New York City

Transitional Finance Authority

2013 Annual Report

In FY 2013...

$15.4 billion

PIT and Sales Tax Revenue

Annual Report 2013

9.1x

Future Tax Secured Bonds Debt Service Coverage

$965.7 million

New York State Building Aid

$455.5 billion

New York City Personal Income

$116.3 billion

Total Sales in New York City

Letter from the Chairman

I am pleased to present the Fiscal Year 2013 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, 2012.

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 in 2009 which permitted the TFA to have outstanding $13.5 billion of Future Tax Secured Bonds (excluding Recovery Bonds). In addition, the TFA may now issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City of New York, dœs not exceed the debt limit of the City of New York. As of June 30, 2013, the City's debt-incurring margin within the debt limit of the City was $20.67 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.

In Fiscal Year 2013, the TFA issued $4.90 billion of Future Tax Secured Bonds (including $350 million of Qualified School Construction Bonds) and $850 million of Building Aid Revenue Bonds.

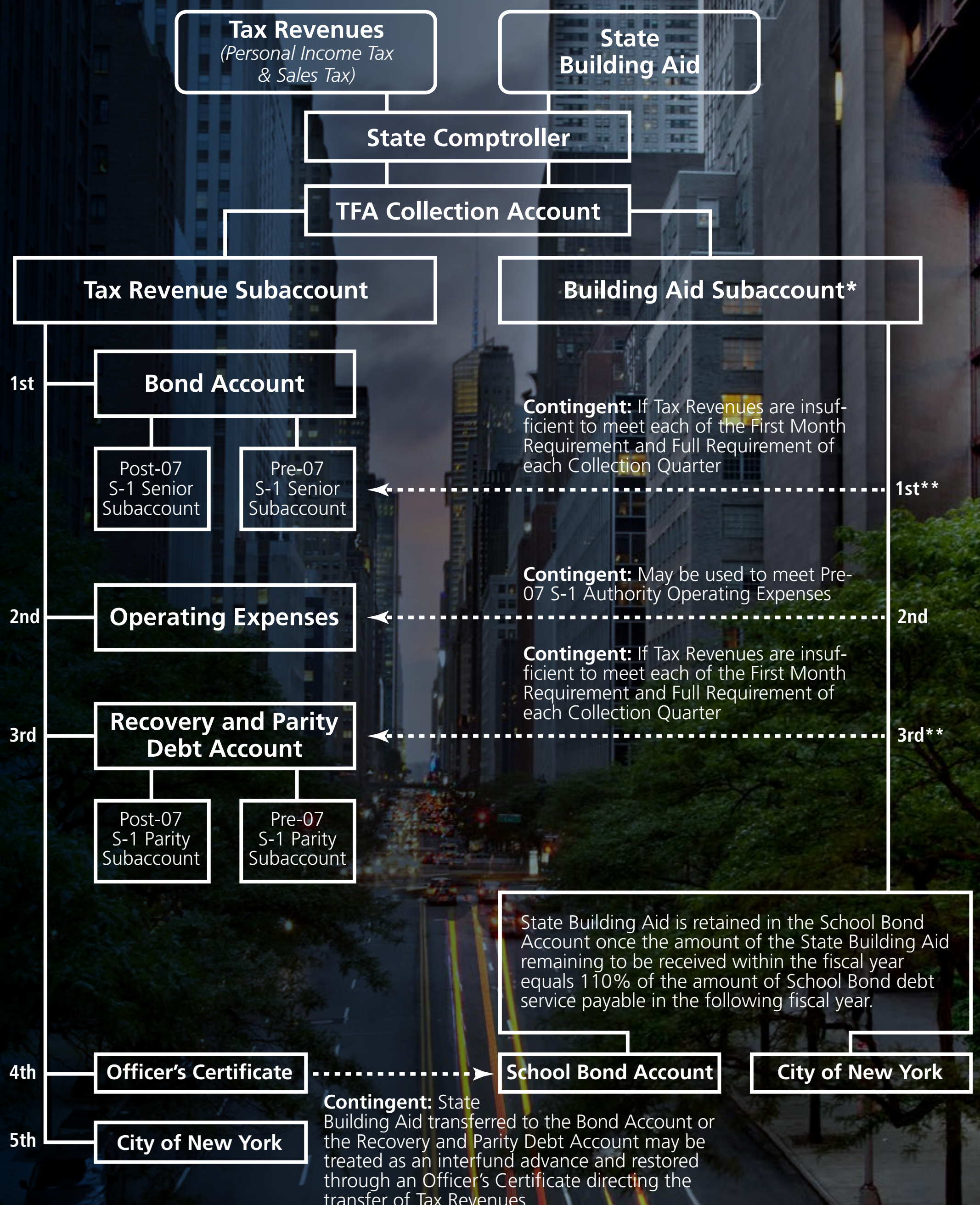
As of June 30, 2013, the TFA had $21.81 billion of Future Tax Secured Bonds (excluding Recovery Bonds) and $6.15 billion of Building Aid Revenue Bonds outstanding. The TFA had $1.23 billion of bonds outstanding to pay costs related to or arising from the World Trade Center attack on September 11, 2001 ("Recovery Bonds").

Respectfully submitted,

Mark Page
Chairman

8,175,133
Population of New York City

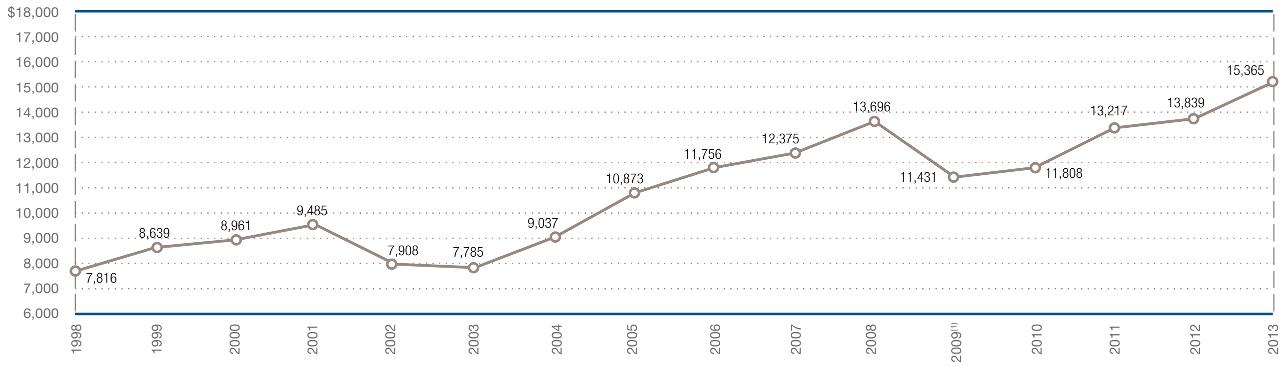
Summary of Collection and Application of Revenues



* 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.

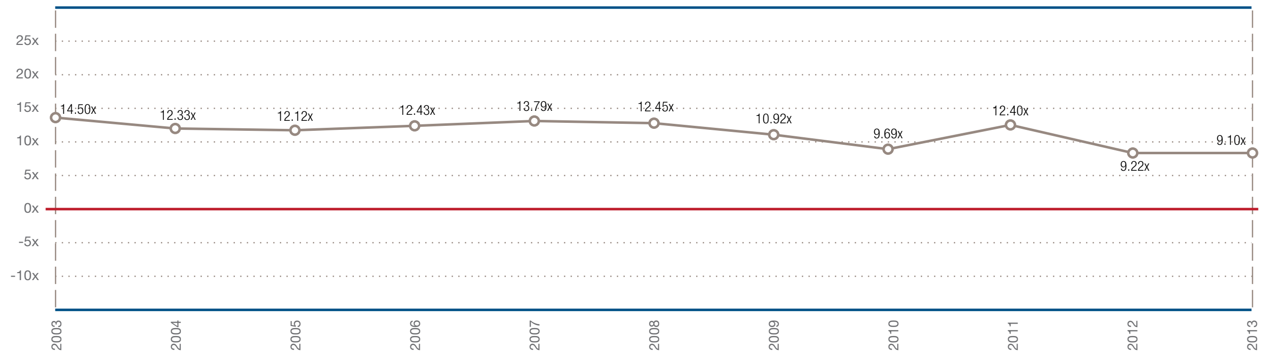
Historical Amounts of Tax Revenues *(in millions)*



Source: NYC OMB. All figures shown herein are calculated on a cash basis. Figures after Fiscal Year 2004 do not reflect deductions for State Oversight Retention Requirements.

