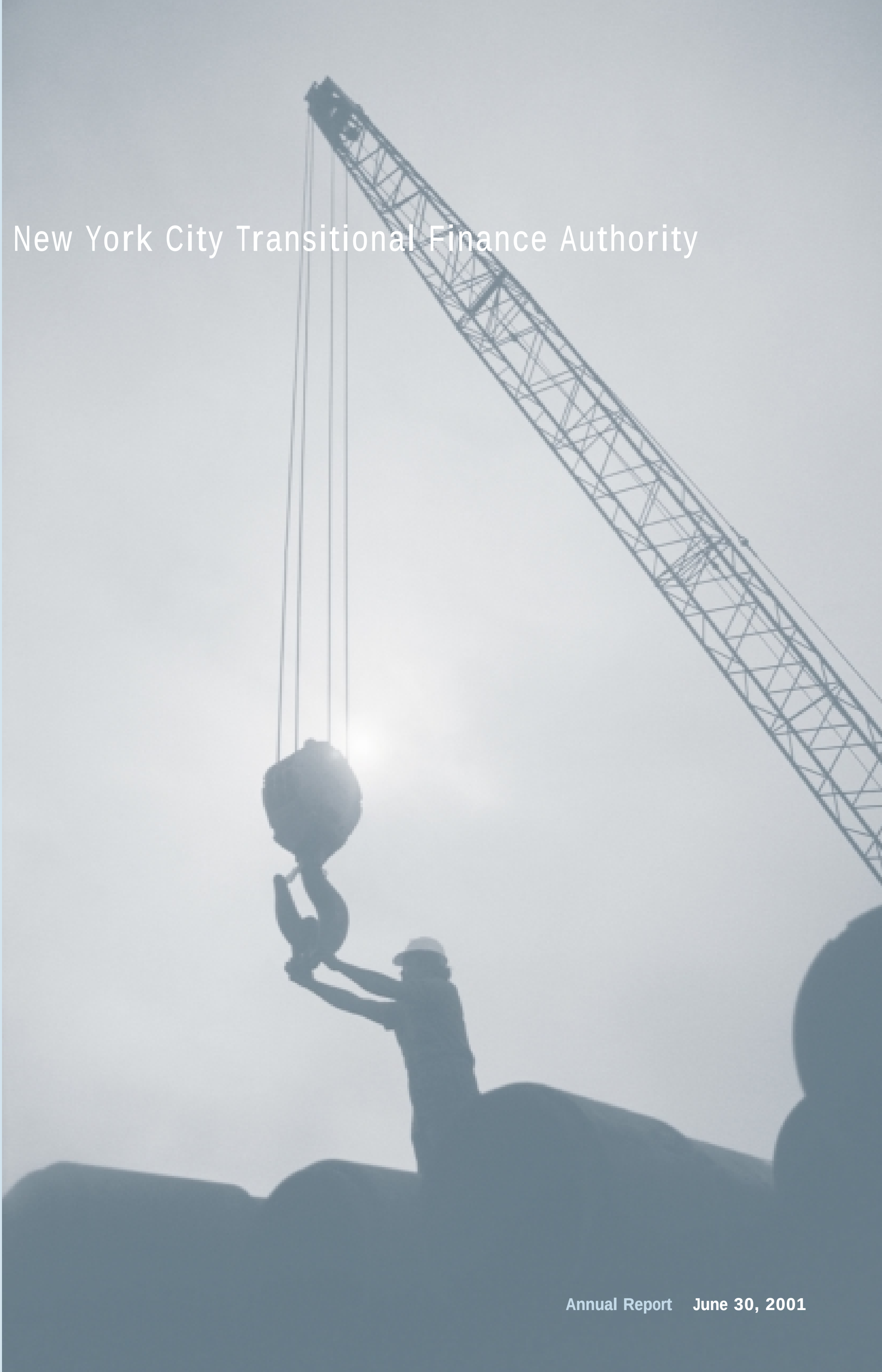
New York City Transitional Finance Authority



Annual Report **June 30, 2001**

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I am pleased to present the fiscal year 2001 annual report of the New York City Transitional Finance Authority (the "TFA"). This report contains complete audited financial information for the TFA's fourth fiscal year of operation, which began on July 1, 2000.

