New York City Transitional Finance Authority 2009 Annual Report

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On the cover:

Columbus Circle
Location: Manhattan
Completion: 2005
Consultant: In House (DDC)

The project included traffic reconfiguration, street reconstruction and pedestrian environment improvement of Columbus Circle and surrounding area.

Letter From the Chairman

I am pleased to present the Fiscal Year 2009 annual report of the New York City Transitional Finance Authority (the "TFA"). This report contains complete audited financial information for this fiscal year, which began on July 1, 2008.

The TFA is a public benefit corporation whose primary 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 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 Act has been amended several times to increase the amount of debt the TFA is authorized to issue. Most recently, the Act was amended this year which permits the TFA to have outstanding $13.5 billion of Future Tax Secured Bonds. In addition, the TFA may issue additional Future Tax Secured Bonds provided that the amount if such additional bonds, together with the amount of indebtedness contracted by the City of New York, does not exceed the debt limit of the City of New York. As of July 1, 2009, the City's debt-incurring margin within the debt limit of the City was $27.7 billion.

Legislation enacted in April 2006 enables the Authority to have outstanding up to $9.4 billion of bonds, notes or other obligations for purposes of funding costs of the five-year educational facilities capital plan for the City school system, which are to be paid for from New York State Building Aid to be received by the Authority subject to annual appropriation by the New York State Legislature.

Respectfully submitted,
Mark Page
Chairman

A Sampling of Current and Recent New York City Capital Projects

← ***Queens Botanical Garden***
Location: Queens
Status: Completed 2007
Agency: Department of Cultural Affairs
Design Consultant: BKSK Architects
Awards: Green Building Design Competition Award, sponsored by DEP and U.S. Environmental Protection Agency

This LEED Platinum project has a program that includes new offices, a green-roofed auditorium, reception and gallery spaces, and meeting rooms, the resulting new two-story Visitor and Administration Center allows for substantial interior natural light and ventilation, uses a geothermal heating and cooling system with on-site well water, and incorporates a photo-voltaic roof-top panel to generate electricity. The building and its immediate surroundings also put to use substantial water features, including rainwater collection, a cleansing biotope, and a constructed wetland.

→ ***Glen Oaks Library***
Borough: Queens
Status: In Construction
Agency: Queens Public Library
Design Consultant: Marble Fairbanks Architects
Awards: The Design Commission of the City of New York, Excellence in Design

This new 18,000-square-foot Library will replace the existing, outdated structure. It will include reading rooms on every level, computer workstations and two community meeting spaces. To respect the low-rise character of the surrounding neighborhood, half of the interior space in the new library will be underground. An open, double-height metal and glass stairwell adjacent to the main entry will allow light to filter down to the underground level. Additional natural light will be provided to the lower level by three strip skylights in the above-ground plaza.

← ***Pennyfield Avenue Retaining Wall***
Location: Bronx
Status: Completed 2009
Agency: Department of Transportation
Design: In-house

This retaining wall project was part of a citywide project to reconstruct and/or rehabilitate numerous retaining walls throughout the boroughs.

→ ***Queens Museum of Art***
Borough: Queens
Status: In Design
Agency: Department of Cultural Affairs
Design Consultant: Grimshaw Architects with Ammann & Whitney

The 105,000-square-foot design will increase the museum's visibility and physical connection to its surroundings, Flushing Meadows Corona Park on the east and Grand Central Parkway on the west. The focal element of the design is a fully sky-lit winter garden within the existing voluminous interior. Seven galleries ranging in size are organized around this central space, and sun shading devices will be part of the skylight system to allow diffused natural light into the exhibition spaces from the courtyard's upper side walls.

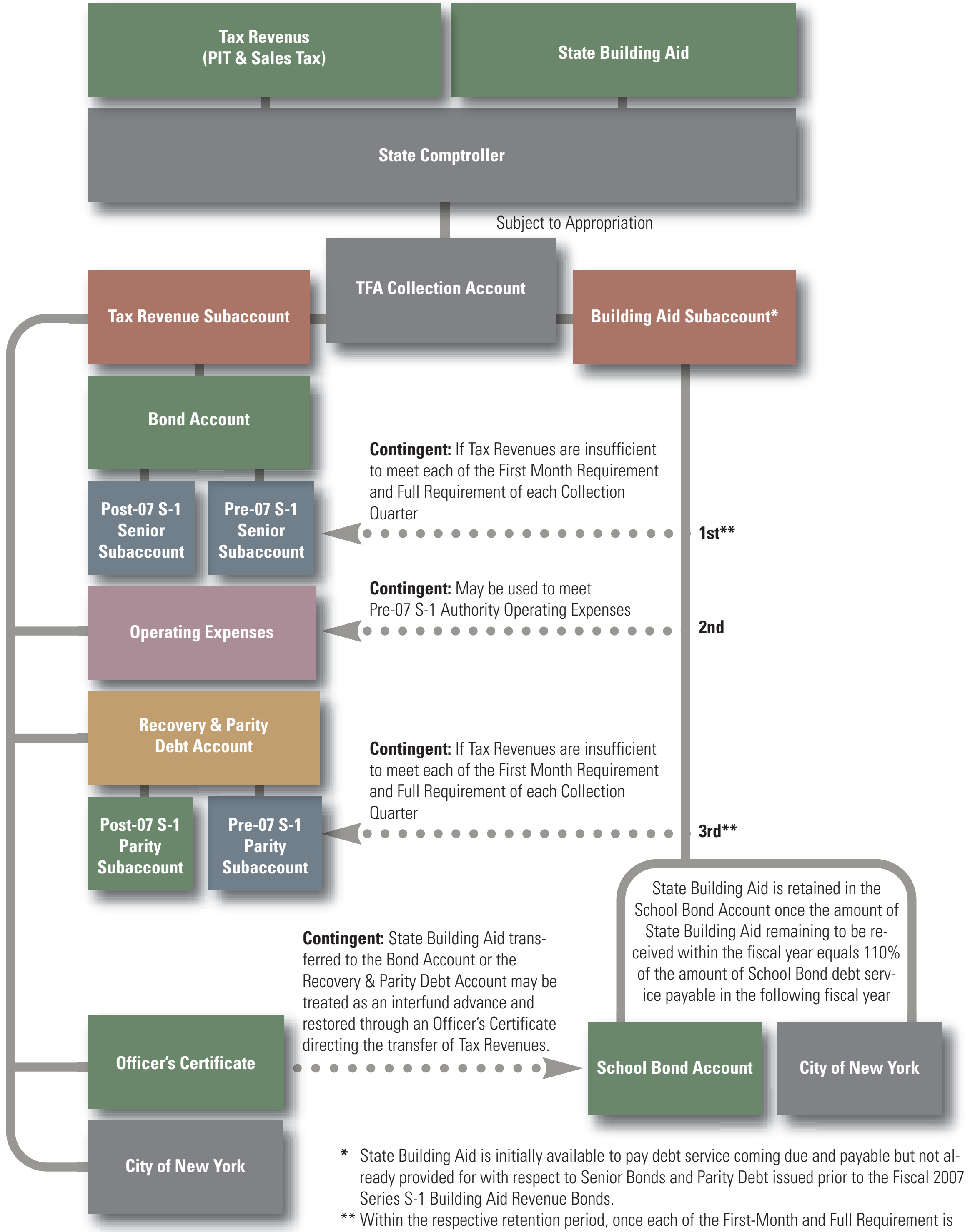
photograph ©Chuck Choi

↑ ***Brooklyn Children's Museum***
Borough: Brooklyn
Completed 2007
Agency: Department of Cultural Affairs
Design Consultant: Rafael Viñoly Architect

Expanding upon the original Brooklyn Children's Museum, the design consultant provided an additional 56,000 square feet, increasing the museum's capacity for exhibits, educational programs, and visitors from 250,000 to 400,000 annually.

This is the first New York City cultural institution to tap into geothermal wells for its heating and cooling needs. The use of water from a temperature-consistent site aquifer diminishes energy requirements. Photovoltaic systems convert solar energy directly into electrical power – making the museum a forerunner of this technology among New York City cultural institutions. The museum's ventilation and lighting systems are controlled through motion, photoelectric and carbon monoxide sensors.

Summary of Collection and Application of Revenues



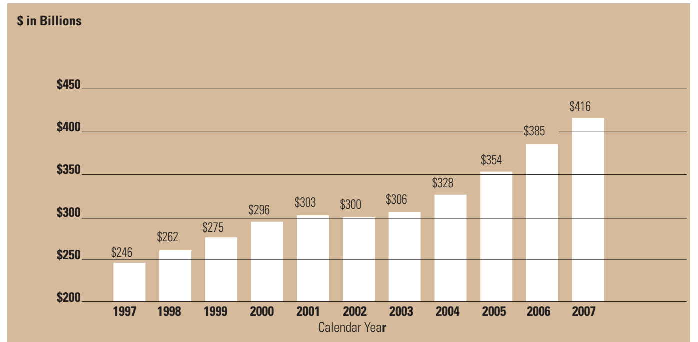
* State Building Aid is initially available to pay debt service coming due and payable but not already provided for with respect to Senior Bonds and Parity Debt issued prior to the Fiscal 2007 Series S-1 Building Aid Revenue Bonds.

** Within the respective retention period, once each of the First-Month and Full Requirement is satisfied, State Building Aid flows to either the School Bond Account or the City of New York.

Summary of Collection and Application of Revenues

Personal Income in New York City (1)

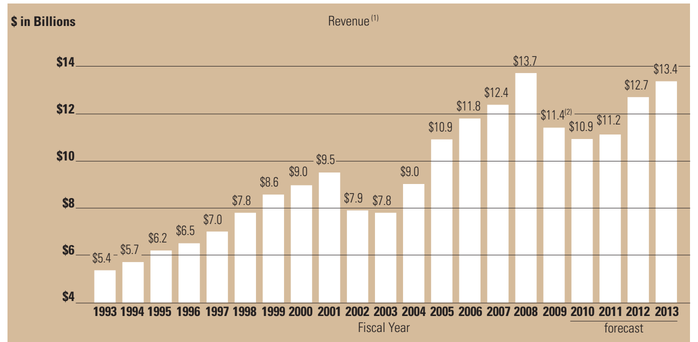
Total City Personal Income



Source: U.S. Department of Commerce, Bureau of Economic Analysis and the Bureau of the Census.

(1) In current dollars. Personal income is based on the place of residence and is measured from income which includes wages and salaries, supplements to wages and salaries, proprietors' income, personal dividend income, personal interest income, rental income of persons, and transfer payments.