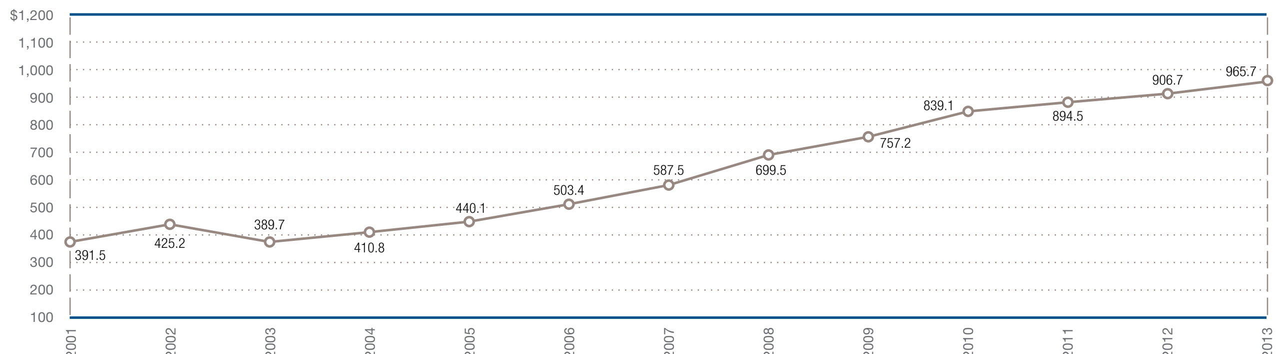
(1) The decrease in Tax Revenues from Fiscal Year 2008 to Fiscal Year 2009 is attributable, in part, to an adjustment in Fiscal Year 2009 by the State for overpayments of Personal Income Tax Revenues in Fiscal Years 2002 through 2009 in the amount of $597.3 million and, in part, to the economic recession.

Debt Service Coverage[1] for Outstanding Future Tax-Secured Bonds by Historical Tax Revenues

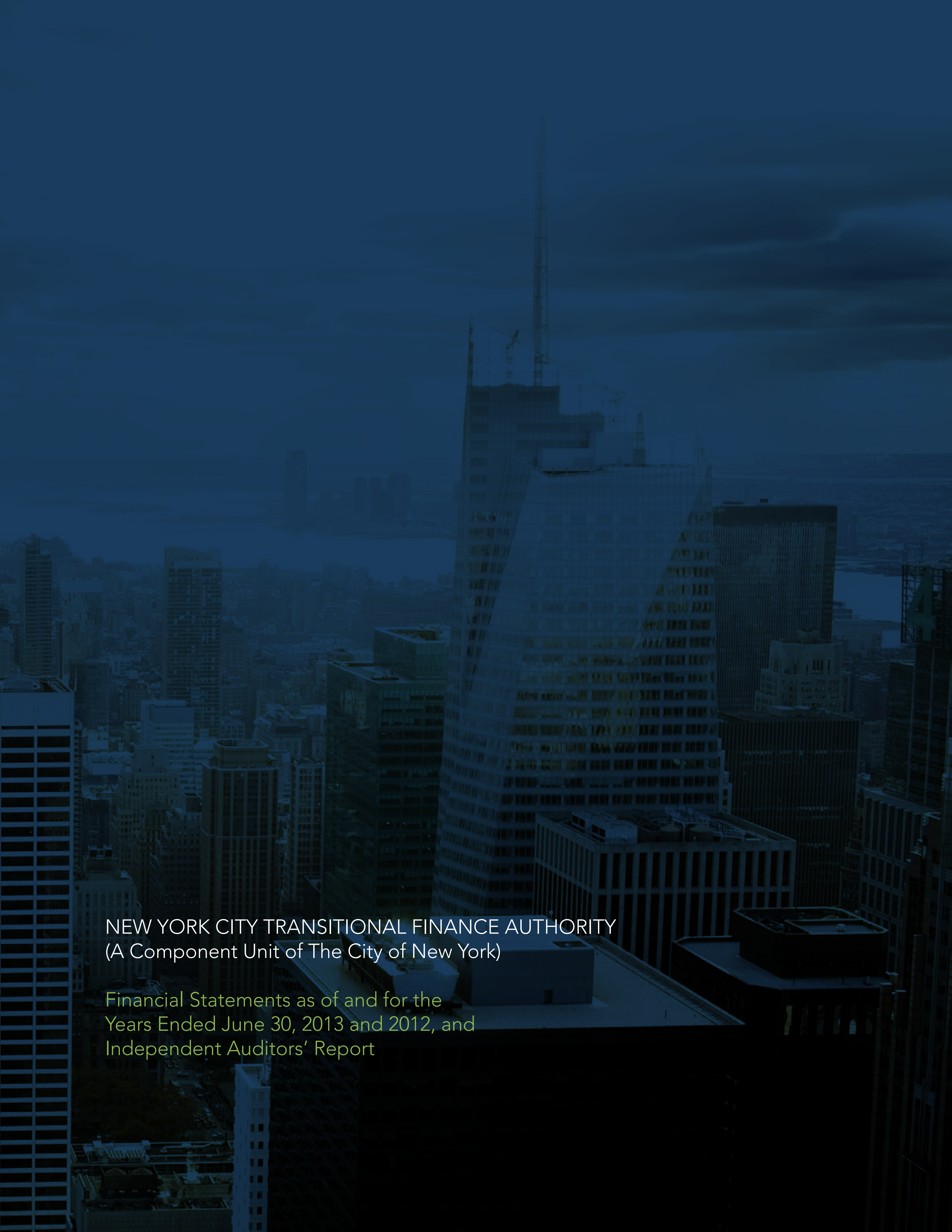


(1) Coverage is based on total Tax Revenues received in the Fiscal Year divided by Tax Revenues required to be retained by the Authority in such year for debt service, calculated without giving effect to prepayments of Authority debt service with grants from the City.

Historic State Building Aid *(in millions)*



(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.



NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
(A Component Unit of The City of New York)

Financial Statements as of and for the
Years Ended June 30, 2013 and 2012, and
Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the 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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of June 30, 2013 and 2012, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2, in 2013, the Authority adopted Governmental Accounting Standards Board ("GASB") Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Letter from the Chairman on page 5, and the Summary of Collection and Application of Revenues on pages 6 through 7, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Letter from the Chairman and the Summary of Collection and Application of Revenues have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Deloitte & Touche LLP

September 26, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013 AND 2012

The following is a narrative overview and analysis of the financial activities of the New York City Transitional Finance Authority (the "Authority") as of June 30, 2013 and 2012 and for the years then ended. It should be read in conjunction with the Authority's government-wide financial statements, governmental funds financial statements and the notes to the financial statements. The annual financial statements consist of four parts: **(1)** management's discussion and analysis (this section); **(2)** the government-wide financial statements, **(3)** the governmental funds financial statements; and **(4)** the notes to the financial statements.

The government-wide financial statements of the Authority, which include the statements of net position (deficit) 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") standards. This is to provide the reader with a broad overview of the Authority's finances. 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 funds financial statements (general, 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 principal and interest on bonds payable and liabilities on arbitrage rebate payable, which is recognized when due.

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

FUTURE TAX SECURED BONDS

The Authority's authorizing legislation limited 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 Bonds") to $13.5 billion, (excluding Recovery Bonds, discussed below) as of June 30, 2009. 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 Bonds, (excluding Recovery Bonds). In addition, Chapter 182 permits the Authority to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by The City, dœs not exceed the debt limit of The City. At the end of fiscal year 2013, The City's and the Authority's combined debt-incurring capacity was approximately $20.7 billion. In fiscal years 2013 and 2012, the Authority issued $4.9 billion and $5.0 billion, respectively of FTS Bonds. The Authority had Future Tax Secured Senior Bonds outstanding of $2.1 billion and $3.6 billion and Subordinate bonds (excluding Recovery Bonds) of $19.7 billion and $16.0 billion as of June 30, 2013 and 2012, respectively.

The Authority is also authorized to have outstanding $2.5 billion of bonds and notes to pay costs related to or arising from the World Trade Center attack on September 11, 2001 ("Recovery Bonds"). The Authority had Recovery Bonds outstanding as of June 30, 2013 and 2012 of $1.2 billion and $1.4 billion, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2013 AND 2012

FUTURE TAX SECURED BONDS (continued)

Of the $4.9 billion and $5.0 billion FTS Bonds issued in fiscal years 2013 and 2012, respectively, none were Build America Bonds ("BABs") and $350.0 million and $300.0 million, respectively were Qualified School Construction Bonds ("QSCBs"). The BABs and the QSCBs were created under the American Recovery and Reinvestment Act of 2009 ("ARRA" or "Stimulus Act"). The BABs and QSCBs are taxable bonds for which the Authority receives a cash subsidy payment from the United States Treasury. In fiscal years 2013 and 2012, the Authority earned subsidy payments of $57.6 million and $57.8 million on its BABs and $38.7 million and $24.1 million on its QSCBs. Starting in May 2013 subsidy payments were discounted 8.7% due to the Federal government's budget sequestration. The proceeds of the BABs were used to finance The City's capital expenditures and the QSCBs proceeds were used to finance The City's educational facilities.

