A. Summary of Significant Accounting Policies

The accompanying basic financial statements of The City of New York (City or primary government) are presented in conformity with generally accepted accounting principles (GAAP) for governments in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The amounts shown in the "Primary Government" and "Component Units" columns of the accompanying government-wide financial statements are only presented to facilitate financial analysis and are not the equivalent of consolidated financial statements.

The following is a summary of the significant accounting policies and reporting practices of the City:

1. Reporting Entity

The City is a municipal corporation governed by the Mayor and the City Council. The City's operations also include those normally performed at the county level, and accordingly, transactions applicable to the operations of the five counties that comprise the City are included in these financial statements.

The financial reporting entity consists of the primary government and its Component Units which are legally separate organizations for which the primary government is financially accountable, and other legally separate organizations for which the primary government has determined, through the exercise of management's professional judgment, that inclusion of those organizations do not meet the financial accountability criteria, but are necessary to be included to prevent the reporting entity's financial statements from being misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for organizations that are fiscally dependent on the primary government if there is a potential for the organizations to provide specific financial benefits to the primary government or impose specific financial burdens on the primary government regardless of whether the organizations have separate elected governing boards, governing boards appointed by higher levels of government or jointly appointed boards. The City is financially accountable for all of its Component Units.

Most Component Units are included in the financial reporting entity by discrete presentation. Some Component Units, despite being legally separate from the primary government, are so integrated with the primary government that they are in substance part of the primary government. These Component Units are blended with the primary government.

The New York City Transit Authority is an affiliated agency of the Metropolitan Transportation Authority of the State of New York which is a Component Unit of New York State and is excluded from the City's financial reporting entity.

Blended Component Units

These Component Units, although legally separate, are reported as if they were part of the primary government because they all provide services exclusively to the City. They include the following:

New York City Transitional Finance Authority (TFA). TFA, a corporate governmental agency constituting a public benefit corporation and instrumentality of the State of New York was created in 1997 to assist the City in funding its capital program, the purpose of which is to maintain, rebuild, and expand the infrastructure of the City and to pay TFA's administrative expenditures.

In addition to State legislative authorization to issue Future Tax Secured Bonds for capital purposes for which TFA had issued its statutory limit of $13.5 billion as of June 30, 2007, in July 2009, authorizing legislation permits TFA to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. As of July 1, 2012, the City's and TFA's combined debt-incurring capacity was approximately $22.8 billion. TFA is also authorized to have outstanding Recovery Bonds of $2.5 billion to fund the City's costs related to and arising from events on September 11, 2001 at the World Trade Center. Further, legislation enacted in April 2006 enables TFA to have outstanding up to $9.4 billion of Building Aid Revenue Bonds (BARBs), notes, or other obligations for purposes of funding costs of the five-year educational facilities capital plan for the City school system and TFA's administrative expenditures. As of June 30, 2012, $5.31 billion of BARBs have been issued and are outstanding.

TFA does not have any employees; its affairs are administered by employees of the City and of another Component Unit of the City, for which TFA pays a management fee and overhead based on its allocated share of personnel and overhead costs.

TSASC, Inc. (TSASC). TSASC is a special purpose, local development corporation organized in 1999 under the not-for-profit corporation law of the State of New York. TSASC is an instrumentality of the City, but is a separate legal entity from the City.

Pursuant to a purchase and sale agreement with the City, the City sold to TSASC all of its future right, title, and interest in the tobacco settlement revenues (TSRs) under the Master Settlement Agreement and the Decree and Final Judgment. This settlement agreement resolved cigarette smoking-related litigation between the settling states and participating manufacturers, released the participating manufacturers from past and present smoking-related claims, and provides for a continuing release of future smoking-related claims in exchange for certain payments to be made to the settling states, as well as certain tobacco advertising and marketing restrictions, among other things. The City is allocated a share of the TSRs received by New York State. The future rights, title, and interest of the City to the TSRs were sold to TSASC.

The purchase price of the City's future right, title, and interest in the TSRs was financed by the issuance of a series of bonds and the Residual Certificate. Prior to the restructuring of TSASC's debt, the Residual Certificate represented the entitlement to receive all TSRs after payment of debt service, operating expenses, and certain other costs as set forth in the original Indenture.

Under the Amended and Restated Indenture dated January 1, 2006 (Indenture), the Residual Certificate represents the entitlement to receive all amounts in excess of specified percentages of TSRs and other revenues (Collections) used to fund debt service and operating expenses of TSASC. The Collections in excess of the specified percentages will be transferred to the TSASC Tobacco Settlement Trust (Trust), as owner of the Residual Certificate and then to the City as the beneficial owner of the Trust. The Indenture allows transfers to the Trust after December 6, 2007.

The Indenture provides that a specified percentage of Collections are pledged, and required to be applied to the payment of debt service and operating costs. That percentage is 37.40% and is subject to reduction at June 1, 2024, and at each June 1st thereafter, depending on the magnitude of cumulative bond redemptions under the turbo redemption feature of Series 2006-1 bonds (which requires all pledged Collections, after payment of operating costs, to be applied to payment of principal of and interest on Series 2006-1 bonds).

TSASC does not have any employees; its affairs are administered by employees of the City and of another Component Unit of the City, for which TSASC pays a management fee, rent, and overhead based on its allocated share of personnel and overhead costs.

New York City Educational Construction Fund (ECF). ECF was created in 1967 as a corporate governmental agency of the State of New York, constituting a public benefit corporation. ECF was established to develop combined occupancy structures containing school and nonschool portions. ECF was created by the Education Law of the State and is authorized to issue bonds, notes, or other obligations to finance the construction and improvement of elementary and secondary school buildings within the City.

New York City School Construction Authority (SCA). SCA is a public benefit corporation created by the New York State Legislature in 1988. SCA's responsibilities as defined in the enabling legislation, are the design, construction, reconstruction, improvement, rehabilitation and repair of the City's public schools. SCA is governed by a three-member Board of Trustees all of whom are appointed by the Mayor, which includes the Schools Chancellor of the City who serves as the Chairman.

SCA's operations are funded by appropriations made by the City which are guided by five-year capital plans, developed by the Department of Education (DOE) of the City. The City's appropriation for the five year capital plan for the fiscal years 2010 through 2014 is $11.01 billion.

SCA carries out certain projects funded by the City Council and Borough Presidents, pursuant to the City Charter.

As SCA represents a pass-through entity, in existence for the sole purpose of capital projects, all expenditures are capitalized into construction-in-progress except for pollution remediation expenditures. Upon completion of construction-in-progress projects, the assets are transferred to DOE.

Fiscal Year 2005 Securitization Corporation (FSC). FSC was established in 2004 as a special purpose, bankruptcy-remote, local development corporation organized under the not-for-profit corporation law of the State of New York. FSC is a financing instrumentality of the City, but is a separate legal entity from the City. FSC was formed for the purpose of issuing bonds, a major portion of the proceeds of $499 million of bonds issued in December 2004 was used to acquire securities held in an escrow account securing City general obligation bonds. The securities, which are held by the trustee for FSC, as they mature will fully fund the debt service and operational expenditures of FSC for the life of FSC's bonds.

FSC does not have any employees; its affairs are administered by employees of the City and of another Component Unit of the City, for which FSC pays a management fee and overhead based on its allocated share of personnel and overhead costs.

Sales Tax Asset Receivable Corporation (STAR). STAR is a special purpose, bankruptcy-remote, local development corporation organized under the not-for-profit corporation law of the State of New York in 2003. STAR is a financing instrumentality of the City, but is a separate legal entity from the City. STAR was created to issue debt ($2.55 billion of bonds was issued in November 2004) to finance the payment of principal, interest, and redemption premium (if any), on all outstanding bonds of Municipal Assistance Corporation for The City of New York (MAC), on all outstanding bonds of the City held by MAC, and to reimburse the City for amounts retained by MAC since July 1, 2003 for debt service. The payment of the outstanding MAC bonds results in the receipt by the City of tax revenues that would otherwise be paid to MAC for the payment of debt service on MAC's bonds. The foregoing was consideration for an assignment by the City of all of its rights and interest in the $170 million annual payment by the New York State Local Government Assistance Corporation which commenced with fiscal year 2004 and will terminate with fiscal year 2034 and which will be used for debt service on STAR bonds.

STAR does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which STAR pays a management fee and overhead based on its allocated share of personnel and overhead costs.

Hudson Yards Development Corporation (HYDC). HYDC, a local development corporation organized by the City under the not-for-profit corporation law of the State of New York, began operations in 2005 to manage and implement the City's economic development initiative for the development and redevelopment activities (Project) of the Hudson Yards area on the West Side of Manhattan (Project Area). HYDC is governed by a Board of thirteen Directors, a majority of whom are appointed by the Mayor. HYDC works with various City and State agencies and authorities and with private developers on the design and construction and implementation of the various elements of the Project, and to further private development and redevelopment of the Project Area.

Hudson Yards Infrastructure Corporation (HYIC). HYIC, a local development corporation organized by the City under the not-for-profit corporation law of the State of New York, began operations in 2005 for the purpose of financing certain infrastructure improvements in the Hudson Yards area on the West Side of Manhattan (Project). HYIC does not engage in development directly, but finances development spearheaded by HYDC and carried out by existing public entities. HYIC fulfills its purpose through the issuance of bonds to finance the Project, including the operations of HYDC, and to collect revenues, including payments in lieu of taxes and district improvement bonuses from private developers and appropriations from the City, to support its operations and pay principal and interest on its outstanding bonds. HYIC is governed by a Board of Directors elected by its five Members, all of whom are officials of the City. HYIC's Certificate of Incorporation requires the vote of an independent director as a condition to taking certain actions; the independent director would be appointed by the Mayor prior to any such actions.

HYIC does not have any employees; its affairs are administered by employees of the City and of another Component Unit of the City, for which HYIC pays a management fee and overhead based on its allocated share of personnel and overhead costs.

New York City Tax Lien Trusts (NYCTLTs). The NYCTLTs are Delaware statutory trusts which were created to acquire certain liens securing unpaid real estate taxes, water rents, sewer surcharges, and other charges payable to the City and the New York City Water Board in exchange for the proceeds from bonds issued by the NYCTLTs, net of reserves funded by the bond proceeds and bond issue costs. The City is the sole beneficiary to the NYCTLTs and is entitled to receive distributions from the NYCTLTs after payments to the bondholders and certain reserve requirements have been satisfied. The NYCTLTs do not have any employees. The NYCTLTs affairs are administered by the owner trustee, its program manager, tax lien servicer, paying agent and investment custodian.

The NYCTLTs are:

- NYCTLT 1998-2
- NYCTLT 2010-A
- NYCTLT 2011-A
- NYCTLT 2012-A

Discretely Presented Component Units

All discretely presented Component Units are legally separate from the primary government. These entities are reported as discretely presented Component Units because the City appoints a majority of these organizations' boards, is able to impose its will on them, or a financial benefit/burden situation exists.

The Component Units column in the government-wide financial statements include the financial data of these entities, which are reported in a separate column to emphasize that they are legally separate from the City. They include the following:

New York City Health and Hospitals Corporation (HHC). HHC, a public benefit corporation, assumed responsibility for the operation of the City's municipal hospital system in 1970. HHC's integrated health care networks provide the full continuum of care—primary and specialty care, inpatient acute, outpatient, long-term care, and home health services—under a single medical and financial management structure.

HHC's financial statements include the accounts of HHC and its blended Component Units, MetroPlus Health Plan, Inc., HHC Insurance Company, Inc., HHC Capital Corporation, and a closely affiliated not-for-profit corporation, The HHC Foundation of New York City, Inc. As of July 1, 2011, HHC dissolved the HHC Foundation of New York City, Inc. while continuing to coordinate and conduct activities consistent with the charitable purposes and mission of the Foundation.

HHC mainly provides, on behalf of the City, comprehensive medical and mental health services to City residents regardless of ability to pay. Funds appropriated from the City are payments, either directly or indirectly, for services rendered by HHC. The City pays for patient care rendered to prisoners, uniformed City employees, and various discretely funded facility-specific programs. HHC records both a revenue and an expense in an amount equal to expenditures made on its behalf by the City which includes settlements of claims for medical malpractice, negligence, other torts, and alleged breach of contracts, as well as other HHC costs including interest on City debt which funded HHC capital acquisitions. HHC reimburses the City for medical malpractice settlements it pays on behalf of HHC, up to an agreed upon amount to be negotiated each year.

New York City Housing Development Corporation (HDC). HDC, a corporate governmental agency constituting a public benefit corporation of the State of New York was established in 1971 to encourage private housing development by providing low interest mortgage loans. The combined financial statements include: (i) the accounts of HDC and (ii) two active discretely presented Component Units: Housing Assistance Corporation and the New York City Residential Mortgage Insurance Corporation. Also, HDC includes the Housing New York Corporation which became an inactive subsidiary of HDC on November 3, 2003 and is not expected to be dissolved and the NYC HDC Real Estate Owned Corporation which was established as a subsidiary of HDC on September 20, 2004 and during HDC's last fiscal year, there was no activity by this subsidiary. It is treated as a blended component of HDC. To accomplish its objectives, HDC is empowered to finance housing through new construction or rehabilitation and to provide permanent financing for multi-family residential housing. HDC finances significant amounts of its activities through issuance of bonds and notes. The bonds and notes of HDC are not debts of either the State or the City. HDC has a fiscal year ending October 31.

New York City Housing Authority (HA). HA is a public benefit corporation chartered in 1934 under the New York State Public Housing Law. HA develops, constructs, manages, and maintains low cost housing for eligible low income families in the City. HA also maintains a leased housing program which provides housing assistance payments to families.

Substantial operating losses result from the essential services that HA provides, and such operating losses will continue in the foreseeable future. To meet the funding requirements of these operating losses, HA receives subsidies from: (a) the Federal government, primarily the U.S. Department of Housing and Urban Development, in the form of annual grants for operating assistance, debt service payments, contributions for capital, and reimbursement of expenditures incurred for certain Federal housing programs; (b) New York State in the form of debt service and capital payments; and (c) the City in the form of debt service and capital payments. Subsidies are established through budgetary procedures which establish amounts to be funded by the grantor agencies.

New York City Industrial Development Agency (IDA). IDA is a public benefit corporation established in 1974 to actively promote, retain, attract, encourage, and develop an economically sound commerce and industry base to prevent unemployment and economic deterioration in the City. IDA assists industrial, commercial, and not-for-profit organizations in obtaining long-term, low-cost financing for Capital Assets through a financing transaction which includes the issuance of double and triple tax-exempt industrial development bonds (IDBs). The participating organizations, in addition to satisfying legal requirements under IDA's governing laws, must meet certain economic development criteria, the most important of which is job creation and/or retention. In addition, IDA assists participants who do not qualify for IDBs through a "straight lease" structure. The straight lease also provides tax benefits to the participants without having to issue IDBs or otherwise take part in the participants' financing. Whether IDA issues IDBs or merely enters into a straight lease, IDA may provide one or more of the following tax benefits: exemption from mortgage recording tax; payments in lieu of real property tax that are less than full taxes; and exemption from City and State sales and use taxes as applied to construction materials, machinery and equipment. In addition to IDB financing, IDA also issued tax exempt payments in lieu of property taxes revenue bonds, taxable rental revenue bonds, taxable installment purchase bonds and taxable lease revenue bonds in connection with the construction of the new Yankee Stadium and Citi Field. IDA is governed by a Board of Directors, which establishes official policies and reviews and approves requests for financing assistance. Its membership is prescribed by statute and includes public officials and private business leaders.

New York City Economic Development Corporation (EDC). EDC was formed in 1991 as a result of the merger of two not-for-profit corporations that performed economic development services for the City. EDC is a local development corporation organized according to the not-for-profit corporation law of the State of New York. EDC's financial statements include the accounts of EDC and its Component Unit, Apple Industrial Development Corporation. EDC renders a variety of services and administers certain economic development programs on behalf of the City relating to attraction, retention, and expansion of commerce and industry in the City. These services and programs include encouragement of construction, acquisition, rehabilitation, and improvement of commercial and industrial enterprises within the City, and provision of grants to qualifying business enterprises as a means of helping to create and retain employment therein.

Business Relocation Assistance Corporation (BRAC). BRAC is a not-for-profit corporation incorporated in 1981 according to the not-for-profit corporation law of the State of New York for the purpose of implementing and administering the Relocation Incentive Program (RIP) and other related programs. BRAC provides relocation assistance to qualifying commercial and manufacturing firms moving within the City.

The funds for RIP were provided by owners/developers of certain residential projects which caused the relocation of commercial and manufacturing businesses previously located at those sites. These funds consisted of conversion contributions or escrow payments mandated by the City's Zoning Resolution for this type of development. The ability of BRAC to extract fees for residential conversion ended as of January 1, 1998 per the Zoning Resolution.

As required by the Zoning Resolution, developers/owners of specific City properties needed to pay a conversion contribution (BRAC payment) in order to receive a building permit for the conversion of space from commercial to residential use. As stipulated by the Zoning Resolution, in the event that such conversion resulted in the displacement of industrial and/or commercial firms located within the City, the developer was required to establish an escrow account for each business displaced. The funds were released to the displaced firm once eligible relocation had taken place.

Conversion contributions were deposited to the BRAC fund in the event that a displaced firm did not relocate within the City. In addition, if the space to be converted was vacant for less than five years, the conversion contribution was made directly to the BRAC fund.

All conversion contributions received by BRAC are restricted for the use of administering industrial retention/relocation programs consistent with the Zoning Resolution. One such program, the Industrial Relocation Grant Program, provides grants up to $30,000 to eligible New York City manufacturing firms to defray their moving costs. Grants are paid as reimbursement of moving costs after a firm completes its relocation. This program will continue to operate only with the current accumulated net assets now available.

In fiscal year 2007, BRAC had received $1.5 million in contributions from EDC to administer the Greenpoint Relocation Program. This program is intended to help defray relocation costs for those manufacturing and industrial firms that may need to relocate due to the rezoning of the Greenpoint-Williamsburg area of Brooklyn by providing for maximum grants of $50,000. As of June 30, 2012, the BRAC fund was valued at $.06 million, and grants for both Industrial Relocation Grant and Greenpoint Relocation Program will be available until funds are exhausted.

Brooklyn Navy Yard Development Corporation (BNYDC). BNYDC was organized in 1966 as a not-for-profit corporation according to the not-for-profit corporation law of the State of New York. The primary purpose of BNYDC is to provide economic rehabilitation in Brooklyn, to revitalize the economy, and create job opportunities. In 1971, BNYDC leased the Brooklyn Navy Yard from the City for the purpose of rehabilitating it and attracting new businesses and industry to the area. That lease was amended, restated and the term extended by a lease commencing July 1, 2012. The Mayor appoints the majority of the members of the Board of Directors.

New York City Water Board (Water Board) and New York City Municipal Water Finance Authority (Water Authority). The Water and Sewer System (NYW), consisting of two legally separate and independent entities, the Water Board and the Water Authority began operations in 1985. NYW provides for water supply and distribution, and sewage collection, treatment, and disposal for the City. The Water Authority was established to issue debt to finance the cost of capital improvements to the water distribution and sewage collection system, and to refund any and all outstanding bonds and general obligation bonds of the City issued for water and sewer purposes. The Water Board was established to lease the water distribution and sewage collection system from the City and to establish and collect rates, fees, rents, and other charges for the use of, or for services furnished, rendered, or made available by the water distribution and sewage collection system to produce cash sufficient to pay debt service on the Water Authority's bonds and to place NYW on a self-sustaining basis. The physical operation and capital improvements of NYW are performed by the New York City Department of Environmental Protection (DEP) subject to contractual agreements with the Water Board and Water Authority.

WTC Captive Insurance Company, Inc. (WTC Captive). WTC Captive is a not-for-profit corporation incorporated in the State of New York in 2004 in response to the events of September 11, 2001. WTC Captive was funded with $999.9 million in funds by the Federal Emergency Management Agency (FEMA) and used this funding to support issuance of a liability insurance contract that provides specified coverage (general liability, environmental liability, professional liability, and marine liability) against certain third-party claims made against the City and approximately 145 contractors and subcontractors working on the City's FEMA-funded debris removal project at the World Trade Center site or the Fresh Kills landfill during the 'exposure period' from September 11, 2001 to August 30, 2002. Coverage is provided on both an excess of loss and first dollar basis, depending on the line of coverage. WTC Captive has a calendar year-end.

New York City Capital Resource Corporation (CRC). CRC is a local development corporation organized in 2006 under the not-for-profit corporation law of the State of New York to assist qualified not-for-profit institutions, small manufacturing companies, and other entities eligible under the Federal tax laws in obtaining tax-exempt bond financing. CRC is a conduit bond issuer for the Recovery Zone Facility Bonds, which were allocated to the City to spur construction projects that have been unable to get traditional financing due to the current capital market. The ability to issue tax-exempt Recovery Zone Facility Bonds expired December 31, 2010. Until January 2008, CRC issued tax-exempt bonds for not-for-profit organizations' capital projects through the Loan Enhanced Assistance Program (LEAP). LEAP's goal was to facilitate access to private activity tax-exempt bond financing for qualified borrowers by simplifying the transaction structure, standardizing the required documentation, and achieving greater efficiency in marketing the tax-exempt debt. However, LEAP is not currently available due to the continued suspension of a portion of the State of New York law governing industrial development activities.

CRC is a self-supporting entity and operates in a manner similar to a private business. CRC is governed by a Board of Directors, which establishes official policies and reviews and approves requests for financing assistance. Its membership is prescribed by statute and includes public officials and private business leaders.

Brooklyn Bridge Park Corporation (BBPC). BBPC is a not-for-profit corporation incorporated in the State of New York in 2010. BBPC was formed for the purposes of lessening the burdens of government by further developing and enhancing the economic vitality of the Brooklyn waterfront through the development, operation and maintenance of a renovated waterfront area, including a public park, which serves the people of the New York City region. BBPC is responsible for the planning, construction, maintenance and operation of Brooklyn Bridge Park, an 85 acre sustainable water front park stretching 1.3 miles along Brooklyn's East River shoreline. The majority of BBPC's funding will come from a limited number of revenue-generating development sites while a small fraction of the required operations and maintenance funds will be collected from concessions located throughout the park. BBPC is governed by a 17-member Board of Directors appointed by the Mayor, the Governor of New York State and local elected officials.

Governors Island Corporation, doing business as **The Trust for Governors Island (TGI).** TGI is a not-for-profit corporation incorporated in the State of New York in 2010. TGI was formed for the purposes of lessening the burdens of government by providing the planning, preservation, redevelopment and ongoing operations and maintenance of approximately 150 acres of Governors Island plus surrounding lands underwater, and is located in the Borough of Manhattan. TGI's mission is to transform Governors Island into a destination with great public open space, as well as educational, not-for-profit, and commercial facilities. TGI is breaking ground on 30 acres of new park space scheduled to open in 2013 and proceeding with an ambitious infrastructure program to ready the Island for expanded tenancy and activity. TGI receives funding from the City and State of New York. TGI is governed by a 13-member Board of Directors appointed by the Mayor, the Governor of the State of New York and local elected officials.

