NEW YORK JOB DEVELOPMENT AUTHORITY

Combined Financial Statements
and Independent Auditors' Report

March 31, 2012 and 2011

NEW YORK JOB DEVELOPMENT AUTHORITY

Contents

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INDEPENDENT AUDITORS' REPORT

The Authority Members
New York Job Development Authority:

We have audited the accompanying combined balance sheets of New York Job Development Authority (a component unit of the State of New York) as of March 31, 2012 and 2011, and the related combined statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of New York Job Development Authority as of March 31, 2012 and 2011, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 8, 2012, on our consideration of New York Job Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 8, 2012

NEW YORK JOB DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

March 31, 2012 and 2011

Our discussion and analysis of the New York Job Development Authority's ("JDA" or "Authority") financial performance provides an overview of the Authority's financial activities for the year ended March 31, 2012. Please read it in conjunction with the Authority's combined financial statements.

Overview

During the year ended March 31, 2012, the Authority continued its mission to spur job growth and capital investment in New York State by using authority granted to it and by leveraging State-guaranteed bonds to support low interest loans to manufacturers and other targeted industries throughout New York State. The loan program provides financing to encourage the growth of manufacturing and other private sector business in the State without requiring appropriation of taxpayers' funds.

Since 1995, the Authority has done business as Empire State Development ("ESD") and has been administratively consolidated with the New York State Urban Development Corporation ("UDC"). The Authority experienced financial difficulties in the mid-1990's. As a result, from 1997 through March 31, 2004 the Authority received from UDC, also doing business as ESD, an annual operating transfer to assist in meeting its legal obligations. No assistance was required in the years ended March 31, 2012 and 2011 and no assistance is expected to be required in the next fiscal year.

As a result of improvements in collections of the reserved loans in the loan portfolio, the absorption of personnel costs by UDC, and the consolidation of the net assets of New York Liberty Development Corporation ("NYLDC") and Brooklyn Arena Local Development Corporation ("BALDC"), the Authority has achieved a net asset balance of $70.0 million at March 31, 2012. NYLDC was created in 2002 to provide a vehicle for the State to issue Liberty Bonds in the wake of the terrorist attacks of September 11, 2001. BALDC was created in November 2008 to finance certain components of the Atlantic Yards land use improvement project.

In addition, in October 2003, the Authority caused the creation of Empire State Local Development Corporation ("ESLDC"). ESLDC has state-wide jurisdiction and was created to carry out various economic development initiatives through the use of pass through grants received from outside sources.

In June 2010, the Authority authorized the creation of Canal Side Local Development Corporation ("CSLDC") and the certificate of incorporation was filed in February 2012. CSLDC was created to help facilitate the financing of the Canal Side Yards Land Improvement Project in Buffalo.

A summary of the Authority's financial information as of March 31, 2012 and 2011 is as follows:

Summary of Balance Sheets

Assets		2012	2011
		(In thousands)	
Cash and equivalents, restricted cash and temporary investments	$	96,620	80,751
Loans receivable, net		23,501	30,151
Financing leases, net		9,335	11,687
Other assets		384	540
Total assets	$	129,840	123,129
Liabilities and Net Assets			
Liabilities:			
Special purpose bonds		18,961	23,289
Due to New York State Urban Development Corporation		26,082	25,896
Deferred grant revenue		14,578	14,593
Accounts payable and accrued expenses		263	260
Total liabilities		59,884	64,038
Net assets - restricted		69,956	59,091
Total liabilities and net assets	$	129,840	123,129

Summary of Statements of Revenue,
Expenses and Changes in Net Assets

	2012	2011
	(In thousands)	
Operating revenue:		
Loan interest	$ 2,355	2,671
Grant income	19	8,406
Bond and note fee income	10,008	5,200
Other revenue	147	580
Total operating revenue	12,529	16,857
Operating expenses:		
Interest, principally bonds	1,108	1,277
Amortization of deferred financing costs	105	105
Credit and remarketing fees	294	281
General and administrative	185	184
Grants	19	8,406
New York Liberty Development Corporation	26	44
Brooklyn Arena Local Development Corporation	138	75
Total operating expenses	1,875	10,372
Operating income	10,654	6,485
Nonoperating revenue	244	36
Nonoperating expenses	(33)	(72)
Nonoperating expenses, net	211	(36)
Excess of revenue over expenses	10,865	6,449
Net assets - restricted at beginning of year	59,091	52,642
Net assets - restricted at end of year	$ 69,956	59,091

Liquidity

The Authority's cash and equivalents and investments totaled approximately $96.6 million and $80.8 million at March 31, 2012 and 2011, respectively. The increase is primarily due to $11.3 million in loan and lease collections and $10.0 million in fees earned on the sale of Liberty Bonds for the World Trade Center project, offset by a $5.5 million debt service disbursement.

