



NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

A COMPONENT UNIT OF THE CITY OF NEW YORK

Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2017 and 2016

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

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

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities 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, 2017 and 2016, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 of 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 entity'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 entity'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 of the New York City Transitional Finance Authority as of June 30, 2017 and 2016, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 3 through 12 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.

Marisa Paneth LLP

New York, NY
September 29, 2017

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017 AND 2016 (unaudited)

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, 2017 and 2016 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 are 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 original 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") at \$7.5 billion, (excluding Recovery Bonds, discussed below) which was amended several times to \$13.5 billion. On July 11, 2009, subsequent authorizing legislation was enacted under Chapter 182 of the Laws of New York, 2009, which permitted the Authority to have outstanding \$13.5 billion of FTS Bonds, (excluding Recovery Bonds). In addition, Chapter 182 permitted 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, does not exceed the debt limit of the City. At the end of fiscal year 2017, the City's and the Authority's remaining combined debt-incurring capacity was approximately \$24.0 billion. In fiscal years 2017 and 2016, the Authority issued \$5.2 billion and \$4.0 billion, respectively of FTS Bonds. The Authority had Future Tax Secured Senior Bonds outstanding of \$990 million and \$1.0 billion and Subordinate bonds (excluding Recovery Bonds) of \$31.0 billion and \$27.4 billion as of June 30, 2017 and 2016, respectively.

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MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017 AND 2016 (unaudited) (continued)

Future Tax Secured Bonds (continued)

The Authority is authorized to have outstanding up to \$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, 2017 and 2016, of \$800 million and \$906 million, respectively.

Build America Bonds ("BABs") and Qualified School Construction Bonds ("QSCBs") are taxable bonds that were created under the American Recovery and Reinvestment Act of 2009 ("ARRA" or "Stimulus Act") whereby the Authority receives a cash subsidy, to pay related bond interest, from the United States Treasury. In fiscal years 2017 and 2016, the Authority recognized subsidy payments of \$53.2 million and \$53.4 million on its BABs and \$47.8 million and \$47.9 million on its QSCBs. In October 2016, subsidy payments were discounted 6.9% 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 2017:

	Outstanding Principal Balance at June 30, 2016		Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2017	Total Interest Payments FY 2017
	(in thousands)						
Senior FTS Bonds	\$ 1,034,610	\$ -	\$ (44,550)	\$ (285)	\$ 989,775	\$ 55,808	
Subordinate FTS Bonds:							
Recovery Bonds	906,425	-	(106,260)	-	800,165	13,946	
Parity Bonds	23,248,795	5,233,595	(690,040)	(862,610)	26,929,740	910,012	
Build America Bonds	2,986,555	-	(29,565)	-	2,956,990	163,440	
Qualified School Construction Bonds	1,137,340	-	-	-	1,137,340	51,335	
Subtotal - Subordinate FTS Bonds	28,279,115	5,233,595	(825,865)	(862,610)	31,824,235	1,138,733	
Total FTS Bonds Payable	\$ 29,313,725	\$ 5,233,595	\$ (870,415)	\$ (862,895)	\$ 32,814,010	\$ 1,194,541	

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016 (unaudited) (continued)

Future Tax Secured Bonds (continued)

The following summarizes the debt service activity for FTS Bonds in fiscal year 2016:

	Outstanding Principal Balance at June 30, 2015	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2016	Total Interest Payments FY 2016
	(in thousands)					
Senior FTS Bonds	\$ 1,287,545	\$ -	\$ (40,125)	\$ (212,810)	\$ 1,034,610	\$ 57,375
Subordinate FTS Bonds:						
Recovery Bonds	936,115	-	(29,690)	-	906,425	11,566
Parity Bonds	20,070,145	4,049,660	(619,890)	(251,120)	23,248,795	789,961
Build America Bonds	2,993,200	-	(6,645)	-	2,986,555	163,677
Qualified School Construction Bonds	1,137,340	-	-	-	1,137,340	49,260
Subtotal - Subordinate FTS Bonds	25,136,800	4,049,660	(656,225)	(251,120)	28,279,115	1,014,464
Total FTS Bonds Payable	\$ 26,424,345	\$ 4,049,660	\$ (696,350)	\$ (463,930)	\$ 29,313,725	\$ 1,071,839

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 an assignment with 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. The Authority did not issue BARBs in fiscal year 2017. In fiscal year 2016, the Authority issued \$750.0 million of BARBs. BARBs outstanding as of June 30, 2017 and 2016 were \$7.9 billion and \$8.0 billion, respectively.