New York City Energy Efficiency Corporation (EEC). EEC is a not-for-profit corporation incorporated in the State of New York in 2010 whose purpose is to further the City's greenhouse gas reduction plans by facilitating energy efficient investments by private building owners across all building types in the five boroughs through the provisions of energy efficiency financing products.

To achieve its mission, EECs strategic plan includes the following goals: (1) develop in-house capabilities that will permit EEC to play a critical role in catalyzing retrofit financing markets, (2) pilot various financing products that demonstrate energy efficiency is a commercially viable investment that can be financed in various private building sectors that are significant from the perspective of the City's greenhouse gas emissions reduction goals and (3) develop a non-profit organization with a business model that can become financially self-sustaining over time without excessive reliance on grant funding.

EEC is developing core in-house capabilities to make construction and permanent loans, provide credit enhancement, and manage both energy efficient retrofit technical and real estate finance risk. EEC is engaged in educating various lending organizations about opportunities to finance energy efficient projects while encouraging best practices with respect to retrofit implementation and ongoing performance monitoring.

EEC's activities are funded through two Federal grants awarded to the City under the Energy Efficient and Conservation Block Grant provisions of the American Recovery and Reinvestment Act of 2009. EECS activities are further funded through several philanthropic grants that EEC was awarded in fiscal year 2012. EEC is governed by a 9-member Board of Directors and its membership includes public officials and private business leaders. Each Director was appointed by the Mayor.

Build NYC Resource Corporation (Build NYC). Build NYC is a local development corporation that commenced operation on November 4, 2011 and was organized to assist qualified not-for-profit institutions and other entities eligible under the Federal tax laws in obtaining tax-exempt bond and taxable bond financing under the New York Not-for-Profit Corporation Law. Build NYC's primary goal is to facilitate access to private activity tax-exempt bond financing for not-for-profit institutions to acquire, construct, renovate, and/or equip their facilities.

Build NYC is governed by a Board of Directors, which establishes official policies and reviews and approves requests for financing assistance. Its membership includes public officials and appointees of the Mayor.

Note: These Component Units publish separate annual financial statements which are available at: Office of the Comptroller, Bureau of Accountancy—Room 200 South, 1 Centre Street, New York, New York 10007-2341.

2. Basis of Presentation

Government-wide Statements: The government-wide financial statements (*i.e.,* the statement of net assets and the statement of activities) display information about the primary government and its Component Units. These statements include the financial activities of the overall government except for fiduciary activities. Eliminations of internal activity have been made in these statements. The primary government is reported separately from certain legally separate Component Units for which the primary government is financially accountable. All of the activities of the City as primary government are governmental activities.

The statement of activities presents a comparison between direct expenses, which include allocated indirect expenses, and program revenues for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (i) charges for services such as rental revenue from operating leases on markets, ports, and terminals and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other revenues, not properly included among program revenues, are reported as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended Component Units. Separate statements for the governmental and fiduciary fund categories are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, fiduciary, and proprietary. Except for proprietary (the only organizations that would be categorized as proprietary funds are reported as Component Units), each category, in turn, is divided into separate "fund types."

The City reports the following major governmental funds:

General Fund. This is the general operating fund of the City. Substantially all tax revenues, Federal and State aid (except aid for capital projects), and other operating revenues are accounted for in the General Fund. This fund also accounts for expenditures and transfers as appropriated in the expense budget, which provides for the City's day-to-day operations, including transfers to Debt Service Funds for payment of long-term liabilities. The fund balance in the General Fund is reported as nonspendable.

Capital Projects Fund. This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. Resources of the Capital Projects Fund are derived principally from proceeds of City and TFA bond issues, payments from the Water Authority, and from Federal, State, and other aid.

General Debt Service Fund. This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. This fund, required by State legislation on January 1, 1979, is administered and maintained by the State Comptroller into which payments of real estate taxes and other revenues are deposited in advance of debt service payment dates. Debt service on all City notes and bonds is paid from this fund.

Nonmajor Governmental Funds. The City reports the following blended Component Units within the nonmajor governmental funds: **TFA, TSASC, ECF, SCA, FSC, STAR, HYDC, HYIC** and the **NYCTLTs**. If a Component Unit is blended, the governmental fund types of the Component Unit should be blended with those of the primary government by including them in the appropriate combining statements of the primary government. Although the primary government's General Fund is usually the main operating fund of the reporting entity, the General Fund of a blended component should be reported as a Special

Revenue Fund. Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Additionally, the City reports the following fund types:

Fiduciary Funds

The Fiduciary Funds are used to account for assets and activities when a governmental unit is functioning either as a trustee or an agent for another party. They include the following:

The **Pension and Other Employee Benefit Trust Funds** account for the operations of:

- New York City Employees' Retirement System (NYCERS)
- Teachers' Retirement System of the City of New York Qualified Pension Plan (TRS)
- New York City Board of Education Retirement System Qualified Pension Plan (BERS)
- New York City Police Pension Fund (POLICE)
- New York City Fire Pension Fund (FIRE)
- New York City Police Department Police Officers' Variable Supplements Fund (POVSF)
- New York City Police Department Police Superior Officers' Variable Supplements Fund (PSOVSF)
- New York City Fire Department Firefighters' Variable Supplements Fund (FFVSF)
- New York City Fire Department Fire Officers' Variable Supplements Fund (FOVSF)
- New York City Transit Police Officers' Variable Supplements Fund (TPOVSF)
- New York City Transit Police Superior Officers' Variable Supplements Fund (TPSOVSF)
- New York City Housing Police Officers' Variable Supplements Fund (HPOVSF)
- New York City Housing Police Superior Officers' Variable Supplements Fund (HPSOVSF)
- New York City Correction Officers' Variable Supplements Fund (COVSF)
- Deferred Compensation Plan for Employees of The City of New York and Related Agencies and Instrumentalities (DCP/457 Plan)
- Deferred Compensation Plan for Employees of The City of New York and Related Agencies and Instrumentalities (DCP/401(k) Plan)
- Deferred Compensation Plan for Certain Employees of The City of New York and Related Agencies and Instrumentalities (DCP/401(a) Plan)
- New York City Employee Individual Retirement Account (NYCE IRA/408(q) IRA)
- The New York City Other Postemployment Benefits Plan (PLAN)

Note: These Fiduciary Funds publish separate annual financial statements which are available at: Office of the Comptroller, Bureau of Accountancy—Room 200 South, 1 Centre Street, New York, New York 10007-2341.

These funds use the accrual basis of accounting and a measurement focus on the periodic determination of additions, deductions, and net assets held in trust for benefit payments.

The **Agency Funds** account for miscellaneous assets held by the City for other funds, governmental units, and individuals. The Agency Funds are custodial in nature and do not involve measurement of results of operations.

Discretely Presented Component Units

The discretely presented major Component Units consist of **HHC, HDC, HA, EDC** and **NYW.** The discretely presented nonmajor components units consist of **IDA, BRAC, BNYDC, WTC Captive, CRC, BBPC, TGI, EEC** and **Build NYC**. These activities are accounted for in a manner similar to private business enterprises, in which the focus is on the periodic determination of revenues, expenses, and net income.

New Accounting Standards Adopted

In fiscal year 2012, the City adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

—Statement No. 61 *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*

—Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

—Statement No. 64 *Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53*

Statement No. 61, modifies certain requirements for inclusion of Component Units in the financial reporting entity.

For organizations that previously were required to be included as Component Units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and the organization for it to be included in the reporting entity as a Component Unit. For organizations that do not meet the financial accountability criteria for inclusion as Component Units, but should be included because the primary government's management determines that it would be misleading to exclude them, the Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. For Component Units that currently are blended based on "substantively the same governing body" criterion, the Statement requires that the primary government and the Component Unit have a financial benefit or burden relationship or management of the primary government has operational responsibility of the activities of the Component Unit. New criteria also are added to require blending of Component Units whose total debt outstanding is expected to be repaid almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a Blended Component Unit have the same financial reporting requirements as a fund of the primary government. Reporting guidance is provided for blending a Component Unit if the primary government is a business-type activity that uses a single column presentation for financial reporting. The Statement requires a primary government to report its equity interest in a Component Unit as an asset.

As a result of the analysis performed by the City in the course of implementing GASB 61, a managerial decision was made to change the reporting of the NYCTLTs. The effect on the financial statements is to report the NYCTLTs as Blended Component Units of the City. They were formerly reported as Other Trust Funds. For the government-wide financial statements, the financial reporting impact of this change is an increase of $150 million to "Net assets" in the *Statement of Net Assets*, and a decrease of $10.9 million to the "Change in net assets" in the *Statement of Activities*. For the funds financial statements, the financial reporting impact is an increase of $62.4 million to "Fund balance" in the *Balance Sheet* and a decrease of $20 million to the "Net change in fund balance" in the *Statement of Revenues, Expenditures, and Changes in Fund Balance*.

The objective of **Statement No. 62**, is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30,1989, which do not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure

The Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Propriety Funds and Other Governmental Entities That Use Proprietary Fund Accounting.* Those entities who chose to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements can continue to apply those pronouncements as other accounting literature. There was no impact on the City's Financial Statements as a result of the implementation of Statement No. 62.

GASB issued **Statement No. 64** clarifies whether an effective hedge relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. There was no impact on the City's Financial Statements as a result of the implementation of Statement No. 64.

3. Basis of Accounting

The basis of accounting determines when transactions are reported on the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City either gives or receives value without directly receiving or giving equal value in exchange, include sales and income taxes, property taxes, grants, entitlements, and donations which are recorded on the accrual basis of accounting. Revenues from sales and income taxes are recognized when the underlying exchange transaction takes place.

Revenues from property tax are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund types use the flow of current financial resources measurement focus. This focus is on the determination of, and changes in financial position, and generally only current assets and current liabilities are included on the balance sheet. These funds use the modified accrual basis of accounting, whereby revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Revenues from taxes are generally considered available if received within two months after the fiscal year-end. Revenues from categorical and other grants are generally considered available if received within one year after the fiscal year-end. Expenditures are recorded when the related liability is incurred and payment is due, except for principal and interest on long-term debt and certain estimated liabilities which are recorded only when payment is due.

The measurement focus of the Pension and Other Employee Benefit Trust Funds and Other Trust Funds is on the flow of economic resources. This focus emphasizes the determination of net income, changes in net assets, and financial position. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. These funds use the accrual basis of accounting whereby revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred. The Pension Trust Funds' contributions from members are recorded when the employer makes payroll deductions from Plan members. Employer contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

The Agency Funds use the accrual basis of accounting and do not measure the results of operations.

4. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the General Fund during the fiscal year to control expenditures. The cost of those goods received and services rendered on or before June 30 are recognized as expenditures. Encumbrances not resulting in expenditures by year-end, lapse.

5. Cash and Investments

The City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

The average balances maintained during fiscal years 2012 and 2011 were approximately $705 million and $315 million, respectively.

Investments are reported in the balance sheet at fair value. Investment income, including changes in the fair value of investments, is reported in operations.

Investments in fixed income securities are recorded at fair value. Securities purchased pursuant to agreements to resell are carried at the contract price, exclusive of interest, at which the securities will be resold.

Investments of the Pension and Other Employee Benefit Trust Funds and Other Trust Funds are reported at fair value. Investments are stated at the last reported sales price on a national securities exchange or as priced by a nationally recognized securities pricing service as on the last business day of the fiscal year except for securities held as alternative investments where fair value is determined by the general partners of the partnerships the funds are invested in, and other experts with this asset class.

A description of the City's Fiduciary Funds securities lending activities in fiscal years 2012 and 2011 is included in Deposits and Investments (see Note D.1.).

6. Inventories

Inventories on hand at June 30, 2012 and 2011, estimated at $285 million and $297 million, respectively, based on average cost, have been reported on the government-wide statement of net assets. Inventories are recorded as expenditures in governmental funds at the time of purchase, and accordingly have not been reported on the governmental funds balance sheet.

7. Restricted Cash and Investments

Certain proceeds of the City and Component Unit bonds, as well as certain resources set aside for bond repayment, are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants. None of the government-wide statement of net assets is restricted by enabling legislation.

8. Capital Assets

Capital assets and improvements include all land, buildings, equipment (including software), water distribution and sewage collection system, and other elements of the City's infrastructure having an initial minimum useful life of five years, having a cost of more than $35 thousand, and having been appropriated in the Capital Budget (see Note C.1.). Capital assets which are used for general governmental purposes and are not available for expenditure are accounted for and reported in the government-wide financial statements. These statements also contain the City's infrastructure elements that are now required to be capitalized under GAAP. Infrastructure elements include the roads, bridges, curbs and gutters, streets and sidewalks, park land and improvements, piers, bulkheads and tunnels. The capital assets of the water distribution and sewage collection system are recorded in the Water and Sewer System Component Unit financial statements under a lease agreement between the City and the Water Board.

Capital assets are generally stated at historical cost, or at estimated historical cost based on appraisals or on other acceptable methods when historical cost is not available. Donated capital assets are stated at their fair market value as of the date of the donation. Capital leases are classified as capital assets in amounts equal to the lesser of the fair market value or the present value of net minimum lease payments at the inception of the lease (see Note D.3.).

Accumulated depreciation and amortization are reported as reductions of capital assets. Depreciation is computed using the straight-line method based upon estimated useful lives of generally 25 to 50 years for new construction, 10 to 25 for betterments and/or reconstruction, 5 to 15 years for equipment (including software) and 15 to 40 years for infrastructure. Capital lease assets and leasehold improvements are amortized over the term of the lease or the life of the asset, whichever is less.

9. Allowance for Uncollectible Mortgage Loans

Mortgage loans and interest receivable in the Nonmajor Governmental Funds is net of an allowance for uncollectible amounts of $327 million and $322 million for fiscal years 2012 and 2011, respectively. The allowance is composed of the balance of refinanced first lien mortgages one or more years in arrears when payments to the City are expected to be completed between the years 2013 and 2022. Based on the allowance criteria, the receivable has been fully reserved.

10. Vacation and Sick Leave

Earned vacation and sick leave is recorded as an expenditure in the period when it is payable from current financial resources in the fund financial statements. The estimated value of vacation leave earned by employees which may be used in subsequent years or earned vacation and sick leave paid upon termination or retirement, and therefore payable from future resources, is recorded as a liability in the government-wide financial statements.

11. Judgments and Claims

The City is uninsured with respect to risks including, but not limited to, property damage, personal injury, and workers' compensation. In the fund financial statements, expenditures for judgments and claims (other than workers' compensation and condemnation proceedings) are recorded on the basis of settlements reached or judgments entered within the current fiscal year. Expenditures for workers' compensation are recorded when paid. Settlements relating to condemnation proceedings are reported when the liability is estimable. In the government-wide financial statements, the estimated liability for all judgments and claims is recorded as a noncurrent liability.

12. Long-Term Liabilities

For long-term liabilities, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. All long-term liabilities are reported in the government-wide financial statement of net assets. Long-term liabilities expected to be financed from discretely presented Component Unit operations are accounted for in those Component Unit financial statements.

13. Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2012, classified by type, and the changes in fair value of such derivative instruments for the fiscal year then ended as reported in the 2012 financial statements are as follows:

		Changes in Fair Value from June 30, 2011		Fair Value at June 30, 2012		
Item		Classification	Amount	Classification	Amount	Notional
			(in thousands)			
Governmental activities						
Cash flow Hedges:						
A	Pay-Fixed interest rate swap	Deferred Outflow	$ (9,397)	Debt	$(32,748)	$200,000
B	Pay-Fixed interest rate swap	Deferred Outflow	(3,133)	Debt	(10,917)	66,667
C	Pay-Fixed interest rate swap	Deferred Outflow	(3,133)	Debt	(10,917)	66,667
D	Pay-Fixed interest rate swap	Deferred Outflow	(3,133)	Debt	(10,917)	66,667
H	Pay-Fixed interest rate swap	Deferred Outflow	(52,025)	Debt	(84,481)	350,000
J	Pay-Fixed interest rate swap	Deferred Outflow	(1,163)	Debt	(1,499)	50,000
L	Pay-Fixed interest rate swap	Deferred Outflow	(1,785)	Debt	(2,153)	44,145
Investment derivative instruments:						
E	Pay-Fixed interest rate swap	Investment Revenue	(9,195)	Investment	(24,617)	134,300
F	Pay-Fixed interest rate swap	Investment Revenue	649	Investment	(601)	17,770
G	Basis Swap	Investment Revenue	3,915	Investment	(9,121)	542,790
K	Basis Swap	Investment Revenue	3,450	Investment	(29,929)	500,000

On December 15, 2011 derivative instrument I, which was a $500 million pay-variable interest rate swap, deferred inflow, was terminated as scheduled and the City received a termination payment of $18.708 million.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swaps.

Hedging Derivative Instruments

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2012, along with the credit rating of the associated counterparty. Regarding derivative instruments where the counterparty is unrated, the rating provided is of the counterparty's guarantor.

Item	Type	Objective	Notional Amount (in thousands)	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
A	Pay-Fixed interest rate swap	Hedge of changes in cash flows on the 2003 Series C, D and E bonds	$ 200,000	11/13/2002	8/1/2020	3.269%; receive 62.8% of USD-LIBOR-BBA	A+/Aa3
B	Pay-Fixed interest rate swap	Hedge of changes in cash flows on the 2003 Series C, D and E bonds	66,667	11/13/2002	8/1/2020	3.269%; receive 62.8% of USD-LIBOR-BBA	A-/Baa2*
C	Pay-Fixed interest rate swap	Hedge of changes in cash flows on the 2003 Series C, D and E bonds	66,667	11/13/2002	8/1/2020	3.269%; receive 62.8% of USD-LIBOR-BBA	A-/Baa1*
D	Pay-Fixed interest rate swap	Hedge of changes in cash flows on the 2003 Series C, D and E bonds	66,667	11/13/2002	8/1/2020	3.269%; receive 62.8% of USD-LIBOR-BBA	A/A2
H	Pay-Fixed interest rate swap	Hedge of changes in cash flows on the 2004 Series A and B bonds	350,000	7/14/2003	8/1/2031	2.964%; receive 61.85% of USD-LIBOR-BBA	AA-/Aa3
J	Pay-Fixed interest rate swap	Hedge of changes in cash flows on the 2005 Series A and B bonds	50,000	7/29/2004	8/1/2014	Pay 4.01%/4.12%; receive CPI + .80% for 2013 maturity/CPI +.90% for 2014 maturity	A-/Baa1*
L	Pay-Fixed interest rate swap	Hedge of changes in cash flows on the 2005 Series J, K, and L Bonds	44,145	3/3/2005	8/1/2017	Pay 4.55%/4.63%/4.71%; receive CPI +1.50% for 2015 maturity/CPI +1.55% for 2016 maturity/ CPI +1.60% for 2017 maturity	A+/Aa3

* Counterparty is unrated. Ratings are of counterparty's guarantor.
LIBOR: London Interbank Offered Rate Index
CPI: Consumer Price Index

Risks

<u>Credit risk:</u> The City is exposed to credit risk on hedging derivative instruments. To minimize its exposure to loss related to credit risk, it is the City's policy to require counterparty collateral posting provisions in its hedging derivative instruments. These terms require full collateralization of the fair value of hedging derivative instruments (net of the effect of applicable threshold requirements and netting arrangements) should the counterparty's credit rating fall below the following:

Each of the counterparties with respect to derivative instruments B and D (or its respective guarantor) is required to post collateral if its credit rating goes below A3/A-. The counterparty with respect to derivative instruments C and J (or its respective guarantor) is required to post collateral if all of its credit ratings go below the double-A category and will also post collateral if it has at least one rating below A2 or A. The counterparty with respect to derivative instruments A and L is required to post collateral if it has at least one rating below the double-A category. The counterparty with respect to derivative instrument H is required to post collateral if its credit ratings goes below A2/A. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The City has never been required to access collateral.

It is the City's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, closeout netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

The aggregate fair value of hedging derivative instruments requiring collateralization at June 30, 2012 was $(153.632) million.

Interest rate risk: The City is exposed to interest rate risk on its swaps. On its pay-fixed, receive-variable interest rate swaps, as LIBOR or the Consumer Price Index decreases, the City's net payment on the swaps increases.

Basis risk: The City is exposed to basis risk on its pay-fixed interest rate swaps because the variable-rate payments received by the City on these hedging derivative instruments are based on a rate or index other than interest rates the City pays on its hedged variable-rate debt, which is remarketed either daily or weekly. Under the terms of its synthetic fixed rate swap transactions, the City pays a variable rate on its bonds based on SIFMA but receives a variable rate on the swaps based on a percentage of LIBOR.

Tax risk: The City is at risk that a change in Federal tax rates will alter the fundamental relationship between the SIFMA and LIBOR Indices. A reduction in Federal tax rates, for example, will likely increase the City's payment on its underlying variable rate bonds in the synthetic fixed rate transactions and its variable payer rate in the basis swaps.

Termination risk: The City or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. The City is at risk that a counterparty will terminate a swap at a time when the City owes it a termination payment. The City has mitigated this risk by specifying that the counterparty has the right to terminate only as a result of certain events, including: a payment default by the City; other City defaults which remain uncured for 30 days after notice; City bankruptcy; insolvency of the City (or similar events); or a downgrade of the City's credit rating below investment grade (i.e., BBB-/Baa3). If at the time of termination, a hedging derivative instrument is in a liability position, the City would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements, if applicable.

Counterparty risk: The City is at risk that a counterparty (or its guarantor) will not meet its obligations under the swap. If a counterparty were to default under its agreement when the counterparty would owe a termination payment to the City, the City may have to pay another entity to assume the position of the defaulting counterparty. The City has sought to limit its counterparty risk by contracting only with highly rated entities or requiring guarantees of the counterparty's obligations under the swap documents.

Rollover risk: The City is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, the City will be re-exposed to the risks being hedged by the hedging derivative instrument.

Contingencies

All of the City's derivative instruments include provisions that require the City to post collateral in the event its credit rating falls below Baa1 (Moody's) or BBB+ (Standard & Poor's) for derivative instruments A, B, C, D, E, F, G, J, K, and L; or below Baa3 (Moody's) or BBB- (Standard & Poor's) for derivative instrument H. The collateral posted is to be in the form of cash, U.S. Treasury securities, or specified Agency securities in the amount equal to (in the form of cash) or greater than (in the form of securities) the fair value of derivative instruments in liability positions net of the effect of applicable netting arrangements and applicable thresholds. If the City does not post collateral, the derivative instrument may be terminated by the counterparty. At June 30, 2012, the aggregate fair value of all derivative instruments with these collateral posting provisions is $(217,901) million. If the collateral posting requirements were triggered at June 30, 2012, based on ratings of Baa3 or BBB-, the City would be required to post $121.32 million in collateral to its counterparties based on posting cash. The collateral requirements would be $217.82 million for ratings below Baa3 or BBB- based on posting cash. The City's credit rating as of June 30, 2012 was Aa2 (Moody's) and AA (Standard & Poor's); therefore, no collateral has been posted as of that date.