The Authority's loan receivable balance totaled $23.5 million and $30.1 million at March 31, 2012 and 2011, respectively. The decrease is primarily due to approximately $6.7 million in loan collections offset by increases of $0.1 million of deferred loan income amortization.

Approximately 45% of the consolidated net asset balance results from the net fees earned by NYLDC over the last several years.

Cash generated from operations exceeded the Authority's operating requirements for the year ended March 31, 2012 by approximately $10.7 million, primarily due to the receipt of $10.0 million in bond fees and $2.2 million in loan interest offset by $1.2 million in bond interest disbursements and $0.3 million in credit and remarketing fees.

Capitalization

As of March 31, 2012, the Authority had approximately $19.0 million in bonds outstanding. Total debt decreased by approximately $4.3 million through scheduled maturities of bonds.

Investment Ratings

As of March 31, 2012, the Authority's outstanding debt had the following ratings from the two major rating agencies:

	Ratings	
Issue	FITCH	S&P
Special Purpose Fixed Rate Bonds Series '04 A	AA	AA
Special Purpose Fixed Rate Bonds Series '04 B	AA	AA

Excess of Revenue over Expenses

The excess of revenue over expenses for the fiscal year ended March 31, 2012 amounted to $10.9 million compared with $6.4 million in fiscal 2011. This increase is primarily due to an incremental increase in bond fee income of $4.8 million and investment income of $0.2 million offset by reductions in interest income, bond interest income and other revenue.

Revenue

Operating revenue approximated $12.5 million in fiscal 2012 compared to $16.9 million in fiscal 2011. The decrease is primarily due to a decrease in grant income and a reduction in loan interest collected offset by an increase in bond fees.

Loan interest decreased by approximately $0.3 million as a result of approximately $0.9 million in loan pay-offs.

Grant income from ESLDC decreased by $8.4 million, as fewer projects were funded than in the previous fiscal year. Funding comes from the Port Authority and because ESLDC is merely a pass through it is immediately expensed. There is no effect on net income.

Bond and note fee income increased by approximately $4.8 million in the fiscal year ended March 31, 2012 primarily due to the fact that there was a $10.0 million fee earned on the sale of Liberty Bonds for the World Trade Center project as compared to a $5.2 million fee earned in the previous fiscal year.

Other revenue decreased by approximately $0.4 million due to a decrease of $0.5 million in loan loss reserves offset by a non-recurring prepayment penalty of $.01 million.

Nonoperating revenue increased by $0.2 million due to an increase in investment income as a result of an increase in investment position by $16 million throughout the year.

Operating Expenses

Operating expenses for the fiscal year ended March 31, 2012 were $1.9 million compared with $10.4 million in the fiscal year ended March 31, 2011. The decrease is primarily due to the fact that grant expenses for ESLDC decreased by $8.4 million as fewer projects were funded than in the previous fiscal year. The expense represents immediate disbursement of funds received from the Port Authority because ESLDC is merely a pass through. There is no effect on net income.

Interest on bonds decreased by $0.2 million due to the maturity of certain bonds.

Related bond expenses (credit and remarketing fees) decreased by $0.01 million, primarily due to a slight increase in letter of credit fees.

The Authority's financial position remains strong. No assistance has been received from UDC since the fiscal year ended March 31, 2004. There was no new loan activity for the fiscal year ended March 31, 2012. There are approximately $3.6 million in loans approved but not closed.

In the coming fiscal year, no events are anticipated that would have a significant negative effect on the financial position of the Authority. It is expected that there will be an increase in marketing of the JDA program throughout the State in order to provide additional financing opportunities to businesses.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the New York Job Development Authority's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Chief Financial and Administrative Officer, New York Job Development Authority d/b/a Empire State Development, 633 Third Avenue, New York, New York 10017.

COMBINED FINANCIAL STATEMENTS

NEW YORK JOB DEVELOPMENT AUTHORITY
Combined Balance Sheets
March 31, 2012 and 2011

Assets		2012	2011
Cash and equivalents	$	2,532,236	2,602,503
Cash - restricted		108,604	108,495
Temporary investments in marketable securities		93,979,162	78,040,028
Accrued interest receivable		138,819	189,761
Loans receivable, net of allowance of $8,099,000 in 2012 and $8,104,000 in 2011		23,500,682	30,151,310
Financing leases, net of allowance of $782,210 in 2012 and 2011		9,335,493	11,687,470
Deferred financing costs, net of accumulated amortization of $1,925,200 in 2012 and $1,819,900 in 2011		237,229	342,552
Prepaid insurance		7,689	7,270
Total assets	$	129,839,914	123,129,389

Liabilities and Net Assets			
Liabilities:			
Special purpose bonds		18,960,844	23,288,671
Due to New York State Urban Development Corporation		26,082,490	25,895,799
Deferred grant revenue		14,577,602	14,593,208
Accounts payable and accrued expenses		263,435	260,262
Total liabilities		59,884,371	64,037,940
Net assets - restricted		69,955,543	59,091,449
Commitments and contingencies (notes 10 and 11)			
Total liabilities and net assets	$	129,839,914	123,129,389

See accompanying notes to combined financial statements.