Historical and Forecasted Amounts of Revenue

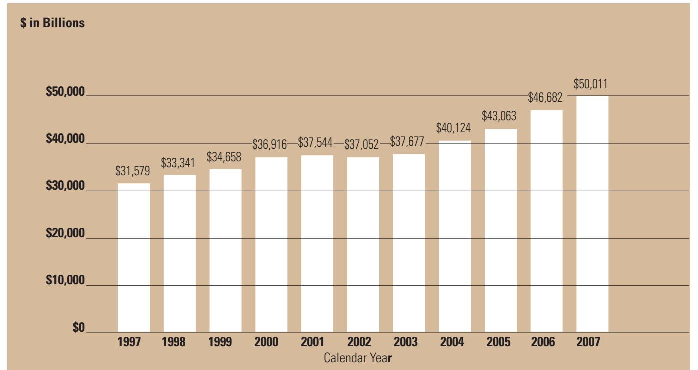


(1) Source: NYC OMB. All figures shown herein are calculated on a cash basis.

(2) The decrease in Tax Revenues from fiscal year 2008 to fiscal year 2009 is attributable, in part, to an adjustment in fiscal year 2009 by the State for overpayments of Personal Income Tax Revenue in fiscal years 2002 through 2009 in the amount of $597.3 million. Figure does not reflect deductions for State Oversight Retention Requirements.

Personal Income in New York City (1)

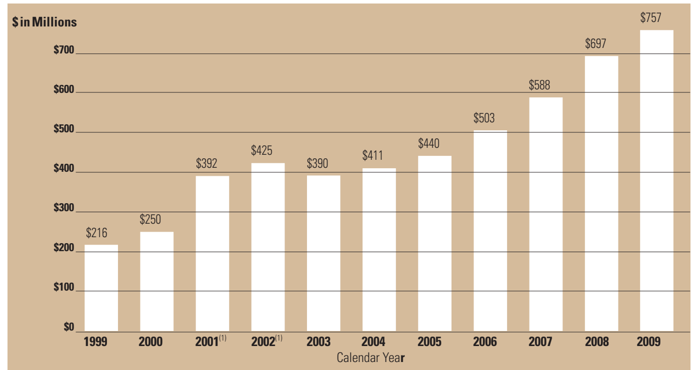
City Per Capita Personal Income



Source: U.S. Department of Commerce, Bureau of Economic Analysis and the Bureau of the Census.

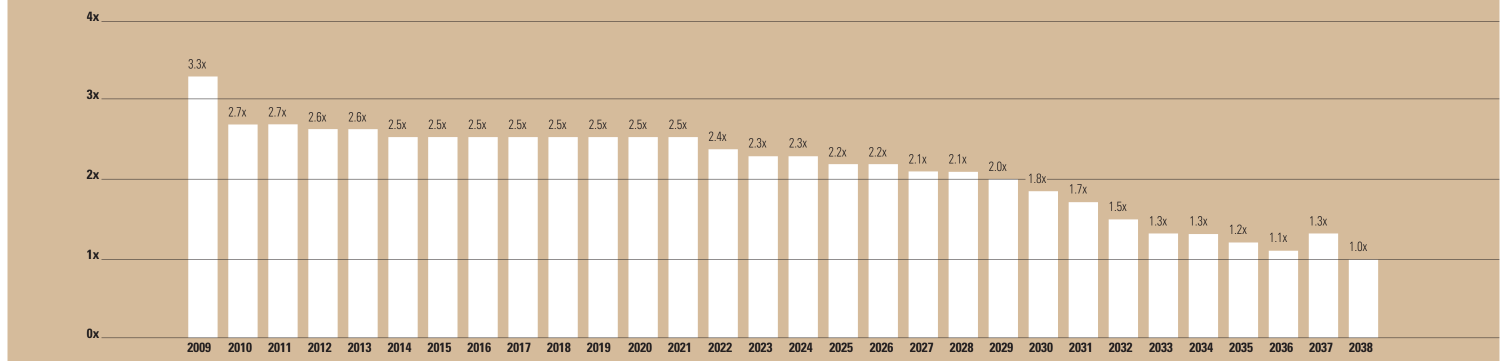
(1) In current dollars. Personal income is based on the place of residence and is measured from income which includes wages and salaries, supplements to wages and salaries, proprietors' income, personal dividend income, personal interest income, rental income of persons, and transfer payments.

Historic State Building Aid



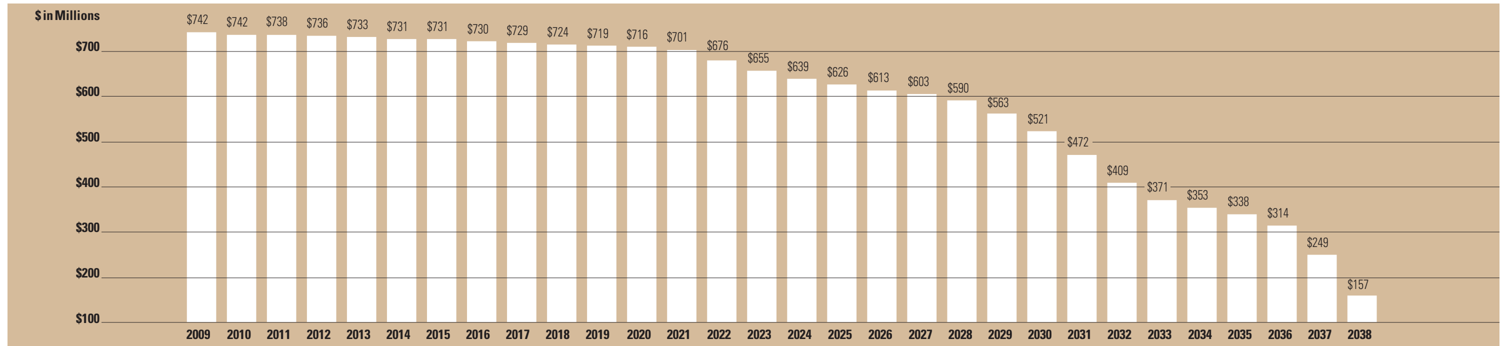
(1) The increase in State Building Aid in fiscal years 2001 and 2002 is largely attributable to the City's use of pay-as-you-go capital in fiscal years 2000 through 2002, the full amount of which was aided in fiscal years 2001 and 2002. Subsequently, the Education law was changed to provide that projects paid for with pay-as-you-go- capital would be aided over a 30-year period rather than in one fiscal year.

Debt Service Coverage for Building Aid Revenue Bonds by Confirmed Building Aid



Note: The amount of Confirmed Building Aid payable to the Authority will vary in the future depending on, among other factors, the Selected Building Aid Ratio.

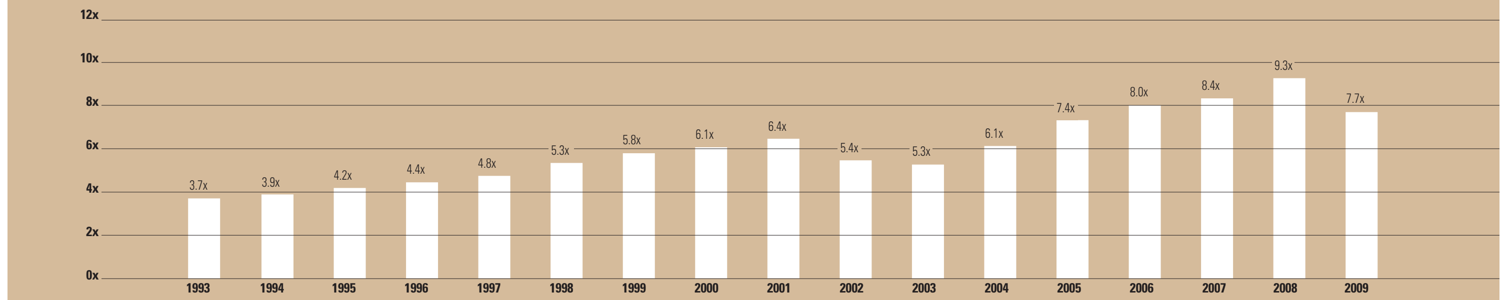
Confirmed Building Aid



Note: The amount of Confirmed Building Aid payable to the Authority will vary in the future depending on, among other factors, the Selected Building Aid Ratio.

Debt Service Coverage for Outstanding Future Tax Secured Bonds by Historical Tax Revenue

Pro Forma Coverage (1)



(1) Calculated based on maximum annual debt service of $1,479 million on Outstanding Future Tax Secured Bonds including Senior Bonds and Parity Debt (assuming that floating rate bonds bear interest at their maximum rate).

New York City Transitional Finance Authority Financial Statements June 30, 2009

Independent Auditors' Report

MPS Marks Paneth & Shron LLP
Certified Public Accountants & Consultants

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

We have audited the accompanying financial statements of the governmental activities of New York City Transitional Finance Authority (the "Authority"), a component unit of The City of New York, as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 financial statements referred to above present fairly, in all material respects, the governmental activities of the Authority as of June 30, 2009 and 2008 and the respective changes in financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages 12–17 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Marks Paneth & Shron LLP

New York, New York
September 25, 2009

Management's Discussion and Analysis

June 30, 2009 and 2008

The following is a narrative overview and analysis of the financial activities of the New York City Transitional Finance Authority (the "Authority") for the fiscal years ended June 30, 2009 and 2008. It should be read in conjunction with the Authority's government-wide financial statements, governmental fund financial statements and the notes to the financial statements.

The annual financial statements consist of three parts: (1) management's discussion and analysis (this section); (2) the government-wide financial statements; and (3) the governmental fund financial statements.

The government-wide financial statements of the Authority, which include the statements of net assets (deficits) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Authority's governmental fund financial statements (capital and debt service funds) are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenues are considered available if received within two months after the fiscal year end. Expenditures are recognized when the related liability is incurred, except for interest on bonds payable, which is recognized when due.

The reconciliations of the statements of revenues, expenditures and changes in fund balances of the governmental funds to the statements of activities, and the balance sheets of the governmental funds to the statements of net assets are presented to assist the reader in understanding the differences between government-wide and fund financial statements.

The Authority's authorizing legislation limits the amount of Authority bonds and notes issued for The City of New York's (the "City's") general capital purposes ("Future Tax Secured Bonds" or "FTS") to $13.5 billion as of June 30, 2009. Subsequent to the Authority's year end, authorizing legislation was enacted under Chapter 182 of the Laws of New York, 2009, which permits the Authority to have outstanding $13.5 billion of FTS. In addition, the Authority may issue additional FTS provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. In fiscal year 2009, the Authority issued $219.30 million of FTS, Series A and B, and received a premium of $15.39 million. The total proceeds of $234.69 million were used to refund $228.17 million of the Authority's FTS debt and pay the related costs of issuance. The Authority had FTS outstanding, excluding Recovery Bonds, as of June 30, 2009 and 2008 of $11.14 billion and $11.31 billion, respectively.

