

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
AUDIT AND FINANCE COMMITTEE MEETING
One World Financial Center – 24th Floor
New York, NY 10281
January 8, 2013

Members Present

Martha Gallo, Chair (via telephone)
Frank J. Branchini, Member
Donald A. Capoccia, Jr., Member (via telephone)
Dennis Mehiel, Ex-Officio Member

Authority Staff in Attendance: Demetrios A. Boutris, President and Chief Operating Officer
Megan Churnetski, Associate General Counsel and Assistant
Corporate Secretary
Daniel Curiale, Director of Financial Reporting
Gwen Dawson, Senior Vice President, Real Estate Development &
Management
Anne Fenton, Deputy Chief Operating Officer
Kevin McCabe, Assistant to the President
Matthew Monahan, Senior Vice President, Public Information
Robert M. Serpico, Senior Vice President, Finance and
Treasurer/Chief Financial Officer
Phyllis Taylor, Executive Vice President/General Counsel

Others in Attendance: Tessa Huxley, Battery Parks City Parks Conservancy
Irene Plagianos, DNAinfo
Therese Loeb Kreuger, Downtown Express
Dan McElwee, Marks Paneth & Shron, LLP
Warren Ruppel, Marks Paneth & Shron, LLP
Steven Greer, Resident
Jessica Terrell, Tribeca Tribune

The meeting, called on public notice in accordance with the New York State Open Meetings Law, convened at 10:45 a.m.

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The next item on the agenda, introduced by Mr. Serpico, was the annual pre-audit presentation to the Audit and Finance Committee by the Authority's auditors, Marks Paneth & Shron, LLP ("MPS"), for the fiscal year ending October 31, 2012 ("FY12").

Warren Ruppel of MPS presented MPS' pre-audit presentation for FY12. Mr. Ruppel stated that the purpose of the meeting was to establish a relationship between the Audit and Finance Committee Members and MPS, as the independent auditors. He then presented an extensive report on his firm's services, including all communications required by law.

During his presentation, Mr. Ruppel noted that the Authority's financial statements include numerous investments, restricted assets and property and equipment. While the Authority's balance sheet is large, he said, it is also straightforward. Some areas of focus for MPS included the Authority's payments to the State and the City, he stated.

Ms. Gallo asked if MPS monitors unusual or one-time transactions. Mr. Ruppel explained that MPS performs an audit of non-recurring general entries that are made throughout the year, specifically toward the end of the year, to see if there are any entries that appear to deliberately manipulate the bottom line. He noted that this year, Superstorm Sandy occurred and as a result, MPS is in discussion with Management regarding the extent of damages and potential insurance recoveries. He stated that the actual damages are still being assessed, and proceeds from insurance recoveries are being advanced. He noted that even the potentially high estimates of the damages are insignificant with regard to the financial statements.

Next, Mr. Ruppel explained that the accounting rules set by the Governmental Accounting Standards Board ("GASB") have changed in terms of presentation of assets, liabilities and equity, or net assets, for government agencies. Therefore, he said, the FY12 balance sheet looks slightly different than it has in previous years.

Mr. Capoccia inquired as to how lease amendments, which could have an impact over the next several years, are reflected in the audit. Mr. Ruppel explained that the Authority's leases are treated as operating leases for purposes of the audit. Mr. Mehiel explained that such amendments would not affect the Authority's balance sheet. Mr. Serpico noted that Management projects the future minimum lease revenues in a footnote to the financial statements.

Mr. Ruppel explained that MPS advises the Authority about appropriate accounting principles and their application and will assist in the preparation of the financial statements, but the Authority has ultimate responsibility for its financial statements. Management is responsible for establishing and maintaining internal controls, he stated.

Ms. Gallo inquired whether the auditors examined the recent changes made by Management regarding internal controls. Mr. Ruppel stated that MPS looks for potential weaknesses and compliance with State requirements. Under generally accepted auditing standards, MPS walks through the various major transaction cycles for audit-planning purposes. MPS does not perform a specific audit of internal controls, he explained, but rather tries to obtain an understanding of process in order to plan the audit procedures. MPS is focused on the balance sheets and revenue and expense accounts, he stated.

Mr. Mehiel asked Ms. Gallo if she believed the audit, as described by Mr. Ruppel, appeared adequate. Ms. Gallo confirmed that the described audit is adequate.

Mr. Ruppel noted that the Authority is also utilizing an outside firm to function as its internal auditor. Mr. Serpico stated that the State Comptroller's office has also performed an audit of the Authority, but Management has not yet received the results.

Mr. Ruppel continued his presentation by explaining that the Authority has three significant estimates in its financial statements. These include the fair value of interest rate swaps, Other Post Employment Benefits ("OPEB") liability and expense and the recoverability period of project assets, he said. Ms. Gallo and Mr. Mehiel inquired as to employees' rights to

OPEB, specifically for those employees who leave the Authority to work for another entity. Mr. Serpico agreed to report back to the Audit Committee on the Authority's policies regarding post employment benefits. Mr. Mehiel said that an explanation of the policy should be circulated to all of the Authority's Members.

Mr. Ruppel continued by stating that in MPS' first year with the Authority, they made various recommendations regarding the Authority's depreciation schedules, which have since been implemented. Therefore, he said, MPS is pleased with the Authority's depreciation calculations.

Next, Mr. Ruppel stated that MPS will report on any disagreements with Management. He stated that he is required to make certain inquiries to the Audit and Finance Committee Members regarding fraud. He then asked all of the Members if they have any knowledge or suspicion of fraud at the Authority or of any activity under the Authority's whistleblower policy. Each Member individually answered, "No."

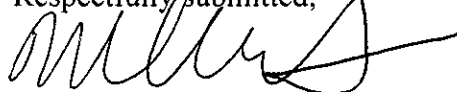
The Members inquired as to whether asking such questions in a public meeting, rather than Executive Session, is appropriate. After discussion, Ms. Taylor stated that there is no provision in New York State law that "allows the Board of a public entity to go into Executive Session for purposes of doing the pre-audit examination and presentation." Mr. Mehiel stated that it is very clear that the Open Meetings Law applies to Audit and Finance Committee meetings.

Mr. Ruppel explained that MPS will provide a report on any fraud or illegal acts or significant deficiencies or material weaknesses in internal control. He noted that MPS' technology comments are under review by Management. MPS is not aware of any consultation with other accountants, he stated, and then he affirmed that MPS is independent with respect to the Authority. He noted that the Authority hired a former MPS employee, but that employee started with the Authority before the audit started.

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There being no further business, upon a motion made by Mr. Branchini and seconded by Ms. Gallo, the meeting thereupon adjourned at 11:30 a.m.

Respectfully submitted,



Megan Churnetski
Assistant Corporate Secretary