NEW YORK JOB DEVELOPMENT AUTHORITY
Combined Statements of Revenue, Expenses and Changes in Net Assets
Years ended March 31, 2012 and 2011

		2012	2011
Operating revenue:			
Loan interest	$	2,355,415	2,671,673
Grant income		18,993	8,405,770
Bond and note fee income		10,007,977	5,200,171
Other revenue		146,580	580,120
Total operating revenue		12,528,965	16,857,734
Operating expenses:			
Interest, principally bonds		1,107,773	1,276,986
Amortization of deferred financing costs		105,323	105,323
Credit and remarketing fees		294,305	281,000
General and administrative		185,335	184,291
Grants		18,993	8,405,770
New York Liberty Development Corporation		25,551	44,018
Brooklyn Arena Local Development Corporation		138,032	74,991
Total operating expenses		1,875,312	10,372,379
Operating income		10,653,653	6,485,355
Nonoperating revenue (expenses):			
Investment income, including change in fair value		244,094	36,580
Interest - New York State Urban Development Corporation		(33,653)	(72,319)
Nonoperating revenue (expenses), net		210,441	(35,739)
Excess of revenue over expenses		10,864,094	6,449,616
Net assets - restricted at beginning of year		59,091,449	52,641,833
Net assets - restricted at end of year	$	69,955,543	59,091,449

See accompanying notes to combined financial statements.

NEW YORK JOB DEVELOPMENT AUTHORITY
Combined Statements of Cash Flows
Years ended March 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Cash received from interest on loans and financing leases	$ 2,154,640	2,464,709
Cash received from grants	18,993	8,405,770
Cash received from bond and related fees	10,007,977	5,733,171
Other operating cash receipts	141,448	50,683
Interest paid on bonds payable	(1,171,963)	(1,383,583)
Cash paid for related bond expenses	(294,305)	(281,000)
Cash paid for general and administrative expenses	(44,713)	(87,582)
Cash paid for grants	(18,993)	(8,405,770)
Cash paid for NYLDC operating expenses	(21,899)	(44,018)
Cash paid for BALDC operating expenses	(110,150)	(62,732)
Net cash provided by operating activities	10,661,035	6,389,648
Cash flows from noncapital financing activities - special purpose bond retirements	(4,280,000)	(4,525,000)
Cash flows from investing activities:		
Proceeds from sale of temporary investments in marketable securities	193,278,978	481,669,914
Purchase of temporary investments in marketable securities	(209,162,574)	(491,131,559)
Interest on investments	191,834	1,292
Principal collected on loans receivable	6,767,242	6,563,169
Principal collected on financing leases	2,492,211	1,506,594
Reduction of Port Authority appropriation for grant disbursements	(18,993)	(8,405,770)
Port Authority appropriation received for grants	-	5,800,000
Net cash used in investing activities	(6,451,302)	(3,996,360)
Net decrease in cash and equivalents	(70,267)	(2,131,712)
Cash and equivalents at beginning of year	2,602,503	4,734,215
Cash and equivalents at end of year	$ 2,532,236	2,602,503

(Continued)

See accompanying notes to combined financial statements.

NEW YORK JOB DEVELOPMENT AUTHORITY

Combined Statements of Cash Flows, Continued

		2012	2011
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	10,653,653	6,485,355
Adjustments to reconcile operating income to net cash provided by operating activities:			
Recovery of provision for loss on loans receivable, loan guarantees and financing leases		(5,132)	(529,437)
Operating expenses paid by UDC		153,039	181,261
Due from NYS Urban Development Corp. BALDC		-	533,000
Amortization - deferred financing costs		105,323	105,323
Amortization - deferred loan income		(111,483)	(111,483)
Amortization - deferred lease premiums		(140,234)	(134,034)
Amortization - bond premium		(47,827)	(88,962)
Change in:			
Accrued interest receivable		50,942	38,553
Prepaid insurance		(419)	1,403
Accounts payable and accrued expenses		3,173	(91,331)
Net cash provided by operating activities	$	10,661,035	6,389,648

See accompanying notes to combined financial statements.

Note 1 - Corporate Background and Activities

(a) General

New York Job Development Authority (the "Authority" or "JDA"), doing business as Empire State Development ("ESD"), is a public benefit corporation organized and existing under the laws of the State of New York (the "State"). The Authority's mission is to spur job growth and capital investment in New York State by using authority granted to it and by leveraging State-guaranteed bonds to support low interest loans to manufacturers and other targeted industries throughout New York State. As a public benefit corporation, the Authority is tax exempt. The Authority is a component unit of the State and, as such, its financial statements are included in the State's general purpose financial statements.