The following summarizes the debt service activity for FTS Bonds in fiscal year 2013:

	Outstanding Principal Balance at June 30, 2012	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2013	Total Interest Payments FY 2013
	(in thousands)					
Senior FTS Bonds	$ 3,580,940	$ —	$ (238,115)	$ (1,230,345)	$ 2,112,480	$ 108,732
Subordinate FTS Bonds:						
Recovery Bonds	1,371,700	190,580	(328,800)	—	1,233,480	6,222
Parity Bonds	12,263,345	4,363,855	(339,825)	(677,705)	15,609,670	537,832
Build America Bonds	3,045,645	—	—	—	3,045,645	165,184
Qualified School Construction Bonds	697,060	350,000	—	—	1,047,060	20,532
Total Subordinate FTS Bonds	17,377,750	4,904,435	(668,625)	(677,705)	20,935,855	729,770
Total FTS Bonds Payable	**$ 20,958,690**	**$ 4,904,435**	**$ (906,740)**	**$ (1,908,050)**	**$ 23,048,335**	**$ 838,502**

The following summarizes the debt service activity for FTS Bonds in fiscal year 2012:

	Outstanding Principal Balance at June 30, 2011	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2012	Total Interest Payments FY 2012
	(in thousands)					
Senior FTS Bonds	$ 5,216,175	$ 300,000	$ (1,272,320)	$ (662,915)	$ 3,580,940	$ 160,893
Subordinate FTS Bonds:						
Recovery Bonds	1,466,200	74,600	(169,100)	—	1,371,700	8,677
Parity Bonds	8,964,845	4,304,210	(760,790)	(244,920)	12,263,345	420,386
Build America Bonds	3,045,645	—	—	—	3,045,645	165,184
Qualified School Construction Bonds	397,060	300,000	—	—	697,060	20,532
Total Subordinate FTS Bonds	13,873,750	4,678,810	(929,890)	(244,920)	17,377,750	614,779
Total FTS Bonds Payable	**$ 19,089,925**	**$ 4,978,810**	**$ (2,202,210)**	**$ (907,835)**	**$ 20,958,690**	**$ 775,672**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2013 AND 2012

BUILDING AID REVENUE BONDS

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 the State of New York (the "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 and to pay its administrative expenses. In fiscal years 2013 and 2012, the Authority issued $850.0 million and $650.0 million, respectively of BARBs. The Authority had BARBs outstanding as of June 30, 2013 and 2012 of $6.2 billion and $5.3 billion, respectively.

Of the $850.0 million and $650.0 million BARBs issued in fiscal years 2013 and 2012, respectively, none were BABs; however, in fiscal year 2012 $100.0 million were QSCBs. In fiscal years 2013 and 2012, the Authority earned subsidy payments of $6.7 million and $7.0 million on its BABs and $9.6 million and $7.7 million on its QSCBs.

The following summarizes the debt service activity for BARBs in fiscal year 2013:

	Outstanding Principal Balance at June 30, 2012	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2013	Total Interest Payments FY 2013
			(in thousands)			
Tax-exempt Bonds	$ 4,812,910	$ 850,000	$ (4,545)	$ —	$ 5,658,365	$ 261,607
Build America Bonds	295,750	—	—	—	295,750	20,018
Qualified School Construction Bonds	200,000	—	—	—	200,000	10,217
Total BARBs Payable	**$ 5,308,660**	**$ 850,000**	**$ (4,545)**	**$ —**	**$ 6,154,115**	**$ 291,842**

The following summarizes the debt service activity for BARBs in fiscal year 2012:

	Outstanding Principal Balance at June 30, 2011	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2012	Total Interest Payments FY 2012
			(in thousands)			
Tax-exempt Bonds	$ 4,334,100	$ 550,000	$ (71,190)	$ —	$ 4,812,910	$ 211,898
Build America Bonds	295,750	—	—	—	295,750	22,909
Qualified School Construction Bonds	100,000	100,000	—	—	200,000	2,613
Total BARBs Payable	**$ 4,729,850**	**$ 650,000**	**$ (71,190)**	**$ —**	**$ 5,308,660**	**$ 237,420**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2013 AND 2012

BUILDING AID REVENUE BONDS (continued)

In accordance with GASB standards, the building aid revenue is treated, for reporting purposes, as City revenue pledged 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 by GASB, the 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. On the fund financial statements, the distributions to The City for its educational facilities capital program are reported as any other financing use of funds. Building aid retained by the Authority is treated as any other financing source as the amount retained is accounted for as a repayment of the amounts loaned to The City.

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

	2013	2012	2011
		(in thousands)	
Building aid received from New York State	$ 965,701	$ 906,746	$ 894,478
Building aid remitted to New York City	(621,125)	(698,047)	(478,126)
Total retained for BARBs debt service and operating expenses	**$ 344,576**	**$ 208,699**	**$ 416,352**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2013 AND 2012

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS — GOVERNMENT-WIDE FINANCIAL STATEMENTS

In fiscal year 2013, the Authority implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB 63") and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"). GASB 63 renamed the Statement of Net Assets to Statement of Net Position, as well as renaming reported Net Assets, and components thereof, to Net Position. GASB 65 resulted in the restatement of the Authority fiscal year 2012 government-wide financial statements to reflect the recognition of bond issuance costs as an expense in the period they were incurred. Prior to GASB 65, bond issuance costs were carried on the Statement of Net Position and amortized over the life of the bonds. Since GASB 65 requires retroactive treatment, any carrying costs and amortization thereof have been excluded pursuant to the requirement and reported as a restatement of beginning net position in fiscal year 2012. GASB 65 also required that the Authority reclassify unamortized deferred bond refunding costs, which were previously reported as a liability, to Deferred Outflow of Resources on the government-wide financial statements, (see Note 2 for details on the GASB 65 adjustments and reclassifications.)

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

		Restated		Variance	
	2013	2012	2011	2013/2012	2012/2011
		(in thousands)		(in thousands)	
REVENUES:					
Personal income tax retained	$ 1,006,451	$ 616,864	$ 695,044	$ 389,587	$ (78,180)
Unrestricted grant from New York City	—	878,884	789,697	(878,884)	89,187
Federal subsidy	112,509	96,630	75,991	15,879	20,639
Investment earnings	4,872	2,220	1,357	2,652	863
Total revenues	1,123,832	1,594,598	1,562,089	(470,766)	32,509
EXPENSES:					
Distributions to New York City for general capital program	2,938,240	2,330,776	3,469,002	607,464	(1,138,226)
Interest expense	1,088,649	923,328	870,183	165,321	53,145
Other	164,672	142,054	108,482	22,618	33,572
Total expenses	4,191,561	3,396,158	4,447,667	795,403	(1,051,509)
Change in net position	(3,067,729)	(1,801,560)	(2,885,578)	(1,266,169)	1,084,018
Net position (deficit) – beginning of year	(20,516,151)	(18,485,107)	(15,599,529)	(2,031,044)	(2,885,578)
Restatement of beginning net position (deficit)	—	(229,484)	—	229,484	(229,484)
Net position (deficit), end of year	**$ (23,583,880)**	**$ (20,516,151)**	**$ (18,485,107)**	**$ (3,067,729)**	**$ (2,031,044)**

In fiscal year 2013 the Authority did not receive any City grant. In fiscal year 2012 the Authority received City grant of $878.9 million. The receipt of City grant reduces the amount of PIT needed to be retained by the Authority in future fiscal years for its debt service payments on FTS Bonds and its administrative expenses.

As previously discussed, the Authority issued BABs and QSCBs for the first time in fiscal year 2010. The Authority earned $112.5 million and $96.6 million in Federal interest subsidies in fiscal years 2013 and 2012, respectively. The increased subsidy revenue in fiscal years 2013 and 2012 was due to the additional issuance of QSCBs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2013 AND 2012

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS — GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

Investment earnings are primarily based on capital projects fund holdings, debt service fund holdings, interest rates and market value fluctuations during the fiscal year. As such, the increase in investment earnings in fiscal year 2013 compared to fiscal year 2012 was primarily due to a large unfavorable market valuation at the end of fiscal year 2012 on a long term investment, which matured in fiscal year 2013.

The amount of distributions to The City fluctuates each year depending on the issuance of debt and the capital funding needs of the City.

Interest expense increased in fiscal years 2013 and 2012 by $165.3 million and $53.1 million due to the increase in outstanding bonds.

Other expenses consist primarily of the Authority's administrative expenses, federal subsidies transferred to The City, and cost of issuance. The implementation of GASB 65 required TFA to restate its fiscal year 2012 balances to exclude the effects of issuance costs amounts from its government-wide financial statements.