The TFA is a public benefit corporation whose purpose is to finance a portion of New York City's capital improvement plan. The New York State Legislature approved the law authorizing the creation of the NYC Transitional Finance Authority on March 5, 1997 (Chapter 16 of the Laws of 1997, the "Act"). The Act included governance by a Board of five ex officio directors consisting of the following officials of the City: the Director of Management & Budget (who also serves as Chairperson), the Commissioner of Finance, the Commissioner of Design & Construction, the Comptroller, and the Speaker of the City Council.

The TFA is authorized to borrow up to $11.5 billion through the issuance of bonds for capital purposes. In addition, the Legislation was amended in September, 2001 to permit the TFA to have outstanding an additional $2.5 billion of its bonds and notes to pay for any and all direct expenses related to the terrorist attack on New York City on September 11, 2001. In October 2001, the TFA issued New York City Recovery Notes in the amount of $1 billion. Interest and principal may be repayable from future federal financial aid or from proceeds of permanent TFA Recovery Bonds, which would be subordinate to the $11.5 billion of program bonds.

TFA bonds are payable from personal income tax revenues and if needed a portion of sales tax revenues collected in New York City. These revenues are collectively referred to as the "Statutory Revenues".

The TFA has been determined to be separate from the City and New York State in a bankruptcy analysis and enjoys high coverage of its debt service provided by the Statutory Revenues. The rating of the TFA are Aa1/AA+/AA+ from Moody's Investors Service, Standard & Poor's and Fitch, Inc., respectively. As a result, the City's cost of financing its capital program has been reduced when compared to a similar amount of financing through its general obligation credits.

The TFA is an asset-backed credit, which combines structured finance methods with a traditional revenue source. The strength of the TFA is that is Statutory Revenues provide high coverage and are legally separate from New York City, enabling it to earn high bond ratings and low interest costs.

Bonds issued by the TFA are formally known as Future Tax Secured Bonds, referencing the Statutory Revenues. The Statutory Revenues, formerly City tax revenues, were transformed by the state legislation creating the TFA into revenues of the TFA. Personal income tax payments are now paid directly to the TFA. Payment of these revenues to the City is made by the TFA only after and to the extent that the TFA determines revenues to be in excess of its needs. Sales tax revenues are available to the TFA if required.

The New York State constitution limits the amount of debt a municipality may incur to a value not greater than 10 percent of the five-year average full value of taxable real estate in its jurisdiction. The City and the State developed the TFA in an effort to address the City's ongoing need for continued capital borrowing beyond the general obligation financing capacity. At the time that the constitutional debt limit became law in New York State, property taxes represented approximately 95% of all revenues in New York City. With the changes in tax law and diversification of revenue sources that occurred in the ensuing decades, property taxes now represent about one-third of the City's tax revenues. Yet the debt limit of a different era remains in effect in New York State. This limit is defined as $30.6 billion for New York City in Fiscal Year 2001, the reporting year.

The TFA will complete its currently authorized borrowing of $11.5 billion in program bonds in Fiscal Year 2004. This includes the issuance of $770 million of bonds and $1.8 billion of bond anticipation notes in Fiscal 2002. The TFA indenture allows for additional issuance capacity for parity debt of $0.5 billion of program bonds, which would however require legislative approval. This amount does not include the $2.5 billion recovery bond capacity.

The TFA benefits City taxpayers through the low borrowing costs it brings the City. The asset-backed nature of the credit makes it stronger and higher-rated than the City general obligation debt, and the fact that it is legally separate decreases market saturation with New York City general obligation debt.

More important, however, is the fact that the existence of the TFA allows the City to continue its capital program. Without it, the constitutional debt limit would have forced the City to stop entering into additional contracts for the improvements of its infrastructure. In the last four fiscal years, the TFA has proven a successful borrowing vehicle for New York City's capital program, and is playing a crucial role in financing the recovery costs associated with the terrorist attack on the City on September 11, 2001.