Swap Collateral Requirements upon a Rating Downgrade of the City[1]

Counterparty/Swap	Fair Value[2] as of June 30, 2012	Collateral Threshold at Baa2/BBB to Baa3/BBB-[3]	Collateral Amount[4]	Collateral Threshold below Baa3/BBB-	Collateral Amount[5]
			(in thousands)		
JP Morgan Chase Bank, N.A.	$ (64,831)	3,000	$ 61,800	—	$ 64,800
Merrill Lynch Capital Services, Inc.	(10,917)	3,000	7,917	—	10,917
Morgan Stanley Capital Services, Inc.	(21,537)	3,000	18,500	—	21,500
UBS AG	(36,134)	3,000	33,100	—	36,100
Wells Fargo Bank, NA	(84,481)	Infinity	—	—	84,500
Total Fair Value	$(217,900)		$121,317		$217,817

(1) All of the City's swap counterparties have agreements that collateral is to be posted by the City if the City were to owe a termination payment and its ratings fall below a certain level. The collateral amount is the counterparty's exposure, based on the market value of the swap, less a "threshold" amount. The threshold amount varies from infinity for higher rating levels to zero for lower rating levels. The threshold amount cannot be less than zero and a threshold amount of infinity would always result in no collateral being required regardless of the market value.

(2) A negative value means the City would owe a termination payment.

(3) A downgrade of the City to either Baa2 (Moody's) or BBB (S&P) is the first rating level at which the City would be required to post collateral.

(4) The swap counterparties, other than Merrill Lynch Capital Services Inc, round the collateral amount up or down to the nearest $100,000. Merrill Lynch does not round the amount.

(5) Represents the total amount of required collateral for ratings below Baa3/BBB-. The amount of collateral required to be posted would be the amount shown below less any collateral previously posted.

14. Real Estate Tax

Real estate tax payments for the fiscal year ended June 30, 2012 were due July 1, 2011 and January 1, 2012 except that payments by owners of real property assessed at $250,000 or less and cooperatives whose individual units on average are valued at $250,000 or less were due in quarterly installments on the first day of each quarter beginning on July 1.

The levy date for fiscal year 2012 taxes was June 29, 2011. The lien date is the date taxes are due.

Real estate tax revenue represents payments received during the year and payments received (against the current fiscal year and prior years' levies) within the first two months of the following fiscal year reduced by tax refunds for the fund financial statements. Additionally, the government-wide financial statements recognize real estate tax revenue (net of refunds) which are not available to the governmental fund type in the fiscal year for which the taxes are levied.

The City offered a 1% discount on the full amount of a taxpayer's yearly property tax is being offered if the entire amount shown on their bill is paid by the July due date (or grace period due date), a 0.66% discount on the last three quarters if the taxpayer waits until the October due date to pay the entire amount due, or a 0.33% discount on the last six months of taxes when the taxpayer pays the balance by the January due date for both fiscal years 2013 and 2012. Payment of real estate taxes before July 15, 2012, on properties with an assessed value of $250,000 or less and before July 1, 2012, on properties with an assessed value over $250,000 received the discount. Collections of these real estate taxes received on or before June 30, 2012 and 2011 were about $5.5 billion and $4.6 billion respectively. These amounts were recorded as deferred revenue.

The City sold approximately $83.8 million of real property tax liens, fully attributable to fiscal year 2012, at various dates in fiscal year 2012. As in prior year's lien sale agreements, the City will refund the value of liens later determined to be defective, plus interest and a 5% surcharge. It has been estimated that $2.2 million worth of liens sold in fiscal year 2012 will require refunding. The estimated refund accrual amount of $4 million, including the surcharge and interest, resulted in fiscal year 2012 net sale proceeds of $79.8 million.

In fiscal year 2012, there was $2.2 million refunded for defective liens from the fiscal year 2011 sale. This resulted in an increase to fiscal year 2012 revenue of $1.8 million and consequently, the under estimated fiscal year 2011 accrual of $4 million increased the net sale proceeds of the fiscal year 2011 sale to $14.8 million up from the original fiscal year 2011 net sale proceeds reported as $13 million.

The City sold approximately $17 million of real property tax liens, fully attributable to fiscal year 2011, at various dates in fiscal year 2011. As in prior year's lien sale agreements, the City will refund the value of liens later determined to be defective, plus interest and a 5% surcharge. It has been estimated that $3.9 million worth of liens sold in fiscal year 2011 will require refunding. The estimated refund accrual amount of $4 million, including the surcharge and interest, resulted in fiscal year 2011 net sale proceeds of $13 million.

In fiscal year 2011, there were $14.2 millions refunded for defective liens from the fiscal year 2010 sale. This resulted in a decrease to fiscal year 2011 revenue of $10.2 million and consequently, the unused fiscal year 2010 accrual of $4 million decreased the net sale proceeds of the fiscal year 2010 sale to $24.8 million up from the original fiscal year 2010 net sale proceeds reported as $35 million.

In fiscal years 2012 and 2011, $265 million and $308 million, respectively, were provided as allowances for uncollectible real estate taxes against the balance of the receivable. Delinquent real estate taxes receivable that are estimated to be collectible but which are not collected in the first two months of the next fiscal year are recorded as deferred revenues in the governmental funds balance sheet but included in general revenues on the government-wide statement of activities.

The City is permitted to levy real estate taxes for general operating purposes in an amount up to 2.5% of the average full value of taxable real estate in the City for the last five years and in unlimited amounts for the payment of principal and interest on long-term City debt. Amounts collected for payment of principal and interest on long-term debt in excess of that required for that purpose in the year of the levy must be applied towards future years' debt service. For the fiscal years ended June 30, 2012 and 2011, excess amounts of $65.4 million and $356 million, respectively, were transferred to the General Debt Service Fund.

15. Other Taxes and Other Revenues

Taxpayer-assessed taxes, such as sales and income taxes, net of refunds, are recognized in the accounting period in which they become susceptible to accrual for the fund financial statements. Additionally, the government-wide financial statements recognize sales and income taxes (net of refunds) which are not available to the governmental fund type in the accounting period for which the taxes are assessed.

16. Federal, State, and Other Aid

For the government-wide and fund financial statements, categorical aid, net of a provision for estimated disallowances is reported as receivables when the related eligibility requirements are met. Unrestricted aid is reported as revenue in the fiscal year of entitlement.

17. Bond Discounts, Premiums and Issuance Costs

In the funds financial statements, bond premiums, discounts and issuance costs are recognized as revenues/expenditures in the period incurred. In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds payable using the straight-line method. Bond premiums and discounts are presented as additions/reductions to the face amount of the bonds payable. Bond issuance costs are recorded as deferred charges and are amortized over the term of the bonds payable using the straight-line method.

18. Intra-Entity Activity

Payments from a fund receiving revenue to a fund through which the revenue is to be expended are reported as transfers. Such payments include transfers for debt service and capital construction. In the government-wide financial statements, resource flows between the primary government and the discretely presented Component Units are reported as if they were external transactions.

19. Subsidies

The City makes various payments to subsidize a number of organizations which provide services to City residents. These payments are recorded as expenditures in the fiscal year paid.

20. Fund Balance

In accordance with Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* the classification of Fund Balance is based on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable–includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints requiring such amounts to remain intact. As required by the New York State Financial Emergency Act, the City must prepare its budget covering all expenditures, other than capital items, balanced so that the results do not show a deficit when reported in accordance with generally accepted accounting principles. Therefore, the General Fund's fund balance must legally remain intact and is classified as nonspendable.

Restricted–includes fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, laws or regulations of other governments, or constrained due to constitutional provisions or enabling legislation.

Committed–includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government's formal action at the highest level of decision making authority and does not lapse at year-end. In accordance with the New York City Charter, the City Council is the City's highest level of decision-making authority and can, by legal resolution prior to the end of the fiscal year, approve to establish, modify or rescind a fund balance commitment. For the Nonmajor Funds, the respective Boards of Directors of the Funds ("Boards") constitute the highest level of decision-making authority. When resolutions are adopted by the Boards that constrain fund balances for a specific purpose; such resources are accounted for and reported as committed for such purpose; unless and until a subsequent resolution altering the commitment is adopted by a Board.

Assigned–includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The City does not have any assigned amounts in its major funds. For the Nonmajor Funds, the fund balances which are constrained for use for a specific purpose based on the direction of any officer of the respective Funds who is duly authorized under the Funds' bond indentures to direct the movement of such funds are accounted for and reported as assigned for such purpose unless and until a subsequent authorized action by the same, or another duly authorized officer, or by a Board, is taken which removes or changes the assignment.

Unassigned–The City's Capital Fund's deficit is classified as unassigned.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available, unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, unless required by law or agreement, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

Below is the detail included in the fund balance classifications for the governmental funds at June 30, 2012 and 2011:

Fiscal Year 2012	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
			(in thousands)		
Nonspendable:					
General Fund balance	$452,284	$ —	$ —	$ —	$ 452,284
Prepaid expenditures	—	—	—	577	577
Spendable:					
Restricted					
Capital projects	—	372,361	—	2,348,421	2,720,782
Debt service	—	—	65,429	2,540,670	2,606,099
Committed					
Debt service	—	—	1,308,179	610	1,308,789
Assigned					
Nonmajor operating funds	—	—	—	138,612	138,612
Arbitrage Rebate Program	—	—	—	16,365	16,365
Unassigned					
Capital Projects Fund	—	(3,118,919)	—	—	(3,118,919)
Total Fund Balance	$452,284	$(2,746,558)	$1,373,608	$5,045,255	$4,124,589

Fiscal Year 2011

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Funds	Total Governmental
			(in thousands)		
Nonspendable:					
General Fund balance	$447,272	$ —	$ —	$ —	$ 447,272
Prepaid expenditures	—	—	—	570	570
Spendable:					
Restricted					
Capital projects	—	129,196	—	1,125,473	1,254,669
Debt service	—	—	355,883	2,584,809	2,940,692
Committed					
Debt service	—	—	2,461,507	637	2,462,144
Assigned					
Nonmajor operating funds	—	—	—	91,519	91,519
Arbitrage Rebate Payment	—	—	—	24,964	24,964
Unassigned					
Capital Projects Fund	—	(3,143,921)	—	—	(3,143,921)
Nonmajor Special Revenue Fund	—	—	—	(64)	(64)
Total Fund Balance	$447,272	$(3,014,725)	$2,817,390	$3,827,908	$4,077,845

21. Pensions

Pension cost is required to be measured and disclosed using the accrual basis of accounting (see Notes E.5. and the Required Supplementary Information (RSI) section immediately following the Notes to Financial Statements), regardless of the amount recognized as pension expense on the modified accrual basis of accounting. Annual pension cost should be equal to the annual required contributions to the pension plan, calculated in accordance with certain parameters.

22. Other Postemployment Benefits

Other Postemployment Benefits (OPEB) cost for healthcare is required to be measured and disclosed using the accrual basis of accounting (see Note E.4.), regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost should be equal to the annual required contributions to the OPEB plan, calculated in accordance with certain parameters.

23. Estimates and Assumptions

A number of estimates and assumptions relating to the reporting of revenues, expenditures, assets and liabilities, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

24. Pronouncements Issued But Not Yet Effective

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements,* issued in November, 2010, establishes recognition, measurement and disclosure requirements for Service Concession Arrangements for both transferors and governmental operators. A Service Concession Arrangements is an arrangement between a transferor (government) and an operator (governmental or nongovernmental entity) in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a facility) in exchange for significant consideration and the operator collects and is compensated by fees from third parties.

A transferor reports the facility subject to a Service Concession Arrangement as its capital asset. New facilities constructed or acquired by the operator or improvements to existing facilities made by the operator are reported at fair value by the transferor. A liability is recognized, for the present value of significant contractual obligations to sacrifice financial resources imposed on the transferor, along with a corresponding deferred flow of resources. Revenues are recognized by the transferor on a systematic and rational manner over the term of the arrangement. A governmental operator reports an intangible asset at cost for its right to access the facility and collect third-party fees and amortizes the intangible asset over the term of the arrangement. For revenue sharing arrangements, operators must report all revenues and expenses and transferors must report their portion of the shared revenues.

The requirements of Statement No. 60 are effective for financial statements for periods beginning after December 15, 2011. The City has not completed the process of evaluating the impact of Statement No. 60 on its financial statements.

In June of 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* The statement provides financial reporting guidance for deferred outflows of resources, which is a consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources which is an acquisition of net assets by the government that is applicable to a future reporting period.

Statement No. 63 also amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The requirements of Statement No. 63 are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The City has not completed the process of evaluating the impact of Statement No. 63 on its financial statements.

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Government Accounting Standards Board in authoritative pronouncements that are established after applicable due process. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The requirements of Statement No. 65 are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The City has not completed the process of evaluating the impact of Statement No. 65 on its financial statements.

In March of 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.* The objective of this Statement is to resolve conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.*

This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases,* and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* respectively.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The City has not completed the process of evaluating the impact of Statement No. 66 on its financial statements.

In June of 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans.* This Statement establishes financial reporting standards for state and local governmental pension plans, defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements in which:

a. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

b. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

c. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Distinctions are made regarding the particular requirements depending upon the type of pension plan administered.

This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and Statement No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 25 and Statement No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

The provisions of Statement No. 67 are effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged. The City has not completed the process of evaluating the impact of Statement No. 67 on its financial statements.

In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* This Statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements in which:

a. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

b. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

c. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

The requirements of this Statement apply to the financial statements of all state and local governmental employers whose employees (or volunteers that provide services to state and local governments) are provided with pensions through pension plans that are administered through trusts that meet certain criteria and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. The requirements apply whether the government's financial statements are presented in stand-alone financial reports or are included in the financial reports of another government.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statement No. 27 and Statement No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The provisions of Statement No. 68 are effective for financial statements for fiscal years beginning after June 15, 2014. Earlier application is encouraged. The City has not completed the process of evaluating the impact of statement No. 68 on its financial statements.

B. Reconciliation of Government-wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances (deficit) as reflected on the governmental funds balance sheet and total net assets (deficit) of governmental activities as shown on the government-wide statement of net assets is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements which comprise the difference are related to the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

A summary reconciliation of the difference between net change in fund balances as reflected on the governmental funds statement of revenues, expenditures, and changes in fund balances and change in net assets of governmental activities as shown on the government-wide statement of activities is presented in an accompanying schedule to the governmental funds statement of revenues, expenditures, and changes in fund balances. The revenue and expense elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

C. Stewardship, Compliance, and Accountability

1. Budgets and Financial Plans

Budgets

Annual expense budget appropriations, which are prepared on the modified accrual basis, are adopted for the General Fund, and unused appropriations lapse at fiscal year-end. The City uses appropriations in the capital budget to authorize the expenditure of funds for various capital projects. Capital appropriations, unless modified or rescinded, remain in effect until the completion of each project.

The City is required by State Law to adopt and adhere to a budget, on a basis consistent with GAAP, that would not have General Fund expenditures in excess of revenues.

Expenditures made against the expense budget are controlled through the use of quarterly spending allotments and units of appropriation. A unit of appropriation represents a subdivision of an agency's budget and is the level of control at which expenditures may not legally exceed the appropriation. The number of units of appropriation and the span of operating responsibility which each unit represents, differs from agency to agency depending on the size of the agency and the level of control required. Transfers between units of appropriation and supplementary appropriations may be made by the Mayor subject to the approval provisions set forth in the City Charter. Supplementary appropriations increased the expense budget by $2.497 billion and $3.727 billion subsequent to its original adoption in fiscal years 2012 and 2011, respectively.

Financial Plans

The New York State Financial Emergency Act for The City of New York, as amended in 1978, requires the City to operate under a "rolling" Four-Year Financial Plan (Plan). Revenues and expenditures, including operating transfers, of each year of the Plan are required to be balanced on a basis consistent with GAAP. The Plan is broader in scope than the expense budget; it comprises General Fund revenues and expenditures, Capital Projects Fund revenues and expenditures, and all short and long-term financing.

The expense budget is generally consistent with the first year of the Plan and operations under the expense budget must reflect the aggregate limitations contained in the approved Plan. The City reviews its Plan periodically during the year and, if necessary, makes modifications to incorporate actual results and revisions to assumptions.

2. Deficit Fund Balance

The Capital Projects Fund has cumulative deficits of $2.7 billion and $3.0 billion at June 30, 2012 and 2011, respectively. These deficits represent the amounts expected to be financed from future bond issues or intergovernmental reimbursements. To the extent the deficits will not be financed or reimbursed, a transfer from the General Fund will be required.

D. Detailed Notes on All Funds

1. Deposits and Investments

Deposits

The City's bank depositories are designated by the New York City Banking Commission, which consists of representatives of The Comptroller, the Mayor, and the Finance Commissioner. Independent bank rating agencies are used to determine the financial soundness of each bank, and the City's banking relationships are under periodic operational and credit reviews.

The City Charter limits the amount of deposits at any time in any one bank or trust company to a maximum of one-half of the amount of the capital and net surplus of such bank or trust company. The discretely presented Component Units included in the City's reporting entity maintain their own banking relationships which generally conform with the City's. Bank balances at the Federal Deposit Insurance Corporation (FDIC) insured institutions have unlimited deposit insurance for noninterest bearing transaction accounts beginning December 31, 2010. This will cover the City's demand deposit accounts, including Central Treasury, Pool, and controlled disbursement accounts, at participating FDIC-insured institutions through December 31, 2012. Consequently, these noninterest-bearing transaction deposit accounts that are fully insured by FDIC's Transaction Account Guarantee Program do not need to be collateralized for fiscal year 2012.

At June 30, 2012 and 2011, the carrying amount of the City's unrestricted cash and cash equivalents was $5.766 billion and $4.458 billion, respectively, and the bank balances were $2.597 billion and $4.044 billion, respectively. Of the unrestricted bank balances, $44 thousand and $96 thousand were exposed to custodial risk (this is the risk that in the event of a bank failure, the City's deposits may not be returned to it or the City will not be able to recover collateral securities that are in the possession of an outside party) because the bank balances were uninsured and uncollateralized at June 30 ,2012 and 2011, respectively. At June 30, 2012 and 2011, the carrying amount of the restricted cash and cash equivalents was $4.157 billion and $3.744 billion, respectively, and the bank balances were $1.380 billion and $1.856 billion, respectively. Of the restricted bank balances, $281 thousand and $93 thousand were exposed to custodial credit risk because the respective bank balances were uninsured and uncollateralized at June 30, 2012 and 2011, respectively.

Investments

The City's investment of cash in its governmental fund types is currently limited to U.S. Government guaranteed securities and U.S. Government agency securities purchased directly and through repurchase agreements from primary dealers, as well as commercial paper rated A1 and P1 by Standard & Poor's Corporation and Moody's Investors Service, Inc., respectively. The repurchase agreements must be collateralized by U.S. Government guaranteed securities, U.S. Government agency securities, or eligible commercial paper in a range of 100% to 102% of the matured value of the repurchase agreements. The following is a summary of the fair value of investments of the City as of June 30, 2012 and 2011:

Governmental activities:

Investment Type	2012 Less than 1	2012 1 to 5	2012 More than 5	2011 Less than 1	2011 1 to 5	2011 More than 5
	Investment Maturities (in years) (in thousands)					
Unrestricted						
U.S. Government securities	$1,640,140	$ —	$ —	$ 184,772	$ —	$ —
U.S. Government agency obligations	282,164	197,307	—	132,874	67,377	—
Commercial paper	474,703	—	—	—	—	—
Corporate Bonds	—	24,918	—	—	24,908	—
Certificates of Deposit	—	—	—	50,003	—	—
Investment derivative instruments	—	—	(64,268)[1]	—	—	(63,087)[2]
Total unrestricted	$2,397,007	$222,225	$(64,268)	$ 367,649	$ 92,285	$(63,087)
Restricted						
U.S. Government securities	$ 589,643	$294,175	$ —	$ 95,110	$294,521	$ —
U.S. Government agency obligations	1,446,449	171,508	—	611,569	157,864	—
Commercial paper	344,227	—	—	1,207,658	—	—
Municipal Bonds	3,480	—	33,322	—	—	22,699
Time Deposits	29,108	—	—	—	—	—
Repurchase agreements	8,099	—	—	27,853	—	—
Total restricted	$2,421,006	$465,683	$ 33,322	$1,942,190	$452,385	$ 22,699

(1) The City has two pay-fixed interest rate swaps (E and F) and two basis swaps (G and K) that are treated as investment derivative instruments (see Note A.13.). At June 30, 2012, the swaps had fair values of $(24,617) thousand, $(601) thousand, $(9,121) thousand, and $(29,929) thousand, respectively.

(2) The City had two pay-fixed interest rate swap (E and F) and two basis swaps (G and K) that were treated as investment derivative instruments. At June 30, 2011, the swaps had fair values of $(15,422) thousand, $(1,250) thousand, and $(13,036) thousand and $(33,379) thousand respectively.

Interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the weighted average maturity to a period of less than 2 years. The City's current weighted average maturity is less than 192 days.

Credit risk. Investment guidelines and policies are designed to protect principal by limiting credit risk. This is accomplished through ratings, collateral, and diversification requirements that vary according to the type of investment. As of June 30, 2012 and 2011, investments in Federal National Mortgage Association (FNMA or Fannie Mae), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), and Federal Home Loan Bank (FHLB) were rated in the highest long-term or short-term ratings category (as applicable) by Standard & Poor's and/or Moody's Investor Service. These ratings were AAA and A-1+ by Standard & Poor's and Aaa and P-1 by Moody's for long-term and short-term instruments, respectively. The majority of these investments were not rated by Fitch ratings, but those that were carried its highest long-term or short-term ratings of AAA or F1+, respectively. Investments in commercial paper were rated in the highest short-term category by at least two major rating agencies (A-1+ by Standard & Poor's, P-1 by Moody's, and/or F1+ by Fitch ratings). Repurchase agreements are not rated.

Concentration of credit risk. The City's investment policy limits investments to no more than $250 million invested at any time in either commercial paper of a single issuer or investment agreement with a single provider.

Custodial credit risk-investments. For investments, custodial credit risk is the risk that in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the City, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of the City.

The City's investment policy related to custodial credit risk calls for limiting its investments to highly rated institutions and/or requiring high quality collateral be held by the counterparty in the name of the City.