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

	2013	Restated 2012	2011	Variance 2013/2012	Variance 2012/2011
	(in thousands)			(in thousands)	
ASSETS:					
Total assets	$ 7,522,685	$ 7,628,853	$ 6,551,298	$ (106,168)	$ 1,077,555
DEFERRED OUTFLOWS OF RESOURCES					
Total deferred outflows of resources	104,955	72,722	—	32,233	72,722
LIABILITIES:					
Current liabilities	1,371,679	1,692,502	1,552,029	(320,823)	140,473
Non-current liabilities	29,839,841	26,525,224	23,484,376	3,314,617	3,040,848
Total liabilities	31,211,520	28,217,726	25,036,405	2,993,794	3,181,321
NET POSITION:					
Restricted	1,536,942	1,336,945	745,643	199,997	591,302
Unrestricted	(25,120,822)	(21,853,096)	(19,230,750)	(3,267,726)	(2,622,346)
Total net position (deficit)	**$ (23,583,880)**	**$ (20,516,151)**	**$ (18,485,107)**	**$ (3,067,729)**	**$ (2,031,044)**

The implementation of GASB 65 requires that the Authority reclassify $105.0 million and $72.7 million deferred bond refunding costs for fiscal years 2013 and 2012, respectively, which was previously reported as a liability to deferred outflow of resources. This accounting change was not reflected in fiscal year 2011.

Total liabilities increased in fiscal years 2013 and 2012 due to the issuance of new bonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2013 AND 2012

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS — GOVERNMENTAL FUND FINANCIAL STATEMENTS

The Authority uses five governmental funds for reporting its activities: **(1)** a general fund ("GF"), **(2)** a building aid revenue bonds capital project fund ("BARBs CPF"), **(3)** a future tax secured bonds capital project fund ("FTS Bonds CPF"), **(4)** a building aid revenue bonds debt service fund ("BARBs DSF"), and **(5)** a future tax secured bonds debt service fund ("FTS Bonds DSF"). In fiscal year 2011, the Authority implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). GASB 54 resulted in the creation of a general fund and the restatement of those activities that were formerly presented in the debt service funds and now reported under a general fund. The Authority now accounts for and reports in the general fund its administrative and operating expenditures along with the resources used or held for use to pay for those operating activities, pursuant to the Indenture.

GASB 65 required that the unavailable personal income tax revenue reported in the governmental funds balance sheets be reclassified as a Deferred Inflow of Resources.

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

				Variance	
	2013	2012	2011	2013/2012	2012/2011
		(in thousands)		(in thousands)	
Fund balance, beginning of year	$ 20,546	$ 16,423	$ 11,984	$ 4,123	$ 4,439
Revenues	115,419	117,565	84,989	(2,146)	32,576
Expenditures	(138,083)	(113,624)	(80,870)	(24,459)	(32,754)
Other financing sources (uses), net	348	182	320	166	(138)
Fund balance, end of year	**$ (1,770)**	**$ 20,546**	**$ 16,423**	**$ (22,316)**	**$ 4,123**

GF revenues fluctuate each year based on the PIT retained for administrative expenses and federal interest subsidies received. In fiscal year 2013 PIT retained was approximately $22 million less than 2012, this decrease was offset by an increase of $20 million in additional federal subsidy revenue. The increase in revenues in fiscal year 2012 was primarily due to the Authority receiving $29 million more of Federal interest subsidies when compared to the amount of subsidies received in fiscal year 2011 due to additional issuance of QSCBs. The increase expenditures in fiscal year 2013 and fiscal year 2012 was mainly due to the transfer of $20 million and $29 million more in federal subsidies to The City.

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

				Variance	
	2013	2012	2011	2013/2012	2012/2011
		(in thousands)		(in thousands)	
Fund balance, beginning of year	$ —	$ 143,948	$ —	$ (143,948)	$ 143,948
Revenues	416	158	36	258	122
Expenditures	(962,453)	(849,568)	(515,081)	(112,885)	(334,487)
Other financing sources (uses), net	962,037	705,462	658,993	256,575	46,469
Fund balance, end of year	**$ —**	**$ —**	**$ 143,948**	**$ —**	**$ (143,948)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2013 AND 2012

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS—GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (continued)

The Authority's bond proceeds and distributions to The City are reported as other financing sources (uses) in the governmental funds. In fiscal year 2013 all bond proceeds were transferred to The City to finance its educational facilities capital program. In fiscal year 2012, the Authority issued BARBs and distributed those proceeds and the $143.9 million on hand from fiscal year 2011.

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

	2013	2012	2011	Variance 2013/2012	Variance 2012/2011
		(in thousands)		(in thousands)	
Fund balance, beginning of year	$ 1,336,945	$ 601,695	$ 436,803	$ 735,250	$ 164,892
Revenues	1,577	598	1,767	979	(1,169)
Expenditures	(2,950,026)	(2,345,052)	(3,490,940)	(604,974)	1,145,888
Other financing sources (uses), net	3,148,446	3,079,704	3,654,065	68,742	(574,361)
Fund balance, end of year	**$ 1,536,942**	**$ 1,336,945**	**$ 601,695**	**$ 199,997**	**$ 735,250**

CPF expenditures represent the amount of bond proceeds transferred to The City and other financing sources represent proceeds from bond issuances. Expenditures and other financing sources fluctuate each year depending on the capital funding needs of The City.

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

	2013	2012	2011	Variance 2013/2012	Variance 2012/2011
		(in thousands)		(in thousands)	
Fund balance, beginning of year	$ 487,137	$ 585,994	$ 525,386	$ (98,857)	$ 60,608
Revenues	2,499	1,277	(822)	1,222	2,099
Expenditures	(296,387)	(308,610)	(273,293)	12,223	(35,317)
Other financing sources (uses), net	344,644	208,476	334,723	136,168	(126,247)
Fund balance, end of year	**$ 537,893**	**$ 487,137**	**$ 585,994**	**$ 50,756**	**$ (98,857)**

Expenditures in the BARBs DSF are primarily the debt service payments on outstanding BARBs. The other financing sources uses net, consist primarily of State building aid retained by the Authority in fiscal years 2013, 2012 and 2011, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2013 AND 2012

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS—GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (continued)

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

	2013	2012	2011	Variance 2013/2012	Variance 2012/2011
		(in thousands)		(in thousands)	
Fund balance, beginning of year	$ 884,626	$ 966,871	$ 554,834	$ (82,245)	$ 412,037
Revenues	1,003,858	1,470,650	1,462,993	(466,792)	7,657
Expenditures	(1,755,193)	(3,158,468)	(1,051,712)	1,403,275	(2,106,756)
Other financing sources (uses), net	260,676	1,605,573	756	(1,344,897)	1,604,817
Fund balance, end of year	**$ 393,967**	**$ 884,626**	**$ 966,871**	**$ (490,659)**	**$ (82,245)**

In fiscal year 2013 the FTS Bonds DSF revenue primarily consisted of PIT retained by the Authority. In fiscal years 2012 and 2011 revenues primarily consisted of grants from The City and PIT retained. The decrease in fiscal year 2013 was mainly due to decrease of $878 million grant revenue, which was offset by an increase of $389 million increase of PIT retained in fiscal year 2013.

Expenditures decreased in fiscal year 2013 due to a large reoffering of approximately $1.6 billion of FTS Bonds in fiscal year 2012. Expenditures increased in fiscal year 2012 over fiscal year 2011 due primarily to the reoffering of approximately $1.6 billion of FTS Bonds, as previously discussed. The increased expenditure was offset with reoffered bond proceeds reported in the other financing sources. Other financing sources (uses) consist primarily of the proceeds from FTS Bonds issued for the refunding of FTS Bonds, proceeds from reoffered FTS Bonds and the payment to the escrow agent for the refunded bonds.

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to Raymond Orlando, Manager of Investor Relations, the New York City Transitional Finance Authority, 255 Greenwich Street, New York, NY 10007.

***** END *****

STATEMENTS OF NET POSITION (DEFICIT)
AS OF JUNE 30, 2013 AND 2012

	2013	Restated 2012
	(in thousands)	
ASSETS		
Unrestricted cash and cash equivalents	$ 1,175	$ 22,881
Restricted cash and cash equivalents	1,803,128	1,832,410
Restricted investments	810,007	1,168,942
Due from New York City - future State building aid	4,764,962	4,151,937
Personal income tax receivable from New York State	101,690	404,831
Other	41,723	47,852
TOTAL ASSETS	7,522,685	7,628,853
DEFFERED OUTFLOWS OF RESOURCES		
Unamortized deferred bond refunding costs	104,955	72,722
TOTAL DEFERRED OUTFLOWS OF RESOURCES	104,955	72,722
LIABILITIES		
Personal income tax payable to New York City	101,690	404,831
Distributions payable to New York City capital programs	156,139	310,282
Accrued expenses	4,220	3,970
Accrued interest payable	358,590	327,099
Bonds payable:		
Portion due within one year	751,040	646,320
Portion due after one year	28,451,410	25,621,030
Unamortized bond premium	1,388,431	904,194
TOTAL LIABILITIES	31,211,520	28,217,726
NET POSITION (DEFICIT)		
Restricted for capital projects	1,536,942	1,336,945
Unrestricted (deficit)	(25,120,822)	(21,853,096)
TOTAL NET POSITION (DEFICIT)	**$ (23,583,880)**	**$ (20,516,151)**