Respectfully submitted,

Adam L. Barsky
Chairman

RIGHT: ACS Children's Center, Manhattan. Photo by Trang Bui.

In its fifth fiscal year of operation, the TFA issued $1.54 billion tax-exempt fixed-rate bonds on a negotiated basis through its underwriting syndicate. In addition, the TFA issued $515 million of bond anticipation notes (BANs). A portion of the above-mentioned bonds was used to refund $1.03 billion of tax-exempt BANs. These FY 2001 BANs were sold competitively.

The TFA's first bond issuance, FY2001 Series A, was sold on October 31, 2000. The fixed-rate portion of the transaction was $418 million, while $100 million was sold on a variable-rate basis. Yields ranged from 4.27% in the 2002 maturity to 5.58% in the 2026 maturity. These bonds were sold to refund the 2000 Series 3 BANs.

In February 2001, the TFA sold BANs by competitive bid. 2001 Series 1 was a $515 million tax-exempt note. The BANs had a true interest cost (TIC) of 3.10% and were won by Lehman Brothers. These BANs matured on June 29, 2001.

The TFA's third transaction of the fiscal year was FY2001 Series B bond issue, with a total par amount of $515 million. The transaction closed on March 7, 2001. The $415 million fixed-rate portion of the bond issue consisted of yields ranging from 3.45% in the 2003 serial maturity to 5.17% in the 2020 maturity. The additional $100 million was sold on a variable rate basis.

The TFA's fourth and final transaction of the year was the Fiscal 2001 Series C bond issue, with a total par amount of $504 million which closed on April 11, 2001. The $404 million fixed-rate and $100 million variable rate demand bond (VRDB) portions of the deal were used to refund the tax-exempt 2001 Series 1 BANs (with a par amount of $515 million). Yields on this issue ranged from 3.23% in the 2003 serial maturity to 5.14% in the 2022 maturity.

LEFT: Carnegie Hall. Photo by Don Perdue.

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To the Board of Directors of the
New York City Transitional Finance Authority

We have audited the accompanying basic financial statements of the New York City Transitional Finance Authority (the "Authority"), as of and for the years ended June 30, 2001 and 2000, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2001 and 2000, and the results of its activities and operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note B, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, as of July 1, 2000. In addition, as described in Note B, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as of July 1, 2000. The accompanying basic financial statements for the year ended June 30, 2000 have been restated to reflect the changes required by these statements.

Grant Thornton LLP

New York, New York
September 5, 2001 (except for Note G, as to which the date is October 3, 2001)

LEFT: Beach Channel Drive Day Care Center, Queens. Photo by Trang Bui.

Overview Of Financial Statements

The annual financial statements of the Authority consist of two parts — management's discussion and analysis (this section) and the basic financial statements.

Our discussion and analysis of the financial performance of the New York City Transitional Finance Authority's (the "Authority") provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2001. Please read it in conjunction with the Authority's financial statements, which begin on page 9.

The entity-wide financial statements of the Authority, which include the statement of net assets (deficit) and the statement of activities, are presented to display information about the reporting entity as a whole, in accordance with GASB No. 34. The statement of net assets (deficit) and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. All revenues and expenses are taken into account regardless of when cash is paid or received.

The Authority's governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. They recognize revenue when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period.

Financial Highlights And Overall Analysis

Restricted cash and cash equivalents decreased by $558 million (83%), other assets decreased by $23 million (13%) and total assets decreased by $581 million (69%). The decrease in restricted cash and cash equivalents is due to the timing of issuance of bonds or bond anticipation notes by the Authority and the timing of Authority payments to New York City for capital projects. Thus at June 30, 2001, restricted funds available to transfer to New York City were $558 million less than at June 30, 2000.

Long-term liabilities increased by $1,464 million (25%), short-term liabilities decreased by $545 million (62%) and total liabilities payable increased by $919 million (14%). The increase in long-term liabilities is from issuance of bonds during the fiscal year ended June 30, 2001. At June 30, 2000, there was $515 million of short-term debt that was refinanced by the issuance of bonds during the year ended June 30, 2001, thus decreasing the short-term liabilities.