(b) Activities

The principal activities of the Authority are providing business and industrial loans, described in the Authority's enabling legislation as "Special Purpose Loans," and the guarantee of loans made by banking organizations (as defined in the enabling legislation), described as "Special Purpose Loan Guarantees." All such loans and loan guarantees are made to businesses with operations in the State, and are provided for acquisition of real estate or machinery and equipment. The Authority generally requires security for loans and loan guarantees with the underlying assets and other available collateral.

The Authority finances these activities through the issuance of State guaranteed bonds and notes (the "Bonds") limited by the Constitution of the State and applicable legislation to an aggregate principal amount of $900,000,000 outstanding at any time. To date, enabling legislation allows an aggregate principal amount of $750,000,000 to be outstanding at any time.

The guarantee of the Bonds by the State is authorized by the New York Job Development Authority Act, as amended by Section 1813 of Title 8 Article 8 of the Public Authorities Law and Section 8 Article X of the Constitution of New York State. Under these provisions, if the Authority fails to pay, when due, the principal or interest on the Bonds or if sued by any holder of the Bonds, the State Comptroller must set apart from the first revenues thereafter received from any source, applicable to the General Fund of the State, a sum sufficient to pay such principal and interest, and shall so apply the monies thus set apart. Effectively, the State is subrogated to the rights of the bondholders. The net assets of the fund are considered restricted.

The Authority has the power to create local development corporations under Section 1804 of the New York Public Authorities Law and Section 1411 of the New York Not-for-Profit Corporation Law. The Authority has created four Local Development Corporations, the New York Liberty Development Corporation (the "NYLDC"), the Empire State Local Development Corporation (the "ESLDC"), the Brooklyn Arena Local Development Corporation (the "BALDC"), and the Canal Side Local Development Corporation (the "CSLDC").

Note 1 - Corporate Background and Activities, Continued

(b) Activities, Continued

JDA substantially controls the operations of the Local Development Corporations. Under Governmental Accounting Standard Board Statement (GASB) No. 39 - "The Financial Reporting Entity," NYLDC, ESLDC, BALDC and CSLDC are considered blended component units of the Authority, and their assets, liabilities, and results of operations are combined with the operations of the Authority for financial reporting purposes.

Note 2 - Summary of Significant Accounting Policies

(a) Basis of Accounting

The Authority follows enterprise fund reporting, accordingly, the accompanying combined financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

The Authority complies with all applicable pronouncements of GASB as well as with authoritative pronouncements applicable to non-governmental entities (e.g. Financial Accounting Standards Board Statements) that do not conflict with GASB pronouncements.

The Authority's combined financial statements are presented consistent with enterprises whose principal activities are considered a financing enterprise.

(b) Use of Estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

(c) Cash and Equivalents

Cash and equivalents include cash deposits with banks and highly liquid temporary investments with original or remaining maturities of 90 days or less.

(d) Investment Securities

Investment securities consist of temporary investment of available cash and debt service reserve funds in marketable securities. Investment securities are reported at fair value in the combined balance sheets, and investment income, including changes in fair value, is reported as nonoperating revenue in the combined statements of revenue, expenses and changes in net assets.

Note 2 - Summary of Significant Accounting Policies, Continued

(d) Investment Securities, Continued

The fair value of investment securities, which include United States government and Federal agency obligations, and obligations of state and local governments is generally based on quoted market prices. Interest earning investment instruments, including time deposits and repurchase agreements with maturities of one year or less, are reported at amortized cost. Investment income also includes realized gains and losses from disposition of investments on a specific identification basis. Collateral for these investments is held in the Authority's name by financial institutions as custodians. Investment securities that are not required by bond indentures to be held by independent trustees are maintained and held by the New York State Department of Taxation and Finance.

(e) Loans and Financing Leases Receivable

Loans and financing leases are generally reported at their principal amounts outstanding, net of allowances for possible credit losses. The Authority lends funds for the acquisition of land and buildings which are generally repayable over 15 to 20 years. Loans to fund machinery and equipment are generally repayable over 7 to 10 years. Generally, all loans represent second mortgages or other subordinated positions. Interest revenue on loans and financing leases is credited to interest income based on loan principal amounts outstanding at appropriate interest rates. Interest is not accrued on loans which are delinquent three or more months and which management considers uncollectible. In addition, the Authority provides financing leases for property previously acquired in foreclosure. Financing leases generally require repayment over periods ranging from one to 20 years.

(f) Allowance for Possible Credit Losses and Estimated Loan Guarantee Losses

The allowance for possible credit losses provides for risks of losses inherent in the credit extension process. The Authority maintains this allowance on a specific and general basis at levels considered adequate to meet present and future losses on loans and financing leases. Estimates of loan guarantee losses are based on similar analyses. This evaluation encompasses business and economic conditions, the character, quality and performance of the portfolios, availability of collateral and the risks inherent in these loans. Accordingly, these estimates could change in the near term.