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

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	Restated 2012
	(in thousands)	
REVENUES:		
Personal income tax revenue	$ 8,896,898	$ 8,144,202
Less remittances to New York City	(7,890,447)	(7,527,338)
Personal income tax revenue retained	1,006,451	616,864
Unrestricted grant from New York City	—	878,884
Federal interest subsidy	112,509	96,630
Investment earnings	4,872	2,220
TOTAL REVENUES	1,123,832	1,594,598
EXPENSES:		
General and administrative expenses	25,637	21,344
Distributions to New York City for general capital program	2,938,240	2,330,776
Distribution of federal interest subsidy to New York City	112,446	92,280
Cost of debt issuance	26,589	28,430
Interest expense	1,088,649	923,328
TOTAL EXPENSES	4,191,561	3,396,158
CHANGE IN NET POSITION (DEFICIT)	(3,067,729)	(1,801,560)
NET POSITION (DEFICIT) — beginning of year	(20,516,151)	(18,485,107)
Restatement of beginning net position (deficit) (Note 2)	—	(229,484)
NET POSITION (DEFICIT) — end of year	**$ (23,583,880)**	**$ (20,516,151)**

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

GOVERNMENTAL FUNDS BALANCE SHEETS

JUNE 30, 2013

(in thousands)

		Capital Projects		Debt Service		
	General Fund	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	Total Governmental Funds
ASSETS:						
Unrestricted cash and cash equivalents	$ 1,175	$ —	$ —	$ —	$ —	$ 1,175
Restricted cash and cash equivalents	—	57	1,343,959	119,008	340,104	1,803,128
Restricted investments	—	—	349,780	406,152	54,075	810,007
Personal income tax receivable from New York State	—	—	—	—	101,690	101,690
Other	348	—	—	13,081	—	13,429
TOTAL ASSETS	**$ 1,523**	**$ 57**	**$ 1,693,739**	**$ 538,241**	**$ 495,869**	**$ 2,729,429**
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accrued expenses	$ 3,293	$ 57	$ 658	$ 348	$ 212	$ 4,568
Distributions payable to New York City for capital programs	—	—	156,139	—	—	156,139
Personal income tax payable to New York City	—	—	—	—	54,690	54,690
TOTAL LIABILITIES	3,293	57	156,797	348	54,902	215,397
DEFERRED INFLOWS OF RESOURCES:						
Personal Income Tax Revenue	—	—	—	—	47,000	47,000
TOTAL DEFERRED INFLOWS OF RESOURCES	—	—	—	—	47,000	47,000
FUND BALANCES:						
Restricted for:						
Capital distribution to New York City	—	—	1,536,942	—	—	1,536,942
Debt service	—	—	—	537,893	393,967	931,860
Unassigned	(1,770)	—	—	—	—	(1,770)
TOTAL FUND BALANCES	(1,770)	—	1,536,942	537,893	393,967	2,467,032
TOTAL LIABILITIES AND FUND BALANCES	**$ 1,523**	**$ 57**	**$ 1,693,739**	**$ 538,241**	**$ 495,869**	**$ 2,729,429**

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

GOVERNMENTAL FUNDS BALANCE SHEETS
AS OF JUNE 30, 2012

(in thousands)

	General Fund	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	$ 22,881	$ —	$ —	$ —	$ —	$ 22,881
Restricted cash and cash equivalents	—	13	1,647,951	76,804	107,642	1,832,410
Restricted investments	—	—	—	391,826	777,116	1,168,942
Personal income tax receivable from New York State	—	—	—	—	404,831	404,831
Other	447	—	—	18,826	—	19,273
TOTAL ASSETS	**$ 23,328**	**$ 13**	**$ 1,647,951**	**$ 487,456**	**$ 1,289,589**	**$ 3,448,337**
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accrued expenses	$ 2,782	$ 13	$ 724	$ 319	$ 132	$ 3,970
Distributions payable to New York City for capital programs	—	—	310,282	—	—	310,282
Personal income tax payable to New York City	—	—	—	—	49,831	49,831
TOTAL LIABILITIES	2,782	13	311,006	319	49,963	364,083
DEFERRED INFLOWS OF RESOURCES:						
Personal Income Tax Revenue	—	—	—	—	355,000	355,000
TOTAL DEFERRED INFLOWS OF RESOURCES	—	—	—	—	355,000	355,000
FUND BALANCES:						
Restricted for:						
Capital distribution to New York City	—	—	1,336,945	—	—	1,336,945
Debt service	—	—	—	487,137	884,626	1,371,763
Unassigned	20,546	—	—	—	—	20,546
TOTAL FUND BALANCES	20,546	—	1,336,945	487,137	884,626	2,729,254
TOTAL LIABILITIES AND FUND BALANCES	**$ 23,328**	**$ 13**	**$ 1,647,951**	**$ 487,456**	**$ 1,289,589**	**$ 3,448,337**

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

RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENTS OF NET POSITION (DEFICIT)

AS OF JUNE 30, 2013 AND 2012

	2013	Restated 2012
	(in thousands)	
Total fund balances - governmental funds	$ 2,467,032	$ 2,729,254
Amounts reported for governmental activities in the statements of net position (deficit) are different because:		
Bond premiums are reported as other financing sources in the governmental funds financial statements. However, in the statements of net position (deficit), bond premiums are reported as a component of bonds payable and amortized over the life of the bonds.	(1,388,431)	(904,194)
Federal Interest subsidy on BABs and QSCBs is recognized when the related bond interest is reported. On the statements of net position (deficit), the amount of the subsidy applicable to the accrued bond interest is receivable as of fiscal year end. However, in the governmental funds balance sheet where no bond interest is reported as payable until due, no subsidy receivable is reported.	28,642	28,579
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 position (deficit), they are reported as due from The City.	4,764,962	4,151,937
Some liabilities are not due and payable in the current period from financial resources available currently at year-end and are therefore not reported in the governmental funds financial statements, but are reported in the statements of net position (deficit). Those liabilities consist of:		
Bonds payable	(29,202,450)	(26,267,350)
Accrued interest payable	(358,590)	(327,099)
Costs of bond refundings are reported as expenditures in governmental funds financial statements. However, in the statement of net position (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.	104,955	72,722
Net position (deficit) of governmental activities	**$ (23,583,880)**	**$ (20,516,151)**

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

GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2013

(in thousands)

	General Fund	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
REVENUES:						
Personal income tax revenue	$ 2,965	$ —	$ —	$ —	$ 9,201,933	$ 9,204,898
Less remittances to New York City	—	—	—	—	(8,198,447)	(8,198,447)
Personal income tax revenue retained	2,965	—	—	—	1,003,486	1,006,451
Federal interest subsidy	112,446	—	—	—	—	112,446
Investment earnings	8	416	1,577	2,499	372	4,872
TOTAL REVENUES	115,419	416	1,577	2,499	1,003,858	1,123,769
EXPENDITURES:						
Interest expense	—	—	—	291,842	838,501	1,130,343
Costs of debt issuance	—	4,851	11,786	—	—	16,637
Distributions to New York City for general capital program	—	—	2,938,240	—	—	2,938,240
Distributions of federal interest subsidy to New York City	112,446	—	—	—	—	112,446
Principal amounts of bonds retired	—	—	—	4,545	906,740	911,285
Refunding bond issuance costs	—	—	—	—	9,952	9,952
General and administrative expenses	25,637	—	—	—	—	25,637
TOTAL EXPENDITURES	138,083	4,851	2,950,026	296,387	1,755,193	5,144,540
Excess (deficiency) of revenues over expenditures	(22,664)	(4,435)	(2,948,449)	(293,888)	(751,335)	(4,020,771)
OTHER FINANCING SOURCES (USES):						
Principal amount of bonds issued	—	850,000	2,928,000	—	—	3,778,000
Distributions to New York City for educational facilities capital programs	—	(957,602)	—	—	—	(957,602)
Refunding bond proceeds	—	—	—	—	1,976,435	1,976,435
Bond premium, net of discount	—	112,453	222,178	—	351,760	686,391
Payments of refunded bonds	—	—	—	—	(2,069,251)	(2,069,251)
Transfer from New York City – building aid	—	—	—	344,576	—	344,576
Transfers in (out)	348	(416)	(1,732)	68	1,732	—
TOTAL OTHER FINANCING SOURCES (USES)	348	4,435	3,148,446	344,644	260,676	3,758,549
NET CHANGES IN FUND BALANCES	(22,316)	—	199,997	50,756	(490,659)	(262,222)
Fund Balances – beginning of year	20,546	—	1,336,945	487,137	884,626	2,729,254
FUND BALANCES – end of year	**$ (1,770)**	**$ —**	**$ 1,536,942**	**$ 537,893**	**$ 393,967**	**$ 2,467,032**

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

GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

(in thousands)