Investment Derivative Instruments

Credit risk: The City is exposed to credit risk on investment derivative instruments. To minimize its exposure to loss related to credit risk, it is the City's policy to require counterparty collateral posting provisions in its investment derivative instruments. These terms require collateralization of the fair value of investment derivative instruments (net of the effect of applicable threshold requirements and netting arrangements) should the counterparty's credit rating fall below the following:

The counterparty with respect to derivative instruments E and F (or its respective guarantor) is required to post collateral if its credit rating goes below A3/A-. The counterparty with respect to derivative instrument G is required to post collateral if all of its credit ratings go below the double-A category and will also post collateral if it has at least one rating below A3 or A-. The counterparty with respect to derivative instrument K is required to post collateral if it has at least one rating below the double-A category. The City has never been required to access collateral.

It is the City's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

The aggregate fair value of investment derivative instruments requiring collateralization at June 30, 2012 was $(64,268) thousand. A negative aggregate fair value means the City would have owed payments to the counterparties. The City had no counterparty credit exposure to any of the investment derivative instrument counterparties as of that date.

Interest rate risk: The City is exposed to interest rate risk on its swaps. In derivative instruments E and F, pay-fixed, receive-variable interest rate swaps, as LIBOR decreases, the City's net payment on the swap increases.

Basis risk: The City is exposed to basis risk on derivative instruments E and F because the variable-rate payment received by the City is based on a rate or index other than the interest rate the City pays on its variable-rate debt. Under the terms of its derivative instrument F, the City pays a variable rate on the outstanding underlying bonds based on SIFMA, but receives a variable rate on the swap based on a percentage of LIBOR. In derivative instrument G, the City's variable payer rate is based on SIFMA times 1.36 and the City receives 100% of LIBOR in return. The City's net payments over time will be determined by both the absolute levels of interest rates and the relationship between SIFMA and LIBOR. In derivative instrument K, the City's variable payer rate is based on SIFMA and its variable receiver rate is based on a percentage of LIBOR. However, the stepped percentages of LIBOR received by the City mitigate the risk that the City will be harmed in low interest rate environments by the compression of the SIFMA and LIBOR indices. As the overall level of interest rate decreases, the percentage of LIBOR received by the City increases.

Tax risk: The City is at risk that a change in Federal tax rates will alter the fundamental relationship between the SIFMA and LIBOR indices. A reduction in Federal tax rates, for example, will likely increase the City's payment on its underlying variable rate bonds in derivative instruments E and F and its variable payer rate in derivative instruments G and K.

Termination risk: The City or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. The City is at risk that a counterparty will terminate a swap at a time when the City owes it a termination payment. The City has mitigated this risk by specifying that the counterparty has the right to terminate only as a result of certain events, including: a payment default by the City; other City defaults which remain uncured for 30 days after notice; City bankruptcy; insolvency of the City (or similar events); or a downgrade of the City's credit rating below investment grade (i.e., BBB-/Baa3). If at the time of termination, an investment derivative instrument is in a liability position, the City would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Counterparty risk: The City is at a risk that a counterparty (or its guarantor) will not meet its obligations under the swap. If a counterparty were to default under its agreement when the counterparty would owe a termination payment to the City, the City may have to pay another entity to assume the position of the defaulting counterparty. The City has sought to limit its counterparty risk by contracting only with highly rated entities or requiring guarantees of the counterparty's obligations under the swap documents.

The investment policies of the discretely presented Component Units included in the City's reporting entity generally conform to those of the City's. The criteria for the Pension and Other Employee Benefit Trust Funds' and Other Trust Funds' investments are as follows:

1. Fixed income investments may be made in U.S. Government guaranteed securities or securities of U.S. Government agencies, securities of companies rated BBB or better by both Standard and Poor's Corporation and Moody's Investors Service, Inc., and any bond that meets the qualifications of the New York State Retirement and Social Security Law, the New York State Banking Law, and the New York City Administrative Code.
2. Equity investments may be made only in those stocks that meet the qualifications of the New York State Retirement and Social Security Law, the New York State Banking Law, and the New York City Administrative Code.
3. Short-term investments may be made in the following:
   a. U.S. Government guaranteed securities or U.S. Government agency securities.
   b. Commercial paper rated A1, P1, or F1 by Standard & Poor's Corporation or Moody's Investors Service, Inc. or Fitch, respectively.
   c. Repurchase agreements collateralized in a range of 100% to 102% of matured value, purchased from primary dealers of U.S. Government securities.
   d. Investments in bankers' acceptances, certificates of deposit, and time deposits are limited to banks with worldwide assets in excess of $50 billion that are rated within the highest categories of the leading bank rating services and selected regional banks also rated within the highest categories.
4. Investments up to 25% of total pension fund assets in instruments not specifically covered by the New York State Retirement and Social Security Law.
5. No investment in any one corporation can be: (i) more than 2% of the pension plan net assets; or (ii) more than 5% of the total outstanding issues of the corporation.

All investments are held by the City's custodial banks (in bearer or book-entry form) solely as agent of the Comptroller of The City of New York on behalf of the various account owners. Payments for purchases are not released until evidence of ownership of the underlying investments are received by the City's custodial bank.

Securities Lending

State statutes and boards of trustees policies permit the Pension and certain Other Employee Benefit Trust Funds (Systems and Funds) to lend their securities (the underlying securities) to brokers-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future.

The Systems' and Funds' custodians lend the following types of securities: short-term securities, common stock, long-term corporate bonds, U.S. Government and U.S. Government agencies' bonds, asset-backed securities, and international equities and bonds held in collective investment funds. In return, the Systems and Funds receive collateral in the form of cash and U.S. Government agency securities at 100% to 105% of the principal plus accrued interest for reinvestment. At year-end, the Systems and Funds had no credit risk exposure to borrowers because the amounts the Systems and Funds owe the borrowers exceed the amounts the borrowers owe the Systems and Funds. The contracts with the Systems' and Funds' custodian requires borrowers to indemnify the Systems and Funds if the borrowers fail to return the securities, if the collateral is inadequate, and if the borrowers fail to pay the Systems and Funds for income distributions by the securities' issuers while the securities are on loan.

The securities lending program in which the Systems and Funds participate only allows pledging or selling securities in the case of borrower default.

All securities loans can be terminated on demand within a period specified in each agreement by either the Systems and Funds or the borrowers. The underlying fixed income securities have an average maturity of 10 years. Cash collateral is invested in the lending agents' short-term investment pools, which have a weighted-average maturity of 90 days. During fiscal year 2003, the value of certain underlying securities, within the short-term investment pools, became impaired because of the credit failure of the issuer. Accordingly, the carrying amounts of the collateral reported in four of the Systems' statements of fiduciary net assets were reduced by a total of $80 million to reflect this impairment and reflect the net realizable value of the securities purchased with collateral from securities lending transactions. During fiscal years 2004 through 2011, $21.606 million was recovered as a distribution of bankruptcy proceeds and $31.6 million was received as a partial settlement from litigation. In fiscal years 2011 and 2012, there was no further recoupment as an ongoing distribution of bankruptcy proceeds.

During fiscal year 2009, the value of certain underlying securities became impaired because of the bankruptcy proceeding of the issuer. Accordingly, the carrying amount of the collateral reported in *the Deferred Compensation Plans for Employees of The City of New York and Related Agencies and Instrumentalities* (DCP) statements of fiduciary net assets was reduced by a total of $24.3 million to reflect this impairment and reflect the net realizable value of the securities purchased with collateral from securities lending transactions. In October, 2010, DCP's Board had decided to terminate its securities lending program as soon as it was feasibly possible, sell the defaulted securities, and assess the participants in its various investment options based on the benefit of the yearly revenues derived from the securities lending program since 2003 in conjunction with the number of years that a participant had been active in its investment programs from 2003 through August 2008. DCP sold the issuer's securities in fiscal year 2011 at the prevailing market prices, recovering $5.3 million. From September 2008, through November 2010, DCP continued to lend securities and the investment income earned was set aside in a reserve to offset the collateral shortfall. The balance of the shortfall, approximately $10 million, was applied to participant accounts in November 2010 as a one-time assessment. In November 2010, cash collateral in the amount of $24.3 was returned to DCP's custodian and DCP's securities lending program was closed.

The City reports securities loaned as assets on the Statement of Fiduciary Net Assets. Cash received as collateral on securities lending transactions and investments made with that cash are also recorded as assets. Liabilities resulting from these transactions are reported on the Statement of Fiduciary Net Assets. Accordingly, the City records the investments purchased with the cash collateral as Investments, Collateral From Securities Lending Transactions with a corresponding liability as Securities Lending Transactions.

2. Capital Assets

The following is a summary of capital assets activity for the fiscal years ended June 30, 2011 and 2012:

Primary Government	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
				(in thousands)			
Governmental activities:							
Capital assets, not being depreciated/amortized:							
Land	$ 1,240,525	$ 328,282	$ —	$ 1,568,807	$ 64,764	$ 20	$ 1,633,551
Construction work-in-progress	4,816,975	3,142,604	3,062,669	4,896,910	2,535,291	2,994,774	4,437,427
Total capital assets, not being depreciated/amortized	6,057,500	3,470,886	3,062,669	6,465,717	2,600,055	2,994,794	6,070,978
Capital assets, being depreciated/amortized:							
Buildings	41,218,802	3,062,669	127,415	44,154,056	2,994,774	409,287	46,739,543
Equipment (including software)	6,529,384	550,421	204,692	6,875,113	1,070,824	799,242	7,146,695
Infrastructure	15,865,324	1,431,026	400,189	16,896,161	1,335,063	293,501	17,937,723
Total capital assets, being depreciated/amortized	63,613,510	5,044,116	732,296	67,925,330	5,400,661	1,502,030	71,823,961
Less accumulated depreciation/amortization:							
Buildings	16,064,384	1,180,230	97,829	17,146,785	1,412,630	202,810	18,356,605
Equipment (including software)	4,550,845	371,482	200,214	4,722,113	441,667	427,104	4,736,676
Infrastructure	5,581,716	781,458	309,262	6,053,912	826,173	293,503	6,586,582
Total accumulated depreciation/amortization	26,196,945	2,333,170[(1)]	607,305	27,922,810	2,680,470[(1)]	923,417	29,679,863
Total capital assets, being depreciated/amortized, net	37,416,565	2,710,946	124,991	40,002,520	2,720,191	578,613	42,144,098
Governmental activities capital assets, net	$43,474,065	$6,181,832	$3,187,660	$46,468,237	$5,320,246	$3,573,407	$48,215,076

(1) Depreciation/amortization expense was charged to functions/programs of the City for the fiscal years ended June 30, 2012 and 2011 as follows:

	2012	2011
	(in thousands)	
Governmental activities:		
General government	$ 356,504	$ 318,023
Public safety and judicial	178,495	158,776
Education	1,016,167	826,383
City University	5,686	6,473
Social services	64,693	64,988
Environmental protection	142,541	103,629
Transportation services	551,175	521,313
Parks, recreation and cultural activities	307,651	287,482
Housing	2,338	7,443
Health	39,480	29,131
Libraries	15,740	9,529
Total depreciation/amortization expense—governmental activities	$2,680,470	$2,333,170

The following are the sources of funding for the governmental activities capital assets for the fiscal years ended June 30, 2012 and 2011. Sources of funding for capital assets are not available prior to fiscal year 1987.

	2012	2011
	(in thousands)	
Capital Projects Funds:		
Prior to fiscal year 1987	$ 6,695,418	$ 6,364,253
City bonds	67,300,580	64,128,194
Federal grants	621,186	616,490
State grants	130,985	144,331
Private grants	556,315	563,607
Capitalized leases	2,590,455	2,574,172
Total funding sources	$77,894,939	$74,391,047

At June 30, 2012 and 2011, the governmental activities capital assets include approximately $1.2 billion of City-owned assets leased for $1 per year to the New York City Transit Authority which operates and maintains the assets. In addition, assets leased to HHC and to the Water and Sewer System are excluded from governmental activities capital assets and are recorded in the respective component unit financial statements.

Included in buildings at June 30, 2012 and 2011 are leased properties that have elements of ownership. These assets are recorded as capital assets as follows:

	Capital Leases	
Governmental activities:	**2012**	**2011**
	(in thousands)	
Capital asset:		
Buildings, gross	$2,590,455	$2,574,172
Less accumulated amortization	772,215	678,712
Buildings, net	$1,818,240	$1,895,460

Capital Commitments

At June 30, 2012, the outstanding commitments relating to projects of the Capital Projects Fund amounted to approximately $14.7 billion.

To address the need for significant infrastructure and public facility capital investments, the City has prepared a ten-year capital spending program which contemplates the Capital Projects Fund expenditures of $54.1 billion over fiscal years 2012 through 2021. To help meet its capital spending program, the City and TFA borrowed $6.18 billion in the public credit market in fiscal year 2012. The City and TFA plan to borrow $5.10 billion in the public credit market in fiscal year 2013.

3. Leases

The City leases a significant amount of property and equipment from others. Leased property having elements of ownership is recorded in the government-wide financial statements. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, are also recorded in the government-wide financial statements. Other leased property not having elements of ownership are classified as operating leases. Both capital and operating lease payments are recorded as expenditures when payable. Total expenditures on such leases for the fiscal years ended June 30, 2012 and 2011 were approximately $814.7 million and $772.6 million, respectively.

As of June 30, 2012, the City (excluding discretely presented Component Units) had future minimum payments under capital and operating leases with a remaining term in excess of one year as follows:

	Capital Leases	Operating Leases	Total
Governmental activities:		(in thousands)	
Fiscal year ending June 30:			
2013	$ 194,014	$ 502,337	$ 696,351
2014	187,782	452,858	640,640
2015	182,454	419,912	602,366
2016	176,034	402,504	578,538
2017	170,046	387,852	557,898
2018-2022	756,052	1,498,137	2,254,189
2023-2027	498,753	870,126	1,368,879
2028-2032	338,953	301,112	640,065
2033-2037	113,093	67,562	180,655
2038-2042	47,338	33,341	80,679
2043-2047	—	11,955	11,955
2048-2052	—	6,482	6,482
Future minimum payments	2,664,519	$4,954,178	$7,618,697
Less: Interest	846,279		
Present value of future minimum payments	$1,818,240		

The present value of future minimum lease payments includes approximately $1.296 billion for leases with Public Benefit Corporations (PBC) where State law generally provides that in the event the City fails to make any required lease payment, the amount of such payment will be deducted from State aid otherwise payable to the City and paid to PBC.

The City also leases City-owned property to others, primarily for markets, ports, and terminals. Total rental revenue on these capital and operating leases for the fiscal years ended June 30, 2012 and 2011 was approximately $291 million and $253 million, respectively. As of June 30, 2012, the following future minimum rentals are provided for by the leases:

	Capital Leases	Operating Leases	Total
Governmental activities:		(in thousands)	
Fiscal year ending June 30:			
2013	$ 1,045	$ 208,275	$ 209,320
2014	1,083	206,890	207,973
2015	1,121	199,108	200,229
2016	1,177	189,466	190,643
2017	1,198	176,286	177,484
2018-2022	5,908	852,377	858,285
2023-2027	5,198	795,299	800,497
2028-2032	5,334	763,628	768,962
2033-2037	4,178	763,294	767,472
2038-2042	2,083	724,041	726,124
2043-2047	1,996	721,290	723,286
2048-2052	1,800	522,673	524,473
2053-2057	1,800	71,270	73,070
2058-2062	1,799	62,137	63,936
2063-2067	1,799	49,137	50,936
2068-2072	1,799	48,075	49,874
2073-2077	1,799	46,781	48,580
2078-2082	900	32,437	33,337
2083-2087	—	28,563	28,563
Thereafter until 2106	—	2	2
Future minimum lease rentals	42,017	$6,461,029	$6,503,046
Less interest	27,345		
Present value of future minimum lease rentals	$ 14,672		

4. Long-Term Liabilities

Changes in Long-term liabilities

In fiscal years 2011 and 2012, the changes in long-term liabilities were as follows:

Primary Government	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
				(in thousands)				
Governmental activities:								
Bonds and notes payable:								
General obligation bonds	$ 41,555,540	$ 4,182,955	$3,953,711	$ 41,784,784	$ 4,952,775	$4,451,065	$ 42,286,494	$2,010,736
TFA Bonds	20,093,650	4,899,425	1,173,300	23,819,775	5,628,810	3,181,235	26,267,350	646,320
TSASC Bonds	1,265,305	—	5,015	1,260,290	—	7,540	1,252,750	—
IDA bonds	98,650	—	750	97,900	—	2,600	95,300	2,710
STAR bonds	2,177,900	—	61,445	2,116,455	—	62,800	2,053,655	11,345
FSC bonds	294,245	—	11,860	282,385	—	12,150	270,235	10,385
HYIC bonds	2,000,000	—	—	2,000,000	1,000,000	—	3,000,000	—
ECF bond	149,735	137,525	6,075	281,185	—	6,750	274,435	6,390
Total before premiums/discounts (net)	67,635,025	9,219,905	5,212,156	71,642,774	11,581,585	7,724,140	75,500,219	2,687,886
Less premiums/(discounts) (net)	1,093,763	315,466	185,702	1,223,527	1,121,909	341,434	2,004,002	—
Total bonds and notes payable(1)	68,728,788	9,535,371	5,397,858	72,866,301	12,703,494	8,065,574	77,504,221	2,687,886
Tax Lien collateralized bonds(2)	42,051	73,428	81,212	34,267	69,748	67,929	36,086	—
Capital lease obligations	1,859,214	139,026	102,780	1,895,460	28,746	105,966	1,818,240	80,056
Other tax refunds	1,891,637	500,709	293,637	2,098,709	409,220	500,709	2,007,220	163,220
Judgments and claims	5,572,281	1,736,683	1,226,865	6,082,099	1,302,202	1,106,363	6,277,938	1,295,031
Real estate tax certiorari	898,772	181,153	141,998	937,927	147,707	226,730	858,904	167,754
Vacation and sick leave	3,822,067	431,223	324,217	3,929,073	508,897	260,388	4,177,582	260,388
Pension liability	625,400	50,000	83,200	592,200	41,400	41,600	592,000	—
OPEB liability	74,984,832	10,494,993	1,572,872	83,906,953	5,707,001	1,439,815	88,174,139	—
Landfill closure and postclosure care costs	1,659,727	21,554	112,159	1,569,122	40,287	134,823	1,474,586	66,222
Pollution remediation obligations	255,381	219,477	248,635	226,223	175,765	189,556	212,432	219,096
Total changes in governmental activities long-term liabilities	$160,340,150	$23,383,617	$9,585,433	$174,138,334	$21,134,467	$12,139,453	$183,133,348	$4,939,653

(1) City bonds and notes payable are generally liquidated with resources of the General Debt Service Fund. Other long-term liabilities are generally liquidated with resources of the General Fund.

(2) Tax lien collaterized Bonds are secured by trust assets.

The bonds and notes payable at June 30, 2012 and 2011, summarized by type of issue are as follows:

Primary Government	2012 General Obligations*	2012 Revenue*	2012 Total	2011 General Obligations*	2011 Revenue*	2011 Total
			(in thousands)			
Governmental activities:						
Bonds and notes payable:						
General obligation bonds	$42,286,494	$ —	$42,286,494	$41,784,784	$ —	$41,784,784
TFA bonds	20,958,690	5,308,660	26,267,350	19,089,925	4,729,850	23,819,775
TSASC bonds	1,252,750	—	1,252,750	1,260,290	—	1,260,290
IDA bonds	95,300	—	95,300	97,900	—	97,900
STAR bonds	2,053,655	—	2,053,655	2,116,455	—	2,116,455
FSC bonds	270,235	—	270,235	282,385	—	282,385
HYIC bonds	—	3,000,000	3,000,000	—	2,000,000	2,000,000
ECF bonds	—	274,435	274,435	—	281,185	281,185
Total bonds and notes payable	$66,917,124	$8,583,095	$75,500,219	$64,631,739	$7,011,035	$71,642,774

* The City issues General Obligation and Revenue bonds for capital projects which include construction, acquisition, repair or maintenance of the City's infrastructure. These include, but are not limited to, sidewalk installations, improvements to City's schools, fire stations, parks, bridges and tunnels, and acquisition of any furnishings, machinery, apparatus or equipment for any public purpose.

The following table summarizes future debt service requirements as of June 30, 2012:

	Governmental Activities			
	General Obligation Bonds		Revenue Bonds and Notes	
Primary Government	Principal	Interest[1]	Principal	Interest
	(in thousands)			
Fiscal year ending June 30:				
2013	$ 2,671,616	$ 2,744,237	$ 16,270	$ 440,516
2014	2,992,840	2,640,622	110,565	436,768
2015	3,249,471	2,506,346	115,925	432,506
2016	3,304,560	2,369,662	121,830	427,790
2017	3,301,636	2,231,403	134,115	422,517
2018-2022	16,494,012	9,093,019	761,125	2,015,637
2023-2027	14,847,654	5,772,001	957,385	1,811,708
2028-2032	10,688,502	3,056,942	1,224,145	1,523,758
2033-2037	6,761,767	1,200,639	1,570,535	1,160,394
2038-2042	2,605,018	261,087	571,200	815,353
2043-2047	5	16	3,000,000	612,500
2048-2052	2	15	—	—
Thereafter until 2147	41	138	—	—
	66,917,124	31,876,127	8,583,095	10,099,447
Less interest component	—	31,876,127	—	10,099,447
Total future debt service requirements	$66,917,124	$ —	$8,583,095	$ —

[1] Includes interest for general obligation bonds estimated at 2% rate on tax-exempt adjustable rate bonds and at 3% rate on taxable adjustable rate bonds which are the rates at the end of the fiscal year.

The average (weighted) interest rates for outstanding City general obligation bonds as of June 30, 2012 and 2011, were 4.3% and 4.4%, respectively, and both ranged from 0% to 8.6%. The last maturity of the outstanding City debt is in the year 2147.

Since the City has variable rate debt outstanding, the terms by which interest rates change for variable rate debt are as follows: For Auction Rate Securities, an interest rate is established periodically by an auction agent at the lowest clearing rate based upon bids received from broker-dealers. Variable Rate Demand Bonds (VRDBs) are long-term bonds that have a daily or weekly “put” feature backed by a bank Letter of Credit or Stand By Bond Purchase Agreement. VRDBs are repriced daily or weekly and provide investors with the option to tender the bonds at each repricing. A broker, called a Remarketing Agent, is responsible for setting interest rates and reselling to new investors any securities that have been tendered. CPI Bonds pay the holder a floating interest rate tied to the consumer price index. The rate is a fixed spread plus a floating rate equal to the change in the Consumer Price Index-Urban (CPI-U) for a given period. LIBOR Bonds pay the holder a floating interest rate calculated as a percentage of the London Interbank Offering Rate (LIBOR). Direct Funding Bonds are fixed rate bonds that through a derivative pay the holder an adjusted rate based on the movement in the AAA Municipal Market Data (MMD) Index.

