objectives, the Corporation shall provide for the diversification of investments to the extent practicable, with respect to maturities of investments, the type of investments and the firms with which the Corporation transacts business.

ARTICLE FOUR
Permissible Investments

4.1 The Corporation may invest its Investment Funds in any and all of the following, if and to the extent permitted by statutes and regulations applicable at the time of investment of such Investment Funds:

1) Any bonds and other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by the United States of America;

2) Any bonds and other obligations which as to principal and interest constitute direct obligations of the State or which are unconditionally guaranteed by the State as to payment of principal and interest;

3) Bonds and other obligations of governmental authorities, political subdivisions or public authorities of the State or of the United States of America, which are securities in which the Corporation lawfully may invest pursuant to applicable statutes, regulations and bond resolutions;

4) Prime Commercial Paper issued by domestic banks, corporations and financial companies rated "A-1" or "P-1" by Standard & Poor's Corporation or Moody's Investors Services, Inc.

5) Certificates of Deposit of financial institutions authorized to do business in this State, including, but not limited to, commercial banks who participate in New York State Excelsior Linked Deposit programs and are authorized program depositories, which certificates of deposit are fully insured by a federal insurance program or by the Federal Deposit Insurance Corporation (collectively referred to herein as the "FDIC") or fully secured as required by Section 4.3.1 below, by securities of the character described in clauses (1), (2) or (3) of this paragraph;

6) Subject to the requirements of Section 4.2 below, any Repurchase Agreement with any bank or trust company authorized to do business in the State of New York or with any broker-dealers included in the Federal Reserve Bank of New York's list of primary government security dealers, which agreement is secured by securities of the character described in clauses (1), (2) or (3) of this paragraph; and

7) In any other obligations in which the Comptroller is authorized to invest pursuant to Section 98 of the State Finance Law.

4.2 Specific Requirements Governing Repurchase Agreements

4.2.1 Eligible Sellers. The Corporation shall enter into Repurchase Agreements only with banks or trust companies authorized to do business in the State or from broker-dealers on the Federal Reserve Bank of New York's list of primary government securities dealers and only after the Chief Financial Officer has reviewed such firm's capitalization and the Chief Financial Officer and Chief Executive Officer have set a limit on the amount of monies that the Corporation may invest with such firm at any one time. The placement of Repurchase Agreements shall be distributed among several authorized firms to reduce the level of risk. The investment limit set for each such firm shall not be exceeded unless the Chief Financial Officer and the Chief Executive Officer make a written finding that sufficient Securities are not available from other eligible firms. Not less frequently than once each year, the Chief Financial Officer shall review and, if appropriate recommend adjustment of the investment limit for each eligible seller in light of such firm's current capitalization. All investment limit adjustments shall require the approval of the Chief Financial Officer and Chief Executive Officer.

4.2.2 Eligible Custodian Banks. To be eligible to hold the Securities which are the subject of a Repurchase Agreement, a custodial bank should be a member of the Federal Reserve Bank or maintain accounts with member banks to accomplish book-entry transfer of Securities, whether by book entry or physical delivery, should be confirmed in writing to the Corporation by the custodial bank. The custodian should not be the same party that is selling the Securities.

4.2.3 Maximum Maturity of Repurchase Agreements. There shall be no "open repurchase" agreements. Repurchase Agreements shall be limited to a maturity not to exceed ten (10) working days. Collateral shall have maturities not exceeding thirty (30) years.

4.3 Specific Requirements Regarding Certificates of Deposit.

4.3.1 Collateral Requirements. To the extent that the Corporation's investment in a certificate of deposit is less than fully insured by the FDIC, the uninsured portion shall be fully collateralized by Securities (other than Repurchase Agreements). Collateral for a certificate of deposit must be reviewed at least monthly to determine if the market value of the Securities equals or exceeds the principal amount of the uninsured portion of the certificate of deposit plus accrued interest. If the market value of the Securities is insufficient, the issuer of the certificate of deposit must exchange or add to the amount of collateral to bring its market value to equal or exceed the uninsured portion of the principal amount of the certificate of deposit plus accrued interest.

4.3.2 Standard Terms for Certificate of Deposit Collateral Agreement. The Corporation shall negotiate and enter into a written agreement with each bank (and custodian) from which it has obtained a certificate of deposit. Such written agreement shall, at a minimum, address the following concerns:

(A) The frequency of the valuation of the collateral to market; as set forth above (such valuation shall be done by the Corporation at least monthly);

(B) The right and ability of the bank to substitute like Securities as collateral;

(C) Description of events of default which would permit the Corporation or its custodian to liquidate or purchase the underlying Securities;

(D) Description of the party who is to have title to the underlying Securities during the term of the agreement;

(E) With respect to the custodial bank, the agreement shall also provide that the custodial bank takes possession of the Securities as agent of the Corporation and that the claims of the custodial bank are subordinate to those of the Corporation.