		Capital Projects		Debt Service		
	General Fund	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	Total Governmental Funds
REVENUES:						
Personal income tax revenue	$ 25,279	$ —	$ —	$ —	$ 7,953,923	$ 7,979,202
Less remittances to New York City	—	—	—	—	(7,362,338)	(7,362,338)
Personal income tax revenue retained	25,279	—	—	—	591,585	616,864
Unrestricted grant from New York City	—	—	—	—	878,884	878,884
Federal interest subsidy	92,280	—	—	—	—	92,280
Investment earnings	6	158	598	1,277	181	2,220
TOTAL REVENUES	117,565	158	598	1,277	1,470,650	1,590,248
EXPENDITURES:						
Interest expense	—	—	—	237,420	775,672	1,013,092
Costs of debt issuance	—	3,959	14,276	—	—	18,235
Distributions to New York City for general capital program	—	—	2,330,776	—	—	2,330,776
Distributions of federal interest subsidy to New York City	92,280	—	—	—	—	92,280
Principal amounts of bonds retired	—	—	—	71,190	2,202,210	2,273,400
Defeasance Escrow	—	—	—	—	170,391	170,391
Refunding bond issuance costs	—	—	—	—	10,195	10,195
General and administrative expenses	21,344	—	—	—	—	21,344
TOTAL EXPENDITURES	113,624	3,959	2,345,052	308,610	3,158,468	5,929,713
Excess (deficiency) of revenues over expenditures	3,941	(3,801)	(2,344,454)	(307,333)	(1,687,818)	(4,339,465)
OTHER FINANCING SOURCES (USES):						
Principal amount of bonds issued	—	650,000	2,800,000	—	—	3,450,000
Distributions to New York City for educational facilities capital programs	—	(845,609)	—	—	—	(845,609)
Refunding bond proceeds	—	—	—	—	2,178,810	2,178,810
Bond premium, net of discount	—	55,558	280,828	—	225,420	561,806
Payments of refunded bonds	—	—	—	—	(799,918)	(799,918)
Transfer from New York City – building aid	—	—	—	208,699	—	208,699
Transfers in (out)	182	(96)	(1,124)	(223)	1,261	—
TOTAL OTHER FINANCING SOURCES (USES)	182	(140,147)	3,079,704	208,476	1,605,573	4,753,788
NET CHANGES IN FUND BALANCES	4,123	(143,948)	735,250	(98,857)	(82,245)	414,323
Fund Balances – beginning of year	16,423	143,948	601,695	585,994	966,871	2,314,931
FUND BALANCES – end of year	**$ 20,546**	**$ —**	**$ 1,336,945**	**$ 487,137**	**$ 884,626**	**$ 2,729,254**

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

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

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	Restated 2012
	(in thousands)	
Net changes in fund balances – total governmental funds	$ (262,222)	$ 414,323
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 position (deficit).	(5,754,435)	(5,628,810)
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 position (deficit).	2,069,251	970,309
The 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.	(48,314)	(35,241)
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 position (deficit).	911,285	2,273,400
The 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.	(541,487)	(403,319)
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.	957,602	845,609
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.	(344,576)	(208,699)
Federal interest subsidy on BABs and QSCBs is recognized when the related bond interest cost is reported. On the statement of activities, the subsidy revenue in the amount applicable to the accrued bond interest expense is accrued as of fiscal year end. However, in the governmental funds where interest expenditure is reported when due, no subsidy revenue is accrued as of year end.	63	4,350
Interest is reported on the statement of activities on the accrual basis. However, interest is reported as an expenditure in the governmental funds when the outlay of financial resources is due.	(54,896)	(33,482)
Change in net position (deficit) – governmental activities	**$ (3,067,729)**	**$ (1,801,560)**

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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") standards.

The Authority was created by State legislation enacted in 1997 to issue and sell bonds and notes ("Future Tax Secured Bonds" or "FTS 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 administrative expenses.

The Authority is currently authorized to have outstanding $13.5 billion of FTS Bonds. In addition the Authority is authorized to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by The City, dœs not exceed the debt limit of The City. The Authority is permitted to issue up to 20 percent of its total outstanding FTS bonds as variable rate bonds. As of June 30, 2013, The City's and the Authority's combined debt-incurring capacity was approximately $20.7 billion.

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, notwithstanding the limits discussed above.

State legislation enacted in April 2006 additionally enables the Authority to have outstanding up to $9.4 billion of Building Aid Revenue Bonds ("BARBs"), notes or other obligations for purposes of funding costs of the five-year educational facilities capital plan for The City school system and the Authority's administrative expenses.

The Authority dœs 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 statements of net position (deficit) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with Governmental Accounting Standard Board ("GASB") standards. The statements of net position (deficit) and the statements of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded 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 (general, capital projects 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 principal and interest on bonds payable and liabilities on arbitrage rebate payable, which is recognized when due.

The Authority uses five governmental funds for reporting its activities: (1) a general fund, (2) a building aid revenue bonds capital projects fund ("BARBs CPF"), (3) a future tax secured bonds capital projects fund ("FTS Bonds CPF"), (4) a building aid revenue bonds debt service fund ("BARBs DSF"), and (5) a future tax secured bonds debt service fund ("FTS Bonds 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. The general fund accounts for and reports all financial resources not accounted for in the capital and debt service funds, including the Authority's administrative expenses.

B. Fund balances are classified as either: 1) nonspendable, 2) restricted, or 3) unrestricted. Unrestricted fund balance is further classified as: (a) committed, (b) assigned, or (c) unassigned.

The Board of Directors of the Authority (the "Board") constitutes the Authority's highest level of decision-making authority and resolutions adopted by the Board that constrain fund balances for a specific purpose are accounted for and reported as committed for such purpose unless and until a subsequent resolution altering the commitment is adopted by the Board.

Fund balances which are constrained for use for a specific purpose based on the direction of any officer of the Authority duly authorized under its bond indenture to direct the movement of such funds are accounted for and reported as assigned for such purpose, unless or until a subsequent authorized action by the same or another duly authorized officer, or by the Board, is taken which removes or changes the assignment. When both restricted and unrestricted resources are available for use for a specific purpose, it is the Authority's policy to use restricted resources first then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for us for a specific purpose, it is the Authority's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

Resources constrained for debt service or redemption in accordance with the Authority's Indenture is classified as restricted on the statements of net position (deficit) and the governmental funds balance sheets.

C. Bond and bond anticipation note premiums and discounts 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. With the implementation of GASB 65 (discussed below) bond issuance costs are recognized in the period incurred.

D. Deferred bond refunding costs represent the accounting loss incurred in advance refunding of outstanding bonds and are reported as a deferred outflow of resources on the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The deferred bond refunding costs are amortized over the shorter of the remaining life of the old debt or the life of the new debt. In the debt service funds, costs of the bond refunding 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. Authority receives The City personal income taxes, imposed pursuant to the 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 Bonds 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 administrative expenses of the Authority are available to be remitted to The City. During fiscal years 2012 an unrestricted grant was 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 administrative expenses. Due to The City's continuing involvement necessary for the collection of the building aid, this assignment is considered a collateralized borrowing between The City and the Authority. The Authority reports, on its statement of net position (deficit), an asset (Due from New York City—future State building aid) representing 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. On the fund financial statements, the distributions to The City for its educational facilities capital program are reported as another financing use of funds. Building aid retained by the Authority is treated as an other financing source as the amount retained is accounted for as a repayment of the amounts loaned to The City. During the years ended June 30, 2013 and 2012, the Authority retained $344.6 million and $208.7 million, respectively of State building aid to be used for BARBs debt service and its administrative expenses.

H. 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. The Authority was not required to make an arbitrage rebate payment in fiscal years 2013 and 2012.

The Authority receives a subsidy from the United States Treasury due to the Authority's issuance of taxable Build America Bonds ("BABs") and taxable Qualified School Construction Bonds ("QSCBs") under the American Recovery and Reinvestment Act of 2009. This subsidy is recognized when the related bond interest is reported. On the

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

statements of net position, the amount of the subsidy related to the accrued bond interest is reported as a receivable at year end, while in the governmental funds balance sheets where no bond interest is reported as payable until due, no subsidy receivable is reported.

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 standards requiring implementation in the current year and standards which may impact the Authority in future years.

- In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Agreements* ("GASB 60"). GASB 60 establishes the financial reporting for service concession agreements, which are a type of public-private or public-public partnership. GASB 60 is effective for financial statements for periods beginning after December 15, 2011. As the Authority has not entered into any service concession agreements, GASB 60 dœs not have an impact on the Authority's financial statements.

- In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus — An Amendment of GASB Statement No. 14 and No. 34* ("GASB 61"). GASB 61 amends existing standards relating to the composition and reporting of the governmental financial reporting entity. GASB 61 is effective for financial statements for periods beginning after June 15, 2012, GASB 61 dœs not have an impact on the Authority or its status as a blended component unit of The City.