In fiscal years 2012 and 2011, the City issued $2.23 billion and $2 billion, respectively, of general obligation bonds to advance refund general obligation bonds of $2.44 billion and $2.10 billion, respectively, aggregate principal amounts. The net proceeds from the sales of the refunding bonds, together with other funds of $31.43 million and $57.10 million, respectively, were irrevocably placed in escrow accounts and invested in United States Government securities. As a result of providing for the payment of the principal and interest to maturity, and any redemption premium, the advance refunded bonds are considered to be defeased and, accordingly, the liability is not reported in the government-wide financial statements. In fiscal year 2012, the refunding transactions will decrease the City’s aggregate debt service payments by $305.98 million and provide an economic gain of $277.06 million. In fiscal year 2011, the refunding transactions decreased the City’s aggregate debt service payments by $152.61 million and provided an economic gain of $125.45 million. At June 30, 2012 and 2011, $17.69 billion and $16.25 billion, respectively, of the City’s outstanding general obligation bonds were considered defeased.

The State Constitution requires the City to pledge its full faith and credit for the payment of the principal and interest on City term and serial bonds and guaranteed debt. The GO debt-incurring power of the City is limited by the Constitution to 10% of the average of five years’ full valuations of taxable real estate. Excluded from this debt limitation is certain indebtedness incurred for water supply, certain obligations for transit, sewage, and other specific obligations which exclusions are based on a relationship of debt service to net revenue. In July 2009, the New York State Assembly passed legislation stipulating that certain TFA debt would be included in the calculation of debt-incurring margin within the debt limit of the City.

As of July 1, 2012 and 2011, the 10% general limitation was approximately $76,853 billion and $76.097 billion, respectively. Also, as of July 1, 2012, the City's remaining GO debt-incurring power totaled $24,174 billion, after providing for capital commitments.

Pursuant to State legislation on January 1, 1979, the City established a General Debt Service Fund administered and maintained by the State Comptroller into which payments of real estate taxes and other revenues are deposited in advance of debt service payment dates. Debt service on all City notes and bonds is paid from this Fund. In fiscal year 2012, discretionary and other transfers of $1.34 billion were made from the General Fund to the General Debt Service Fund for fiscal year 2013 debt service. In addition, in fiscal year 2012, discretionary transfers of $1.034 billion were made from the General Fund to Component Units of the Debt Service Funds. In fiscal year 2011, discretionary and other transfers of $2.78 billion were made from the General Fund to the General Debt Service Fund for fiscal year 2012 debt service. In addition, in fiscal year 2011, discretionary transfers of $789.7 million were made to Component Unit Debt Service Funds.

Hedging derivative instrument payments and hedged debt

The table that follows represents debt service payments on certain general obligation variable-rate bonds and net receipts/payments on associated hedging derivative instruments (see Note A.13.), as of June 30, 2012. Although interest rates on variable rate debt and the current reference rates of hedging derivative instruments change over time, the calculations included in the table below are based on the assumption that the variable rate and the current reference rates of hedging derivative instruments on June 30, 2012 will remain the same for their term.

	Governmental Activities			
	General Obligation Bonds			
Primary Government	Principal	Interest	Hedging Derivative Instruments, Net	Total
	(in thousands)			
Fiscal year ending June 30:				
2013	$ —	$ 8,769	$ 19,090	$ 27,859
2014	25,000	7,849	19,509	52,358
2015	44,385	5,978	20,045	70,408
2016	11,980	4,544	20,371	36,895
2017	82,535	3,426	19,762	105,723
2018-2022	330,245	5,651	68,983	404,879
2023-2027	123,040	3,388	44,605	171,033
2028-2032	226,960	1,093	14,385	242,438
Total	$844,145	$40,698	$226,750	$1,111,593

Judgments and Claims

The City is a defendant in lawsuits pertaining to material matters, including claims asserted which are incidental to performing routine governmental and other functions. This litigation includes but is not limited to: actions commenced and claims asserted against the City arising out of alleged constitutional violations; torts; breaches of contract; other violations of law; and condemnation proceedings.

As of June 30, 2012 and 2011, claims in excess of $740 billion and $613 billion, respectively, were outstanding against the City for which the City estimates its potential future liability to be $6.3 billion and $6.1 billion, respectively.

As explained in Note A.11., the estimate of the liability for all judgments and claims has been reported in the government-wide statement of net assets under noncurrent liabilities. The liability was estimated by using the probable exposure information provided by the New York City Law Department (Law Department), and supplemented by information provided by the Law Department with respect to certain large individual claims and proceedings. The recorded liability is the City's best estimate based on available information and application of the foregoing procedures.

Numerous proceedings alleging respiratory or other injuries from alleged exposures to World Trade Center dust and debris at the World Trade Center site or the Fresh Kills landfill have been commenced against the City and other entities involved in the post-September 11 rescue and recovery process. Plaintiffs include, among others, Department of Sanitation employees, firefighters, police officers, construction workers and building clean-up workers. Complaints on behalf of approximately 11,900 plaintiffs alleging similar causes of action have been filed naming the City or other defendants. The actions were either commenced in or have been removed to Federal District Court pursuant to the Air Transportation and System Stabilization Act, which grants exclusive Federal jurisdiction for all claims related to or resulting from the September 11 attack. The City's motion to dismiss these actions on immunity grounds was denied on October l7, 2006 by the District Court. On March 26, 2008, the Second Circuit upheld the District Court's decision holding that determining whether the City had immunity for its actions requires developing the factual record. A not-for-profit "captive" insurance company, WTC Captive, has been formed to cover claims against the City and its private contractors relating to debris removal work at the World Trade Center site and the Fresh Kills landfill. The insurance company has been funded by a grant from the Federal Emergency Management Agency in the amount of $999,900,000. On June 10, 2010 WTC Captive announced that a settlement was reached with attorneys for the plaintiffs. On November 19, 2010, District Court Judge Hellerstein announced that more than the required 95% of plaintiffs agreed to the settlement, thus making it effective. Approximately $637.5 million has been paid under the settlement, leaving residual funds of approximately $400 million to insure and defend the City and its contractors against claims that are not settled as part of the settlement and any new claims. There are still approximately 60 plaintiffs who have sued the City and who have not agreed to the terms of the settlement, or who were not eligible to participate in the settlement or have commenced actions subsequent to the completion of the settlement. The Court has not indicated how or when those cases will proceed. In addition, since the applicable statute of limitations runs from the time a person learns of his or her injury or should reasonably be aware of the injury, additional plaintiffs may bring lawsuits in the future, which could result in substantial damages. No assurance can be given that the insurance will be sufficient to cover all liability that might arise from such claims.

In 1996, a class action was brought against the City and the State under Title VII of the Civil Rights Act of 1964 alleging that the use by the City Board of Education of two teacher certification examinations mandated by the State had a disparate impact on minority candidates. The lower court dismissed the case. Plaintiffs appealed, and in 2006, the United States Court of Appeals for the Second Circuit reversed the lower court's ruling, dismissed the claims against the State, and remanded the matter for further proceedings. The trial court on remand has received extensive briefing from the parties on the issue of City liability. The State has advised the City that there are approximately 3,500 members of the class and has calculated potential damages, based on the difference in salary between a certified public school teaching position and an uncertified parochial or private school teaching position, of approximately $455 million.

In 2006, a relator filed two lawsuits in the United States District Court for the Southern District of New York against the City's Department of Housing Preservation and Development ("HPD") and other defendants under the False Claims Act. The relator alleged that HPD was involved with the submission of false claims to the United States Department of Housing and Urban Development ("HUD") in connection with the Federal government's Section 8 Enhanced Voucher program which provides rental subsidies to low and moderate income tenants payable to the landlord. These alleged false claims would have resulted in HUD's overpayment of subsidies to the defendant property owners, by virtue of the alleged improper removal of housing units from rent regulation. These lawsuits remained under seal pending completion of an investigation by the United States Department of Justice, which was completed in 2009. Following this investigation, the Federal government elected to pursue common-law claims against the property owners, seeking a declaration that the properties are and should have remained subject to rent- regulation, and to recover any overpayments made as a result of the allegedly improper de-regulation. In May 2011, the property owners were granted summary judgment on all of the Federal government's claims and the federal government's motion for reconsideration was denied on June 28, 2011. The Federal government has not sought any relief against the City. The relator is pursuing the false claims actions against HPD and the defendant property owners, seeking treble damages of the alleged overpayments made by HUD on approximately 870 units, plus civil penalties of up to $11,000 per claim for each violation of the False Claims Act. On July 2, 2010, the Court granted the City's motion to dismiss these actions. Subsequently, the relator filed an appeal which was dismissed as premature. In August 2011 the relator again filed an appeal.

The Federal Department of Health and Human Services Office of Inspector General ("HHS OIG") conducted a review of Medicaid Personal Care Services claims made by providers in the City from January 1, 2004 through December 31, 2006, and concluded that 18 out of 100 sampled claims by providers failed to comply with Federal and State requirements. The Medicaid Personal Care Services program in the City is administered by the City's Human Resources Administration. In its audit report issued in June 2009, the HHS OIG, extrapolating from the case sample, estimated that the State improperly claimed $275.3 million in Federal Medicaid reimbursement during the audit period and recommended to the Center for Medicare and Medicaid Services ("CMS") that it seek to recoup that amount from the State. To the City's knowledge, CMS has not taken any action to recover amounts from the State based on the findings in this audit, but no assurance can be given that it will not do so in the future.

Section 22 of Part B of Chapter 109 of the Laws of 2010 amended an earlier unconsolidated State law to set forth a process under which the State Department of Health may recover from a social services district, including the City, the amount of a Federal Medicaid disallowance or recovery that the State Commissioner of Health "determines was caused by a district's failure to properly administer, supervise or operate the Medicaid program." Such a determination would require a finding that the local agency had "violated a statute, regulation or clearly articulated written policy and that such violation was a direct cause of the Federal disallowance or recovery." It is not clear whether the recovery process set out in the recent amendment can be applied to a Federal disallowance against the State based upon a pre-existing audit; however, in the event that it does, and results in a final determination by the State Commissioner of Health against the City, such a determination could result in substantial liability for the City as a result of the audit.

A lawsuit has been brought against the City in the United States District Court for the Southern District of New York by School Safety Agents alleging violation of the Federal Equal Pay Act, Title VII of the Civil Rights Act of 1964 and provisions of State law. Plaintiffs claim that School Safety Agents (who are predominantly female) earn less pay than Special Officers (who are predominantly male) although both jobs require substantially equal skill, effort and responsibility. The case has been certified as a class action. Although the case was commenced by three named plaintiffs in 2010, approximately 4,900 plaintiffs have recently opted into the lawsuit. Plaintiffs seek injunctive relief and damages. If plaintiffs were to ultimately prevail, the City could be subject to substantial liability.

In May 2007, the United States filed an action under Title VII of the Civil Rights Act of 1964 in the United States District Court for the Eastern District of New York challenging the City's use of two written examinations for the entry-level position of firefighter on the ground that use of the tests on a pass/fail basis and to rank-order applicants for selection resulted in a disparate impact on black and Hispanic candidates and that the tests were not "job related and consistent with business necessity." In September 2007, the Vulcan Society, a fraternal organization of black firefighters, and three black applicants intervened as plaintiffs and also asserted intentional discrimination claims. In July 2009, the Court found the City liable on the disparate impact claims. In January 2010, the Court ruled that the City had engaged in intentional discrimination and found that absent the discriminatory tests, the City would have hired an additional 293 black and Hispanic candidates from the two civil service lists generated by the two challenged exams. The Court also determined that all black and Hispanic candidates who took the discriminatory tests who can show they were otherwise qualified to be firefighters are entitled to a portion of the backwages and benefits which would have been paid to the 293 candidates had they been hired. After further briefing and a hearing held in August 2011, the Court issued an order on March 8, 2012 finding that the gross amount of backpay that would have been earned by the 293 victims of discrimination is \$128.7 million. The Court, however, further ruled that the City can reduce this amount significantly by each individual victim's interim earnings. Consequently, the City believes that the amount of the judgment will ultimately be substantially less than \$128.7 million. The Court has not yet ruled on the amount of damages available to black candidates as a result of the finding of liability for intentional discrimination. The City expects to appeal the final judgment when it is entered.

In 2004, certain New York City Police Department sergeants brought collective action under the United States Fair Labor Standards Act ("FLSA") alleging that the City failed to pay them for all their overtime hours and properly calculate their overtime under the FLSA. The City asserted that sergeants were exempt from the FLSA. In July 2009, the United States District Court for the Southern District of New York decided in the City's favor. In August 2011, the United States Court of Appeals for the Second Circuit reversed the decision of the District Court and held that plaintiffs are covered by the FLSA. On March 19, 2012, the City's petition to the United States Supreme Court for certiorari was denied. Consequently, the City will now litigate the sergeants' original claims. Approximately 5,000 current and former sergeants opted into the class which covers the period from April 2002, and possibly April 2001, to the present. Plaintiffs are claiming in excess of \$100 million in backpay and liquidated damages. The parties have settled the case in principle for \$20 million. A fairness hearing will be held by the Court on October 31, 2012 to determine whether the settlement should be approved.

In January 2011, a class action was commenced in the United States District Court for the Southern District against the City, the New York City Taxi and Limousine Commission ("TLC") and other defendants alleging that the TLC's failure to require that a significant number of medallion taxicabs be wheelchair accessible violates the Americans with Disabilities Act (the "ADA") and other statutes. On December 23, 2011, the Court granted summary judgment to plaintiffs and enjoined TLC from selling new taxicab medallions or issuing new street hail livery licenses for vehicles that are not wheelchair accessible until TLC proposes and the Court approves a comprehensive plan to provide passengers in wheelchairs with meaningful access to taxicab service. On March 21, 2012 the United States Court of Appeals for the Second Circuit granted TLC's motion for a stay of the District Court's injunction pending appeal. By opinion and order dated June 28, 2012, the United States Court of Appeals for the Second Circuit vacated the injunction and instructed the Court to enter judgment on behalf of the City on the ADA claim. A proceeding has also been commenced in State Supreme Court and withdrawn without prejudice to re-filing at a later date challenging the City's selection of the Nissan NV200 as the model for future taxis. In addition, three actions have been commenced in New York State Supreme Court, New York County, challenging State legislation that authorizes the City to issue, and sell at public auction, 2,000 new taxi medallions for wheelchair accessible taxis and 18,000 new hail livery licenses. Plaintiffs in these three actions allege violations of the United States and New York Constitutions and the New York Environmental Quality Review Act. On June 1, 2012, the judge presiding over the State Supreme Court actions granted a temporary restraining order enjoining the implementation of such legislation until the Court rules on the plaintiffs' motions for a preliminary injunction enjoining such implementation. On August 17, 2012, the State Supreme Court granted summary judgment to the plaintiffs in all three actions and permanently enjoined the implementation of the legislation authorizing the sale of 2,000 additional taxi medallions and the issuance of 18,000 livery hail licenses. The City has filed notices of appeal and is seeking to directly appeal to the New York State Court of Appeals. If the City is not successful on appeal, the City will be unable to issue and sell additional taxicab medallions and any hail livery licenses without further legislation. As a result of the appellate process, the delays in the sale of new taxi medallions and issuance of hail livery licenses will adversely effect the timing of receipt of revenues anticipated in the Financial Plan, and, if the City is not ultimately successful on appeal, the City would not receive the $l.0 billion projected in the Financial Plan.

Con Edison has challenged the City's method of valuation for determining assessments of certain of its properties in three separate actions. Con Edison has challenged the City's tax assessments on the Hudson Avenue steam plant located in Brooklyn for fiscal years 1995 through 2012 and the East River Generating Station located in Manhattan for fiscal years 1994 through 2012. Additionally, Con Edison has challenged the City's special franchise assessment on its electric grid located in the public right of way. The challenges could result in substantial real property tax refunds in fiscal years 2013 and 2014.

In addition to the above claims and proceedings, numerous real estate tax *certiorari* proceedings are presently pending against the City on grounds of alleged overvaluation, inequality and illegality of assessment. Based on historical settlement activity, and including an estimated premium for inequality of assessment, the City estimates its potential future liability for outstanding *certiorari* proceedings to be $858.9 million and $937.9 million at June 30, 2012 and 2011, respectively, as reported in the government-wide financial statements.

Pension Liability

For fiscal years 2001 through 2005 inclusive, the City incurred a pension liability that was the result of Chapter 125 of the Laws of 2000 (Chapter 125/00) which provided for a five-year phase-in schedule for funding the additional actuarial liabilities created by providing eligible retirees and eligible beneficiaries with increased Supplementation as of September, 2000 and with automatic Cost-of-Living Adjustments (COLA) beginning September, 2001. Chapter 278 of the Laws of 2002 (Chapter 278/02) extended the phase-in period for funding the additional liabilities attributable to the benefits provided under Chapter 125/00 to ten years from five years. Chapter 152 of the Laws of 2006 eliminated for fiscal year 2006 and thereafter the ten-year phase-in period arising under Chapter 278/02 and instead, the additional actuarial liabilities created by the benefits provided by Chapter 125/00 are funded as part of the normal contribution. (See the Required Supplementary Information (RSI) section immediately following the Notes to Financial Statements).

Landfill Closure and Postclosure Care Costs

Heretofore, the City's only active landfill available for waste disposal was the Fresh Kills landfill which initially ceased landfill operations in March 2001. The landfill was reopened per the Governor's amended Executive Order No. 113, which authorized the City to continue the acceptance and disposal of waste materials received from the site of the World Trade Center disaster of September 11, 2001. The landfill subsequently closed in August 2002. For government-wide financial statements, the measurement and recognition of the liability for closure and postclosure care is based on total estimated current cost and landfill usage to date. For fund financial statements, expenditures are recognized using the modified accrual basis of accounting when the related liability is incurred and payment is due.

Upon the landfill becoming inactive, the City is required by Federal and State law to close the landfill, including final cover, stormwater management, landfill gas control, and to provide postclosure care for a period of 30 years following closure. The City is also required under Consent Order with the New York State Department of Environmental Conservation to conduct certain corrective measures associated with the landfill. The corrective measures include construction and operation of a leachate mitigation system for the active portions of the landfill as well as closure, postclosure, and groundwater monitoring activities for the sections no longer accepting solid waste.

The liability for these activities as of June 30, 2012 which equates to the total estimated current cost is $1,233 billion based on the maximum cumulative landfill capacity used to date. There are no costs remaining to be recognized. During fiscal year 1996, New York State legislation was enacted which states that no waste will be accepted at the Fresh Kills landfill on or after January 1, 2002. Accordingly, the liability for closure and postclosure care costs is based upon an effective cumulative landfill capacity used to date of approximately 100%. Cost estimates are based on current data including contracts awarded by the City, contract bids, and engineering studies. These estimates are subject to adjustment for inflation and to account for any changes in landfill conditions, regulatory requirements, technologies, or cost estimates.

During fiscal year 2012, expenditures for landfill closure and postclosure care costs totaled $94.9 million.

Resource Conservation and Recovery Act Subtitle D Part 258, which became effective April, 1997, requires financial assurance regarding closure and postclosure care. This assurance was most recently provided, on March 19, 2012, by the City's Chief Financial Officer placing in the Fresh Kills landfill operating record representations in satisfaction of the Local Government Financial Test. As of June 30, 2012, the financial assurance cost estimate for the Fresh Kills Landfill is $1.102 billion.

The City has five inactive hazardous waste sites not covered by the EPA rule. The City has recorded the long-term liability for these postclosure care costs in the government-wide financial statements.

The following represents the City's total landfill and hazardous waste sites liability which is recorded in the government-wide statement of net assets:

	Amount (in thousands)
Landfill	$1,232,542
Hazardous waste sites	242,044
Total landfill and hazardous waste sites liability	$1,474,586

Pollution Remediation Obligations

The pollution remediation obligations (PROs) at June 30, 2012 and June 30, 2011 summarized by obligating event and pollution type, respectively, are as follows:

Obligating Event	Fiscal Year 2012		Fiscal Year 2011	
	Amount (in thousands)	Percentage	Amount (in thousands)	Percentage
Imminent endangerment	$ 822	.4%	$ 32,089	14.2%
Violation of pollution prevention-related permit or license	108	.1	3,007	1.4
Named by regulator as a potentially responsible party	50,977	24.0	30,155	13.3
Named in a lawsuit	—	—	3,692	1.6
Voluntary commencement	160,525	75.5	157,280	69.5
Total	$212,432[(1)]	100.0%	$226,223[(1)]	100.0%

Pollution Type	Amount (in thousands)	Percentage	Amount (in thousands)	Percentage
Asbestos removal	$ 91,988	43.3%	$114,800	50.7%
Lead paint removal	32,554	15.3	58,146	25.7
Soil remediation	34,421	16.2	22,828	10.1
Water remediation	52,698	24.8	26,263	11.6
Other	771	.4	4,186	1.9
Total	$212,432[(1)]	100.0%	$226,223[(1)]	100.0%

[(1)] There are no expected recoveries deemed not yet realized or realizable to reduce the liability.

The PRO liability is derived from registered multi-year contracts which offsets cumulative expenditures (liquidated/unliquidated) against original encumbered contractual amounts. The potential for changes to existing PRO estimates is recognized due to such factors as: additional remediation work arising during the remediation of an existing pollution project; remediation activities may find unanticipated site conditions resulting in necessary modifications to work plans; changes in methodology during the course of a project may cause cost estimates to change, e.g., the new ambient air quality standard for lead considered a drastic change will trigger the adoption of new/revised technologies for compliance purposes; and changes in the quantity which is paid based on actual field measured quantity for unit price items measured in cubic meters, linear meters, etc. Consequently, changes to original estimates are processed as change orders. Further, regarding pollution remediation liabilities that are not yet recognized because they are not reasonably estimable, the Law Department relates that we have approximately 18 cases involving hazardous substances, including spills from above and underground storage tanks, and other condemnation on, or caused by facilities on City-owned property. There are also four cases involving environmental review and land use, and one case involving polychlorinated biphenyls caulk in the public schools. Due to the uncertainty of the legal proceedings we cannot estimate a future liability.

On March 2, 2010, following an earlier notice of proposed listing, the United States Environmental Protection Agency ("EPA") listed the Gowanus Canal, a waterway located in Brooklyn, New York, as a Federal Superfund site under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). While it was evaluating listing the Gowanus Canal, on November 5, 2009, EPA notified the City that EPA considers the City a potentially responsible party ("PRP") under CERCLA for hazardous wastes in the Gowanus Canal. In its Gowanus PRP notice letter, EPA identified currently and formerly City-owned and operated properties, including an asphalt plant, an inactive incinerator, and waterfront properties historically leased to private entities, as sources of hazardous substances in the Gowanus Canal. On February 2, 2011, following an investigation of the location, concentrations, types, sources, and risks of contamination in the Gowanus Canal, EPA issued a Gowanus Canal Remedial Investigation Report. That report identified three former manufactured gas plants as the likely source of much of the contamination in the Gowanus Canal, but also identified combined sewer overflows as the likely source of some contamination. On December 30, 2011, EPA released its draft feasibility study for the Gowanus Canal, evaluating various alternatives to address the contamination identified in its report. DEP is currently undertaking a $160 million capital project which will modernize a flushing tunnel to directly improve water quality and circulation within the Gowanus Canal. This work also includes up-sizing a pump station at the head of the Gowanus Canal to reduce the discharge of combined sewer overflows and dredging of a portion of the Gowanus Canal. Based on prior communications between DEP and EPA, the pump project should not be impacted by the listing of the Gowanus Canal as a Federal Superfund site, although the dredging project may be impacted. EPA has indicated that additional combined sewer overflow controls beyond the planned or projected upgrades under the Clean Water Act are necessary to prevent recontamination of the canal sediments. DEP disagrees and has provided EPA with several technical memoranda to demonstrate that the current data does not support this conclusion. DEP is continuing discussions with EPA and EPA has not further identified what additional controls it may seek.