(F) Notwithstanding the foregoing, with the approval of the Chief Executive Officer and the Chief Financial Officer, the Corporation shall also consider additional criteria as it deems appropriate, in accordance with these Investment Guidelines, to secure investments of the Corporation.

ARTICLE FIVE
Operating Procedures

5.1 Authorized Officers and Employees. Only the following persons shall be authorized to make investment decisions on behalf of the Corporation: the Chief Executive Officer and the Chief Financial Officer. The implementation of such investment decisions by placement of purchase or sale orders or otherwise shall be effected only by the foregoing officers and by such employees as may from time to time be designated in writing by the Chief Executive Officer or the Chief Financial Officer.

5.2 Standards for the Qualification of Brokers, Dealers and Agents. Any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer which is authorized to do business in the State may become qualified by the Corporation to transact purchases and sales of Securities (other than Repurchase Agreements) with the Corporation. Factors to be considered in determining the qualification of such firms shall include the firm's capitalization, quality, size and reliability, the Corporation's prior experience with the firm, the firm's level of expertise and prior experience with respect to the contemplated transaction. The determination of qualification shall be made by the Chief Financial Officer, who shall maintain a list of all such qualified firms.

5.3 Standards for the Qualification of Investment Advisors. For the purpose of rendering investment advice to the Corporation, the Corporation may qualify any bank or trust company organized under the laws of any state of the United States of America, any national banking association, and any partnership, corporation, or person which is:

(A) Authorized to do business in the State; and

(B) Registered with the Securities & Exchange Commission under the Investment Advisor Act of 1940; *and/or*

(C) Registered with the New York State Secretary of State as an Investment Advisor; *and/or*

(D) A member in good standing of the Investment Counsel Association of America.

The Corporation also shall consider the additional criteria (other than capitalization) enumerated in the preceding paragraph.

5.4 Standards for the Qualification of Custodial Banks. To be eligible to hold Securities as collateral for an investment made by the Corporation, a custodial bank should be a member of the Federal Reserve Bank or maintain accounts with member banks to accomplish book entry transfer of Securities to the credit of the Corporation. Transfer of Securities, whether by book entry or physical delivery, should be confirmed to in writing to the Corporation by the custodial bank. The custodian should not be the same party that is selling the Securities.

5.5 Competitive Bids; Negotiated Prices. In connection with the purchase and sales of securities, for each transaction in excess of *two and one-half million dollars ($2,500,000.00)* (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), the Corporation shall utilize competitive quotations. For each transaction which is equal to or less than *two and one-half million dollars ($2,500,000.00)* (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), the Corporation may utilize either competitive quotations or negotiated prices. The foregoing shall not apply to the purchase of government securities at initial auction. A complete and continuous record of all quotes, solicited and received, shall be maintained by the Corporation's Fiscal Department.

For each transaction (other than the purchase of governmental securities at initial auction) in excess of two and one half million dollars (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), a minimum of three separate solicitations will be made on each direct purchase or sale of a Security (including a Repurchase Agreement). The transaction shall be awarded to the dealer(s) offering the highest yield or return consistent with the Corporation's Investment Objectives as set forth herein, provided that, with respect to Repurchase Agreements, the amount of the investment with each individual firm does not exceed the investment limit referred to in Section 4.2.1 above.

5.6 Written Contracts and Confirmations. Unless the Directors shall by resolution determine that a written contract is not practical or that there is not a regular business practice of written contracts with respect to a specific investment or transaction, in which case the Directors, by such resolution, shall adopt procedures covering such investment or transaction, a written contract and/or a written confirmation shall be required for each investment transaction. With respect to the purchase or sale of Securities other than Repurchase Agreements, the Corporation shall not be required to enter into a formal written contract, provided that the Corporation's oral instructions to its broker, dealer, agent, investment advisor or custodian with respect to such transactions are confirmed in writing at the earliest practicable moment. A written contract shall be required for each purchase and sale of a Repurchase Agreement.

5.7 Payment. Payment for investments, other than certificates of deposit, shall be made only upon written confirmation of presentation of the physical Security, or in the case of book-entry form Securities, when credited for the custodian's account, which shall be segregated for the Corporation's sole use. The custodian may act on oral instructions from an authorized officer of the Corporation, such instructions to be confirmed in writing immediately by an authorized officer of the custodian. Such collateral shall, on the date of purchase, be at least equal in market value to the amount of the investment.

5.8 Collateral. Except as specifically otherwise provided herein, the Corporation's financial interest in its investments shall be fully secured or collateralized at all times in an amount not less than the original amount invested plus accrued, unpaid interest thereon. Only Securities permissible for investment by the Corporation pursuant to these Guidelines (other than Repurchase Agreements) may be accepted as collateral. Pledges of proportionate interests in pooled collateral shall not constitute acceptable collateral. In the case of certificates of deposit and demand and time deposits, collateral shall be provided for amounts in excess of the applicable limit of coverage provided by the FDIC. Collateral shall be maintained in the custody of the Corporation or an approved third party custodian at all times. To assure that, at all times, the market value of said collateral is at least equal to the original amount invested plus all accrued, unpaid interest, collateral shall be marked to market at the time the investment is made and thereafter daily with respect to Repurchase Agreements and weekly with respect to certificates of deposit.