In fiscal years 2017 and 2016, the Authority recognized subsidy payments of \$6.5 million and \$6.5 million on its BABs and \$9.1 million and \$9.1 million on its QSCBs, respectively.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017 AND 2016 (unaudited) (continued)

Building Aid Revenue Bonds (continued)

The following summarizes the debt service activity for BARBs in fiscal year 2017:

	Outstanding Principal Balance at June 30, 2016				Issued/Converted		Principal Retired		Principal Defeased		Outstanding Principal Balance at June 30, 2017	Total Interest Payments FY 2017
	(in thousands)											
Tax-exempt Bonds	\$	7,548,005	\$	-	\$	(162,120)	\$	-	\$	7,385,885	\$	362,974
Build America Bonds		295,750		-		-		-		295,750		20,018
Qualified School Construction Bonds		200,000		-		-		-		200,000		9,800
Total BARBs Payable	\$	8,043,755	\$	-	\$	(162,120)	\$	-	\$	7,881,635	\$	392,792

The following summarizes the debt service activity for BARBs in fiscal year 2016:

	Outstanding Principal Balance at June 30, 2015				Issued/Converted		Principal Retired		Principal Defeased		Outstanding Principal Balance at June 30, 2016	Total Interest Payments FY 2016
	(in thousands)											
Tax-exempt Bonds	\$	6,930,010	\$	750,000	\$	(132,005)	\$	-	\$	7,548,005	\$	324,279
Build America Bonds		295,750		-		-		-		295,750		20,018
Qualified School Construction Bonds		200,000		-		-		-		200,000		9,800
Total BARBs Payable	\$	7,425,760	\$	750,000	\$	(132,005)	\$	-	\$	8,043,755	\$	354,097

In accordance with GASB standards, the building aid revenue is treated, for reporting purposes, as City revenue pledged to the Authority. 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, offset by 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 other financing use of funds.

The Authority retains sufficient building aid revenue to service the BARBs debt and to pay its administrative expenses in accordance with the Indenture. 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 treated as loaned to the City.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017 AND 2016 (unaudited) (continued)

Building Aid Revenue Bonds (continued)

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 ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	-----in thousands-----		
Building aid received from New York State	\$ 1,140,203	\$ 1,094,110	\$ 1,039,395
Building aid remitted to New York City	(564,455)	(488,156)	(478,125)
Total retained for BARBs debt service and operating expenses	<u>\$ 575,748</u>	<u>\$ 605,954</u>	<u>\$ 561,270</u>

Financial Highlights And Overall Analysis — Government-Wide Financial Statements

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Variance</u>	
	-----in thousands-----			<u>2017/2016</u>	<u>2016/2015</u>
Revenues:					
Personal income tax retained	\$ 297,251	\$ 180,290	\$ 556,204	\$ 116,961	\$ (375,914)
Unrestricted grants	2,021,568	1,733,769	2,304,998	287,799	(571,229)
Federal subsidy	116,657	116,903	116,508	(246)	395
Investment earnings	5,910	8,466	2,761	(2,556)	5,705
Total revenues	<u>2,441,386</u>	<u>2,039,428</u>	<u>2,980,471</u>	<u>401,958</u>	<u>(941,043)</u>
Expenses:					
Distributions to New York City for general capital program	4,721,999	3,984,060	4,050,359	737,939	(66,299)
Interest expense	1,425,751	1,300,474	1,193,397	125,277	107,077
Other	167,033	166,459	175,919	574	(9,460)
Total expenses	<u>6,314,783</u>	<u>5,450,993</u>	<u>5,419,675</u>	<u>863,790</u>	<u>31,318</u>
Change in net position	(3,873,397)	(3,411,565)	(2,439,204)	(461,832)	(972,361)
Net position (deficit) - beginning of year	(31,150,572)	(27,739,007)	(25,299,803)	(3,411,565)	(2,439,204)
Net position (deficit) - end of year	<u>\$ (35,023,969)</u>	<u>\$ (31,150,572)</u>	<u>\$ (27,739,007)</u>	<u>\$ (3,873,397)</u>	<u>\$ (3,411,565)</u>