Personal income tax revenue increased by $88 million (2%) and investment earnings decreased by $29 million (59%). The decrease in investment earnings is a combination of lower interest rates and having funds for a shorter period during the year ended June 30, 2001.

June 30

(in thousands)

	2001	2000
Assets		
Restricted cash and cash equivalents	$ 110,911	$ 669,203
Personal income tax receivable	110,181	139,192
Bond issue costs, net of amortization	41,511	35,235
Total assets	262,603	843,630
Liabilities		
Distributions payable to New York City capital program	13,975	65,600
Payable to New York City	110,181	139,192
Accrued expenses	1,157	594
Accrued interest payable	85,244	78,779
Bond anticipation notes payable	–	515,000
Bonds payable		
Portion due within one year	117,535	73,970
Portion due after one year	7,268,475	5,849,185
Unamortized bond premium (discount)	26,910	(17,921)
Total liabilities	7,623,477	6,704,399
Net Assets (deficit)		
Reserved for capital program	2,899	27,703
Reserved for debt service	92,880	60,306
Deficit	(7,456,653)	(5,948,778)
Total net assets (deficit)	$ (7,360,874)	$ (5,860,769)

The accompanying notes are an integral part of these statements.

Year Ended June 30
(in thousands)

	2001	2000
Expenses		
General and administrative expenses	$ 3,102	$ 2,778
Distributions to New York City for capital program	1,576,954	1,806,350
Bond interest expense	344,385	243,079
Bond issue expense	3,226	3,873
Total expenditures	1,927,667	2,056,080
General revenues		
Personal income tax revenues	5,546,545	5,458,466
Less remittances to New York City	(5,139,103)	(5,211,353)
Personal income tax revenues retained	407,442	247,113
Investment earnings	20,120	49,216
Total general revenues	427,562	296,329
Change in net assets	(1,500,105)	(1,759,751)
Net assets (deficit) — beginning of year	(5,860,769)	(4,101,018)
Net assets (deficit) — end of year	$ (7,360,874)	$ (5,860,769)

The accompanying notes are an integral part of these statements.

June 30, 2001

(in thousands)

	Capital Projects	Debt Service	Total Governmental Funds
Assets			
Restricted cash and cash equivalents	$ 18,031	$ 92,880	$ 110,911
Personal income tax receivable	–	110,181	110,181
Total assets	$ 18,031	$ 203,061	$ 221,092
Liabilities and Fund Balances			
Liabilities			
Distributions payable to New York City capital program	$ 13,975	$ –	$ 13,975
Accrued expenses	1,157	–	1,157
Personal income tax payable to New York City	–	9,181	9,181
Deferred personal income tax revenue	–	101,000	101,000
Total liabilities	15,132	110,181	125,313
Fund balances			
Reserved for capital program	2,899	–	2,899
Reserved for debt service	–	92,880	92,880
Total fund balances	2,899	92,880	95,779
Total liabilities and fund balances	$ 18,031	$ 203,061	$ 221,092

The accompanying notes are an integral part of this statement.

June 30, 2000

(in thousands)

	Capital Projects	Debt Service	Total Governmental Funds
Assets			
Restricted cash and cash equivalents	$ 608,897	$ 60,306	$ 669,203
Personal income tax receivable	–	139,192	139,192
Total assets	$ 608,897	$ 199,498	$ 808,395
Liabilities and Fund Balances			
Liabilities			
Bond anticipation notes payable	$ 515,000	$ –	$ 515,000
Distributions payable to New York City capital program	65,600	–	65,600
Accrued expenses	594	–	594
Personal income tax payable to New York City	–	2,192	2,192
Deferred personal income tax revenue	–	137,000	137,000
Total liabilities	581,194	139,192	720,386
Fund balances			
Reserved for capital program	27,703	–	27,703
Reserved for debt service	–	60,306	60,306
Total fund balances	27,703	60,306	88,009
Total liabilities and fund balances	$ 608,897	$ 199,498	$ 808,395

The accompanying notes are an integral part of this statement.