On September 27, 2010, following an earlier notice of proposed listing, EPA listed Newtown Creek, the waterway on the border between Brooklyn and Queens, New York, along with its five tributaries, as a Superfund site. On April 6, 2010, EPA notified the City that EPA considers the City a PRP under CERCLA for hazardous wastes in Newtown Creek. In its Newtown Creek PRP notice letter, EPA identified historical City activities that filled former wetlands and low lying areas in and around Newtown Creek and releases from formerly City-owned and operated facilities, including municipal incinerators, as well as discharges from sewers and combined sewer overflow outfalls, as potential sources of hazardous substances in Newtown Creek. The City is participating with five companies that own or operate facilities adjacent to Newtown Creek in the investigation of conditions in Newtown Creek and the evaluation of feasible remedies. On July 7, 2011, EPA, the City of New York and the Newton Creek Group (NCG) entered into an Administrative Settlement Agreement and Order on Consent (AOC) to complete a comprehensive study of the Newton Creek and its tributaries. The study, called a Remedial Investigation and Feasibility Study, will be completed according to CERCLA. Under the AOC, the City is required to establish and maintain financial security in the amount of $25 million for the benefit of EPA in order to secure the full and final completion of the work required to be performed under the AOC by the City and the Newton Creek Group, the group of five companies (Phelps Dodge Refining Co., Texaco, British Petroleum, National Grid and Exon Mobile) that are respondents to the AOC, in addition to the City. The City has made its demonstration of financial assurance pursuant to the Resource Conservation and Recovery Act, 40 C.F.R. §258.74(f). This assurance was most recently provided, on March 2012, to the EPA in satisfaction of the AOC. The AOC does not cover any remedy that may ultimately be chosen by EPA to address the contamination identified as a result of the investigation and evaluation.

Under CERCLA, a responsible party may be held responsible for monies expended for response actions at a Superfund site, including investigative, planning, removal, remedial and EPA enforcement actions. A responsible party may also be ordered by EPA to take response actions itself. Responsible parties include, among others, past or current owners or operators of a facility from which there is a release of a hazardous substance that causes the incurrence of response costs. The nature, extent, and cost of response actions at either Gowanus Canal or Newtown Creek, the contribution, if any, of discharges from the City's water and sewer system to hazardous substances in Newtown Creek, and the extent of the City's liability, if any, for monies expended for such response actions, will likely not be determined for several years.

5. Interfund Receivables, Payables, and Transfers

At June 30, 2012 and 2011, Primary Government and Discretely Presented Component Units receivable and payable balances and interfund transfers were as follows:

Governmental activities:

Due from/to other funds:

Receivable Fund	Payable Fund	2012	2011
		(in thousands)	
General Fund	Capital Projects Fund	$2,801,825[1]	$2,664,275[1]
	HYIC—General Fund	12,574	—
Capital Projects Fund	TFA—Capital Projects Fund	310,281	286,727
	HYIC—Capital Projects Fund	2,606	13,991
HYDC—Capital Projects Fund	HYIC—Capital Projects Fund	51	103
HYIC—Debt Service Fund	HYIC—Capital Projects Fund	189	—
Total due from/to other funds		$3,127,526	$2,965,096

Component Units:

Due from/to Primary Government and Component Units:

Receivable Entity	Payable Entity	2012	2011
Primary Government—General Fund	Component Units—HDC	$ 865,077	$ 854,517
	HHC	171,653	207,374
		1,036,730	1,061,891
Primary Government—Capital Projects Fund	Component Units—Water Authority	677,880	682,345
	EDC.	125,043	126,251
		802,923	808,596
Total due from Component Units		$1,839,653	$1,870,487
Component unit—Water Board	Primary Government—General Fund	$ 62,371	$ 36,288
Total due to Component Units		$ 62,371	$ 36,288

[1] Net of eliminations within the same fund type.

Note: During both fiscal years 2012 and 2011, the Capital Projects Fund reimbursed the General Fund for expenditures made on its behalf.

Governmental activities:

Interfund transfers

	Fiscal Year 2012 (in thousands)					
	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total
From General Fund	$ —	$ —	$2,272,372	$ 1,140,758	$ —	$ 3,413,130
From (to) General Debt Service	(2,272,372)	—	—	6,608	—	(2,265,764)
To Capital Projects	—	—	—	(3,176,386)	—	(3,176,386)
From (to) Nonmajor Debt Service	(1,757,622)	—	(6,608)	(81,569)	616,864	(1,228,935)
From Nonmajor Capital Projects	—	3,176,386	—	8,950	—	3,185,336
From Nonmajor Special Revenue	—	—	—	72,619	—	72,619
Total	$(4,029,994)	$3,176,386	$2,265,764	$(2,029,020)	$ 616,864	$ —

	Fiscal Year 2011 (in thousands)					
	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Adjustments/ Eliminations	Total
From General Fund	$ —	$ —	$3,488,937	$ 1,096,899	$ —	$4,585,836
From (to) General Debt Service	(3,488,937)	—	—	5,170	—	(3,483,767)
To Capital Projects	—	—	—	(3,979,583)	—	(3,979,583)
From (to) Nonmajor Debt Service	(1,791,943)		(5,170)	(145,456)	695,044	(1,247,525)
From Nonmajor Capital Projects	—	3,979,583	—	42,825	—	4,022,408
From Nonmajor Special Revenue	—	—	—	102,631	—	102,631
Total	$(5,280,880)	$3,979,583	$3,483,767	$(2,877,514)	$ 695,044	$ —

Transfers are used to: (i) move unrestricted General Fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as aids or matching funds for grant programs, (ii) move restricted amounts borrowed by authorized fund or Component Unit to finance Capital Projects Fund expenditures, (iii) move unrestricted surplus revenue from the General Fund to finance Capital Projects Fund expenditures and prepay debt service coming due in the next fiscal year, and (iv) move revenue from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due.

In the fiscal year ended June 30, 2012, the City made the following one-time transfer:
Transfers from the General Fund of unrestricted grants of $879 million on June 29, 2012 to TFA and $156 million to HYIC. These funds will be used to fund debt service requirements for tax secured debt and debt service respectively during the fiscal year ending June 30, 2013.

In the fiscal year ended June 30, 2011, the City made the following one-time transfer:
A transfer from the General Fund of an unrestricted grant of $790 million on June 29, 2011 to TFA. These funds were used to fund debt service requirements for tax secured debt during the fiscal year ending June 30, 2012.

E. Other Information

1. Audit Responsibility

In fiscal years 2012 and 2011, respectively, the separately administered organizations included in the financial statements of the City audited by auditors other than Deloitte & Touche LLP are TSASC, Inc., New York City School Construction Authority, New York City Health and Hospitals Corporation, New York City Housing Development Corporation, New York City Industrial Development Agency, New York City Economic Development Corporation, Business Relocation Assistance Corporation, Brooklyn Navy Yard Development Corporation, Deferred Compensation Plan, WTC Captive Insurance Company, Inc., New York City Capital Resource Corporation, New York City Educational Construction Fund, Sales Tax Asset Receivable Corporation, Fiscal Year 2005 Securitization Corporation, NYCTL Trusts, New York City Housing Authority, Hudson Yards Infrastructure Corporation, Hudson Yards Development Corporation, Brooklyn Bridge Park Corporation, The Trust for Governors Island, and The New York City Energy Efficient Corporation. In fiscal year 2011, auditors other than Deloitte & Touche LLP audited New York City Transitional Finance Authority. In addition in fiscal year 2012, auditors other than Deloitte & Touche LLP audited newly created Component Unit—Build NYC.

	Government-wide				Fund-based			
	Governmental Activities		Component Units		Nonmajor Governmental Funds		Fiduciary Funds	
	2012	2011	2012	2011	2012	2011	2012	2011
Total assets	4%	7%	50%	51%	48%	100%	7%	7%
Revenues, other financing sources and net assets held in trust	4	5	78	79	80	100	9	8

2. Subsequent Events

The following events occurred subsequent to June 30, 2012:

Long-term Financing

City Debt: On October 23, 2012, The City of New York sold its Fiscal 2013 Series A General Obligation bonds of $850 million for capital purposes.

On October 23, 2012, The City of New York sold its Fiscal 2013 Series B and C General Obligation bonds of $600 million for refunding purposes.

On October 23, 2012, The City of New York converted its Fiscal 1994 Series A5 General Obligation bonds of $22.18 million from Daily Mode to Fixed Rate Mode and Fiscal 1994 Series H6 General Obligation bonds, Fiscal 1996 Series J2 General Obligation bonds and Fiscal 2003 Series G3 General Obligation bonds of $36.33 million from Weekly Mode to Fixed Rate Mode.

TFA Debt: On July 19, 2012, TFA sold its Fiscal 2013 Series S-1 Building Aid Revenue Bonds of $850 million for capital purposes.

On August 28, 2012, TFA sold its Fiscal 2013 Series A1-3 Future Tax Secured Subordinate bonds of $450 million for capital purposes.

On August 28, 2012, TFA sold its Fiscal 2013 Series A4-7 Future Tax Secured Adjustable Rate bonds of $350 million for capital purposes.

On August 28, 2012, TFA sold its Fiscal 2013 Series B Future Tax Secured Subordinate bonds of $950 million for refunding purposes.

NYCTLT 2012-A Debt: On August 8, 2012, NYCTLT 2012-A issued Tax Lien Collateralized Bonds, Series 2012-A of $66.75 million to fund the purchase of certain liens from the City.

Bond Ratings: On August 22, 2012, Fitch downgraded TSASC bonds maturing June 1, 2022 to BBB from BBB+, bonds maturing June 1, 2026 to BB- from BBB-, and bonds maturing June 1, 2034 and June 1, 2042 to B+ from BB.

3. Other Employee Benefit Trust Funds

Deferred Compensation Plans For Employees of The City of New York and Related Agencies and Instrumentalities (DCP) and the New York City Employee Individual Retirement Account (NYCE IRA)

DCP offers employees of The City of New York and Related Agencies and Instrumentalities two defined contribution plans in accordance with Internal Revenue Code Sections 457 and 401(k). DCP permits employees to defer a portion of their salary on either a pre-tax (traditional) or after-tax (Roth) basis until future years. Funds may not be withdrawn until termination, retirement, death, Board-approved unforeseen emergency or hardship (as defined by the Internal Revenue Code) or, if still working for the City, upon attainment of age 70½ in the 457 Plan or upon age 59½ in the 401(k). A 401(a) defined contribution plan is available to certain employees of the Lieutenant's Benevolent Association of The City of New York Police Department.

The NYCE IRA is a deemed Individual Retirement Account (IRA) in accordance with Internal Revenue Code Section 408(q) and is available as both a traditional and Roth IRA to those employees eligible to participate in the 457 Plan and 401(k) Plan and their spouses along with former employees and their spouses. Funds may be withdrawn from the NYCE IRA at any time, however, certain conditions must be met for withdrawals to be considered Qualified Distributions (penalty-free).

Amounts maintained under a deferred compensation plan and an IRA by a state or local government are held in trust (or in a custodial account) for the exclusive benefit of participants and their beneficiaries. Consequently, each plan and IRA is presented as an Other Employee Benefit Trust Fund in the City's financial statements.

Participants in DCP or NYCE IRA can choose among seven investment options, or one of twelve pre-arranged portfolios consisting of varying percentages of those investment options. Participants can also invest a portion of their assets in a self-directed brokerage option.

The New York City Other Postemployment Benefits Plan (PLAN)

PLAN is a fiduciary Component Unit of the City and is composed of: (1) the New York City Retiree Health Benefits Trust (RHBT) which is used to receive, hold, and disburse assets accumulated to pay for some of the postemployment benefits other than pensions (OPEB) provided by the City to its retired employees and (2) OPEB paid for directly by the City out of its general resources rather than through RHBT. RHBT was established for the exclusive benefit of the City's retired employees and their eligible spouses and dependents, to fund some of the OPEB provided in accordance with the City's various collective bargaining agreements and the City's Administrative Code. Amounts contributed to RHBT by the City are held in trust and are irrevocable and may not be used for any other purpose than to fund the costs of health and welfare benefits of its eligible participants. Consequently, PLAN is presented as an Other Employee Benefit Trust Fund in the City's financial statements. The separate annual financial statements of PLAN are available at: Office of the Comptroller, Bureau of Accountancy — Room 200 South, 1 Centre Street, New York, New York 10007.

Summary of Significant Accounting Policies:

Basis of Accounting. The measurement focus of PLAN is on the flow of economic resources. This focus emphasizes the determination of changes in the PLAN's net assets. With this measurement focus, all assets and liabilities associated with the operation of this fiduciary fund are included on the statement of fiduciary net assets. This fund uses the accrual basis of accounting whereby contributions from the employer are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments. Investments are reported on the statement of fiduciary net assets at fair value based on quoted market prices.

The Schedule of Funding Progress of OPEB valuations appears in the RSI Section, immediately following the Notes to Financial Statements.

4. Other Postemployment Benefits

Program Description. The New York City Health Benefits Program (Program) is a single-employer defined benefit healthcare plan funded by PLAN, an Other Employee Benefit Trust Fund of the City, which provides Other Postemployment Benefits (OPEB) to eligible retirees and beneficiaries. OPEB includes: health insurance, Medicare Part B Premium reimbursements and welfare fund contributions. PLAN issues a publicly available financial report that includes financial statements and required supplementary information for funding PLAN's OPEB and the report is available at: Office of the Comptroller, Bureau of Accountancy-Room 200 South, 1 Centre Street, New York, New York 10007.

Funding Policy. The Administrative Code of The City of New York (ACNY) defines OPEB to include Health Insurance and Medicare Part B Premium Reimbursments; Welfare Fund Benefits stem from the City's various collective bargaining agreements. The City is not required by law or contractual agreement to provide funding for the Program other than the pay-as-you-go amounts necessary to provide current benefits to retirees and eligible beneficiaries/dependents. For the fiscal year ended June 30, 2012, the City paid $1.4 billion on behalf of the Program. Based on current practice (the Substantive Plan which is derived from ACNY), the City pays the full cost of basic coverage for non-Medicare-eligible/Medicare-eligible retiree participants. The costs of these benchmark plans are reflected in the actuarial valuations by using age-adjusted premium amounts. Program retiree participants who opt for other basic or enhanced coverage must contribute 100% of the incremental costs above the premiums for the benchmark plans. The City also reimburses covered employees 100% of the Medicare Part B Premium rate applicable to a given year and there is no retiree contribution to the Welfare Funds. The City pays per capita contributions to the Welfare Funds the amounts of which are based on negotiated contract provisions.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount that was actuarially determined by using the Frozen Entry Age Actuarial Cost Method (one of the actuarial cost methods in accordance with the parameters of GASB45). Under this method, in general, the excess of the Actuarial Present Value of Projected Benefits over the sum of: (i) the Actuarial Value of Assets plus (ii) the Unfunded Frozen Actuarial Accrued Liability is allocated on a level basis over the earnings of the covered active employees between the valuation date and assumed exit. This allocation is performed for the group as a whole. The Frozen Actuarial Accrued Liability is determined using the Entry Age Actuarial Cost Method. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. Under this method, actuarial gains/losses, as they occur, reduce/increase future Normal Costs. The following table shows the elements of the City's annual OPEB cost for the year, the amount actually paid on behalf of the Program, and changes in the City's net OPEB obligation to the Program for the year ended June 30, 2012:

	Amount (in thousands)
Annual required contribution	$ 89,613,955
Interest on net OPEB obligation	3,356,278
Adjustment to annual required contribution	(87,263,232)
Annual OPEB cost (expense)	5,707,001
Payments made	1,439,815
Increase in net OPEB obligation	4,267,186
Net OPEB obligation-beginning of year	83,906,953
Net OPEB obligation-end of year	$ 88,174,139

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Program, and the net OPEB obligation for the fiscal years ended June 30, 2012, 2011, 2010, 2009, 2008 and 2007 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
	(in thousands)		
6/30/12	$5,707,101	25.2%	$88,174,139
6/30/11	10,494,993	15.0	83,906,953
6/30/10	11,021,425	14.3	74,984,832
6/30/09	3,937,583	42.8	65,544,361
6/30/08	7,419,205	25.5	63,290,218
6/30/07	7,164,986	40.6	57,761,938

Funded Status and Funding Progress. As of June 30, 2011, the most recent actuarial valuation date, the funded status was 3.1%. The actuarial accrued liability for benefits was $85.9 billion, and the actuarial value of assets was $2.6 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $83.3 billion. The covered payroll (annual payroll of active employees covered) was $19.9 billion, and the ratio of the UAAL to the covered payroll was 419.6%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The determined actuarial valuations of OPEB incorporated the use of demographic and salary increase assumptions among others as reflected below. Amounts determined regarding the funded status and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown in the RSI section immediately following the Notes to Financial Statements, disclosures required by GASB43 for OPEB Plan reporting, presents GASB No. 45 results of OPEB valuations as of June 30, 2011, 2010, 2009, 2008, 2007, and 2006 and the schedule provides a six year information trend about whether the actuarial values of PLAN assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. The actuarial assumptions used in the June 30, 2011 and 2010 OPEB actuarial valuations are classified as those used in the New York City Retirement Systems (NYCRS) valuations and those specific to the OPEB valuations. NYCRS consist of: (i) New York City Employees' Retirement System (NYCERS); (ii) Teachers' Retirement System of the City of New York Qualified Pension Plan (TRS); (iii) New York City Board of Education Retirement System Qualified Pension Plan (BERS); (iv) New York City Police Pension Fund (POLICE); and (v) New York City Fire Department Pension Fund (FIRE). The OPEB actuarial valuations incorporate only the use of certain NYCRS demographic and salary increase assumptions the NYCRS demographic and salary scale assumptions are changed from the prior OPEB actuarial valuation. The demographic and salary scale assumptions requiring NYCRS Board approval were adopted by each respective Board of Trustees during fiscal year 2012. The legislation required to enact those actuarial assumptions and methods that require New York State legislation are pending but are expected to be enacted when the Legislature next convenes.

The OPEB-specific actuarial assumptions used in the June 30, 2011 OPEB actuarial valuation of the Plan are as follows:

Valuation Date . . . . June 30, 2011.

Discount Rate . . . . 4.0% per annum.(1)

Per Capita Claims Costs . . . . HIP HMO and GHI/EBCBS benefit costs reflect age adjusted premiums. Age adjustments from assumed average age of covered population for non-Medicare retirees and HIP HMO Medicare retirees. Age adjustment based on actual age distribution of the GHI/EBCBS Medicare covered population. Insured premiums without age adjustment for other coverage. Premiums assumed to include administrative costs.

Employer premium contribution schedules for the month of July 2011 and January 2012 were reported by the Mayor's Office of Labor Relations. In most cases, the premium contributions remained the same throughout the year. HIP HMO Medicare rates varied by date and by specific Plan option. These variations are the result of differing Medicare Advantage reimbursements. The various monthly rates were blended by proportion of enrollment. For other rates, where the January 2012 premium rate was different than the July 2011 premium rate, the valuation assumed that the January 2012 rate was more representative of the long-range cost of the arrangement.

[(1)] 2.5% CPI, 1.5% real rate of return on short-term investments.

Initial monthly premium rates used in valuations are shown in the following tables:

	Monthly Rate	
Plan	FY '12[(1)]	FY '11[(2)]
HIP HMO		
Non-Medicare Single	$ 507.60	$ 462.43
Non-Medicare Family	1,243.59	1,132.93
Medicare	135.87	132.40
GHI/EBCBS		
Non-Medicare Single	442.70	418.94
Non-Medicare Family	1,149.28	1,087.56
Medicare	166.00	166.00
Others		
Non-Medicare Single	507.60	462.43
Non-Medicare Family	1,243.59	1,132.93
Medicare	166.00	166.00

[(1)] Used in June 30, 2011 actuarial valuation.

[(2)] Used in June 30, 2010 actuarial valuation.

Welfare Funds . . . . Welfare Fund contributions reflect a three year trended average of reported annual contribution amounts for current retirees. A trended average is used instead of a single reported Welfare Fund amount to smooth out negotiated variations. The Welfare Fund rates reported for the previous two valuations were trended to current levels based on a historic increase rate of 2.3% for fiscal year 2011 and 2.4% for fiscal year 2010 approximating overall recent growth of Welfare Fund contributions.

For the June 30, 2011 and the June 30, 2010 OPEB actuarial valuations, certain lump-sum amounts have been included in calculating the three-year trended average. Furthermore, retroactive adjustments to Welfare Fund contribution rates were used in the trended average as of the dates they were effective (i.e., using the retroactive date).

Reported annual contribution amounts for the last three years shown in Appendix B, Tables 2a to 2e of the Report on the Seventh Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program dated September 19, 2012, for fiscal year 2012 used for current retirees.

Weighted average annual contribution rates used for future retirees:

	Annual Rate	
	FY'12	FY'11
NYCERS	$1,775	$1,789
TRS	1,876	1,871
BERS	1,767	1,782
POLICE	1,691	1,734
FIRE	1,783	1,764

Contributions were assumed to increase by Medicare Plans trend rates.

For Welfare Fund contribution amounts reflected in the June 30, 2010 actuarial valuation for current retirees, see Report on the Sixth Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program dated September 21, 2011.

Medicare Part B Premiums . . . .

Calendar Year	Monthly Premium
2008	$ 96.40
2009	96.40
2010 *(announced)*	110.50
2010 *(used)*	100.21
2011 *(announced)*	115.40
2011 *(used)*	101.53
2012	99.90*

* Reflected only in the June 30, 2011 OPEB actuarial valuation.

2012 Medicare Part B Premium assumed to increase by Medicare Part B trend rates.

Medicare Part B Premium reimbursement amounts have been updated to reflect actual premium rates announced for calendar years through 2012. The actual 2013 Medicare Part B Premium was not announced at the time these calculations were prepared and thus, was not reflected in the valuation.

Due to the fact that there were no cost-of-living increases in Social Security benefits for Calendar Years 2010 and 2011, most Medicare Part B participants were not actually charged the Medicare Part B Premium announced for 2012.