The Authority is also authorized to have outstanding $2.5 billion of Recovery Bonds and notes to pay costs related to or arising from the World Trade Center attack on September 11, 2001. The Authority had Recovery Bonds outstanding as of June 30, 2009 and 2008 of $1.52 billion.

The Authority is also authorized to have outstanding up to $9.4 billion of Building Aid Revenue Bonds, notes or other obligations ("BARBs"), secured by building aid from New York State ("State") that is received by the Authority pursuant to the assignment to the Authority by the City in fiscal year 2007 (the "Assignment"). The City assigned its building aid, which is subject to annual appropriation by the State, to the Authority for the purpose of funding costs of the five-year educational facilities capital plan for the City school system. The Authority issued $2.27 billion and $700 million BARBs in fiscal year 2009 and 2008, respectively. The Authority had BARBs outstanding as of June 30, 2009 and 2008 of $4.25 billion and $2.0 billion, respectively.

Management's Discussion and Analysis *(continued)*

June 30, 2009 and 2008

In accordance with GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity—Transfers of Assets and Future Revenues* ("GASB 48"), the building aid revenue is treated, for reporting purposes, as City revenue pledged to the Authority, as discussed below.

In fiscal year 2008, the Authority implemented GASB 48, which establishes accounting and financial reporting standards for governmental entities that have exchanged an interest in expected cash flows from collecting specific receivables or specific future revenues, and established the criteria that are used to determine whether the exchange should be reported as a sale or as a collateralized borrowing.

The implementation of GASB 48 changed the accounting and financial reporting for the Authority's disbursements of BARBs proceeds to the City and receipt of building aid from the State to the Authority pursuant to the Assignment. The Authority retains sufficient building aid revenue to service the BARBs debt and to pay its administrative expenses. Under the criteria established by GASB 48, this assignment of building aid revenue by the City to the Authority is considered a collateralized borrowing, due to the City's continuing involvement necessary for collection of the building aid. The Authority reports as an asset (Due from New York City—future State building aid) the cumulative amount it has distributed to the City for the educational facilities capital plan, net of the cumulative amount of building aid it has retained. The effect of the implementation of GASB 48 on the fund financial statements is to report distributions to the City for its educational facilities capital program as an other financing use of funds, rather than as an expenditure, as these distributions are now accounted for as loans to the City. Building aid retained by the Authority is treated as an other financing source as the amount retained is accounted for as repayments of the amount loaned to the City.

Financial Highlights and Overall Analysis—Government-wide Financial Statements

The following summarizes the activities of the Authority for the years ended June 30,

	2009	2008	2007	Variance 2009/2008	Variance 2008/2007
		(in thousands)		(in thousands)	
Expenses:					
Distributions to New York City for general capital program	$ 11,448	$ 412,488	$ 1,635,310	$ (401,040)	$ (1,222,822)
Interest expense	651,003	592,285	620,580	58,718	(28,295)
Other	33,352	39,727	43,326	(6,375)	(3,599)
Total expenses	695,803	1,044,500	2,299,216	(348,697)	(1,254,716)
Revenues:					
Personal income tax retained	138,274	163,756	684,607	(25,482)	(520,851)
Unrestricted grant from New York City	645,747	545,747	1,264,215	100,000	(718,468)
Investment earnings	11,257	43,718	69,430	(32,461)	(25,712)
Total revenues	795,278	753,221	2,018,252	42,057	(1,265,031)
Change in net assets	99,475	(291,279)	(280,964)	390,754	(10,315)
Net deficit, beginning of year	(12,374,641)	(12,083,362)	(11,802,398)	(291,279)	(280,964)
Net deficit, end of year	$(12,275,166)	$(12,374,641)	$(12,083,362)	$ 99,475	$ (291,279)

Management's Discussion and Analysis *(continued)*

June 30, 2009 and 2008

The Authority issued BARBs in the amount of $2.27 billion, $700 million and $1.30 billion in fiscal years 2009, 2008 and 2007, respectively. The bond proceeds are used to finance a portion of the City's educational facilities capital plan. The Authority distributed $2.31 billion, $1.24 billion and $748.3 million of the BARBs proceeds to the City in fiscal years 2009, 2008 and 2007, respectively. These distributions to the City are reported on the Authority's government-wide financial statements as Due from New York City-future State building aid and this receivable is reduced by the amount of building aid retained by the Authority for its BARBs debt service and its operations. The remainder of the building aid received by the Authority is remitted to the City. The issuance of $2.27 billion of BARBs increased interest expense in fiscal year 2009, compared to fiscal year 2008.

Below is a table summarizing the total building aid revenues, remittances to the City and the balance retained by the Authority for the fiscal years ending June 30,

	2009	2008	2007
		(in thousands)	
Building aid received from the State	$ 757,199	$ 696,566	$ 505,818
Building aid remitted to the City	(530,490)	(483,519)	(443,645)
Total retained for BARBs debt service and operating expenses	$ 226,709	$ 213,047	$ 62,173

Personal Income Tax ("PIT") decreased by $2.54 billion or 29.25% in fiscal year 2009 from fiscal year 2008, while in fiscal year 2008 PIT increased by $466.19 million or 5.4% over fiscal year 2007. The decrease in PIT in fiscal year 2009 is attributable to the recession. The Authority retained $138.27 million, $163.76 million and $684.61 million of PIT in fiscal years 2009, 2008 and 2007, respectively. The PIT retained is used for the Authority's debt service on its FTS debt and its administrative expenses. The decrease in retention of personal income tax from fiscal years 2009 to 2008 and 2008 to 2007 was due to the Authority's receipt of unrestricted grants from the City. The Authority received grants of $545.75 million and $1.26 billion in June 2008 and 2007, respectively. The receipt of City grants reduces the amount of PIT needed to be retained by the Authority in future fiscal years for its debt service payments on FTS and its administrative expenses. In fiscal year 2009, the Authority received a grant of $645.75 million from the City which will be used for its debt service payments on the FTS and its administrative expenses in fiscal year 2010.

Below is a table summarizing the PIT revenue, remittances to the City and the amount retained by the Authority for fiscal years ending June 30,

	2009	2008	2007
		(in thousands)	
PIT revenue	$ 6,156,177	$ 8,700,965	$ 8,254,777
PIT remitted to the City	(6,017,903)	(8,537,209)	(7,570,170)
Total retained for tax secured debt service and operating expenses	$ 138,274	$ 163,756	$ 684,607

Distributions to the City for its general capital program decreased to $11.45 million in fiscal year 2009 from $412.49 million and $1.635 billion in fiscal years 2008 and 2007, respectively. As the Authority had reached its statutory debt limitation in fiscal year 2007, no additional new money FTS were issued in fiscal years 2009 and 2008. The remaining balance from fiscal year 2007 bond issuances and interest earnings on this balance was transferred to the City in fiscal year 2009 and 2008.

The continuing decrease in investment earnings is due to the lower interest rate environment and the timing of the distributions to the City for its capital programs, which reduces the amount available for the Authority to invest.

Management's Discussion and Analysis *(continued)*

June 30, 2009 and 2008

The following summarizes the Authority's assets, liabilities, and net assets (deficits) as of June 30,

	2009	2008	2007	Variance 2009/2008	Variance 2008/2007
		(in thousands)		(in thousands)	
Assets:					
Total assets	$ 5,306,497	$ 3,473,776	$ 3,821,830	$ 1,832,721	$ (348,054)
Liabilities:					
Current liabilities	587,865	924,807	1,127,085	(336,942)	(202,278)
Non-current liabilities	16,993,798	14,923,610	14,778,107	2,070,188	145,503
Total liabilities	17,581,663	15,848,417	15,905,192	1,733,246	(56,775)
Net assets (deficits):					
Restricted	619	11,440	1,075,372	(10,821)	(1,063,932)
Unrestricted	(12,275,785)	(12,386,081)	(13,158,734)	110,296	772,653
Net deficit, end of year	$ (12,275,166)	$ (12,374,641)	$ (12,083,362)	$ 99,475	$ (291,279)

Total assets increased in fiscal year 2009 primarily due to the increase in the amount Due from New York City—future State building aid. As discussed previously, under GASB 48, the amount due from the City is increased when the Authority distributes BARBs proceeds to the City for its educational facilities capital plan and reduced by amounts retained for BARBs debt service. In fiscal year 2009, the Authority distributed $2.31 billion to the City compared to $1.24 billion in fiscal year 2008 and $748.30 million in fiscal year 2007.

As of fiscal year end 2009, the Authority does not carry a receivable for PIT from the State or a corresponding liability of PIT payable to the City due to the increase in the amount of projected PIT refunds due to taxpayers at year end. This increase in projected refunds of fiscal year 2009 PIT tax resulted in a receivable from the City of $12.24 million, which will be deducted from fiscal year 2010 remittances. In fiscal year 2008, PIT receivable and the corresponding liability to the City was $446.45 million.

Bonds payable increased in fiscal year 2009 primarily due to the issuance of $2.27 billion of BARBs compared to $700 million and $1.3 billion in fiscal years 2008 and 2007, respectively.

The amount due to the City for reimbursement of its capital expenses increased $37.71 million in fiscal year 2009 compared to a decrease of $105.29 million in fiscal year 2008 from fiscal year 2007. The change in the payable to the City for capital expenditures is a result of timing differences between the City's incurrence of the capital expenditures and requesting reimbursement from the Authority.

In fiscal year 2009 and 2008, the changes in bonds payable were as follows:

	Balance June 30, 2007	Bonds Issued	Retired or Defeased	Balance June 30, 2008	Bonds Issued	Retired or Defeased	Balance June 30, 2009
				(in thousands)			
Future tax secured bonds (excluding recovery bonds)	$ 11,541,765	$ -	$ (235,835)	$ 11,305,930	$ 219,300	$ (384,950)	$11,140,280
Recovery bonds	1,765,060	-	(243,160)	1,521,900	-	-	1,521,900
Building aid revenue bonds	1,300,000	700,000	-	2,000,000	2,270,000	(18,820)	4,251,180
Total bonds payable	$ 14,606,825	$ 700,000	$ (478,995)	$14,827,830	$ 2,489,300	$ (403,770)	$16,913,360

Management's Discussion and Analysis *(continued)*

June 30, 2009 and 2008

Financial Highlights and Overall Analysis – Governmental Funds Financial Statements

The Authority reports governmental activity using four funds, comprised of two capital projects funds and two debt service funds: (1) a building aid revenue bonds capital project fund ("BARBs CPF"), (2) a future tax secured capital project fund ("FTS CPF"), (3) a building aid revenue bonds debt service fund ("BARBs DSF") and (4) a future tax secured debt service fund ("FTS DSF").