Year Ended June 30, 2001

(in thousands)

	Capital Projects	Debt Service	Total Governmental Funds
Revenues			
Personal income tax revenues	$ –	$ 5,582,545	$ 5,582,545
Less remittances to New York City	–	(5,175,103)	(5,175,103)
Personal income tax revenues retained	–	407,442	407,442
Interest income	13,956	6,164	20,120
Total revenues	13,956	413,606	427,562
Expenditures			
Bond interest expense	–	344,428	344,428
Principal amount of bonds retired	–	73,970	73,970
Costs of bond issuance	9,502	–	9,502
Distributions to New York City for capital program	1,576,954	–	1,576,954
General and administrative expenses	3,102	–	3,102
Total expenditures	1,589,558	418,398	2,007,956
Excess of expenditures over revenues	(1,575,602)	(4,792)	(1,580,394)
Other financing sources (uses)			
Principal amount of bonds issued	1,536,825	–	1,536,825
Bond premium, net of discount	51,339	–	51,339
Transfers in (out)	(37,366)	37,366	–
Total other financing sources and uses	1,550,798	37,366	1,588,164
Net change in fund balances	(24,804)	32,574	7,770
Fund balances — beginning of year	27,703	60,306	88,009
Fund balances — end of year	$ 2,899	$ 92,880	$ 95,779

The accompanying notes are an integral part of this statement.

Year Ended June 30, 2000
(in thousands)

	Capital Projects	Debt Service	Total Governmental Funds
Revenues			
Personal income tax revenues	$ –	$ 5,583,466	$ 5,583,466
Less remittances to New York City	–	(5,336,353)	(5,336,353)
Personal income tax revenues retained	–	247,113	247,113
Interest income	45,829	3,387	49,216
Total revenues	45,829	250,500	296,329
Expenditures			
Bond interest expense	–	214,046	214,046
Principal amount of bonds retired	–	41,785	41,785
Costs of bond issuance	13,758	–	13,758
Distributions to New York City for capital program	1,806,350	–	1,806,350
General and administrative expenses	2,778	–	2,778
Total expenditures	1,822,886	255,831	2,078,717
Excess of expenditures over revenues	(1,777,057)	(5,331)	(1,782,388)
Other financing sources (uses)			
Principal amount of bonds issued	1,814,940	–	1,814,940
Bond premium, net of discount	9,275	–	9,275
Transfers in (out)	(33,871)	33,871	–
Total other financing sources and uses	1,790,344	33,871	1,824,215
Net change in fund balances	13,287	28,540	41,827
Fund balances — beginning of year	14,416	31,766	46,182
Fund balances — end of year	$ 27,703	$ 60,306	$ 88,009

The accompanying notes are an integral part of this statement.

RECONCILIATIONS OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30
(in thousands)

	2001	2000
Net change in fund balances — total governmental funds	$ 7,770	$ 41,827
Amounts reported for governmental activities in the statement of activities are different because:		
Bond proceeds provide current financial resources to governmental funds, but debt issued increases long-term liabilities in the statement of net assets.	(1,536,825)	(1,814,940)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	73,970	41,785
Governmental funds report costs of debt issuance as expenditures. However, in the statement of activities, the cost of debt issuance is amortized over the lives of the debt.	6,276	9,884
Governmental funds report bond premiums/discounts as other financing sources/uses. However, in the statement of activities, bond premiums/discounts are amortized over the lives of the debt as interest expense.	(44,831)	196
Interest expense is reported in the statement of activities on the accrual basis, but interest is reported as expenditure in governmental funds when outlay of financial resources is required.	(6,465)	(38,503)
Change in net assets of governmental activities	$ (1,500,105)	$ (1,759,751)

The accompanying notes are an integral part of these statements.

June 30, 2001 and 2000

Note A / Organization

The New York City Transitional Finance Authority (the "Authority") is a corporate governmental agency constituting a public benefit corporation and an instrumentality of the State of New York (the "State"). The Authority is governed by a Board of five directors, consisting of the following officials of the City of New York (the "City"): the Director of Management and Budget (who also serves as Chairperson), the Commissioner of Finance, the Commissioner of Design and Construction, the Comptroller and the Speaker of the Council. Although legally separate from the City, the Authority is a component unit of the City and, accordingly, is included in the City's financial statements.