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017 AND 2016 (unaudited) (continued)

Financial Highlights And Overall Analysis — Government-Wide Financial Statements (continued)

In fiscal year 2017, the Authority received an unrestricted grant from the City in the amount of \$1.9 billion. These funds will be used to fund future years' debt service requirements for FTS Bonds and will reduce the amount of personal income tax ("PIT") retained for such purpose. Additionally, the Authority received a grant from Hudson Yards Infrastructure Corporation ("HYIC") in the amount of \$112.8 million. These funds were also used toward the Authority's future debt service payments. In fiscal year 2016, the Authority received an unrestricted grant from the City in the amount of \$1.7 billion. These funds were used to fund future years' debt service requirements for FTS Bonds and will reduce the amount of future PIT retained for such purpose.

In fiscal years 2017, 2016 and 2015, the Authority earned subsidy payments on its BABs and QSCBs. The subsidy revenue fluctuated in fiscal years 2017, 2016 and 2015 primarily due to changes in the discount rate due to the federal government's budget sequestration.

Investment earnings are primarily based on capital projects fund holdings, debt service fund holdings, interest rates and market value fluctuations during the fiscal year.

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

Interest expense increased in each fiscal year due to the increase in outstanding bonds.

Other expenses consist primarily of the Authority's administrative expenses, federal subsidies transferred to the City, and costs of issuance. The fluctuations in each fiscal year was primarily due to the changes in costs of issuance associated with the issuance of new bonds, changes in federal subsidies transferred to the City and loss on cash defeasance.

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

	2017	2016	2015	2017/2016	2016/2015
	-----in thousands-----				
Assets	\$ 10,413,900	\$ 9,462,789	\$ 9,887,032	\$ 951,111	\$ (424,243)
Deferred outflows of resources	82,287	73,446	82,477	8,841	(9,031)
Liabilities:					
Current liabilities	3,528,789	2,234,955	2,864,017	1,293,834	(629,062)
Non-current liabilities	41,991,367	38,451,852	34,844,499	3,539,515	3,607,353
Total liabilities	45,520,156	40,686,807	37,708,516	4,833,349	2,978,291
Net position:					
Restricted	203,391	12,383	64,421	191,008	(52,038)
Unrestricted	(35,227,360)	(31,162,955)	(27,803,428)	(4,064,405)	(3,359,527)
Total net position (deficit)	\$ (35,023,969)	\$ (31,150,572)	\$ (27,739,007)	\$ (3,873,397)	\$ (3,411,565)

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017 AND 2016 (unaudited) (continued)

Financial Highlights And Overall Analysis — Government-Wide Financial Statements (continued)

Total assets increased between fiscal years 2017 and 2016 primarily due to the increase in unrestricted grant received from the City and capital project funds held. Total assets decreased between fiscal years 2016 and 2015 primarily due to a decrease of approximately \$600 million in unrestricted grant received from the City.

The deferred outflows of resources represent the difference between removing the carrying amount of refunded bonds and the recording of the new bonds. The deferred outflows of resource fluctuate each year based on the amount of bonds refunded and the amortization scheduled.

Total liabilities increased in fiscal years 2017, 2016 and 2015 primarily due to the issuance of new bonds.

Financial Highlights And Overall Analysis — Governmental Funds 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").