The following summarizes the BARBs CPF activities of the Authority for the years ended June 30,

				Variance	
	2009	2008	2007	2009/2008	2008/2007
		(in thousands)		(in thousands)	
Fund balance, beginning of year	$ 69,665	$ 631,444	$ -	$ (561,779)	$ 631,444
Revenues	881	11,686	19,028	(10,805)	(7,342)
Expenditures	(16,669)	(4,618)	(15,013)	(12,051)	10,395
Other financing sources (uses)	(53,821)	(568,847)	627,429	515,026	(1,196,276)
Fund balance, end of year	$ 56	$ 69,665	$ 631,444	$ (69,609)	$ (561,779)

The Authority's bond proceeds and distributions to the City are reported as other financing sources (uses) in the governmental funds. The Authority distributed $2.31 billion, $1.24 billion, $748.30 million in fiscal years 2009, 2008 and 2007, respectively, to the City to finance its educational facilities capital program.

Expenditures reported are the Costs of Issuances related to the issuance of BARBs.

The following summarizes the FTS CPF activities of the Authority for the years ended June 30,

				Variance	
	2009	2008	2007	2009/2008	2008/2007
		(in thousands)		(in thousands)	
Fund balance, beginning of year	$ 30,411	$ 443,777	$ -	$ (413,366)	$ 443,777
Revenues	252	7,381	24,058	(7,129)	(16,677)
Expenditures	(11,448)	(412,488)	(1,648,227)	401,040	1,235,739
Other financing sources (uses)	(19,215)	(8,259)	2,067,946	(10,956)	(2,076,205)
Fund balance, end of year	$ -	$ 30,411	$ 443,777	$ (30,411)	$ (413,366)

Expenditures in the FTS CPF are distributions to the City for its general capital program. As the Authority had reached its statutory debt limitation in fiscal year 2007, no additional new money bonds were issued in fiscal years 2009 and 2008. The remaining balance from fiscal year 2007 bond issuances and interest earnings on this balance were transferred to the City in fiscal years 2009 and 2008.

The following summarizes the BARBs DSF activities of the Authority for the years ended June 30,

				Variance	
	2009	2008	2007	2009/2008	2008/2007
		(in thousands)		(in thousands)	
Fund balance, beginning of year	$ 245,542	$ 62,743	$ -	$ 182,799	$ 62,743
Revenues	3,371	1,558	536	1,813	1,022
Expenditures	(107,660)	(62,318)	(92)	(45,342)	(62,226)
Other financing sources	227,727	243,559	62,299	(15,832)	181,260
Fund balance, end of year	$ 368,980	$ 245,542	$ 62,743	$ 123,438	$ 182,799

Management's Discussion and Analysis *(continued)*

June 30, 2009 and 2008

Expenditures in the debt service fund are primarily for the interest expense on outstanding BARBs. The other financing sources consisted primarily of $226.7 million, $213.04 million and $62.17 million of State building aid retained by the Authority in fiscal years 2009, 2008 and 2007, respectively.

The following summarizes the FTS DSF activities of the Authority for the years ended June 30,

				Variance	
	2009	2008	2007	2009/2008	2008/2007
		(in thousands)		(in thousands)	
Fund balance, beginning of year	$ 749,404	$1,094,289	$ 636,893	$(344,885)	$ 457,396
Revenues	790,774	732,596	1,974,630	58,178	(1,242,034)
Expenditures	(710,230)	(1,085,711)	(1,517,779)	375,481	432,068
Other financing sources	21,027	8,230	545	12,797	7,685
Fund balance, end of year	$ 850,975	$ 749,404	$1,094,289	$ 101,571	$(344,885)

The FTS DSF revenue consists primarily of grants from the City and PIT retained by the Authority. The Authority received unrestricted grants from the City of $645.75 million, $545.75 million and $1.26 billion in fiscal years 2009, 2008 and 2007, respectively. These grants and the PIT retained are used to service the Authority's FTS debt service and its administrative expenses.

Expenditures decreased in fiscal year 2009 due to the cash defeasance and the early retirement of FTS in fiscal years 2008 and 2007.

* * * *

Statements of Net Assets (Deficit)

As of June 30, 2009 and 2008

		2009		2008
			(in thousands)	
Assets:				
Unrestricted cash and cash equivalents	$	11,487	$	3,322
Restricted cash and cash equivalents		329,546		410,884
Restricted cash escrow for economic defeasance		22,369		683
Restricted investments		1,030,327		771,380
Restricted investments escrow for economic defeasance		10,932		33,505
Personal income tax receivable		-		446,455
Personal income tax receivable from New York City - net		12,239		-
Due from New York City - future State building aid		3,800,793		1,717,000
Unamortized bond issuance costs		79,377		68,911
Other		9,427		21,636
Total Assets		5,306,497		3,473,776
Liabilities:				
Personal income tax payable to New York City	$	-	$	446,455
Personal income tax refunds payable - net		12,239		-
Distributions payable to New York City capital programs		182,055		144,348
Accrued expenses		2,595		1,931
Accrued interest payable		207,729		156,363
Bonds payable				
Portion due within one year		173,820		175,600
Portion due after one year		16,739,540		14,652,230
Unamortized deferred bond refunding costs		(100,170)		(113,061)
Unamortized bond premium		354,428		384,441
Other		9,427		110
Total Liabilities		17,581,663		15,848,417
Net Assets (Deficit):				
Restricted for economic defeasance		563		1,367
Restricted for capital projects		56		10,073
Deficit		(12,275,785)		(12,386,081)
Total Deficit	$	(12,275,166)	$	(12,374,641)

The accompanying notes are an integral part of these financial statements.

Statements of Activities

For the years ended June 30, 2009 and 2008

		2009		2008
			(in thousands)	
Expenses:				
General and administrative expenses	$	8,409	$	8,879
Distributions to New York City for general capital program		11,448		412,488
Amortization of deferred bond refunding costs		17,895		23,706
Interest expense		651,003		592,285
Amortization of debt issuance costs		7,048		7,142
Total Expenses		695,803		1,044,500
Revenues:				
Personal income tax revenue		6,156,177		8,700,965
Less remittances to New York City		(6,017,903)		(8,537,209)
Personal income tax revenue retained		138,274		163,756
Unrestricted grant from New York City		645,747		545,747
Investment earnings		11,257		43,718
Total Revenues		795,278		753,221
Change in Deficit		99,475		(291,279)
Deficit - beginning of year		(12,374,641)		(12,083,362)
Deficit - End of Year	$	(12,275,166)	$	(12,374,641)

The accompanying notes are an integral part of these financial statements.

Governmental Funds Balance Sheets

June 30, 2009

(in thousands)

	Capital Projects: Building Aid Revenue Bonds	Capital Projects: Future Tax Secured	Debt Service: Building Aid Revenue Bonds	Debt Service: Future Tax Secured	Total Governmental Funds
Assets:					
Unrestricted cash and cash equivalents	$ -	$ -	$ -	$ 11,487	$ 11,487
Restricted cash and cash equivalents	182,843	-	2	146,701	329,546
Restricted cash in escrow for economic defeasance	-	-	-	22,369	22,369
Restricted investments	-	-	369,172	661,155	1,030,327
Restricted investments in escrow for economic defeasance	-	-	-	10,932	10,932
Personal income tax receivable from New York City - net	-	-	-	12,239	12,239
Other	-	-	9,233	194	9,427
Total Assets	$ 182,843	$ -	$ 378,407	$ 865,077	$1,426,327
Liabilities and Fund Balances:					
Liabilities:					
Accrued expenses	$ 732	$ -	$ -	$ 1,863	$ 2,595
Distributions payable to New York City for capital programs	182,055	-	-	-	182,055
Personal income tax refund payable - net	-	-	-	12,239	12,239
Other	-	-	9,427	-	9,427
Total Liabilities	182,787	-	9,427	14,102	206,316
Fund Balances:					
Restricted for capital projects	56	-	-	-	56
Restricted for debt service	-	-	368,980	806,187	1,175,167
Reserved for economic defeasance	-	-	-	33,301	33,301
Unreserved	-	-	-	11,487	11,487
Total Fund Balances	56	-	368,980	850,975	1,220,011
Total Liabilities and Fund Balances	$ 182,843	$ -	$ 378,407	$ 865,077	$1,426,327

The accompanying notes are an integral part of these financial statements.

Governmental Funds Balance Sheets

June 30, 2008

(in thousands)

	Capital Projects: Building Aid Revenue Bonds	Capital Projects: Future Tax Secured	Debt Service: Building Aid Revenue Bonds	Debt Service: Future Tax Secured	Total Governmental Funds
Assets:					
Unrestricted cash and cash equivalents	$ -	$ -	$ -	$ 3,322	$ 3,322
Restricted cash and cash equivalents	211,383	33,421	81,054	85,026	410,884
Restricted cash in escrow for economic defeasance	-	-	-	683	683
Restricted investments	-	-	143,150	628,230	771,380
Restricted investments in escrow for economic defeasance	-	-	-	33,505	33,505
Personal income tax receivable	-	-	-	446,455	446,455
Other	-	-	21,448	188	21,636
Total Assets	$ 211,383	$ 33,421	$ 245,652	$ 1,197,409	$ 1,687,865
Liabilities and Fund Balances:					
Liabilities:					
Accrued expenses	$ 381	$ -	$ -	$ 1,550	$ 1,931
Distributions payable to New York City for capital programs	141,337	3,010	-	-	144,347
Personal income tax payable to New York City	-	-	-	25,455	25,455
Deferred personal income tax revenue	-	-	-	421,000	421,000
Other	-	-	110	-	110
Total Liabilities	141,718	3,010	110	448,005	592,843
Fund Balances:					
Restricted for capital projects	69,665	30,411	-	-	100,076
Restricted for debt service	-	-	245,542	711,894	957,436
Reserved for economic defeasance	-	-	-	34,188	34,188
Unreserved	-	-	-	3,322	3,322
Total Fund Balances	69,665	30,411	245,542	749,404	1,095,022
Total Liabilities and Fund Balances	$ 211,383	$ 33,421	$ 245,652	$ 1,197,409	$ 1,687,865

The accompanying notes are an integral part of these financial statements.