The Authority was created by State legislation enacted in 1997 to issue and sell up to $7.5 billion in bonds and notes to fund a portion of the capital program of the City, the purpose of which is to maintain, rebuild and expand the infrastructure of the City. In June 2000, the State legislature increased the debt authorization by $4 billion to an aggregate amount of $11.5 billion and increased the amount of allowable variable rate debt from $750 million to $2.3 billion. (See Note G — Subsequent Events.)

Note B / Summary Of Significant Accounting Policies

During the year ended June 30, 2001, the Authority elected to adopt the provisions of Statement No. 34 of the Governmental Accounting Standards Board ("GASB No. 34"), *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*; accordingly, the accompanying financial statements for the year ended June 30, 2000 have been restated to conform with GASB No. 34 requirements.

The entity-wide financial statements of the Authority, which include the statements of net assets (deficit) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with GASB No. 34. The statements of net assets (deficit) and the statements of activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

In addition, the Authority adopted the provisions of Statement No. 33 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Nonexchange Transactions* ("GASB No. 33"). The accompanying financial statements for the year ended June 30, 2000 have been restated to reflect the changes required by this statement. The implementation of GASB No. 33 resulted in an increase to personal income tax revenues and related remittances to New York City in the Authority's Debt Service Fund of approximately $7 million and $8 million in the years ended June 30, 2001 and 2000, respectively.

June 30, 2001 and 2000

Note B Continued

The Authority's Debt Service Fund recognized personal income tax receivables of approximately $110 million and $139 million as of June 30, 2001 and 2000, respectively, related remittances payable to New York City of approximately $9 million and $2 million as of June 30, 2001 and 2000, respectively, and deferred personal income tax revenue of approximately $101 million and $137 million as of June 30, 2001 and 2000, respectively.

The Authority's governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. They recognize revenue when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. Expenditures are recognized when the related liability is incurred, except for unmatured interest on bonds payable, which is recognized when due. The governmental funds consist of the Capital Projects Fund, which accounts for resources to be transferred to the City's capital program and supports the operations of the Authority, and the Debt Service Fund, which accounts for the accumulation of resources for payment of principal and interest on long-term debt and certain interest on short-term debt.

Bond premiums, discounts and issuance costs are capitalized and amortized over the lives of the related debt using the interest method in the entity-wide financial statements. The governmental fund financial statements recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Interest expense is recognized on the accrual basis in the entity-wide financial statements. Interest expenditures are recognized when paid in the individual governmental fund financial statements.

The Authority receives City personal income taxes, imposed pursuant to State law and collected on behalf of the Authority by the State, to service its debt and pay administrative expenses. Funds for debt service are required to be set aside for debt service prior to the due date of the principal and interest. Unused personal income taxes are remitted to the City.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Authority's management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

June 30, 2001 and 2000

Note C / Bonds Payable

The Authority was initially authorized by the State to issue obligations in an aggregate principal amount of $7.5 billion, which authorization was increased to $11.5 billion in June 2000 (see Note G). The Authority has issued $7.502 billion at June 30, 2001 and $6.480 billion (including $515 million of bond anticipation notes — see Note D) at June 30, 2000. All City personal income tax is paid by the State to the Authority. The Authority has pledged the personal income tax as collateral to secure its bonds. The Authority retains personal income taxes in an amount sufficient to service its debt and pay its operating expenditures, and remits the difference to the City. The Authority has no taxing power.

The Authority funds its debt service requirements and operating expenditures from personal income taxes collected on its behalf by the State and, under certain circumstances, sales taxes. Sales taxes are only available to the Authority after such amounts required by the Municipal Assistance Corporation are deducted and if the amounts of personal income tax revenues fall below statutorily specified debt service coverage levels. The Authority periodically certifies to its bond trustee the amount of funding it requires. Net collections of personal income taxes not required by the Authority are paid by the Authority to the City. No sales tax revenues were received or required during fiscal 2001 and 2000.