(g) Foreclosed Properties

The Authority may hold title to properties acquired in satisfaction of loans, including in-substance foreclosures. Such amounts, if any, are carried at the lower of cost or estimated fair market value.

Note 2 - Summary of Significant Accounting Policies, Continued

(h) Deferred Financing Costs

Financing costs and bond issuance premiums/discounts are deferred and amortized on a straight line basis, which approximates the effective yield method, over the period of the related debt. Loan origination and commitment fees and certain incremental direct loan costs are deferred and amortized over the estimated remaining lives of the related loans using the straight line basis, which approximates the effective yield method.

(i) Grant Revenue and Expense

ESLDC administers certain grant funds from various sources. These grants are awarded for specifically designated projects and are distributed directly to the projects. ESLDC records revenue upon disbursement of the grants to grantees. Grant advances not disbursed to grantees are recorded as deferred revenue.

NYLDC recognizes grant expense upon the disbursement of grants to grantees.

(j) Subsequent Events

The Authority has evaluated events after March 31, 2012, and through June 8, 2012, which is the date the combined financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these combined financial statements.

Note 3 - Local Development Corporations

(a) New York Liberty Development Corporation

In August 2002, at the request of the Governor, the Authority caused the creation of New York State Liberty Development Corporation ("NYLDC"). NYLDC was created as a conduit for the issuance of qualified New York Liberty Bonds ("Liberty Bonds") and such other non-federally tax-exempt obligations as may be appropriate. Bond proceeds are used to finance private projects primarily in the New York Liberty Zone located in lower Manhattan. NYLDC receives fees in connection with each bond or note issuance. In certain instances, the bond issuance fees earned are shared with other entities. The summarized balance sheets of NYLDC as of March 31, 2012 and 2011 are as follows:

	2012	2011
Cash and equivalents	$ 1,367,966	1,360,501
Temporary investments in marketable securities	29,951,057	19,942,121
Total assets	31,319,023	21,302,622
Accounts payable	(3,653)	-
Net assets	$ 31,315,370	21,302,622

Note 3 - Local Development Corporations, Continued

(a) New York Liberty Development Corporation, Continued

The summarized statements of revenue and expenses of NYLDC for the years ended March 31, 2012 and 2011 is as follows:

	2012	2011
Bonds and note fee income	$ 10,007,977	5,200,171
Other revenue	17,430	-
Investment income	12,892	23,451
Operating expenses	(25,551)	(44,018)
Excess of revenue over expenses	$ 10,012,748	5,179,604

During the year ended March 31, 2012, NYLDC issued Liberty Revenue Bonds Series 1WTC-2011, secured by Port Authority Consolidated Bonds, in the aggregate face amount of $672 million on behalf of and for the purpose of financing a portion of the costs of the continuing development and construction of One World Trade Center. In April 2011, in order to provide for the staged financing of Tower 3 and Tower 4, to exclude bond financing for Tower 2, and following successive mandatory tenders and re-designation of the Series 2009 Bonds, the Series 2009 Bonds in the aggregate principal amount of $2,593,500,000 were remarketed and re-designated. In October 2011, the Series 2009 Bonds were refunded in whole from the proceeds of NYLDC's Multi-Modal Liberty Revenue Refunding Bonds Series 2011A and 2011B (World Trade Center Project). In addition, in October 2011, $335,975,000 of the initial Series 2010A-1 Bonds (3 World Trade Center Project) were re-designated as the "Series 2010A-1 Bonds"; the $585,000 principal amount of the initial Series 2010A-1 Bonds were converted to the Weekly Mode and re-designated as the "Series 2010A-3 Bonds." In November 2011, NYLDC issued Multi-Modal Liberty Revenue Refunding Bonds, Series 2011A and 2011B (3 World Trade Center Project) in the aggregate principal amount of $1,229,550,000 and Series 2011A and 2011B (World Trade Center Project 3-4) in the aggregate principal amount of $114,000,000 for the purpose of financing a portion of the costs of construction of three office buildings known as Towers 2, 3 and 4. In addition, in November 2011 NYLDC issued Liberty Revenue Bonds, Series 2011 (4 World Trade Center Project) in the aggregate principal amount of $1,225,520,000 for the purpose of refunding a portion of the outstanding Multi-Modal Liberty Revenue Refunding Bonds, Series 2011A and 2011B.