Reconciliations of the Governmental Funds Balance Sheets to the Statements of Net Assets (Deficit) As of June 30, 2009 and 2008

	2009	2008
	(in thousands)	
Total fund balances - governmental funds	$ 1,220,011	$ 1,095,022
Amounts reported for governmental activities in the statements of net assets (deficit) are different because:		
Costs of debt issuance are expenditures in governmental funds financial statements. However, in the statement of net assets (deficit), the costs of debt issuance are reported as capitalized assets and amortized over the life of the related asset.	79,377	68,911
Bond premiums are reported as other financing sources in the governmental funds financial statements. However, in the statements of net assets (deficit), bond premiums are reported as a component of bonds payable and amortized over the lives of the related debt.	(354,428)	(384,441)
Distributions to the City's educational facilities capital program from BARBs proceeds are reported as an other financing source in the governmental funds financial statements. However, in the statement of net assets (deficit), they are reported as due from the City.	3,800,793	1,717,000
Some liabilities are not due and payable in the current period from currently available financial resources and therefore are not reported in the governmental funds financial statements but are reported in the statements of net assets (deficit). These liabilities consist of:		
Bonds payable	(16,913,360)	(14,827,830)
Accrued interest on bonds	(207,729)	(156,363)
Costs of bond refundings are reported as expenditures in governmental funds financial statements. However, in the statement of net assets (deficit), those costs and the related gain or loss are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt.	100,170	113,060
Net assets (deficit) of government activities	$ (12,275,166)	$ (12,374,641)

The accompanying notes are an integral part of these financial statements.

Statements of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

June 30, 2009

(in thousands)

	Capital Projects		Debt Service		
	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	Total Governmental Funds
Revenues:					
Personal income tax revenue	$ -	$ -	$ -	$ 6,618,177	$ 6,618,177
Less remittances to New York City	-	-	-	(6,479,903)	(6,479,903)
Personal income tax revenue retained	-	-	-	138,274	138,274
Unrestricted grant from New York City	-	-	-	645,747	645,747
Investment earnings	881	252	3,371	6,753	11,257
Total Revenues	881	252	3,371	790,774	795,278
Expenditures:					
Interest expense	-	-	88,646	541,641	630,287
Interest expense economic defeasance	-	-	-	1,782	1,782
Costs of debt issuance	16,669	-	-	-	16,669
Distributions to New York City for general capital program	-	11,448	-	-	11,448
Principal amounts of bonds retired	-	-	18,820	156,780	175,600
Refunding bond issuance costs	-	-	-	1,812	1,812
General and administrative expenses	-	-	194	8,215	8,409
Total Expenditures	16,669	11,448	107,660	710,230	846,007
Excess (deficiency) of revenues over expenditures	(15,788)	(11,196)	(104,289)	80,544	(50,729)
Other Financing Sources (Uses):					
Principal amount of bonds issued	2,270,000	-	-	-	2,270,000
Distributions to New York City for educational facilities capital program	(2,310,502)	-	-	-	(2,310,502)
Refunding bond proceeds	-	-	-	219,300	219,300
Bond premium, net of discount	(12,301)	-	-	15,391	3,090
Payments to refunded bond escrow holder	-	-	-	(232,879)	(232,879)
Transfer from New York City - building aid	-	-	226,709	-	226,709
Transfers in (out)	(1,018)	(19,215)	1,018	19,215	-
Total Other Financing Sources (Uses)	(53,821)	(19,215)	227,727	21,027	175,718
Net Changes in Fund Balances	(69,609)	(30,411)	123,438	101,571	124,989
Fund Balances - beginning of year	69,665	30,411	245,542	749,404	1,095,022
Fund Balances - End of Year	$ 56	$ -	$ 368,980	$ 850,975	$ 1,220,011

The accompanying notes are an integral part of these financial statements.

Statements of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

June 30, 2008

(in thousands)

	Capital Projects		Debt Service		
	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	Total Governmental Funds
Revenues:					
Personal income tax revenue	$ -	$ -	$ -	$ 8,814,965	$ 8,814,965
Less remittances to New York City	-	-	-	(8,651,209)	(8,651,209)
Personal income tax revenue retained	-	-	-	163,756	163,756
Unrestricted grant from New York City	-	-	-	545,747	545,747
Investment earnings	11,686	7,381	1,558	23,093	43,718
Total Revenues	11,686	7,381	1,558	732,596	753,221
Expenditures:					
Interest expense	-	-	62,208	589,559	651,767
Interest expense economic defeasance	-	-	-	8,411	8,411
Costs of debt issuance	4,618	-	-	-	4,618
Distributions to New York City for general capital program	-	412,488	-	-	412,488
Principal amounts of bonds retired	-	-	-	279,678	279,678
Principal amount of economic defeased bonds retired	-	-	-	199,295	199,295
General and administrative expenses	-	-	110	8,768	8,878
Total Expenditures	4,618	412,488	62,318	1,085,711	1,565,135
Excess (deficiency) of revenues over expenditures	7,068	(405,107)	(60,760)	(353,115)	(811,914)
Other Financing Sources (Uses)					
Principal amount of bonds issued	700,000	-	-	-	700,000
Distributions to New York City for educational facilities capital program	(1,243,921)	-	-	-	(1,243,921)
Bond premium, net of discount	5,557	-	-	-	5,557
Transfer from New York City - building aid	-	-	213,047	-	213,047
Transfers in (out)	(30,483)	(8,259)	30,512	8,230	-
Total Other Financing Sources (Uses)	(568,847)	(8,259)	243,559	8,230	(325,317)
Net Changes in Fund Balances	(561,779)	(413,366)	182,799	(344,885)	(1,137,231)
Fund Balances - beginning of year	631,444	443,777	62,743	1,094,289	2,232,253
Fund Balances - End of Year	$ 69,665	$ 30,411	$ 245,542	$ 749,404	$ 1,095,022

The accompanying notes are an integral part of these financial statements.

Reconciliations of the Statements of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statements of Activities for the Years Ended June 30, 2009 and 2008

	2009	2008
	(in thousands)	
Net changes in fund balances- total governmental funds	$ 124,989	$ (1,137,231)
Amounts reported for governmental activities in the statements of activities are different because:		
Bond proceeds provide current financial resources to governmental funds, but bonds issued increase long-term liabilities on the statements of net assets (deficit).	(2,270,000)	(700,000)
Refunding bond proceeds and payments to refunded bond escrow holder are reported as other financing sources and uses in the governmental funds, but increase and decrease long-term liabilities in the statements of net assets (deficit).	13,579	-
Governmental funds report costs of bond refundings as expenditures. However, in the statements of activities, the costs of bond refundings are amortized over the shorter of the life of the bonds refunded or the life of the bonds issued to advance refund the bonds.	(16,083)	(23,706)
Repayment (including defeasance) of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets (deficit).	175,600	478,973
Governmental funds report the costs of debt issuance as expenditures. However, in the statements of activities, the cost of debt issuance is amortized over the life of the related debt.	9,621	(2,524)
Governmental funds report bond premiums/discounts as other financing sources/uses. However, in the statements of activities, bond premiums/discounts are amortized over the lives of the related debt as interest expense.	29,613	29,553
Distributions to the City's educational facilities capital program from BARBs proceeds are reported as an other financing use in governmental funds. However, in the statements of activities, distributions of BARBs proceeds are reported as due from New York City-future State building aid.	2,310,502	1,243,921
Retention of building aid is reported similar to a transfer from the City, as an other financing source in the governmental funds. However, in the statements of activities, building aid retained is reported as a reduction of the amount due from New York City-future State building aid.	(226,709)	(213,047)
Interest expense is reported in the statement of activities on the accrual basis, but interest is reported as an expenditure in the governmental funds when the outlay of financing resources is required.	(51,637)	32,782
Change in net (deficit) assets of governmental activities	**$ 99,475**	**$ (291,279)**

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

June 30, 2009 and 2008

Note 1 – Organization and Nature of Activities

The New York City Transitional Finance Authority (the "Authority") is a corporate governmental entity 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 City Comptroller and the Speaker of the City Council. Although legally separate from the City, the Authority is a financing instrumentality of the City and is included in the City's financial statements as a blended component unit, in accordance with the Governmental Accounting Standards Board ("GASB") Statement 14, as amended.

The Authority was created by State legislation enacted in 1997 to issue and sell up to $7.5 billion in bonds and notes ("Future Tax Secured Bonds") 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 and to pay the Authority's operating expenses.

In June 2000, the State Legislature increased to $11.5 billion the Authority's capacity to issue bonds and notes for general City capital purposes. Within the $11.5 billion, the State Legislature increased the amount of Future Tax Secured Bonds ("FTS") which may be issued as variable rate debt from $750 million to $2.3 billion. In July 2006, the statutory capacity to issue bonds and notes for general capital purposes of the City was increased by $2 billion; as of June 30, 2007, the Authority had issued its statutory limit of $13.5 billion of FTS. As more fully described in Note 9, the Authority's statutory debt limit was increased subsequent to June 30, 2009.

On September 13, 2001, the State Legislature authorized the Authority to have outstanding an additional $2.5 billion of bonds and notes ("Recovery Bonds") to fund the City's costs related to and arising from events on September 11, 2001 at the World Trade Center.

Legislation enacted in April 2006 enables the Authority to have outstanding up to $9.4 billion of bonds, notes or other obligations for purposes of funding costs of the five-year educational facilities capital plan for the City school system and the Authority's operating expenses. As of June 30, 2009 and 2008, $4.25 billion and $2.0 billion, respectively of Building Aid Revenue Bonds ("BARBs") have been issued and are outstanding.

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

Note 2 – Summary of Significant Accounting Policies

A. The government-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 Statement No. 34, as amended. 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.

The Authority's governmental fund financial statements (Capital and Debt Service Funds) are presented using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenues are considered available if received within two months after the fiscal year end. Expenditures are recognized when the related liability is incurred, except for interest on bonds payable, which is recognized when due.

Note 2 – Summary of Significant Accounting Policies *(continued)*

The governmental funds consist of four funds: (1) a building aid revenue bonds capital project fund ("BARBs CPF"), (2) a future tax secured capital project fund ("FTS CPF"), (3) a building aid revenue bonds debt service fund ("BARBs DSF") and (4) a future tax secured debt service fund ("FTS DSF").

The two capital project funds account for resources to be transferred to the City's capital programs in satisfaction of amounts due to the City and the two debt service funds account for the accumulation of resources for payment of principal and interest on long-term debt and certain interest on short-term debt, and to support the operations of the Authority.