For anyone having their standard Medicare Part B Premium paid out of their Social Security check in 2009, the Medicare Part B Premium was frozen at the 2009 level. Individuals first collecting Social Security in 2010, or who first paid Medicare Part B Premiums in 2010 (e.g., turning age 65) would pay the full base 2010 premium of $110.50.

Individuals first collecting Social Security in 2011, or who first paid Medicare Part B Premiums in 2011, paid the full base premium of $115.40, while those who first were covered in 2010 paid $110.50 throughout 2011 as well. Individuals whose Medicare Part B Premiums are paid directly by other entities (e.g., Medicaid for individuals in a nursing home) would have $110.50 paid on their behalf during 2010, and $115.40 paid on their behalf during 2011.

Individuals who pay the Medicare Part B Income Related Monthly Adjustment Amount (“IRMAA”) were not subject to the freeze and paid higher amounts during 2010 that are predicted on the $110.50. For 2011 they paid higher amounts predicated on the $115.40. The Federal government estimated that about 3/4 of Medicare retirees owed only $96.40 per month during 2011.

For the June 30, 2009 OPEB actuarial valuation (i.e., Fiscal Year 2010), the annual premium used (i.e., $1,179.64) equaled 6 months of the Calendar Year 2009 premium plus 6 months of:

- 73% of the Calendar Year 2009 monthly premium (i.e., $96.40), representing the approximate percentage of the overall U.S. Medicare population that will pay the frozen amount, and
- 27% of the Calendar Year 2010 monthly premium (i.e., $110.50), representing the approximate percentage of the overall U.S. Medicare population that will pay the Calendar Year 2010 amount.

This blended premium reflects an approximation of the overall amount collected for Medicare Part B and was considered a better measure upon which to base future projections.

For the June 30, 2011 OPEB actuarial valuation (i.e., Fiscal Year 2012), the annual premium used (i.e., $1,208.58) equals 6 months of the Calendar Year 2011 premium (i.e., 73% of $96.40 + 27% of $110.50) plus 6 months of the calendar year 2012 premium ($99.90). Future Calendar Year Part B premium rates are projected from the Calendar Year 2012 rate of $99.90 using the assumed Medicare Part B Premium trend.

Overall Medicare Part B Premium amounts assumed to increase by the following percentages to reflect the income-related increases in Medicare Part B Premiums for high income individuals:

	Income-related Medicare Part B Increase	
Fiscal Year	**June 30, 2011 Valuation**	**June 30, 2010 Valuation**
2011	N/A	3.4%
2012	3.5%	3.5
2013	3.6	3.6
2014	3.7	3.7
2015 and later	Increasing by .1% per year to a maximum of 5.0%	Increasing by .1% per year to a maximum of 5.0%

N/A: Not Applicable.

Medicare Part B Premium Reimbursement Assumption .... For the June 30, 2011 OPEB actuarial valuation, 90% of Medicare participants are assumed to claim reimbursement (unchanged from last year).

Health Care Cost Trend Rate (HCCTR) .... Covered medical expenses are assumed to increase by the following percentages (unchanged from last valuation):

Year Ending[1]	**Pre-Medicare Plans**	**Medicare Plans**	**Medicare Part B Premium**
2012[2]	9.5%	5.0%	7.5%
2013	9.5	5.0	7.0
2014	9.5	5.0	6.5
2015	9.0	5.0	6.0
2016	8.5	5.0	5.5
2017	8.0	5.0	5.0
2018	7.5	5.0	5.0
2019	7.0	5.0	5.0
2020	6.5	5.0	5.0
2021	6.0	5.0	5.0
2022	5.5	5.0	5.0
2023 and later	5.0	5.0	5.0

(1) Fiscal year for Pre-Medicare Plans and Medicare Plans and calendar year for Medicare Part B Premiums.

(2) For the June 30, 2011 OPEB actuarial valuation, rates shown for 2012 were not reflected since actual values for the fiscal year 2012 per capita costs, fiscal year 2012 Welfare Fund contributions, and calendar year 2012 Medicare Part B Premium amounts were used.

Age-Related Morbidity . . . . Assumed increases in premiums per year of age for HIP HMO and GHI/EBCBS consistent with those set forth in a July 2005 article in the North American Actuarial Journal by Jeffrey R. Petertil.

Age	Annual Increase
Under 40	0.0%
40 - 49	3.0
50 - 54	3.3
55 - 59	3.6
60 - 64	4.2
65 - 69	3.0
70 - 74	2.5
75 - 79	2.0
80 - 84	1.0
85 - 89	0.5
90 and over	0.0

The premiums are age adjusted for HIP HMO and GHI/EBCBS participants. The age adjustments were based on assumed age 40 for non-Medicare-eligible retirees and assumed age 73 for HIP HMO Medicare-eligible retirees. An actual age distribution based on reported census information was used for Medicare-eligible GHI/EBCBS retirees and dependents.

The age adjustment for the non-Medicare GHI/EBCBS premium reflects a 5% (unchanged) reduction in the GHI portion of the premium for the estimated margin anticipated to be returned. GHI represents $216.19 of the $442.70 single non-Medicare GHI/EBCBS monthly rate for the June 30, 2010 OPEB actuarial valuation and $200.57 of the $418.94 single non-Medicare GHI/EBCBS monthly rate for the June 30, 2010 OPEB actuarial valuation.

In addition to age adjustment, the premiums for HIP HMO Medicare-eligible retirees were multiplied by the following factors to reflect actual calendar year 2012 premiums and future anticipated changes in Medicare Advantage reimbursement rates. As of June 30, 2009, the factors had been updated to reflect that Medicare Advantage reimbursement rates are expected to be significantly reduced over the next several years. The reductions in the reimbursement rates were part of the National Health Care Reform (NHCR) legislation and are likely to be most significant in areas where medical costs are greater, such as New York City. In developing the adjustment factors for the June 30, 2010 and the June 30, 2011 OPEB actuarial valuations, it was assumed that the cost of HIP coverage would not be allowed to exceed the cost of GHI/EBCBS coverage for Medicare retirees. The adjustment factors used as of June 30, 2010 are shown for comparative purposes:

	Factor*	
Fiscal Year	6/30/11 Valuation	6/30/10 Valuation
2011	N/A	1.0000
2012	1.0000	1.0250
2013	1.0200	1.0850
2014	1.0800	1.1500
2015	1.1400	1.2000
2016	1.1800	1.2300
Thereafter	1.2000	1.2300

* Includes anticipated impact of National Health Care Reform.
N/A: Not Applicable.

Medicare . . . . Medicare is assumed to be the primary payer over age 65 and for retirees currently on Medicare. For future disability retirements, Medicare is assumed to start 2.5 years after retirement in the June 30 OPEB actuarial valuations for the following portion of retirees:

	Valuation as of June 30	
	2011	2010
NYCERS	35%	35%
TRS	45	45
BERS	45	45
POLICE	15	15
FIRE	20	20

Participation . . . . Active participation assumptions based on current retiree elections. Actual elections for current retirees. Portions of current retirees not eligible for Medicare are assumed to change elections upon attaining age 65 based on patterns of elections of Medicare-eligible retirees. Detailed assumptions appear in the following table:

Plan Participation Assumptions

Benefits	June 30, 2011 and June 30, 2010 Valuations				
	NYCERS	TRS	BERS	POLICE	FIRE
Pre-Medicare					
–GHI/EBCBS	65%	83%	73%	76%	71%
–HIP HMO	22	6	16	13	16
–Other HMO	8	4	3	9	12
–Waiver	5	7	8	2	1
Medicare					
–GHI	72	87	78	82	77
–HIP HMO	21	9	16	12	16
–Other HMO	4	2	2	4	6
–Waiver	3	2	4	2	1
Post-Medicare Migration					
–Other HMO to GHI	50	0	33	50	50
–HIP HMO to GHI	0	0	0	0	0
–Pre-Med. Waiver					
• to GHI @ 65	13	35	50	0	0
• to HIP @ 65	13	35	0	0	0

Waivers are assumed to include participants who do not qualify for coverage because they were working less than 20 hours a week at termination.

Dependent Coverage . . . . Dependent coverage is assumed to terminate when a retiree dies, except in the following situations:

(i) Lifetime coverage is provided to the surviving spouse or domestic partner and to children (coverage to age 26 based on legislative mandates under recently enacted National Health Care Reform) of uniformed members of the Police or Fire Departments who die in the Line of Duty.

(ii) Effective November 13, 2001, other surviving spouses of retired uniformed members of the Police and Fire Departments may elect to continue coverage for life by paying 102% of stated premium.

(iii) Effective August 31, 2010 surviving spouses of retired uniformed members of the Departments of Correction and Sanitation may elect to continue coverage for life by paying 102% of stated premium.

For survivors of POLICE and FIRE who die other than in the Line of Duty (assumed to be all who terminate with Accidental Death Benefits), and for all survivors of uniformed members of the Departments of Correction and Sanitation, the valuation assumes that 30% of spouses eligible for survivor continuation will elect the benefit, with costs equal to 30% greater than the age-adjusted premiums for surviving spouses for HIP HMO and GHI/EBCBS participants. Beginning with the June 30, 2010 OPEB actuarial valuation, the valuation includes an estimate of the value of benefits provided to existing survivors of POLICE and FIRE retirees who died other than in the Line of Duty, who qualified for lifetime continuation coverage prior to the valuation date, based on the assumptions outlined above. The valuation includes the entire cost of additional surviving spouse benefits for basic coverage and Medicare Part B Premium reimbursement for Line of Duty survivors, although the OA understands that some of this amount may be reimbursed through Welfare Funds.

Dependents . . . .

Dependent assumptions based on distribution of coverage of recent retirees which are shown in the following table. Wives assumed to be three years younger than husbands. Actual spouse data for current retirees. Child dependents of current retirees assumed to receive coverage until age 26. Child dependents of future retirees assumed to receive coverage for eight years after retirement.

Dependent Coverage Assumptions

Group	June 30, 2011 and June 30, 2010 Valuations				
	NYCERS	TRS	BERS	POLICE	FIRE
Male					
–Single Coverage	30%	45%	35%	15%	10%
–Spouse	40	35	55	15	20
–Child/No Spouse	5	5	2	5	5
–Spouse and Child	25	15	8	65	65
Total	100%	100%	100%	100%	100%
Female					
–Single Coverage	70%	60%	60%	45%	10%
–Spouse	20	32	35	10	20
–Child/No Spouse	5	3	2	25	5
–Spouse and Child	5	5	3	20	65
Total	100%	100%	100%	100%	100%

For accidental death, 80% of POLICE and FIRE members are assumed to have family coverage.

Demographic Assumptions . . . .

With one exception, the same demographic and salary scale assumptions that were used to value the pension benefits of the NYCRS for determining employer contributions for fiscal years beginning 2012 were also used to determine OPEB information for fiscal year 2012. These assumptions were adopted by the Boards of Trustees of the NYCRS during fiscal year 2012. The exception was for BERS retirees where the probabilities of mortality after service retirement, instead of the probabilities of mortality for beneficiaries of BERS retirees, were used to value the OPEB benefits for dependents of BERS retirees.

Most of the demographic assumptions for decrement from active service are changed from the prior OPEB valuation. The actuarial assumptions used to determine OPEB information for fiscal year 2012 are shown in appendix D of the Report on the Seventh Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program (Report), dated September 19, 2012, and for fiscal year 2011, in Appendix D of the Sixed Annual OPEB Report. These OPEB Reports were prepared in accordance with GASB Nos. 43 and 45. These OPEB Reports are available at the Office of the Comptroller, Bureau of Accountancy – Room 200 South, 1 Centre Street, New York, NY 10007 and are also available on the web site of the New York City Office of the Actuary at http://www.nyc.gov/html/actuary.

COBRA Benefits . . . . Although COBRA beneficiaries pay 102% of "premiums," typical claim costs for COBRA participants run about 50% greater than other participants.

There is no cost to the City for COBRA beneficiaries who enroll in community-rated HMO's, including HIP, since these individuals pay their full community rate. However, the City's costs under the experience-rated GHI/EBCBS coverage are affected by the claims for COBRA-covered individuals.

In order to reflect the cost of COBRA coverage, the cost of excess claims for GHI covered individuals and families is estimated assuming 15% of employees not eligible for other benefits included in the valuation elect COBRA coverage for 15 months. These assumptions are based on experience of other large employers. This percentage is applied to the overall enrollment in the active plan and reflects a load for individuals not yet members of the retirement systems who are still eligible for COBRA benefits. This results in an assumption in the June 30, 2011 OPEB actuarial valuation of a lump-sum COBRA cost of $725 for terminations during fiscal year 2011 ($675 lump-sum cost during fiscal year 2010 was assumed in the June 30, 2009 actuarial valuation). The $725 ($675) lump-sum amount is increased by the Pre-Medicare HCCTR for future years but is not adjusted for age-related morbidity.

Cadillac Tax . . . . Effective with the June 30, 2009 OPEB actuarial valuation, a load is applied to all Pre-Medicare, Medicare, and Medicare Part B Premium liabilities to estimate the impact of the high cost plan excise tax (Cadillac Tax) that will be imposed beginning in 2018 under NHCR. The additional Cadillac Tax due to the riders is assumed to be reflected in the contribution required for the rider. The additional Cadillac Tax due to amounts provided by Welfare Fund benefits is assumed to be absorbed by the Welfare Fund or by lower net Welfare Fund contribution amounts. For the June 30, 2011 OPEB actuarial valuations the load is 1.0% (0.5% last year).

Active/Inactives Liabilities . . . . Beginning with the June 30, 2010 OPEB actuarial valuation it was assumed that the liability for the Active/Inactive members should be 40% of the measured liability of the Active/Inactive population. This is roughly equivalent to assuming 60% of the Active/Inactive members will terminate membership prior to vesting and not receive OPEB.

Stabilization Fund . . . . A 0.7% load is applied on all City GASB45 obligations (.6% in last valuation). The same loads apply to the GASB No. 43 obligations in the current and preceding valuation. The load is not applicable to Component Units.

Educational Construction Fund . . . . The actuarial assumptions used for determining obligations for ECF are shown in Appendix E of the Report on the Seventh Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program (Report) dated September 20, 2012. The Report was prepared as of June 30, 2011, in accordance with GASB Nos. 43 and 45. The Report is available at the Office of the Comptroller, Bureau of Accountancy – Room 200 South, 1 Centre Street, New York, New York 10007 and are also available on the website of the New York City Office of the Actuary at http://www.nyc.gov/html/actuary.

CUNY TIAA . . . . The actuarial assumptions used for determining obligations for CUNY TIAA are shown in Appendix F of the Report on the Seventh Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program (Report) dated September 19, 2012. The Report was prepared as of June 30, 2011 in accordance with GASB43 and 45. The Report is available at the Office of the Comptroller, Bureau of Accountancy – Room 200 South, 1 Centre Street, New York, New York 10007 and are also available on the website of the New York City Office of the Actuary at http://www.nyc.gov/html/actuary.

5. Pension and Other Employee Benefit Trust Funds

Pension Systems

Plan Descriptions

The City sponsors or participates in pension systems providing benefits to its employees. The pension systems function in accordance with existing State statutes and City laws. Each system combines features of a defined benefit pension plan with those of a defined contribution pension plan. Contributions are made by the employers and the members.

The majority of City employees are members of one of the following five major actuarially-funded pension systems collectively known as the New York City Retirement Systems (NYCRS):

1. New York City Employees' Retirement System (NYCERS) is a cost-sharing, multiple-employer public employee retirement system, for employees of the City not covered by one of the other pension systems and employees of certain component units of the City and certain other government units.

2. New York City Teachers' Retirement System-Qualified Pension Plan (TRS) is a cost-sharing, multiple-employer public employee retirement system, for pedagogical employees in the public schools of the City and certain Charter Schools and certain other specified school and college employees.

3. New York City Board of Education Retirement System-Qualified Pension Plan (BERS) is a cost-sharing, multiple-employer public employee retirement system, for nonpedagogical employees of the Department of Education and certain Charter Schools and certain employees of the School Construction Authority.

4. New York City Police Pension Fund (POLICE) is a single-employer public employee retirement system, for full-time uniformed employees of the Police Department. Note: In conjunction with the establishment of an administrative staff separate from the New York City Police Department in accordance with Chapter 292 of the Laws of 2001, the New York City Police Department, Subchapter Two Pension Fund is generally referred to herein as the New York City Police Pension Fund as set forth in the Administrative Code of The City of New York (ACNY) Section 13-214.1.

5. New York City Fire Department Pension Fund (FIRE) is a single-employer public employee retirement system, for full-time uniformed employees of the Fire Department. Note: The New York City Fire Department, Subchapter Two Pension Fund is generally referred to herein as the New York City Fire Department Pension Fund as set forth in ACNY Section 13-313.1.

The NYCRS provide pension benefits to retired employees based on salary, length of service, member contributions, Plan and Tier. In addition, the NYCRS provide automatic Cost-of-Living Adjustments (COLA) and other supplemental pension benefits to certain retirees and beneficiaries. In the event of disability during employment, participants may receive retirement allowances based on satisfaction of certain service requirements and other provisions. NYCRS also provide death benefits.

Subject to certain conditions, members become fully vested as to benefits upon the completion of 5 years of service (10 years for certain members who joined TRS and BERS beginning Calendar Year 2010). Except for NYCERS and BERS, permanent, full-time employees are generally required to become members of a NYCRS upon employment. Permanent full-time employees who are eligible to participate in NYCERS and BERS are generally required to become members within six months of their permanent employment status but may elect to become members earlier. Other employees who are eligible to participate in NYCERS and BERS may become members at their option. Upon termination of employment before retirement, certain members are entitled to refunds of their own contributions, including accumulated interest, less any outstanding loan balances.

Currently there are several Tiers, referred to as Tier I, Tier II, Tier III, Tier IV and Tier VI. Members are assigned a Tier based on Plan and membership date. The Tier II Plan provisions have expired as of June 30, 2009. This affects new hires into the uniformed forces of Police and Fire (new members of POLICE and FIRE) and Detective Investigators who become new members of NYCERS between July 1, 2009 and March 31, 2012.

Chapter 504 of the Laws of 2009 (Chapter 504/09) modified some of the Plan provisions for certain members who first joined TRS or BERS after Calendar Year 2009. These modifications are expected to reduce future employer pension contributions.

Chapter 18 of the Laws of 2012 (Chapter 18/12) amended the retirement benefits of public employees who establish membership in a public employee retirement system on or after April 1, 2012. Chapter 18/12 is commonly referred to as Tier VI. Tier VI is expected to reduce future employer pension contributions.

Plan Membership

As of June 30, 2011, June 30, 2010 and June 30, 2009, the membership of NYCRS consisted of:

	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Plan Membership at June 30, 2011 (Preliminary):						
Retirees and Beneficiaries Receiving Benefits	135,468	74,064	14,399	45,755	17,017	286,703
Terminated Vested Members Not Yet Receiving Benefits	8,914	8,932	189	780	30	18,845
Other Inactives*	18,969	10,938	3,445	1,643	16	35,011
Active Members	182,021	109,636	23,131	33,705	10,650	359,143
Total Plan Membership	345,372	203,570	41,164	81,883	27,713	669,702

	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Plan Membership at June 30, 2010:						
Retirees and Beneficiaries Receiving Benefits	132,487	72,356	13,969	44,634	17,140	280,586
Terminated Vested Members Not Yet Receiving Benefits	8,941	8,170	199	848	33	18,191
Other Inactives*	19,332	10,803	3,661	1,836	23	35,655
Active Members	184,982	111,647	23,324	34,597	11,080	365,630
Total Plan Membership	345,742	202,976	41,153	81,915	28,276	700,062

	NYCERS	TRS	BERS	POLICE	FIRE	TOTAL
Plan Membership at June 30, 2009:						
Retirees and Beneficiaries Receiving Benefits	131,031	70,825	13,641	44,285	17,263	277,045
Terminated Vested Members Not Yet Receiving Benefits	8,867	7,486	229	843	34	17,459
Other Inactives*	21,513	8,689	3,673	1,998	30	35,903
Active Members	186,284	113,132	23,303	35,608	11,460	369,787
Total Plan Membership	347,695	200,132	40,846	82,734	28,787	700,194

* Represents members no longer on payroll, including pending withdrawals, members on leaves of absence, members awaiting refunds of contributions or benefit determinations, etc.

Effective with Fiscal Year 2006, Employer Contributions are determined under the One-Year Lag Methodology (OYLM). Under OYLM, the actuarial valuation date is used for calculating the Employer Contributions for the second following Fiscal Year. For example, the dates of June 30, 2010 (Lag) valuation date, including the membership data above, was used for determining the Fiscal Year 2012 Employer Contributions.

Funding Policy

The City's funding policy is to contribute statutorily-required contributions (Statutory Contributions). Together with member contributions and investment income, these Statutory Contributions would ultimately be sufficient to pay benefits when due.

Statutory Contributions for the NYCRS, determined by the Actuary in accordance with State statutes and City laws, are generally funded by the employers within the appropriate fiscal year.

Member contributions are established by law and vary by Plan. In general, Tier I and Tier II member contribution rates are dependent upon the employee's age at membership and retirement plan election. In general, Tier III and Tier IV members make basic contributions of 3.0% of salary regardless of age at membership. Effective October 1, 2000, in accordance with Chapter 126 of the Laws of 2000, these members, except for certain Transit Authority employees, are not required to make basic contributions after the 10th anniversary of their membership date or completion of ten years of credited service, whichever is earlier. Effective December 2000, certain Transit

Authority Tier III and Tier IV members make basic member contributions of 2.0% of salary in accordance with Chapter 10 of the Laws of 2000. Certain members of NYCERS, TRS and BERS also make additional member contributions. Tier VI members who join between April 1, 2012 and March 31, 2013 contribute 3% of salary until a new contribution structure takes effect on April 1, 2013. Beginning April 1, 2013, Tier VI members contribute between 3.0% and 6.0% of salary, depending on salary level.

During the Spring 2000 session, the New York State Legislature approved and the Governor signed laws which provided Supplementation benefits and COLA for retirees (Chapter 125 of the Laws of 2000), additional service credits for certain Tier I and Tier II members, reduced member contributions for certain Tier III and Tier IV members (Chapter 126 of the Laws of 2000), and several other changes in benefits for various groups.

Chapter 152 of the Laws of 2006 (Chapter 152/06) implemented changes in the actuarial procedures for determining Employer Contributions beginning Fiscal Year 2006. In particular Chapter 152/06 provided the One-Year Lag Methodology (OYLM) and Chapter 152/06 also eliminated the use of the ten-year phase-in of Chapter 278 of the Laws of 2002 (Chapter 278/02) for funding the additional actuarial liabilities created by Chapter 125 of the Laws of 2000 (Chapter 125/00).