During the year ended March 31, 2011, NYLDC issued Liberty bonds in the aggregate face amount of $650 million on behalf of and for the benefit of the One Bryant Park project and issued recovery zone bonds in the aggregate face amount of $338 million on behalf of and for the benefit of the 3 World Trade Center project. In order to provide for the staged financing of Tower 3 and Tower 4, and to exclude bond financing for Tower 2 at the World Trade Center

Note 3 - Local Development Corporations, Continued

(a) New York Liberty Development Corporation, Continued

site, on October 12, 2010, the Series 2009A Bonds were mandatorily tendered for purchase and were re-designated into two Series: (1) $1,276,955,000 Multi-Modal Liberty Revenue Bonds, Series 2009A-1 and (2) $1,303,000,000 Multi-Modal Liberty Revenue Bonds, Series 2009A-2. The Initial Series 2009A-1 Bonds, the Series 2009A-2 Bonds and the Initial Series 2009B Bonds were remarketed and made subject to mandatory tender for purchase on November 18, 2010 and January 27, 2011, and on January 27, 2011 were re-designated as $1,275,795,000 Series 2009A-1 Bonds, $1,303,000,000 Series 2009A-2 Bonds, $13,545,000 Series 2009B-1 Bonds and $1,160,000 Series 2009B-2 Bonds, and made subject to mandatory tender for purchase on April 28, 2011.

Since inception, NYLDC has issued an aggregate of $5.686 billion (at face amount of $5.508 billion) of Liberty Bonds, $338 million of Recovery Zone Bonds, and $730 million of taxable notes excluding remarketing and refunding bonds on behalf of project owners. As of March 31, 2012, the total outstanding conduit debt amounted to $6.1 billion. Liberty bonds, Recovery Zone bonds, and taxable notes are not the obligation of NYLDC, the Authority, or the State. Repayment of the bonds and notes is the obligation of respective project owners.

(b) Empire State Local Development Corporation

In October 2003, the Authority caused the creation of Empire State Local Development Corporation ("ESLDC"). ESLDC has state-wide jurisdiction and was created to carry out various economic development initiatives through the use of pass through grants received from outside sources. The summarized balance sheets of ESLDC as of March 31, 2012 and 2011 is as follows:

	2012	2011
Cash and equivalents	$ 505,843	522,448
Temporary investments in marketable securities	14,071,759	14,070,760
Deferred grant revenue	(14,577,602)	(14,593,208)
Net assets	$ -	-

The deferred grant revenue represents grant funds received that have not yet been disbursed to the grantee. The summarized statements of revenue and expenses of ESLDC for the years ended March 31, 2012 and 2011 is as follows:

	2012	2011
Grant revenue	$ 18,993	8,405,770
Grant expenses	(18,993)	(8,405,770)
Excess of revenue over expenses	$ -	-

Note 3 - Local Development Corporations, Continued

(c) Brooklyn Arena Local Development Corporation

In November 2008, the Authority caused the creation of Brooklyn Arena Local Development Corporation ("BALDC"). BALDC has state-wide jurisdiction and was created as a conduit for the issuance of both taxable and tax exempt bonds to finance the construction and related cost of the Arena. The summarized balance sheets of BALDC at March 31, 2012 and 2011 is as follows:

	2012	2011
Cash and equivalents	$ 362,602	471,620
Accounts payable and accrued expenses	(40,141)	(12,259)
Net assets	$ 322,461	459,361

The summarized statement of revenue and expenses of BALDC for the years ended March 31, 2012 and 2011 is as follows:

	2012	2011
Interest income	$ 1,132	1,352
Operating expenses	(138,032)	(74,991)
Deficiency of revenue over expenses	$ (136,900)	(73,639)

BALDC did not issue bonds during the year ended March 31, 2012. As of March 31, 2012, the total outstanding conduit debt is $511 million. BALDC bonds are not the obligation of BALDC, the Authority or the State. Repayment of the bonds will be made from payment-in-lieu-of taxes and rental payments made by the Arena developer.

(d) Canal Side Local Development Corporation

In June 2010, the Authority authorized the creation of Canal Side Local Development Corporation ("CSLDC") and the certificate of incorporation was filed in February 2012. CSLDC was created to help facilitate the financing of the Canal Side Yards Land Improvement Project in Buffalo. There was no activity during the year ended March 31, 2012.

Note 4 - Liquidity and Restructuring

In October 1996, UDC completed a refunding of its outstanding general purpose bonds. UDC is required to utilize the savings generated from this refunding as provided in Section 103 of Chapter 309 of the Laws of 1996 (the "Act") to pay the lawfully incurred debts and obligations of JDA. UDC is directed to the extent of the net savings, as defined in the Act, to make such payments on behalf of the State of New York as provided in the Act. There were no payments to JDA from UDC during the years ended March 31, 2012 and 2011. It is not anticipated that JDA will require any funds from UDC during the year ending March 31, 2013.

Note 4 - Liquidity and Restructuring, Continued

As a public unit of the State of New York, JDA receives up to $250,000 FDIC coverage each for the aggregate of all interest-bearing accounts and unlimited FDIC coverage on all non-interest bearing accounts held in a single financial institution located in the same state as JDA. At March 31, 2012 and 2011, all of JDA's bank balances were fully collateralized.