Bonds are recorded at the principal amount outstanding and consist of the following:

(in thousands)	Balance at June 30, 2000	Issued	Retired	Balance at June 30, 2001
1998 Fiscal Series A - 4.20% to 5.50% serial and term tax-exempt bonds maturing in varying installments through 2027	$ 634,365	$ –	$ (16,260)	$ 618,105
1998 Fiscal Series B - 4.00% to 5.50% serial and term tax-exempt bonds maturing in varying installments through 2027	638,375	–	(12,080)	626,295
1998 Fiscal Series C				
4.00% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2026	650,000	–	(1,340)	648,660
5.80% to 6.375% serial taxable bonds maturing in varying installments through 2014	85,475	–	(13,935)	71,540
Variable rate tax-exempt bonds due in 2028 (a)	100,000	–	–	100,000

June 30, 2001 and 2000

Note C (continued)

(in thousands)	Balance at June 30, 2000	Issued	Retired	Balance at June 30, 2001
1999 Fiscal Series A				
4.00% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2016	$ 360,000	$ –	$ (9,745)	$ 350,255
5.30% to 5.80% serial taxable bonds maturing in varying installments through 2006	40,000	–	(4,615)	35,385
Variable rate tax-exempt bonds due in 2028 (a)	500,000	–	–	500,000
1999 Fiscal Series B				
3.25% to 5.125% serial and term tax-exempt bonds maturing in varying installments through 2024	410,000	–	(4,540)	405,460
5.45% to 5.85% serial taxable bonds maturing in varying installments through 2006	40,000	–	(4,365)	35,635
Variable rate tax-exempt bonds due in 2028 (a)	150,000	–	–	150,000
1999 Fiscal Series C				
3.5% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2029	460,000	–	(5,855)	454,145
5.75% to 6.50% serial taxable bonds maturing in varying installments through 2011	40,000	–	(1,235)	38,765
2000 Fiscal Series A				
4.25% to 6.00% serial and term tax-exempt bonds maturing in varying installments through 2019	560,000	–	–	560,000
6.00% to 6.75% serial taxable bonds maturing in varying installments through 2005	40,000	–	–	40,000

June 30, 2001 and 2000

Note C (continued)

(in thousands)	Balance at June 30, 2000	Issued	Retired	Balance at June 30, 2001
2000 Fiscal Series B				
4.50% to 6.25% serial and term tax-exempt bonds maturing in varying installments through 2021	$ 560,000	$ –	$ –	$ 560,000
5.90% to 7.125% serial taxable bonds maturing in varying installments through 2005	40,000	–	–	40,000
2000 Fiscal Series C				
4.20% to 5.875% serial and term tax-exempt bonds maturing in varying installments through 2020	573,405	–	–	573,405
6.875% to 7.125% serial taxable bonds maturing in varying installments through 2006	41,535	–	–	41,535
2001 Fiscal Series A				
4.25% to 5.75% serial and term tax-exempt bonds maturing in varying installments through 2024	–	417,665	–	417,665
Variable rate tax-exempt bonds due in 2030 (a)	–	100,000	–	100,000
2001 Fiscal Series B				
3.75% to 5.50% serial and term tax-exempt bonds maturing in varying installments through 2020	–	415,000	–	415,000
Variable rate tax-exempt bonds due in 2031 (a)	–	100,000	–	100,000
2001 Fiscal Series C				
3.65% to 5.50% serial and term tax-exempt bonds maturing in varying installments through 2022	–	404,160	–	404,160
Variable rate tax-exempt term bonds due in 2032 (a)	–	100,000	–	100,000
Total bonds payable	$ 5,923,155	$ 1,536,825	$ (73,970)	$ 7,386,010

June 30, 2001 and 2000

Note C (continued)

(a) Variable rates are adjusted daily or weekly and represent the lowest rate of interest that would cause the adjustable rate bonds to have a market value equal to the principal amount. The rates cannot exceed certain specified levels.