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

	2017	2016	2015	Variance	
				2017/2016	2016/2015
	-----in thousands-----				
Revenues	\$ 143,439	\$ 142,323	\$ 142,355	\$ 1,116	\$ (32)
Expenditures	140,915	141,837	140,548	(922)	1,289
Other financing sources	316	380	362	(64)	18
Net change in fund balances	2,840	866	2,169	1,974	(1,303)
Fund balance - beginning of year	4,925	4,059	1,890	866	2,169
Fund balance - end of year	\$ 7,765	\$ 4,925	\$ 4,059	\$ 2,840	\$ 866

GF revenues fluctuate each year based on the PIT retained for administrative expenses and federal interest subsidies received. Expenditures fluctuated each year for administrative expenses and the amount of federal subsidies transferred to the City.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016 (unaudited) (continued)

Financial Highlights And Overall Analysis — Governmental Funds Financial Statements (continued)

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Variance</u>	
				<u>2017/2016</u>	<u>2016/2015</u>
	-----in thousands-----				
Revenues	\$ -	\$ 355	\$ 12	\$ (355)	\$ 343
Expenditures	(60)	4,301	8,724	(4,361)	(4,423)
Other financing sources (uses)	-	4,010	8,681	(4,010)	(4,671)
Net change in fund balances	60	64	(31)	(4)	95
Fund balance - beginning of year	33	(31)	-	64	(31)
Fund balance - end of year	<u>\$ 93</u>	<u>\$ 33</u>	<u>\$ (31)</u>	<u>\$ 60</u>	<u>\$ 64</u>

The Authority's bond proceeds and distributions to the City are reported as other financing sources (uses) in the governmental funds. In fiscal year 2017, the Authority did not issue any BARBs. In fiscal years 2016 and 2015, BARBs proceeds were transferred/due to the City to pay certain educational facilities capital program expenditures.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Variance</u>	
				<u>2017/2016</u>	<u>2016/2015</u>
	-----in thousands-----				
Revenues	\$ 1,766	\$ 909	\$ 1,264	\$ 857	\$ (355)
Expenditures	4,743,582	4,002,415	4,064,993	741,167	(62,578)
Other financing sources (uses)	4,932,764	3,949,404	3,160,203	983,360	789,201
Net change in fund balances	190,948	(52,102)	(903,526)	243,050	851,424
Fund balance - beginning of year	12,350	64,452	967,978	(52,102)	(903,526)
Fund balance - end of year	<u>\$ 203,298</u>	<u>\$ 12,350</u>	<u>\$ 64,452</u>	<u>\$ 190,948</u>	<u>\$ (52,102)</u>

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.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016 (unaudited) (continued)

Financial Highlights And Overall Analysis — Governmental Funds Financial Statements (continued)

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

	2017	2016	2015	Variance	
				2017/2016	2016/2015
	-----in thousands-----				
Revenues	\$ 598	\$ 4,712	\$ 78,292	\$ (4,114)	\$ (73,580)
Expenditures	554,912	486,102	429,643	68,810	56,459
Other financing sources (uses)	555,423	494,978	560,951	60,445	(65,973)
Net change in fund balances	1,109	13,588	209,600	(12,479)	(196,012)
Fund balance - beginning of year	875,071	861,483	651,883	13,588	209,600
Fund balance - end of year	<u>\$ 876,180</u>	<u>\$ 875,071</u>	<u>\$ 861,483</u>	<u>\$ 1,109</u>	<u>\$ 13,588</u>

Revenues in the BARBs DSF were higher in fiscal year 2015 due to the receipt of an unrestricted grant from the City. Expenditures are primarily the debt service payments on outstanding BARBs. The other financing sources (uses) consist primarily of State building aid retained by the Authority in fiscal years 2017, 2016 and 2015, respectively.

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

	2017	2016	2015	Variance	
				2017/2016	2016/2015
	-----in thousands-----				
Revenues	\$ 2,295,677	\$ 1,890,978	\$ 2,758,627	\$ 404,699	\$ (867,649)
Expenditures	2,088,557	1,781,990	2,413,789	306,567	(631,799)
Other financing sources (uses)	67,126	114,585	(15,644)	(47,459)	130,229
Net change in fund balances	274,246	223,573	329,194	50,673	(105,621)
Fund balance - beginning of year	2,148,984	1,925,411	1,596,217	223,573	329,194
Fund balance - end of year	<u>\$ 2,423,230</u>	<u>\$ 2,148,984</u>	<u>\$ 1,925,411</u>	<u>\$ 274,246</u>	<u>\$ 223,573</u>