B. To maintain the exemption from Federal income tax of interest on bonds issued by the Authority, the Authority will fund amounts required to be rebated to the Federal government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). The Code requires the payment to the United States Treasury of the excess of the amount earned on all obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on the issue, together with any earnings attributable to such excess. Construction funds, debt service funds or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds are subject to this requirement. Payment is to be made after the end of the fifth bond year and after every fifth bond year thereafter, and within 60 days after retirement of the bonds. During the fiscal year ended June 30, 2009 and 2008, the Authority made rebate payments of $177 thousand and $111 thousand, respectively.

C. Bond and bond anticipation note premiums, discounts and issuance costs are capitalized and amortized over the lives of the related debt using the interest method in the government-wide financial statements. The governmental fund financial statements recognize the premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued and premium received are 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.

D. Deferred bond refunding costs represent the accounting loss incurred in advance refunding of outstanding bonds. The deferred bond refunding costs are amortized over the shorter of the remaining ife of the old debt or the life of the new debt. In the debt service funds, costs of the bond refundings are reported as expenditures when incurred.

E. Interest expense is recognized on the accrual basis in the government-wide financial statements. Interest expenditures are recognized when bond interest is due in the governmental fund financial statements.

F. 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 future tax secured debt and pay a portion of its administrative expenses. Funds for FTS debt service are required to be set aside prior to the due date of the principal and interest. Personal income taxes in excess of amounts needed to pay debt service and operating expenses of the Authority are available to be remitted to the City. During the years ended June 30, 2009 and 2008, the Authority retained $138.27 million and $163.76 million, respectively of personal income tax to be used for FTS debt service and its operating expenses. During fiscal years 2009 and 2008, unrestricted grants were received from the City, as described in Note 6.

G. The Authority receives building aid payments by the State, subject to State annual appropriation, pursuant to the assignment by the City of the building aid payments to the Authority to service its building aid revenue bonds and pay a portion of its operating expenses. Funds for building aid revenue

Notes to Financial Statements

June 30, 2009 and 2008

Note 2 – Summary of Significant Accounting Policies *(continued)*

bond debt service are required to be retained when the projected remaining building aid to be received by the Authority reaches 110% of the unfunded debt service for the current and the next fiscal year.

Unused building aid is available to be remitted to the City. During the years ended June 30, 2009 and 2008, the Authority retained of $226.71 million and $213.05 million, respectively of building aid to be used for BARBs debt service and its operations.

H. The Authority implemented GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity—Transfers of Assets and Future Revenues* ("GASB 48") in fiscal year 2008. GASB 48 establishes accounting and financial reporting standards for governmental entities that have exchanged an interest in expected cash flows from collecting specific receivables or specific future revenues, and established the criteria that are used to ascertain whether the exchange should be reported as a sale or as a collateralized borrowing. The effects of the implementation of GASB 48 are described in Note 7.

I. Newly Adopted Standards and Standards Issued But Not Yet Effective.

As a Component Unit of the City, the Authority implements new GASB standards in the same fiscal year as they are implemented by the City. The following are discussions of the new standards which will or may impact the Authority.

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49"). The statement established accounting and financial reporting standards for pollution remediation obligations which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. GASB 49 was effective for financial statements for periods beginning after December 15, 2007, and was thus implemented by the City for its fiscal year ended June 30, 2009. There was no impact on the Authority's financial statements as a result of implementation of GASB 49.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* ("GASB 51"). The statement requires all intangible assets not specifically excluded by its scope provisions to be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. The requirements for GASB 51 are effective for financial statements for periods beginning after June 15, 2009. The Authority has not completed the process of evaluating GASB 51, but does not expect GASB 51 to have a material impact on its financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53"). The statement establishes guidance on the recognition, measurement and disclosures related to derivative instruments entered into by governmental entities. GASB 53 requires that most derivative instruments be reported at fair value, and requires governmental entities to determine if derivatives are effective hedges of risks associated with related hedgeable items.

Generally, for derivatives that are effective hedges, changes in fair values are deferred whereas for others the changes in fair value are recognized in the current period. The requirements for GASB 53 are effective for financial statements for periods beginning after June 15, 2009. The Authority has not completed the process of evaluating the impact of GASB 53 on its financial statements.

In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). The statement affects the display of fund balances in the financial

statements and requires that governments disclose their fund balance classifications, policies and procedures in the Notes. Fund balances will be classified as nonspendable, restricted, committed, assigned, and/or unassigned, depending on the definitions provided in the statement. Additionally, GASB 54 refines the definitions of each of the governmental fund types, such as debt service and capital projects funds. The requirements for GASB 54 are effective for periods beginning after June 15, 2010. The Authority has not completed the process of evaluating the impact of GASB 54 on its financial statements, but the Authority's governmental fund financial statement presentation will be impacted by the implementation of GASB 54.

J. 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, disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 3 – Cash and Cash Equivalents

The Authority's restricted cash and cash equivalents consisted of bank deposits, money market funds, and securities of government sponsored enterprises held by the Authority's Trustee in the Trustee's name. The Authority's restricted cash escrow is cash held by the escrow agent in the economic defeasance account.

	2009	2008
	(in thousands)	
Restricted cash and cash equivalents:		
Cash	$ 22,369	$ 691
Cash equivalents	329,546	410,876
Total restricted cash and cash equivalents	351,915	411,567
Unrestricted cash and cash equivalents:		
Cash	88	90
Cash equivalents	11,399	3,232
Total unrestricted cash and cash equivalents	11,487	3,322
Total cash and cash equivalents (see Note 4)	$ 363,402	$ 414,889

As of June 30, 2009 and 2008, the Authority's restricted cash in escrow for economic defeasance consisted of bank deposits. As of June 30, 2009 and 2008, the carrying amounts and bank balances of bank deposits were $22.37 million and $683 thousand, respectively. The total restricted cash of $22.37 million relates to the payment of principal and interest due on the economically defeased bonds payable in early fiscal year 2010. At June 30, 2009, under the Transaction Account Guarantee Program ("TAGP"), which is part of the Federal Deposit Insurance Corporation's (FDIC) "Temporary Liquidity Guarantee Program", there is an unlimited U.S. Government-backed guarantee on all dollars in non-interest bearing depository transaction accounts held in U.S. offices of FDIC-insured institutions. All of the Authority's cash was on deposit in such institutions in such accounts and was covered under this guarantee. This coverage will last through December 31, 2009. At June 30, 2008, $100 thousand of the bank balances was insured by the FDIC. The remaining balances were not insured or collateralized.

The Authority's unrestricted cash and cash equivalents consisted of bank deposits, money market funds and government sponsored enterprises held by the Authority's Trustee in the Trustee's name.

Note 3 – Cash and Cash Equivalents *(continued)*

As of June 30, 2009 and 2008, the carrying amounts and bank balances of unrestricted bank deposits were $88 thousand and $90 thousand, respectively, and were insured by the FDIC.

The Authority's investments classified as cash and cash equivalents have an original maturity date of three months or less from the date of purchase. The Authority values those investments at fair value. See Note 4 below for a discussion of the Authority's investment policy.

Note 4 – Investments

Each account of the Authority that is held pursuant to the Indenture between the Authority and its Trustee, as amended and as restated April 2, 2009 (the "Indenture") may be invested in securities or categories of investments that are specifically enumerated as permitted investments for such account pursuant to the Indenture.

Custodial credit risk: Is the risk that, in the event of the failure of the custodian, the Authority may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investments are not collateralized. All investments are held in the Trustee's name by the Trustee.

Credit risk: The Authority investments are primarily government-sponsored enterprise discount notes. All commercial paper held by the Authority is non-asset backed commercial paper and is rated A1+ by Standard Poor's Rating Services and P1 by Moody's Investor Services.

Interest rate risk: The Authority's investments, excluding the investments in the economic defeasance escrow account, mature within a year or less thereby limiting its exposure from rising interest.

The Authority's restricted investments in the economic defeasance escrow account held by the Authority's Trustee are reported at fair value. The investments included purchases of securities at a premium, resulting in higher yielding investments and this was included in the verification agent's computations to assure that the escrow fund provides for all future debt service on the economically defeased bonds.

The Authority's investments, including those restricted for the economic defeasance, as of June 30, 2009 and 2008 are as follows:

	2009	2008
	(in thousands)	
Restricted including economic defeasance investments		
Money market funds	$ 1,251	$ -
Securities of U.S. government agencies	1,187,472	1,182,341
Commercial paper	182,082	33,420
Total restricted investments	1,370,805	1,215,761
Less: amounts reported as cash equivalents	(329,546)	(410,876)
Total restricted investments, including economic defeasance	$ 1,041,259	$ 804,885
Unrestricted		
Money market funds	$ 2,136	$ -
Securities of U.S. government agencies	9,263	3,232
Total unrestricted investments	11,399	3,232
Less: amounts reported as cash equivalents	(11,399)	(3,232)
Total unrestricted investments	$ -	$ -

Note 5 – Bonds Payable

Pursuant to the New York City Transitional Finance Authority Act (the "Act"), as amended, the Authority is authorized to issue $13.5 billion of FTS. The Authority's statutory debt limit was increased subsequent to June 30, 2009 (see Note 9). The Authority had FTS outstanding, excluding Recovery Bonds, as of June 30, 2009 and 2008 of $11.14 billion and $11.31 billion, respectively, including $32 million of economically defeased FTS. The Authority includes the escrow funds for the economically defeased bonds in its assets and those funds provide for all future debt service on the economically defeased bonds.

The Act also permits the Authority to have outstanding $2.5 billion of Recovery Bonds. As of June 30, 2009 and 2008, the Authority had outstanding $1.52 billion of Recovery Bonds.

The Authority funds its debt service requirements for FTS and Recovery Bonds and its operating expenditures from personal income taxes collected on its behalf by the State and, under certain circumstances if it were necessary, sales taxes. Sales taxes are only available to the Authority if the amounts of personal income tax revenues fall below statutorily specified debt service coverage levels. No sales tax revenues were received or required during the fiscal years ending June 30, 2009 and 2008.

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 FTS and Recovery Bonds. The Authority retains personal income taxes in an amount sufficient to pay debt service on its FTS and Recovery Bonds and to pay certain operating expenditures, and remits the difference to the City. The Authority has no taxing power.

Legislation enacted in April 2006 enables the Authority to have outstanding up to $9.4 billion of bonds, notes or other obligations for purposes of funding costs of the five-year educational facilities capital plan for the City's school system and certain operating expenditures. As of June 30, 2009 and 2008, the Authority had $4.25 billion and $2.0 billion of BARBs, respectively, outstanding.