5.9 Operating Funds. Operating funds and other monies of the Corporation, other than Investment Funds, are to be held in insured accounts at Depositories.

5.10 Internal Controls. Commencing with FY 2001-2002 (i) the Chief Financial Officer shall develop a detailed operating procedures manual as more particularly set forth in Section B(4) of the Comptroller's Investment Guidelines for Public Authorities and (ii) in accordance with Section 2925(5) of the Public Authorities Law, the Chief Financial Officer shall prepare and file with the Directors, reports on a regular basis, but not more often than on a quarterly basis, regarding new investments, the inventory of existing investments and the selection of investment bankers, brokers, agents, dealers or auditors.

ARTICLE SIX
Reports and Audits

The following reports and audits shall be prepared in connection with the Corporation's investment program.

6.1 Annual Investment Report. After the close of each fiscal year of the Corporation, the Chief Executive Officer shall submit to the Directors, and the Corporation shall file with the State Division of the Budget, with copies thereof to the Office of the Comptroller, the State Senate Finance Committee and State Assembly Ways and Means Committee, an annual investment report, prepared with the assistance of the Chief Financial Officer, which shall include the following:

1) The Investment Guidelines required by Section 2925(3) of the Public Authorities Law and any amendments to such guidelines since the last investment report;

2) An explanation of the Investment Guidelines and amendments;

3) The results of the Annual Investment Audit (described below);

4) The investment income record of the Corporation; and

5) A list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the Corporation since the date of the last investment report.

6.2 Annual Investment Review. As part of the of the preparation of the annual financial statements of the Corporation, the Corporation shall, each fiscal year commencing with FY 2000-2001, cause its independent auditors to conduct a review regarding the Corporation's investments as required by Section 2925(3)(f) of the Public Authorities Law. (The Corporation's financial statements with respect to investments, which are required to be prepared in conformance with generally accepted accounting principles for governments ("GAAP"), should contain all of the note disclosures on deposits with financial institutions and investments required by the Governmental Accounting Standards Board Statements No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" dated April 1986). The Annual Investment Review:

1) Shall determine whether: the Corporation complies with its own investment policies; investment assets are adequately safeguarded; adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of the corporation's assets; and a system of adequate internal controls is maintained.

2) Shall determine whether the Corporation has complied with applicable laws, regulations and the Comptroller's Investment Guidelines; and

3) Should be designed to the extent practical to satisfy both the common interest of the Corporation and the public officials accountable to others.

6.3 Annual Investment Audit Report. The results of the Annual Investment Review shall be set forth in a report (the "Annual Investment Audit Report") which shall include without limitation:

1) verification of collateral;

2) a description of the scope and objectives of the audit;

3) a statement that the audit was made in accordance with generally accepted government auditing standards;

4) a description of any material weaknesses found in the internal controls;

5) a description of all non-compliance with the Corporation's investment policies as well as applicable laws, regulations and the Comptroller's Investment Guidelines for Public Authorities;

6) a statement of positive assurance of compliance on the items tested and negative assurance on those items not tested;

7) a statement on any other material deficiency or finding identified during the audit not covered in (6) above; and

8) recommendations, if any, with respect to amendment of these Guidelines.

In accordance with Part 201 of Title 2 of the Official Compilation of Codes, Rules and Regulations of the State of New York, the Annual Investment Audit Report shall be filed within ninety (90) days after the close of the Corporation's fiscal year with the Coordinator of Public Authority Programs, Office of the State Comptroller, A.E. Smith Office Building, Albany, N.Y. 12236.

ARTICLE SEVEN
Miscellaneous

7.1 In connection with the Annual Investment Audit Report, each year the Corporation shall review these Guidelines to determine whether the Corporation shall amend or otherwise update these Guidelines.

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REPORT TO THE BOARD

, 2020

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, 2020 and have issued our report thereon dated , 2020. 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. 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. 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 polices was not changed during the year ended March 31, 2020. 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.
- Net pension liability - Management's estimate of the net pension liability is calculated through information provided by the NYSE Employees and Local Employees Retirement System.
- Total 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.

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 disclosures affecting the combined financial statements were:

- The disclosure of revenues in note 4.
- The disclosure of retirement plans in note 7.
- The disclosure of commitments and contingencies in note 9.
- The disclosure of postemployment benefits other than pensions in note 10.

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 detected as a result of our audit.

Disagreements with Management

For purposes of this report, 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 Matters

We applied certain limited procedures to management's discussion and analysis, the schedule of changes in Corporation's total OPEB liability and related ratios, the schedule of Corporation's proportionate share of the net pension liability, and the schedule of Corporation's pension contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquires 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 Untied 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,

EFPR GROUP, CPAs, PLLC