Pension Costs

From Fiscal Year 2006 to 2011, the NYCRS Annual Pension Costs and the City's Statutory Contributions were determined under OYLM, on the basis of revised actuarial assumptions, the Frozen Initial Liability Actuarial Cost Method and a revised Actuarial Asset Valuation Method (AAVM). These assumptions methods are referred to as the 2006 A&M.

Beginning Fiscal Year 2012, the NYCRS Annual Pension Costs and the City's Employer Contributions are determined under OYLM, on the basis of revised actuarial assumptions including an Actuarial Interest Rate (AIR) assumption of 7.0% per annum, net of expenses, the Entry Age Actuarial Cost Method, a Market Value Restart as of June 30, 2011, an Actuarial Asset Value as of June 30, 2010 set to recognize investment performance during Fiscal Year 2011 and an amortization method for payment of Unfunded Actuarial Accrued Liabilities (UAAL). These assumptions and methods are referred to as the 2012 A&M.

The total actuarially determined Annual Pension Costs for the NYCRS, for the Fiscal Years ended June 30, 2012, 2011 and 2010 were as follows:

	2012	2011	2010
		(in millions)	
NYCERS	$3,017.0	$2,387.2	$2,197.7
TRS	2,673.1	2,469.0	2,484.1
BERS	213.7	180.2	147.3
POLICE	2,362.7	2,057.6	1,954.7
FIRE	970.7	883.6	867.4
Total annual pension costs	$9,237.2	$7,977.6	$7,651.2

For Fiscal Year 2012 the City's Employer Contributions to the NYCRS, based on the actuarial valuations performed as of June 30, 2010 under OYLM, plus other pension expenditures, were approximately $7,962.1 million. These Employer Contributions are equal to those recommended by the Actuary and are expected to represent the Statutory Contributions. Technically, the representations of Fiscal Year 2012 Employer Contributions still (as of October 2012) requires the enactment of certain enabling legislation that is expected when the New York State Legislature reconvenes later during Calendar Year 2012.

For Fiscal Year 2011, the City's Statutory Contributions for the NYCRS, based on the actuarial valuations performed as of June 30, 2009 under OYLM, plus other pension expenditures, were approximately $7,008.9 million.

For Fiscal Years 2012, 2011 and 2010, the Annual Pension Costs for NYCERS, TRS and BERS, computed in accordance with GASB27 and consistent with generally accepted actuarial principles, are greater than the Statutory Contributions paid by the City, primarily because the City is only one of the participating employers in NYCERS, TRS, and BERS.

For Fiscal Years 2012, 2011 and 2010, the Annual Pension Costs for POLICE and FIRE, computed in accordance with GASB27 and consistent with generally accepted actuarial principles, are less than the Statutory Contributions, primarily because of the interest on and amortization of the Net Pension Obligations for POLICE and FIRE.

The City's Statutory Contributions for the Fiscal Years ended June 30, 2012, 2011 and 2010 were as follows:

	2012[#]	2011 (in millions)	2010
NYCERS*	$1,668.0	$1,320.4	$1,205.6
TRS*	2,613.3	2,427.7	2,450.7
BERS*	203.8	170.5	139.5
POLICE	2,385.7	2,083.6	1,981.0
FIRE	976.9	890.7	874.3
OTHER**	114.4	116.0	104.5
Total Statutory Contributions	$7,962.1	$7,008.9	$6,755.6

Pending the enactment of enabling New York State Legislation.

* NYCERS, TRS, and BERS are cost-sharing, multiple-employer public employee retirement systems. The City's Statutory Contributions as a percentage of the total Statutory Contributions for all employers participating in NYCERS, TRS, and BERS for Fiscal Years ended June 30, 2012, 2011 and 2010 were:

	2012	2011	2010
NYCERS	55.29%	55.31%	54.86%
TRS	97.76	98.33	98.66
BERS	95.37	94.62	94.69

In accordance with GASB27, the City's obligation for NYCERS, TRS, and BERS is fulfilled by paying its portion of the total Statutory Contributions determined. However, the failure by any one employer to make its required payment could increase the obligation of the other participating employers within the particular retirement system.

** Other pension expenditures represent contributions to other actuarial and pay-as-you-go pension systems for certain employees, retirees, and beneficiaries not covered by any of the NYCRS. The City also contributes per diem amounts into certain union-administered annuity funds.

Net Pension Obligations

NYCERS, TRS, and BERS are cost-sharing, multiple-employer public employee retirement systems and the City has no Net Pension Obligations to these systems. Note: The Annual Pension Costs for these systems are the Statutory Contributions. For Fiscal Year 2012 the actuarially-required contributions are expected to equal the Statutory Contributions.

POLICE and FIRE are single-employer public employee retirement systems and the City's net pension obligations for Fiscal Year 2012 are as follows:

	POLICE	FIRE (in millions)	TOTAL
(1) Annual Required Contribution	$2,385.7	$976.9	$3,362.6
(2) Interest on Net Pension Obligation	28.4	13.0	41.4
(3) Adjustment to Annual Required Contribution	28.5	13.1	41.6
(4) Annual Pension Cost=(1)+(2)-(3)	2,385.6	976.8	3,362.4
(5) Statutory Contribution	2,385.7	976.9	3,362.6
(6) Change in Net Pension Obligation=(4)-(5)	(0.1)	(0.1)	(0.2)
(7) Net Pension Obligation Beginning of Year	406.3	185.9	592.2
(8) Net Pension Obligation End of Year=(6)+(7)	$ 406.2	$185.8	$ 592.0

The following is three-year trend information for the City's actuarially-funded, single-employer pension plans:

	Fiscal Year Ended	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
		(in millions)		
POLICE	6/30/12	$2,385.6	100%	$406.2
	6/30/11	2,057.5	101	406.3
	6/30/10	1,954.7	101	432.4
FIRE	6/30/12	$ 976.8	100%	$185.8
	6/30/11	883.6	101	185.9
	6/30/10	867.4	101	193.0

Additional information as of the latest actuarial valuation follows:

	NYCERS	TRS	BERS	POLICE	FIRE
Valuation Date[(1)]	June 30, 2010 (Lag)	June 30, 2010 (Lag)	June 30, 2010 (Lag)	June 30, 2010 (Lag)	June 30, 2010 (Lag)
Actuarial Cost Method[(2)]	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method					
Initial Unfunded	Increasing Dollar	Increasing Dollar	Increasing Dollar	Increasing Dollar	Increasing Dollar
Post-2010 Unfunded	Level Dollar	Level Dollar	Level Dollar	Level Dollar	Level Dollar
Remaining Amortization Period					
Initial Unfunded	22 years	22 years	22 years	22 years	22 years
Post-2010 Unfunded	N/A	N/A	N/A	N/A	N/A
Asset Valuation Method	6-Year Smoothed Market[#]	6-Year Smoothed Market[#]	6-Year Smoothed Market[#]	6-Year Smoothed Market[#]	6-Year Smoothed Market[#]

N/A: Not Applicable.

[#] With a Market Value Restart as of June 30, 2011 and the June 30, 2010 Actuarial Asset Value defined to recognize Fiscal Year 2011 investment performance.

Actuarial Assumptions and Methods

The more significant actuarial assumptions and methods used in the calculations of Employer Contributions to the actuarially-funded pension systems for the Fiscal Years ended June 30, 2012 and 2011 are as follows; reflecting the 2012 A&M and 2006 A&M, respectively.

	2012	2011
Valuation Date	*June 30, 2010 (Lag).*[(1)]	*June 30, 2009 (Lag).*[(1)]
Actuarial Cost Method	*Entry Age.*[(2)]	*Frozen Initial Liability.*[(3)]
Amortization Method for Unfunded Actuarial Accrued Liabilities (UAAL)	*Increasing Dollar for Initial UAAL.*	*Not Applicable*
Remaining Amortization Period	*22 years for Initial UAAL.*	*Not Applicable.*
Actuarial Asset Valuation Method	*Modified 6-year moving average of Market Value with Market Value Restart as of June 30, 2011.*[(4)]	*Modified 6-year moving average of Market Value with Market Value Restart as of June 30, 1999.*
Investment Rate of Return	*7.0% per annum, net of expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).*	*8.0% per annum, gross of expenses) (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).*
Post-Retirement Mortality	*Tables adopted by Boards of Trustees during Fiscal Year 2012.*	*Tables adopted by Boards of Trustees during Fiscal Year 2006.*
Active Service: Withdrawal, Death, Disability, Retirement	*Tables adopted by Board of Trustees during Fiscal Year 2012.*	*Tables adopted by Board of Trustees during Fiscal Year 2006.*[(5)(6)]
Salary Increases[(7)]	*In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year.*	*In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year.*
Cost-of-Living Adjustments[(7)]	*1.5% per annum for Tiers I and II.* *2.5% per annum for Tier III.*	*1.3% per annum.*

(1) *Under One-Year Lag Methodology, the actuarial valuation determines the Employer Contribution for the second following Fiscal Year.*

(2) *Beginning with the June 30, 2010 (Lag) actuarial valuation under the 2012 A&M, the Entry Age Actuarial Cost Method ("EAACM") of funding is utilized by the Actuary to calculate the contribution required of the Employer. Under this method, the Actuarial Present Value ("APV") of Benefits ("APVB") of each individual included in the actuarial valuation is allocated on a level basis over the earnings (or service) of the individual between entry age and assumed exit age(s). The employer portion of this APV allocated to a valuation year is the Normal Cost. The portion of this APV not provided for at a valuation date by the APV of Future Normal Costs or future member contributions is the Actuarial Accrued Liability ("AAL"). The excess, if any, of the AAL over the Actuarial Asset Value ("AAV") is the Unfunded Actuarial Accrued Liability ("UAAL"). Under this method, actuarial gains (losses), as they occur, reduce (increase) the UAAL and are explicitly identified and amortized. Increases (decreases) in obligations due to benefit changes, actuarial assumption changes and/or actuarial method changes are also explicitly identified and amortized.*

(3) *Under the Frozen Initial Liability Actuarial Cost Method, the excess of the APV of projected benefits of the membership as of the valuation date, over the sum of the AAV plus the UAAL, if any, and the APV of future employee contributions is allocated on a level basis over the future earnings of members who are on the payroll as of the valuation date. The Initial Liability was reestablished by the Entry Age Actuarial Cost Method as of June 30, 1999 but with the UAAL not less than $0. Actuarial gains and losses are reflected in the employer normal contribution rate. For all NYCRS, the financial results for Fiscal Year 2011 using this Frozen Initial Liability Actuarial Cost Method are identical to those that would be produced using the Aggregate Actuarial Cost Method.*

(4) *Market Value Restart as of June 30, 2011. Actuarial Asset Value ("AAV") as of June 30, 2010 defined to recognize Fiscal Year 2011 investment performance. The June 30, 2010 AAV is derived as equal to the June 30, 2011 Market Value of Assets, discounted by the Actuarial Interest Rate assumption (adjusted for cash flow) to June 30, 2010.*

(5) *Supplemental probabilities of retirement were adopted by the TRS Retirement Board applicable to benefits payable under Chapter 19 of the Laws of 2008.*

(6) *Additional assumptions were adopted by the POLICE Board of Trustees for valuing the benefits payable to Tier III active members.*

(7) *Developed assuming a long-term Consumer Price Inflation assumption of 2.5% per year.*

Pursuant to Section 96 of the New York City Charter, studies of the actuarial assumptions used to value liabilities of the five actuarially-funded NYCRS are conducted by an independent actuarial firm every two years.

The most recent actuarial study analyzed experience for Fiscal Years 2007 through 2010. In a report dated December 2011 the independent actuarial auditor made recommendations to the actuarial assumptions and methods. The Actuary reviewed these recommendations.

In accordance with the ACNY and with appropriate practice, the Boards of Trustees of the five actuarially-funded NYCRS are to periodically review and adopt actuarial assumptions as proposed by the Actuary for use in the determination of Employer Contributions.

Based, in part, upon a review of the two most recent experience studies, the Actuary issued reports for the NYCRS proposing changes in actuarial assumptions and methods for determining Employer Contributions for Fiscal Years beginning on and after July 1, 2011 (February 2012 Reports). Where required, the Boards of Trustees of the NYCRS adopted those changes to actuarial assumptions that required Board approval. The State Legislature and the Governor were expected to enact prior to June 30, 2012 and are now expected to enact legislation to provide for those changes to the actuarial assumptions and methods that require legislation, including the Actuarial Interest Rate (AIR) assumption of 7.0% per annum, net of expenses.

Chapter 152/06 provided effective for Fiscal Years 2006 and after, for the changes in actuarial assumptions and methods that required legislation, including the continuation of the AIR assumption of 8.0% per annum and continuation of the current Frozen Initial Liability (FIL) Actuarial Cost Method and the existing Unfunded Actuarial Accrued Liability (UAAL). In addition, Chapter 152/06 provided for elimination of the use of the ten-year phase-in of Chapter 278/02 for funding the additional actuarial liabilities created by the benefits provided by Chapter 125/00.

Chapter 152/06 also established the OYLM. Under this methodology, a Fiscal Year 20XX Employer Contribution is determined using a June 20XX-2 valuation date. This methodology requires technical adjustments to certain components determined as of a valuation date used to compute a Fiscal Year Employer Contribution.

Beginning with the June 30, 2004 (Lag) actuarial valuations, the Actuarial Asset Valuation Method (AAVM) was changed to a method which reset the Actuarial Asset Values (AAV) to Market Values (i.e., Market Value Restart) as of June 30, 1999. As of each June 30 thereafter the AAVM recognizes investment returns greater or less than expected over a period of six years.

Under this AAVM, any Unexpected Investment Returns (UIR) for Fiscal Years 2000 and later are phased into the AAV beginning the following June 30 at a rate of 15%, 15%, 15%, 15%, 20% and 20% per year (or cumulative rates of 15%, 30%, 45%, 60%, 80% and 100% over a period of six years).

These revised averaging factors were applied against the UIR computed under the prior five-year AAVM used for Fiscal Years 2000 to 2004.

The Actuary reset the Actuarial Asset Value ("AAV") to Market Value (i.e., "Market Value Restart") as of June 30, 2011. As of June 30, 2010, the AAV is defined to recognize Fiscal Year 2011 investment performance. The June 30, 2010 AAV is derived as equal to the June 30, 2011 Market Value of Assets, discounted by the AIR assumption (adjusted for cash flow) to June 30, 2010. The AAVM for reflecting Fiscal Year 2012 and later UIR remains unchanged.

Chapter 85/00 reestablished UAAL and eliminated the Balance Sheet Liability (BSL) for actuarial purposes as of June 30, 1999. The schedule of payments toward the reestablished UAAL provides that the UAAL, if any, be amortized over a period of 11 years beginning Fiscal Year 2000, where each annual payment after the first equals 103% of its preceding annual payment.

Chapter 180 of the Laws of 2011 extended the AIR for one year, through June 30, 2012.

Other Employee Benefit Trust Funds

Fund Descriptions

Per enabling State legislation, certain retirees of POLICE, FIRE and NYCERS are eligible to receive scheduled supplemental benefits from certain Variable Supplements Funds (VSFs).

Under current state law, VSFs are not to be construed as constituting pension or retirement system funds. Instead, they provide scheduled supplemental payments, in accordance with applicable statutory provisions. While a portion of these payments are guaranteed by the City, the Legislature has reserved to itself and the State of New York, the right and power to amend, modify, or repeal VSFs and the payments they provide.

POLICE administers the Police Officers' Variable Supplements Fund (POVSF) and the Police Superior Officers' Variable Supplements Fund (PSOVSF). These funds operate pursuant to the provisions of Title 13, Chapter 2 of the ACNY.

1. POVSF provides supplemental benefits to POLICE members who retire for service (with 20 or more years) as police officers and who retired on or after October 1, 1968.

2. PSOVSF provides supplemental benefits to POLICE members who retire for service (with 20 or more years) holding the rank of sergeant or higher, or detective and who retired on or after October 1, 1968.

FIRE administers the Firefighters' Variable Supplements Fund (FFVSF) and the Fire Officers' Variable Supplements Fund (FOVSF). These funds operate pursuant to the provisions of Title 13, Chapter 3 of the ACNY.

3. FFVSF provides supplemental benefits to FIRE members who retire for service (with 20 or more years) as firefighters (or wipers) and who retired on or after October 1, 1968.

4. FOVSF provides supplemental benefits to FIRE members who retire for service (with 20 or more years) holding the rank of lieutenant or higher and all pilots and marine engineers (uniformed) and who retired on or after October 1, 1968.

NYCERS administers the Transit Police Officers' Variable Supplements Fund (TPOVSF), the Transit Police Superior Officers' Variable Supplements Fund (TPSOVSF), the Housing Police Officers' Variable Supplements Fund (HPOVSF), the Housing Police Superior Officers' Variable Supplements Fund (HPSOVSF), and the Correction Officers' Variable Supplements Fund (COVSF). These funds operate pursuant to the provisions of Title 13, Chapter 1 of the ACNY.

5. TPOVSF provides supplemental benefits to NYCERS members who retire for service (with 20 or more years) as Transit Police Officers on or after July 1, 1987. This plan provides for a schedule of defined supplemental benefits that became guaranteed by the City as a consequence of calculations performed by the Actuary during November 1993. With the passage of Chapter 255 of the Laws of 2000, NYCERS will be required to transfer assets to TPOVSF whenever the assets of TPOVSF are not sufficient to pay benefits. As a result of insufficient fund assets to pay benefits as of June 30, 2011, NYCERS is required to transfer assets so that TPOVSF can meet its benefit obligations when due.

6. TPSOVSF provides supplemental benefits to NYCERS members who retire for service (with 20 or more years) as Transit Police Superior Officers on or after July 1, 1987. This plan provides for a schedule of defined supplemental benefits that, effective calendar year 2001, as a result of the enactment of Chapter 255 of the Laws of 2000 became guaranteed by the City. In addition, with the passage of Chapter 255 of the Laws of 2000, NYCERS will be required to transfer assets to TPSOVSF whenever the assets of TPSOVSF are not sufficient to pay benefits. As a result of insufficient fund assets to pay benefits as of June 30, 2004, NYCERS is required to transfer assets so that TPSOVSF can meet its benefit obligations when due.

7. HPOVSF provides supplemental benefits to NYCERS members who retire for service (with 20 or more years) as Housing Police Officers on or after July 1, 1987. This plan provides for a schedule of defined supplemental benefits that became guaranteed by the City as a consequence of Chapter 719 of the Laws of 1994. With the passage of Chapter 255 of the Laws of 2000, NYCERS will be required to transfer assets to HPOVSF whenever the assets of HPOVSF are not sufficient to pay benefits. As a result of insufficient fund assets to pay benefits as of June 30, 2006, NYCERS is required to transfer assets so that HPOVSF can meet its benefit obligations when due.

8. HPSOVSF provides supplemental benefits to NYCERS members who retire for service (with 20 or more years) as Housing Police Superior Officers on or after July 1, 1987. This plan provides for a schedule of defined supplemental benefits that,

effective calendar year 2001, as a result of the enactment of Chapter 255 of the Laws of 2000 became guaranteed by the City. In addition, with the passage of Chapter 255 of the Laws of 2000, NYCERS will be required to transfer assets to HPSOVSF whenever the assets of HPSOVSF are not sufficient to pay benefits. As a result of insufficient fund assets to pay benefits as of June 30, 2001, NYCERS is required to transfer assets so that HPSOVSF can meet its benefit obligations when due.

9. COVSF provides supplemental benefits to NYCERS members who retire for service (with 20 or 25 years of service, depending upon the plan) as members of the Uniformed Correction Force on or after July 1, 1999. Prior to calendar year 2019, total supplemental benefits paid are limited to the assets of COVSF. For calendar years 2019 and later, the plan provides for a schedule of defined supplemental benefits that are guaranteed by the City. Scheduled benefits to COVSF participants were paid for calendar years 2000 to 2005. Due to insufficient assets, no benefits were paid to COVSF participants after Calendar Year 2005.

Funding Policy and Contributions

ACNY provides that POLICE and FIRE transfer to their respective VSFs amounts equal to certain excess earnings on equity investments, generally limited to the unfunded accumulated benefit obligation for each VSF. The excess earnings are defined as the amount by which earnings on equity investments exceed what the earnings would have been had such funds been invested at a yield comparable to that available from fixed income securities, less any cumulative deficiencies.

ACNY provides that NYCERS transfer to COVSF amounts equal to certain excess earnings on equity investments, less any cumulative deficiencies. ACNY also provides, as a consequence of Chapter 255 of the Laws of 2000, that NYCERS make the required transfers to TPOVSF, TPSOVSF, HPOVSF and HPSOVSF, inclusive of prior year's cumulative deficiencies, sufficient to meet their annual benefit payments.

For Fiscal Years 2012 and 2011, excess earnings on equity investments, inclusive of prior year's cumulative deficiencies, are estimated to be equal to zero and, therefore, no transfers will be due to VSFs as of June 30, 2012 and June 30, 2011, respectively.

For Fiscal Years 2012 and 2011, required transfers from NYCERS of approximately \$2.3 million and \$2.4 million, respectively, were made to HPOVSF.

For Fiscal Years 2012 and 2011, required transfers from NYCERS of approximately \$3.0 million and \$2.8 million, respectively, were made to HPSOVSF.

For Fiscal Year 2012, and Fiscal Year 2011, required transfers from NYCERS of approximately \$4.2 million and \$1.9 million respectively, were made to TPOVSF.

For Fiscal Years 2012 and 2011, required transfers from NYCERS of approximately \$3.2 million and \$3.2 million, respectively, were made to TPSOVSF.

As of June 30, 2012, NYCERS has accrued approximately \$1.1 million, \$1.3 million, \$2.1 million and \$1.6 million toward the amounts expected to be transferred to HPOVSF, HPSOVSF, TPOVSF and TPSOVSF, respectively, to meet the December 2012 benefit obligations of those funds.

Funded Status

The funded status of each NYCRS as of June 30, 2010, the date of the most recent actuarial valuation under OYLM, where the Actuarial Accrued Liability is defined using the Entry Age Actuarial Cost Method, is as follows:

	Funded Status Entry Age Accrued Liability Basis					
	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) —Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a) (in millions)	(a/b)	(c)	((b-a)/c)
NYCERS	$40,433.3	$62,935.3*	$22,502.0	64.2%	$12,101.4	185.9%
TRS	32,477.5	55,138.4	22,660.9	58.9	7,979.7	284.0
BERS	2,056.5	3,558.3	1,501.8	57.8	912.3	164.6
POLICE	22,908.7	38,134.4*	15,225.7	60.1	3,464.1	439.5
FIRE	7,392.7	15,349.6*	7,956.9	48.2	1,138.2	699.1

* Includes the net accrued obligations to the Variable Supplements Funds.

The schedule of funding progress in the RSI section, immediately following the Notes to Financial Statements, provides information about whether the Actuarial Asset Values are increasing or decreasing over time relative to the Actuarial Accrued Liabilities (determined in a manner consistent with the Plan's funding method).