Under the legislation, the BARBs are payable from the State building aid payable by the State and assigned to the Authority by the City. These State aid payments are subject to annual appropriation from the State. In accordance with the legislation and the Indenture, BARB bond holders do not have any right to the personal income tax revenues or sales tax revenues.

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

	Balance June 30, 2007	Bonds Issued	Retired or Defeased	Balance June 30, 2008	Bonds Issued	Retired or Defeased	Balance June 30, 2009
				(in thousands)			
1998 Fiscal Series A 4.20% to 5.50% serial and term tax-exempt bonds maturing in varying installments through 2023	$ 176,945	$ -	$ (176,945)	$ -	$ -	$ -	$ -
1998 Fiscal Series B 4.00% to 5.50% serial and term tax-exempt bonds maturing in varying installments through 2027	402,525	-	-	402,525	-	(64,370)	338,155
1998 Fiscal Series C 4.00% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2026	225,555	-	-	225,555	-	(53,820)	171,735

Notes to Financial Statements (continued)

June 30, 2009 and 2008

Note 5 – Bonds Payable *(continued)*

	Balance June 30, 2007	Bonds Issued	Retired or Defeased	Balance June 30, 2008	Bonds Issued	Retired or Defeased	Balance June 30, 2009
				(in thousands)			
5.80% to 6.375% serial taxable bonds maturing in varying installments through 2014	33,025	-	-	33,025	-	-	33,025
Variable rate tax-exempt bonds due in 2028 (a)	100,000	-	-	100,000	-	-	100,000
1999 Fiscal Series A 4.00% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2016	66,060	-	-	66,060	-	(31,855)	34,205
5.00% to 5.50% serial tax-exempt bonds maturing in varying installments through 2026	144,640	-	-	144,640	-	-	144,640
Variable rate tax-exempt bonds maturing in varying installments through 2028 (a)	277,500	-	-	277,500	-	-	277,500
1999 Fiscal Series B 3.25% to 5.125% serial and term tax-exempt bonds maturing in varying installments through 2024	259,375	-	-	259,375	-	(9,500)	249,875
5.00% to 5.20% serial tax-exempt bonds maturing in varying installments through 2027	100,000	-	-	100,000	-	-	100,000
Variable rate tax-exempt bonds maturing in varying installments through 2028 (a)	50,000	-	-	50,000	-	-	50,000
1999 Fiscal Series C 3.50% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2028	54,035	-	-	54,035	-	(31,495)	22,540
5.75% to 6.50% serial taxable bonds maturing in varying installments through 2011	13,180	-	-	13,180	-	-	13,180
2000 Fiscal Series A 4.25% to 6.00% serial and term tax-exempt bonds maturing in varying installments through 2017	35,865	-	(4,250)	31,615	-	-	31,615
2000 Fiscal Series B 4.50% to 6.25% serial and term tax-exempt bonds maturing in varying installments through 2021	9,470	-	-	9,470	-	-	9,470

Notes to Financial Statements (continued)

Note 5 – Bonds Payable *(continued)*

	Balance June 30, 2007	Bonds Issued	Retired or Defeased	Balance June 30, 2008	Bonds Issued	Retired or Defeased	Balance June 30, 2009
				(in thousands)			
2000 Fiscal Series C 4.20% to 5.875% serial and term tax-exempt bonds maturing in varying installments through 2024	20,580	-	-	20,580	-	(7,145)	13,435
2001 Fiscal Series A 4.25% to 5.75% serial and term tax-exempt bonds maturing in varying installments through 2020	19,310	-	(745)	18,565	-	(2,795)	15,770
Variable rate tax-exempt bonds maturing in varying installments through 2030 (a)	100,000	-	-	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	196,230	-	(4,880)	191,350	-	(43,420)	147,930
Variable rate tax-exempt bonds maturing in varying installments through 2031 (a)	100,000	-	-	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	256,935	-	(23,545)	233,390	-	(27,945)	205,445
Variable rate tax-exempt bonds maturing in varying installments through 2032 (a)	100,000	-	-	100,000	-	-	100,000
2002 Fiscal Series A 4.00% to 5.375% serial and term tax-exempt bonds maturing in varying installments through 2031	80,475	-	(3,215)	77,260	-	-	77,260
2002 Fiscal Series B 3.50% to 5.00% serial and term tax-exempt bonds maturing in varying installments through 2031	307,345	-	-	307,345	-	-	307,345
Variable rate taxable bonds maturing in varying installments through 2030 (a)	177,120	-	(50)	177,070	-	(55)	177,015
2002 Fiscal Series C 4.25% to 5.50% serial tax-exempt bonds maturing in varying installments through 2032	168,540	-	-	168,540	-	-	168,540
2003 Fiscal Series A 3.00% to 6.00% serial, term and capital appreciation tax-exempt							

Notes to Financial Statements (continued)

June 30, 2009 and 2008

Note 5 – Bonds Payable *(continued)*

	Balance June 30, 2007	Bonds Issued	Retired or Defeased	Balance June 30, 2008	Bonds Issued	Retired or Defeased	Balance June 30, 2009
				(in thousands)			
bonds maturing in varying installments through 2029 (b)	1,065,075	-	-	1,065,075	-	-	1,065,075
2003 Fiscal Series B 3.00% to 5.375% serial and term tax-exempt bonds maturing in varying installments through 2029 (c)	634,875	-	-	634,875	-	(19,415)	615,460
2003 Fiscal Series C 2.50% to 5.25% serial tax-exempt bonds maturing in varying installments through 2025	328,130	-	(13,195)	314,935	-	-	314,935
Variable rate tax-exempt bonds maturing in varying installments through 2031 (a)	150,000	-	-	150,000	-	-	150,000
2003 Fiscal Series D 2.00% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2031	461,055	-	-	461,055	-	-	461,055
2.65% to 4.80% serial taxable bonds maturing in varying installments throughout 2013	46,900	-	-	46,900	-	-	46,900
2003 Fiscal Series E 2.00% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2033	453,180	-	-	453,180	-	-	453,180
2004 Fiscal Series A 3.00% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2033	123,495	-	(1,765)	121,730	-	-	121,730
2004 Fiscal Series B 2.00% to 5.25% serial and term varying installments through 2032	470,345	-	(7,245)	463,100	-	-	463,100
2004 Fiscal Series C 2.00% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2033	475,790	-	-	475,790	-	-	475,790
2004 Fiscal Series D 2.00% to 5.00% serial tax-exempt bonds maturing in varying installments through 2017	393,205	-	-	393,205	-	-	393,205
2005 Fiscal Series A 2.50% to 5.00% serial tax-exempt bonds maturing in varying installments through 2024	718,435	-	-	718,435	-	(42,640)	675,795
2005 Fiscal Series B 2.50% to 4.125% serial tax-exempt							

Notes to Financial Statements (continued)

Note 5 – Bonds Payable *(continued)*

	Balance June 30, 2007	Bonds Issued	Retired or Defeased	Balance June 30, 2008	Bonds Issued	Retired or Defeased	Balance June 30, 2009
				(in thousands)			
bonds maturing in varying installments through 2020	6,445	-	-	6,445	-	(385)	6,060
2006 Fiscal Series A 3.00% to 5.00% serial tax-exempt bonds maturing in varying installments through 2030	505,410	-	-	505,410	-	-	505,410
2007 Fiscal Series A 3.375% to 5.25% serial tax-exempt bonds maturing in varying installments through 2022	500,000	-	-	500,000	-	(32,545)	467,455
5.13% to 6.24% serial taxable bonds maturing in varying installments through 2018	200,000	-	-	200,000	-	-	200,000
Variable rate tax-exempt bonds maturing in varying installments through 2023 (a)	100,000	-	-	100,000	-	-	100,000
2007 Fiscal Series B 4.00% to 5.00% serial tax-exempt bonds maturing in varying installments through 2030	845,345	-	-	845,345	-	-	845,345
2007 Fiscal Series C 3.60% to 5.00% serial tax-exempt bonds maturing in varying installments through 2027	366,970	-	-	366,970	-	(17,565)	349,405
Variable rate tax-exempt bonds maturing in varying installments through 2027 (d)	111,200	-	-	111,200	-	-	111,200
Variable rate tax-exempt bonds maturing in varying installments through 2027 (d)	111,200	-	-	111,200	-	-	111,200
2009 Fiscal Series A 3.00% to 5.25% serial tax-exempt bonds maturing in varying installments through 2019	-	-	-	-	199,810	-	199,810
2009 Fiscal Series B 2.50% to 4.00% serial tax-exempt bonds maturing in varying installments through 2018	-	-	-	-	19,490	-	19,490
Total FTS bonds payable, excluding recovery bonds	11,541,765	-	(235,835)	11,305,930	219,300	(384,950)	11,140,280
2003 Series 1 Recovery Bonds Variable rate tax-exempt bonds maturing in varying installments through 2022 (a)	405,900	-	(47,400)	358,500	-	-	358,500

Notes to Financial Statements *(continued)*

June 30, 2009 and 2008

Note 5 – Bonds Payable *(continued)*

	Balance June 30, 2007	Bonds Issued	Retired or Defeased	Balance June 30, 2008	Bonds Issued	Retired or Defeased	Balance June 30, 2009
				(in thousands)			
2003 Series 2 Recovery Bonds Variable rate tax-exempt bonds maturing in varying installments through 2022 (a)	438,100	-	(54,800)	383,300	-	-	383,300
2003 Series 3 Recovery Bonds 2.00% to 5.00% serial tax-exempt bonds maturing in varying installments through 2007	37,860	-	(37,860)	-	-	-	-
Variable rate tax-exempt bonds maturing in varying installments through 2022 (a)	883,200	-	(103,100)	780,100	-	-	780,100
Total recovery bonds payable	1,765,060	-	(243,160)	1,521,900	-	-	1,521,900
Total tax secured bonds payable	13,306,825	-	(478,995)	12,827,830	219,300	(384,950)	12,662,180
2007 Series S-1 Building Aid Revenue 3.50% to 5.00% serial tax-exempt bonds maturing in varying installments through 2036	650,000	-	-	650,000	-	(9,405)	640,595
2007 Series S-2 Building Aid Revenue 3.50% to 5.00% serial tax-exempt bonds maturing in varying installments through 2037	650,000	-	-	650,000	-	(9,415)	640,585
2008 Series S-1 Building Aid Revenue 3.00% to 5.00% serial and term bonds maturing in varying installments through 2038	-	700,000	-	700,000	-	-	700,000
2009 Series S-1 Building Aid Revenue 3.00% to 5.75% serial and term bonds maturing in varying installments through 2038	-	-	-	-	300,000	-	300,000
2009 Series S-2 Building Aid Revenue 4.00% to 6.00% serial and term bonds maturing in varying installments through 2038	-	-	-	-	320,000	-	320,000
2009 Series S-3 Building Aid Revenue 3.00% to 5.75% serial and term bonds maturing in varying installments through 2039	-	-	-	-	650,000	-	650,000
2009 Series S-4 Building Aid Revenue 2.5% to 5.75% serial and term bonds maturing in varying installments through 2039	-	-	-	-	400,000	-	400,000

Notes to Financial Statements *(continued)*

Note 5 – Bonds Payable *(continued)*

	Balance June 30, 2007	Bonds Issued	Retired or Defeased	Balance June 30, 2008	Bonds Issued	Retired or Defeased	Balance June 30, 2009
				(in thousands)			
2009 Series S-5 Building Aid Revenue 3.00% to 5.25% serial and term bonds maturing in varying installments through 2039	-	-	-	-	600,000	-	600,000
Total building aid revenue bonds payable	1,300,000	700,000	-	2,000,000	2,270,000	(18,820)	4,251,180
Total bonds payable	14,606,825	700,000	(478,995)	14,827,830	2,489,300	(403,770)	16,913,360
Less: current portion of bonds payable	(105,905)			(175,600)			(173,820)
Bonds payable due after one year	$ 14,500,920			$ 14,652,230			$ 16,739,540

(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 9%.