Note 5 - Temporary and Debt Service Reserve Fund Investments

Financial Investments

Authorization for investments is governed by written internal investment guidelines, statutes, State guidelines and bond resolutions. Permitted investments include:

- Obligations of the United States Treasury, agencies and instrumentalities;
- Direct obligations of the State of New York, its political subdivisions, and public authorities;
- Collateralized investments, which are fully secured as to principal by U.S. Treasury securities and obligations of the U.S. Government, with financial institutions which meet specified criteria;
- Repurchase agreements with financial institutions doing business in the State of New York which are listed as primary government securities dealers by New York's Federal Reserve Bank and which are collateralized by U.S. Government securities;
- Commercial paper issued by domestic banks, corporations and financial companies rated "A-1" or better by Standard & Poor's Corporation or "P-1" or better by Moody's Investors Services, Inc.;
- Certificates of deposit; and
- Units, shares or interest in a mutual fund or money market fund of regulated investment companies that meet specified criteria.

Temporary and debt service reserve fund investments at March 31, 2012 and 2011 consist of the following:

	2012		2011	
	Cost	Fair value	Cost	Fair value
U.S. Government and Federal Agency obligations	$ 45,521,333	45,522,681	35,406,127	35,412,841
NYS and NYC municipal bonds	12,296,297	12,106,057	12,296,298	12,224,350
Repurchase agreements	36,350,000	36,350,424	30,400,000	30,402,837
	$ 94,167,630	93,979,162	78,102,425	78,040,028

Note 5 - Temporary and Debt Service Reserve Fund Investments, Continued

Fair Value Measurements

The Financial Accounting Standards Board established a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Level 1 are assets and liabilities whose inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access. The Authority holds financial instruments with quoted prices in active markets for identical assets (level 1) of $93,979,162 and $78,040,028 at March 31, 2012 and 2011, respectively.

The investments are reported at fair value in the combined financial statements as of March 31, 2012 and 2011 are as follows:

	2012	2011
U.S. Government and Federal Agency obligations	$ 45,522,681	35,412,841
NYS and NYC municipal bonds	12,106,057	12,224,350
Repurchase agreements	36,350,424	30,402,837
	$ 93,979,162	78,040,028

Note 6 - Financing Leases Receivable

Minimum lease payments to be received under financing lease agreements for each of the next five years and thereafter as of March 31, 2012 were as follows:

2013	$ 1,668,663
2014	1,581,315
2015	1,565,546
2016	1,576,396
2017	1,416,390
Thereafter	5,713,932
	13,522,242
Less:	
Portion attributable to interest	(3,404,539)
Allowance for possible credit losses	(782,210)
Total	$ 9,335,493

Note 7 - Allowances for Possible Credit Losses and Estimated Loan Guarantee Losses

The estimated allowances for possible credit and loan guarantee losses are based primarily on a continuing evaluation of the portfolios, and of current economic conditions and such other factors which management believes require consideration in estimating future risks. Additions to the allowances are made by charges to expense. Reductions of the allowances are reported as other revenue. A summary of loan loss allowance activity for year ended March 31, 2012, with comparative totals for the year ended March 31, 2011, is as follows (in thousands):

	Allowances for losses on				
		Financing	Loan	Totals	
	Loans	leases	guarantees	2012	2011
Beginning balances	$ 8,104	782	-	8,886	9,416
Net provisions (reductions)	(5)	-	-	(5)	(530)
Ending balances	$ 8,099	782	-	8,881	8,886

Note 8 - Special Purpose Bonds Payable

The principal amount of special purpose bonds outstanding as of March 31, 2012 and 2011 is as follows (in thousands):

	2012	2011	Coupon rate percentage	Maturity date
Fixed rate special purpose bonds:				
2004 Series A	$ 3,505	7,785	4.00 - 4.01	2013
2004 Series B	15,435	15,435	5.06 - 5.41	2014 - 2018
	18,940	23,220		
Add unamortized bond premium	21	69		
Total	$ 18,961	23,289		

Note 8 - Special Purpose Bonds Payable, Continued

The maturities of special purpose bonds outstanding (in thousands) for the five years following March 31, 2012 are as follows:

	Principal	Interest	Total
2013	$ 3,505	976	4,481
2014	3,090	808	3,898
2015	3,090	652	3,742
2016	3,085	493	3,578
2017	3,085	331	3,416
	$ 15,855	3,260	19,115

Aggregate principal maturities subsequent to 2017 are approximately $3.1 million. The Authority has the option, in some cases, to retire bonds prior to maturity as stipulated in the respective debt agreements. Each series of bonds is issued pursuant to a separate trust indenture.

Certain bond issues give the bondholder the option of electing early redemption. The Authority has entered into letters and lines of credit arrangements with financial institutions to provide liquidity in the event of the inability to remarket the variable rate tax exempt bonds.