- In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements* ("GASB 62"). GASB 62 incorporates a large volume of FASB and AICPA accounting pronouncements into the GASB hierarchy of generally accepted accounting principles for U.S. state and local governments. GASB 62 is effective for financial statements for periods beginning after December 15, 2011. GASB 62 dœs not have an impact on the Authority's financial statements.

- In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB 63"). GASB 63 establishes new reporting requirements of two elements (deferred outflows of resources and deferred inflows of resources) and renames the Statement of Net Assets to Statement of Net Position, as well as reported Net Assets, and components thereof, to Net Position. GASB 63 is effective for financial statements for periods beginning after December 15, 2011. The Authority implemented GASB 63 in fiscal year 2013 and as a result it has renamed its financial statements to Statement of Net Position and components thereof, with no financial impact.

- In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"). GASB 65 establishes accounting and reporting standards that reclassify certain items that are currently reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and recognize certain items currently being reported as assets and liabilities as outflows and inflow of resources. In addition, it limits the use of the term deferred in the financial statement presentation. In fiscal year 2013, the Authority

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

implemented GASB 65, which required the Authority to retroactively recognize costs of issuance as outflows of resources and restate its fiscal 2012 government-wide financial statements by eliminating any carrying amounts of bond issuance costs and related amortization thereof. As a result, the Authority reduced its fiscal year 2012 beginning balance by $229.5 million as follows:

1. Eliminating the previously reported fiscal year 2012 carrying value of $117.8 million of unamortized bond issuance costs on its Statements of Net Position by:
    - (Reducing) reporting $28.4 million of bond issuance costs as a fiscal year 2012 expense,
    - (Adding) elimination $14.9 million previously reported amortization of debt issuance costs, and
    - (Adding) reporting the related cost of issuance expense for a fiscal year 2012 refunding of $4.6 million.
2. Decreased the previously reported fiscal year 2012 unamortized deferred bond refunding costs related to cost of issuance by $138 million as follows:
    - (Reducing) reporting $17.7 million of amortization of deferred bond refunding costs. The Authority also reclassified on the government-wide financial statements $105.0 million and $72.7 million deferred bond refunding costs in fiscal years 2013 and 2012 to deferred outflow of resources, respectively, which prior to the implementation of GASB 65 was reported as a liability. Lastly, the unavailable PIT reported of $47 million and $355 million in fiscal years 2013 and 2012, respectively, which prior to the implementation of GASB 65 was reported as a liability on the governmental funds financial statements is now reported as a deferred inflow of resources.

- In March 2012, GASB issued Statement No. 66, *Technical Corrections-2012 an amendment of GASB Statements No. 10 and No. 62* ("GASB 66"). GASB 66 resolves conflicting accounting and reporting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30,1989 FASB and AICPA Pronouncements.* The provisions of GASB 66 are effective for financial statements for periods beginning after December 15, 2012. The Authority has not completed the process of evaluating GASB 66, but dœs not expect it to have an impact on its financial statements.
- In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans* ("GASB 67"). GASB 67 establishes financial reporting standards for defined benefit pensions and defined contribution pensions that are administered through trusts or equivalent arrangements. The requirements of GASB 67 are effective for fiscal years beginning after June 15, 2013. GASB 67 will not have an impact on the Authority's financial statements as it is not applicable pension administered entity.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"). GASB 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers. The requirements of GASB 68 are effective for financial statements for periods beginning after June 15, 2014. GASB 68 will not have an impact on the Authority's financial statements as it has no employees or pension system.

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, deferred outflow of resources, liabilities and deferred inflow of resources, 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 cash and cash equivalents as of June 30, 2013 and 2012 are as follows:

	2013	2012
	(in thousands)	
Restricted cash and cash equivalents:		
Cash	$ 12	$ 524
Cash equivalents (see Note 4)	1,803,116	1,831,886
Total restricted cash and cash equivalents	1,803,128	1,832,410
Unrestricted cash and cash equivalents:		
Cash	122	117
Cash equivalents (see Note 4)	1,053	22,764
Total unrestricted cash and cash equivalents	1,175	22,881
Total cash and cash equivalents	**$ 1,804,303**	**$ 1,855,291**

As of June 30, 2013 and 2012, the Authority's restricted cash and cash equivalents consisted of bank deposits, money market funds, U.S. Treasuries, and securities of government sponsored enterprises held by the Authority's Trustee in the Trustee's name.

As of June 30, 2013 and 2012, the Authority's unrestricted 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.

As of June 30, 2013 and 2012, the carrying amounts and bank balances of unrestricted bank deposits were $122 thousand and $117 thousand, respectively, and were insured by the FDIC.

The Authority's investments classified as cash equivalents consisted of U.S. Government Securities and Commercial Paper that has an original maturity date of 90 days 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).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

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 December 1, 2010, (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. All investments are held in the Trustee's name by the Trustee.

Credit Risk — The Authority's investments are primarily government-sponsored enterprise discount notes and commercial paper. 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 — Substantially all of the Authority's investments mature in one year or less. Investments with longer term maturities are not expected to be liquidated prior to maturity, thereby limiting exposure from rising interest rates.

The Authority's investments, including cash equivalents as of June 30, 2013 and 2012, are as follows:

	2013	2012
	(in thousands)	
Restricted investments:		
Money market funds	$ 53,951	$ 63,877
Federal Home Loan Mortgage Corp. discount notes	123,847	959,700
Federal Home Loan Bank discount notes	692,774	279,902
Federal Home Loan Bank term bonds	—	50,645
Federal National Mortgage Assoc. discount notes	44,715	—
U.S. Treasuries	204,625	—
Commercial paper	1,493,211	1,646,704
Total restricted investments	2,613,123	3,000,828
Less: amounts reported as cash equivalents	(1,803,116)	(1,831,886)
Total restricted investments	**$ 810,007**	**$ 1,168,942**
Unrestricted:		
Money market funds	1,053	513
Federal Home Loan Bank discount notes	—	22,251
Total unrestricted investments	1,053	22,764
Less: amounts reported as cash equivalents	(1,053)	(22,764)
Total unrestricted investments	**$ —**	**$ —**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 5 — BONDS PAYABLE

Pursuant to the New York City Transitional Finance Authority Act (the "Act"), as amended, the Authority is authorized to have outstanding $13.5 billion of FTS Bonds, excluding Recovery Bonds. In addition, Chapter 182 permits the Authority to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by The City, dœs not exceed the debt limit of The City. As of June 30, 2013, The City's and the Authority's combined debt incurring capacity was approximately $20.7 billion. 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 Indenture permits the Authority to issue Senior and Subordinate FTS Bonds which consists of Recovery Bonds, Build America Bonds, Qualified School Construction Bonds, and other parity debt. As of June 30, 2013 and 2012, the Authority had $2.1 billion and $3.6 billion, respectively, of Senior bonds outstanding. The Authority is authorized to issue Senior FTS Bonds in an amount not to exceed $12 billion in outstanding principal and subject to a $330 million limit on quarterly debt service. Subordinate FTS Bonds outstanding as of June 30, 2013 and 2012, were $20.9 billion and $17.4 billion, respectively. Total FTS Bonds outstanding at June 30, 2013 and 2012 was $23.0 billion and $21.0 billion, respectively.

In fiscal years 2013 and 2012, the changes in FTS Bonds payable were as follows:

	Outstanding Principal Balance at June 30, 2012	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2013	Total Interest Payments FY 2013
			(in thousands)			
Senior FTS Bonds	$ 3,580,940	$ —	$ (238,115)	$ (1,230,345)	$ 2,112,480	$ 108,732
Subordinate FTS Bonds:						
Recovery Bonds	1,371,700	190,580	(328,800)	—	1,233,480	6,222
Parity Bonds	12,263,345	4,363,855	(339,825)	(677,705)	15,609,670	537,832
Build America Bonds	3,045,645	—	—	—	3,045,645	165,184
Qualified School Construction Bonds	697,060	350,000	—	—	1,047,060	20,532
Total Subordinate FTS Bonds	17,377,750	4,904,435	(668,625)	(677,705)	20,935,855	729,770
Total FTS Bonds Payable	**$ 20,958,690**	**$ 4,904,435**	**$ (906,740)**	**$ (1,908,050)**	**$ 23,048,335**	**$ 838,502**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 5 — BONDS PAYABLE (continued)

	Outstanding Principal Balance at June 30, 2011	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2012	Total Interest Payments FY 2012
	(in thousands)					
Senior FTS Bonds	$ 5,216,175	$ 300,000	$ (1,272,320)	$ (662,915)	$ 3,580,940	$ 160,893
Subordinate FTS Bonds:						
Recovery Bonds	1,466,200	74,600	(169,100)	—	1,371,700	8,677
Parity Bonds	8,964,845	4,304,210	(760,790)	(244,920)	12,263,345	420,386
Build America Bonds	3,045,645	—	—	—	3,045,645	165,184
Qualified School Construction Bonds	397,060	300,000	—	—	697,060	20,532
Total Subordinate FTS Bonds	13,873,750	4,678,810	(929,890)	(244,920)	17,377,750	614,779
Total FTS Bonds Payable	**$ 19,089,925**	**$ 4,978,810**	**$ (2,202,210)**	**$ (907,835)**	**$ 20,958,690**	**$ 775,672**

As of June 30, 2013, the interest rates on the Authority's outstanding FTS fixed rate bonds ranged from 1.50% to 5.50% on tax exempt bonds and .60% to 6.27% on taxable bonds.