(b) Fiscal 2003 Series A bonds include bonds callable on November 1, 2011. The callable term bonds are $659.77 million maturing on November 1, 2026 and $122.50 million maturing on November 1, 2028. Capital appreciation bonds (accreted value of $112.36 million on November 1, 2011), maturing on November 1, 2029, are also callable. If these bonds are not called on November 1, 2011, the interest to be paid to the bondholders converts, without further notice to bondholders, to 14% per annum. The callable bonds are subject to redemption prior to maturity or, if a liquidity facility has been provided, purchase in lieu thereof, on 30 days' notice, beginning November 1, 2011 at the option of the Authority in whole or in part at any time, at a price of 100% of their principal amount plus accrued interest to the redemption date.

(c) $482.49 million of Fiscal 2003 Series B term bonds maturing on February 1, 2029 are callable on February 1, 2011. If these bonds are not called on February 1, 2011, the interest to be paid to the bondholders converts, without further notice to bondholders, to 10% per annum. Other bonds in this series callable on February 1, 2012 or later are those that mature on February 1, 2013, 2014 and 2015 with no change to the interest rate if not called. The Fiscal 2003 Series B Bonds maturing on February 1, 2029 are subject to redemption prior to maturity or, if a liquidity facility has been provided, purchase in lieu thereof, on 30 days' notice, beginning on February 1, 2011 at the option of the Authority in whole or in part at any time, at a price of 100% of their principal amount plus accrued interest to the redemption date.

(d) Auction rates are set weekly through auction. The rates cannot exceed 12%.

Included in bonds payable on June 30, 2009 and 2008 were $32 million of FTS that were economically defeased on March 24, 2004, and the escrow deposited with the Authority's Trustee is recorded as an asset. These amounts were funded from the proceeds of the sale of Fiscal 2004 Series D FTS.

On April 2, 2009, the Authority issued $219.3 million of FTS and together with the premium received of $15.39 million, advanced refunded $228.17 million of its outstanding FTS. This advance refunding resulted in an accounting loss of $5.0 million, which is recorded as deferred bond refunding costs on the statement of net assets. The Authority in effect reduced the aggregate debt service by $13.1 million and obtained an economic benefit of $10.95 million.

Notes to Financial Statements (continued)

June 30, 2009 and 2008

Note 5 – Bonds Payable (continued)

On February 15, 2008, the Authority defeased $745 thousand of outstanding FTS with current revenue of $723.02 thousand. The escrow deposited with the Authority's Trustee was funded with Defeasance Collateral (as defined in the Authority's Indenture) to provide for all future debt service on the defeased bonds. The refunding using Defeasance Collateral resulted in the refunded bonds being removed from reported bonds outstanding. This refunding resulted in an accounting gain of $22 thousand.

Bonds economically defeased remain a liability and the escrow deposited with the Authority's Trustee is an asset on the Authority's records. The bonds refunded with Defeasance Collateral have been removed from the financial statements as a liability of the Authority. As of June 30, 2009 and 2008, the Authority had bonds refunded with Defeasance Collateral totaling $5.30 billion and $5.07 billion, respectively, of which $2.43 billion and $3.38 billion, respectively, are still to be paid from the Defeasance Collateral held in the escrow accounts on deposit with the Authority's escrow Trustee.

Debt service requirements as of June 30, 2009, for FTS, including recovery bonds, payable to their maturity are as follows:

	Principal	Interest (a)	Total
		(in thousands)	
Year ended June 30,			
2010	$ 143,795	$ 528,438	$ 672,233
2011	492,705	516,214	1,008,919
2012	598,140	555,690	1,153,830
2013	631,450	570,391	1,201,841
2014	638,205	542,633	1,180,838
2015 to 2019	3,460,370	2,233,981	5,694,351
2020 to 2024	3,540,500	1,335,337	4,875,837
2025 to 2029	2,485,900	524,819	3,010,719
2030 to 2034	671,115	52,021	723,136
	$12,662,180	$6,859,524	$19,521,704

(a) Interest on the callable Fiscal 2003 Series A and Fiscal 2003 Series B term bonds which would convert to 14% and 10%, respectively, on the call date if not called, and interest on the callable Fiscal 2003 Series A capital appreciation bonds which would convert to 14% per annum if not called, are computed in this table at the 14% or 10% rates, as if those bonds were not called. Actual variable rates at June 30, 2009 averaged approximately 1.33% on tax-exempt bonds, 2.85% on taxable bonds and 3.27% on auction bonds, which are the rates used in this table. If variable interest is calculated at 5.00% on tax-exempt and 7.00% on taxable per annum (which are the rates utilized for retention), total interest would be increased to $8.08 billion from the $6.86 billion in the above table.

Debt service accounts have been established under the Authority's Indenture to provide security for the payment of interest on and principal of bonds outstanding. The principal and interest required to be paid are deposited into the applicable debt service account in the quarter preceding the payment due date. Debt service requirements at June 30, 2009, for BARBs payable to maturity are as follows:

Notes to Financial Statements (continued)

Note 5 – Bonds Payable (continued)

	Principal	Interest	Total
		(in thousands)	
Year ended June 30,			
2010	$ 30,025	$ 194,790	$ 224,815
2011	65,455	209,305	274,760
2012	71,190	206,899	278,089
2013	75,850	204,290	280,140
2014	84,845	201,297	286,142
2015 to 2019	490,680	945,453	1,436,133
2020 to 2024	608,805	815,781	1,424,586
2025 to 2029	776,780	644,427	1,421,207
2930 to 2034	993,515	423,565	1,417,080
2035 to 2039	1,054,035	146,255	1,200,290
	$4,251,180	$3,992,062	$8,243,242

As of June 30, 2009 and 2008, the Authority maintained its required debt service accounts as follows:

	June 30, 2009		June 30, 2008	
	(in thousands)			
	Principal	Interest	Principal	Interest
Required for FTS	$33,880	$124,429	$32,545	$138,032
Required for BARBs	$30,025	$194,790	$18,820	$80,878

The Authority held approximately $649.49 million and $542.68 million in excess of amounts required to be retained for FTS debt service under the Indenture as of June 30, 2009 and 2008, respectively. The Authority held approximately $143.48 million and $145.65 million in excess of amounts required to be retained for BARBs debt service under the Indenture as of June 30, 2009 and 2008, respectively.

Note 6 – Unrestricted Grant from the City of New York

In fiscal years 2009 and 2008, the Authority received unrestricted grants from the City in the amount of $645.75 million and $545.75 million, respectively. These funds are used to fund debt service requirements for FTS debt service and its operating expenses during the fiscal years ending June 30, 2009 and 2010, respectively.

Note 7 – Implementation of GASB 48

The Authority implemented GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity—Transfers of Assets and Future Revenues* ("GASB 48") in fiscal year 2008. GASB 48 establishes accounting and financial reporting standards for governmental entities that have exchanged an interest in expected cash flows from collecting specific receivables or specific future revenues, and established the criteria that are used to ascertain whether the exchange should be reported as a sale or as a collateralized borrowing.

The implementation of GASB 48 changed the accounting and financial reporting for the Authority's disbursements of BARBs proceeds to the City and receipt of building aid from New York State ("State") to the Authority pursuant to the assignment to the Authority by the City in fiscal year 2007 of building aid payments from the State to the Authority. The Authority retains sufficient building aid revenue to service the BARBs debt and to pay its administrative expenses. Under the criteria established under GASB 48, this

Note 7 – Implementation of GASB 48 *(continued)*

assignment of building aid revenue by the City to the Authority is considered a collateralized borrowing, due to the City's continuing involvement necessary for collection of the building aid. The effect of the implementation of GASB 48 on the fund financial statements is to report distributions to the City for its educational facilities capital program as an other financing use of funds, rather than as an expenditure, as these distributions are now considered loans to the City. Building aid retained by the Authority is treated as an other financing source, as the retained amount is now considered to be repayments from the City of the amount loaned to the City by the Authority.

Note 8 – Administrative Costs

The Authority's management fee, overhead and expenditures related to carrying out the Authority's duties, including remarketing and liquidity fees not funded from bond proceeds or investment earnings, are funded from the personal income taxes and building aid revenue flowing through the Authority's accounts.

Note 9 – Subsequent Events

On July 11, 2009, authorizing legislation was enacted under Chapter 182 of the Laws of New York, 2009 which permits the Authority to have outstanding $13.5 billion of FTS. In addition, the Authority may issue additional FTS provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City.

On July 30, 2009, the Authority issued $900 million, Fiscal 2010 Series A, FTS, the proceeds of which will be used to finance general City capital expenditures and other discrete capital purposes.

On August 27, 2009, the Authority issued $800 million, Fiscal 2010 Series B, FTS, the proceeds will be used, along with other funds of the Authority, to refund, at or prior to maturity, outstanding FTS.

Directors

as of December 31, 2009

Mark Page
Chairperson, Director of Management & Budget of the City of New York

David Burney
Commissioner of the Department of Design & Construction of the City of New York

Christine Quinn
Speaker of the Council of the City of New York

David M. Frankel
Commissioner of Finance of the City of New York

William C. Thompson, Jr.
Comptroller of the City of New York

Officers

Executive Director
Alan L. Anders

Treasurer
F. Jay Olson

Secretary
Marjorie E. Henning

General Counsel
Prescott D. Ulrey

Comptroller
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