No commercial paper was outstanding at March 31, 2012 and 2011. The Authority has entered into a revolving letter of credit agreement with financial institutions to support commercial paper notes issued in order to facilitate their sale. The letter of credit was left in place in case commercial paper notes are issued in the future, and at March 31, 2012 the total amount of unused letters of credit was $35 million.

Note 9 - Due to New York State Urban Development Corporation

New York State Urban Development Corporation ("UDC") provides all of the management and operational oversight for the Authority. At March 31, 2012 and 2011, amounts due to UDC are primarily attributable to costs, including all payroll and related costs, allocated to or paid by UDC on behalf of the Authority for various general and administrative expenses. These costs, plus interest, approximated $187,000 and $254,000 during the years ended March 31, 2012 and 2011, respectively. The balance due at March 31, 2012 and 2011, excluding grant funds held by the Authority amounted to $26,082,490 and $25,895,799, respectively. The interest rate used is the annualized average weighted yield earned by UDC on its investment portfolio. The interest portion of the accumulated liability covers the last seventeen fiscal years and amounts to approximately $7,310,000 at March 31, 2012.

Note 10 - Commitments

Special Purpose Fund loans approved by the Authority, but not yet closed, approximated $3.6 million at March 31, 2012.

Note 11 - Contingencies

The Authority has been named as a defendant in legal actions arising from the operation of various economic development initiatives. In addition, defendants in mortgage loan foreclosure proceedings initiated by the Authority have asserted defenses and counter claims for damages. The Authority believes that the ultimate outcome of such litigation will not have a material adverse effect on its financial condition.

Note 12 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 57 - "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans," amends GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," to allow agent employers that have individual employer OPEB plans, with less than 100 plan members to use the alternate measurement method, regardless of the total number of plan members in the multiple-employer OPEB plan in which it participates. The requirements of this statement are effective for periods beginning after June 15, 2011, which is the fiscal year beginning April 1, 2012 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 60 - "Accounting and Financial Reporting for Service Concession Arrangements" addresses how to account for and report service concession arrangements, a type of public-private partnership. This statement provides guidance on whether the transferor or the operator should report the capital asset in its financial statements, when to recognize up-front payments from an operator as revenue and how to record any obligation of the transferor to the operator. The requirements of this statement are effective for periods beginning after December 15, 2011, which is the fiscal year beginning April 1, 2012 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 61 - "The Financial Reporting Entity: Omnibus" is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14 "The Financial Reporting Entity" and No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." This statement amends the criteria for including component units by only including those component units for which the elected officials are financially accountable or that the government determines would be misleading to exclude. This statement also amends the criteria for blending of component units to include only those component units that are so intertwined with the primary government that they are essentially the same as the primary government. The requirements of the statement are effective for periods beginning after June 15, 2012, which is the fiscal year beginning April 1, 2013 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

Note 12 - Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. This statement incorporates into the GASB's authoritative literature the applicable guidance issued before November 30, 1989 from FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. The requirements of the statement are effective for periods beginning after December 15, 2011, which is the fiscal year beginning April 1, 2012 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows and inflows are the consumption and acquisition of net assets by a governmental entity that is applicable to a future reporting period. This statement amends the net asset reporting requirements in Statement No. 34 - "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and other pronouncements 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 this statement are effective for periods beginning after December 15, 2011, which is the fiscal year beginning April 1, 2012 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 64 - "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53" clarifies whether an effective hedging 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. The requirements of this Statement are effective for periods beginning after June 15, 2011, which is the fiscal year beginning April 1, 2012 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 65 - "Items Previously Reported as Assets and Liabilities" 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. This statement also provides other financial reporting

Note 12 - Accounting Standards Issued But Not Yet Implemented, Continued

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 the financial statement presentations. The requirements of this statement are effective for periods beginning after December 15, 2012, which is the fiscal year beginning April 1, 2013 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

GASB Statement No. 66 - "Technical Corrections - 2012 - an Amendment of GASB Statements No. 10 and No. 62" improves accounting and financial reporting for a governmental entity by resolving 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 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. 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. The requirements of this statement are effective for periods beginning after December 15, 2012, which is the fiscal year beginning April 1, 2013 for the Authority. This statement is not expected to have a material effect on the combined financial statements of the Authority.

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

The Authority Members
New York Job Development Authority:

We have audited the combined financial statements of New York Job Development Authority (the "Authority"), a component unit of the State of New York, as of and for the year ended March 31, 2012, and have issued our report thereon dated June 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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Compliance and Other Matters

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

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

Toski & Co., CPAs, P.C.

Williamsville, New York
June 8, 2012

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INDEPENDENT AUDITORS' REPORT ON INVESTMENT COMPLIANCE

The Authority Members
New York Job Development Authority:

We have examined the New York Job Development Authority (the "Authority") a component unit of the State of New York, compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York during the year ended March 31, 2012. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the year ended March 31, 2012.

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

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

Toski & Co., CPAs, P.C.

Williamsville, New York
June 8, 2012