The Authority funds its debt service requirements for all FTS Bonds and its administrative expenses 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, 2013 and 2012. The Authority remits any excess personal income tax not required for its debt service payments and its administrative expenses to The City. The Authority has no taxing power.

On June 30, 2013 and 2012, the Authority had $3.5 billion and $3.3 billion, respectively, of FTS Bonds variable rate bonds outstanding, consisting of $222.4 million of Auction Rate Securities ("ARSs") and $3.3 billion and $3.1 billion, respectively, of Variable Rate Demand Bonds ("VRDBs"). The interest rate on the ARSs is established weekly by an auction agent at the lowest clearing rate based upon bids received from broker dealers. The interest rate on the ARSs cannot exceed 12%. In fiscal years 2013 and 2012, the interest rate on the ARSs averaged .39% and .53%, respectively. The VRDBs bear a daily rate, a two day rate or a weekly rate 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% on tax exempt bonds and 12% on taxable bonds. In fiscal years 2013 and 2012, the VRDB rates averaged .23% and .45%, respectively, on tax exempt bonds. In fiscal year 2013 there were no taxable VRDB outstanding and the average rates were .28% in fiscal year 2012.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 5 — BONDS PAYABLE (continued)

During fiscal year 2013, the Authority issued $1.8 billion of FTS bonds to refund $1.9 billion of outstanding FTS bonds. This refunding resulted in an accounting loss of $80.6 million. The Authority in effect reduced its aggregate debt service by $265.4 million and obtained an economic benefit of $240.0 million.

During fiscal year 2012, the Authority issued $700 million of FTS bonds to refund $741.4 million of outstanding FTS bonds. This refunding resulted in an accounting loss of $39.4 million. The Authority in effect reduced its aggregate debt service by $58.8 million and obtained an economic benefit of $46.9 million.

During fiscal year 2012, the Authority defeased $166.5 million of outstanding FTS bonds using current revenue. This resulted in an accounting gain of $4.3 million.

The bonds refunded with Defeasance Collateral have been removed from the financial statements as a liability of the Authority. As of June 30, 2013 and 2012, the Authority had FTS Bonds refunded with Defeasance Collateral totaling $10.6 billion and $8.7 billion, respectively, of which $1.8 billion and $1.8 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, 2013, for FTS Bonds, including Recovery Bonds, payable to their maturity are as follows:

	Senior			Subordinate			
	Principal	Interest (a)	Total	Principal	Interest (a)	Total	Total Debt Service
				(in thousands)			
Year ended June 30,							
2014	$ 117,460	$ 47,327	$ 164,787	$ 524,905	$ 867,002	$ 1,391,907	$ 1,556,694
2015	126,535	41,289	167,824	749,870	857,171	1,607,041	1,774,865
2016	64,085	36,715	100,800	905,195	826,754	1,731,949	1,832,749
2017	71,395	33,433	104,828	932,945	790,820	1,723,765	1,828,593
2018	30,485	30,962	61,447	1,000,570	753,356	1,753,926	1,815,373
2019 to 2023	422,895	113,083	535,978	5,030,315	3,195,198	8,225,513	8,761,491
2024 to 2028	823,365	52,985	876,350	4,039,215	2,275,664	6,314,879	7,191,229
2029 to 2033	456,260	5,768	462,028	3,447,785	1,403,774	4,851,559	5,313,587
2034 to 2038	—	—	—	3,080,370	666,734	3,747,104	3,747,104
2039 to 2043	—	—	—	1,224,685	85,477	1,310,162	1,310,162
Total	**$ 2,112,480**	**$ 361,562**	**$ 2,474,042**	**$ 20,935,855**	**$ 11,721,950**	**$ 32,657,805**	**$ 35,131,847**

(a) The variable interest rates used in this table were .23% on tax-exempt bonds and .39% on auction bonds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 5 — BONDS PAYABLE (continued)

In addition to the Authority's authorization to issue FTS Bonds, State legislation enacted in April 2006 enables the Authority to have outstanding up to $9.4 billion of Building Aid Revenue Bonds, notes or other obligations ("BARBs") for purposes of funding costs of the five year educational facilities capital plan for The City's school system and certain administrative expenditures. As of June 30, 2013 and 2012, the Authority had $6.2 billion and $5.3 billion, respectively, of BARBs outstanding.

Under this legislation, the BARBs are secured by 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, BARBs bond holders do not have any right to the personal income tax revenues or sales tax revenues.

On September 10, 2010, the Authority deposited $81.3 million of retained building aid into an escrow account with the Authority's Trustee for the payment of $75.9 million of BARBs which was paid in fiscal year 2013.

In fiscal years 2013 and 2012, the changes in BARBs payable were as follows:

	Outstanding Principal Balance at June 30, 2012	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2013	Total Interest Payments FY 2013
			(in thousands)			
Tax-exempt Bonds	$ 4,812,910	$ 850,000	$ (4,545)	$ —	$ 5,658,365	$ 261,607
Build America Bonds	295,750	—	—	—	295,750	20,018
Qualified School Construction Bonds	200,000	—	—	—	200,000	10,217
Total BARBs Payable	**$ 5,308,660**	**$ 850,000**	**$ (4,545)**	**$ —**	**$ 6,154,115**	**$ 291,842**

	Outstanding Principal Balance at June 30, 2011	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2012	Total Interest Payments FY 2012
			(in thousands)			
Tax-exempt Bonds	$ 4,334,100	$ 550,000	$ (71,190)	$ —	$ 4,812,910	$ 211,898
Build America Bonds	295,750	—	—	—	295,750	22,909
Qualified School Construction Bonds	100,000	100,000	—	—	200,000	2,613
Total BARBs Payable	**$ 4,729,850**	**$ 650,000**	**$ (71,190)**	**$ —**	**$ 5,308,660**	**$ 237,420**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 5 — BONDS PAYABLE (continued)

As of June 30, 2013, the interest rates on the Authority's outstanding BARBs fixed rate bonds ranged from 2.00% to 6.00% on tax exempt bonds and 4.80% to 7.13% on taxable bonds.

Debt service requirements at June 30, 2013, for BARBs payable to maturity are as follows:

	Principal	Interest	Total
	(in thousands)		
Year ended June 30,			
2014	$ 108,675	$ 308,438	$ 417,113
2015	131,640	303,982	435,622
2016	137,985	298,747	436,732
2017	146,710	292,835	439,545
2018	156,225	286,113	442,338
2019 to 2023	884,700	1,316,959	2,201,659
2024 to 2028	1,121,630	1,072,693	2,194,323
2029 to 2033	1,433,040	744,659	2,177,699
2034 to 2038	1,676,820	328,185	2,005,005
2039 to 2043	356,690	25,537	382,227
Total	**$ 6,154,115**	**$ 4,978,148**	**$ 11,132,263**

As of June 30, 2013 and 2012, the Authority maintained its required debt service accounts as follows:

	June 30, 2013		June 30, 2012	
	Principal	Interest	Principal	Interest
	(in thousands)			
Required for FTS	$ 24,470	$ 173,894	$ 5,725	$ 170,922
Required for BARBs	$ 108,675	$ 308,438	$ 9,880	$ 272,616

The Authority held $195.8 million and $708.1 million in excess of amounts required to be retained for FTS Bonds debt service under the Indenture as of June 30, 2013 and 2012, respectively. The Authority held $108.1 million and $186.1 million in excess of amounts required to be retained for BARBs debt service under the Indenture as of June 30, 2013 and 2012, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 6 — UNRESTRICTED GRANT FROM THE CITY OF NEW YORK

In fiscal year 2013 no grant was received from The City. In fiscal year 2012, the Authority received an unrestricted grant from The City in the amount of $878.9 million. These funds were used to fund debt service requirements for FTS Bonds and administrative expenses during the fiscal year ending June 30, 2013. The City grant is reported as an assigned fund balance in the governmental funds balance sheets.

NOTE 7 — 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, building aid revenue and grant revenue.

NOTE 8 — SUBSEQUENT EVENTS

On August 22, 2013, the Authority redeemed $158.4 million of outstanding Fiscal 2003 Series 1, 2 & 3 tax exempt recovery bonds and $35.2 million of Series 2011B-2 and 2011D-2 taxable bonds using revenues retained in June 2013.

***** END *****

DIRECTORS

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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

Beth Goldman
Commissioner of Finance of the City of New York

John C. Liu
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