Debt service requirements to maturity at June 30, 2001, are as follows:

(in thousands)	Principal	Interest	Total
Year ended June 30,			
2002	$ 117,535	$ 372,882	$ 490,417
2003	161,400	374,796	536,196
2004	179,865	366,925	546,790
2005	192,200	357,966	550,166
2006	206,150	348,182	554,332
2007 to 2011	1,216,180	1,573,239	2,789,419
2012 to 2016	1,463,565	1,218,010	2,681,575
2017 to 2021	1,553,355	815,744	2,369,099
2022 to 2026	1,343,340	436,381	1,779,721
2027 to 2031	942,620	96,241	1,038,861
2032	9,800	490	10,290
	$ 7,386,010	$ 5,960,856	$ 13,346,866

Debt service accounts have been established under each of the Authority's indentures to provide security for the payment of interest on and principal of bonds outstanding. The principal and interest required to be paid are to be deposited into the debt service account in the quarter preceding the payment due date.

At June 30, 2001 and 2000, the Authority maintained its required debt service accounts totaling $92,880,000 and $60,306,000, respectively, of which $28,045,000 and $16,260,000 were for principal retirement, respectively, and $64,835,000 and $44,046,000 were for interest payments, respectively.

June 30, 2001 and 2000

Note D / Bond Anticipation Notes Payable

Bond anticipation notes are recorded at the principal amount outstanding and consist of the following:

(in thousands)	Balance at June 30, 2000	Issued	Retired	Balance at June 30, 2001
2000 Fiscal Series 3				
6.50% tax-exempt bond anticipation notes maturing November 1, 2000	$ 415,000	$ –	$ (415,000)	$ –
4.75% taxable bond anticipation notes maturing November 1, 2000	100,000	–	(100,000)	–
2001 Fiscal Series 1				
5.6% tax-exempt bond anticipation notes maturing June 29, 2001	–	515,000	(515,000)	–
Total bonds payable	$ 515,000	$ 515,000	$(1,030,000)	$ –

Note E / Cash And Cash Equivalents

The Authority's cash and cash equivalents are currently limited to bank deposits and commercial paper. At June 30, 2001, the Authority's cash and cash equivalents consisted of bank deposits of approximately $643,000 and commercial paper of approximately $110,268,000. At June 30, 2000, the Authority's cash and cash equivalents consisted of repurchase agreements of approximately $4 million and commercial paper of approximately $665 million. All of the Authority's investments are classified as cash and cash equivalents because they have an original maturity date of three months or less. Accordingly, the Authority values its investments at cost plus accrued interest, which approximates market.

The Authority's commercial paper is held by the Authority's agent in the Authority's name. Bank deposits up to $100,000 were insured by the Federal Deposit Insurance Corporation. At June 30, 2001 and 2000, the carrying amounts of bank deposits were approximately $643,000 and $224,000, respectively, and the bank balances were approximately $845,000 and $231,000, respectively. The bank balances were either insured or collateralized by securities held by the Authority, or its agent, in the Authority's name.

June 30, 2001 and 2000

Note F / Administrative Costs

The Authority's salaries, rent and expenditures related to carrying out the Authority's duties are funded from the personal income taxes flowing through the Authority's accounts.

Note G / Subsequent Events

On July 10, 2001, the Authority issued $150,000,000 of Tax Exempt Bonds, Series 2002A. On August 1, 2001, the Authority issued $600,000,000 of Bond Anticipation Notes. On September 13, 2001, the State Legislature increased the financing capacity of the Authority by $2.5 billion to fund the City's costs related to and arising from events on September 11, 2001 at the World Trade Center ("Recovery Costs"). The State Legislature has authorized the Authority to issue debt without limit to principal amount that is payable solely from State or Federal aid received on account of the disaster. On October 3, 2001 the Authority issued $1 billion of the New York City Transitional Finance Authority New York City Recovery Notes with a maturity date of October 2, 2002.

DIRECTORS

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ex officio, Comptroller of the City of New York

Peter F. Vallone
ex officio, Speaker of the City of New York Council

Andrew S. Eristoff
ex officio, Commissioner of Finance of the City of New York

Kenneth Holden
ex officio, Commissioner of the Department of Design and Construction of the City of New York

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Alan Anders
Treasurer

Marjorie E. Henning
Secretary

Lawrence R. Glantz
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