In fiscal years 2017 and 2016, the FTS Bonds DSF revenue primarily consisted of grants from the City and PIT retained by the Authority. The increase in fiscal year 2017 over 2016 was mainly due to a \$116 million increase of PIT retained and \$288 million more of grant revenue. The decrease in fiscal year 2016 over 2015 was mainly due to a \$376 million decrease of PIT retained and \$494 million less of grant revenue in fiscal year 2016.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016 (unaudited) (continued)

Financial Highlights And Overall Analysis — Governmental Funds Financial Statements (continued)

Expenditures increased in fiscal year 2017 over 2016 mainly due to a \$297 million increase of principal and interest payments on FTS bonds. Expenditures decreased in fiscal year 2016 over 2015 mainly due to a \$622 million decrease of cash defeasance and a \$92 million decrease of principal payments on FTS bonds, offset by an \$84 million increase of interest payments. Other financing sources (uses) consist primarily of the proceeds from refunding and reoffering of FTS Bonds and payments of refunded FTS bonds. The amount fluctuates each year based on the size of the refunding.

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 Investor Relations, the New York City Transitional Finance Authority, 255 Greenwich Street, New York, NY 10007.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

STATEMENTS OF NET POSITION (DEFICIT)

AS OF JUNE 30, 2017 AND 2016

	2017	2016
(in thousands)		
ASSETS:		
Unrestricted cash and cash equivalents	\$ 90,252	\$ 8,425
Restricted cash and cash equivalents	1,806,773	269,831
Unrestricted investments	1,921,154	1,899,642
Restricted investments	746,627	871,062
Due from New York City - future State building aid	5,064,874	5,640,622
Personal income tax receivable from New York State	753,222	739,405
Federal interest subsidy receivable	30,531	30,625
Other	467	3,177
	10,413,900	9,462,789
DEFERRED OUTFLOWS OF RESOURCES:		
Unamortized deferred bond refunding costs	82,287	73,446
Total deferred outflows of resources	82,287	73,446
LIABILITIES:		
Personal income tax payable to New York City	753,222	739,405
Distribution payable to New York City capital programs	1,050,020	6,321
Accrued expenses	4,687	4,453
Accrued interest payable	536,455	494,141
Bonds payable:		
Portion due within one year	1,184,405	990,635
Portion due after one year	41,991,367	38,451,852
	45,520,156	40,686,807
NET POSITION (DEFICIT):		
Restricted for capital projects	203,391	12,383
Unrestricted (deficit)	(35,227,360)	(31,162,955)
	\$ (35,023,969)	\$ (31,150,572)

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

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

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
(in thousands)		
REVENUES:		
Personal income tax revenue	\$ 11,090,809	\$ 10,958,302
Less remittances to New York City	(10,793,558)	(10,778,012)
Personal income tax revenue retained	297,251	180,290
Unrestricted grants	2,021,568	1,733,769
Federal interest subsidy	116,657	116,903
Investment earnings	5,910	8,466
Total revenues	2,441,386	2,039,428
EXPENSES:		
General and administrative expenses	24,164	25,085
Distribution to New York City for general capital program	4,721,999	3,984,060
Distribution of federal interest subsidy to New York City	116,751	116,752
Cost of debt issuance	25,727	24,622
Interest expense	1,425,751	1,300,474
Loss on defeasance	391	-
Total expenses	6,314,783	5,450,993
Change in net position (deficit)	(3,873,397)	(3,411,565)
NET POSITION (DEFICIT) - beginning of year	(31,150,572)	(27,739,007)
NET POSITION (DEFICIT) - end of year	\$ (35,023,969)	\$ (31,150,572)

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

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

GOVERNMENTAL FUNDS BALANCE SHEETS
AS OF JUNE 30, 2017

(in thousands)

	(in thousands)					Total Governmental Funds
	General Fund	Capital Projects		Debt Service		
		Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	
ASSETS:						
Unrestricted cash and cash equivalents	\$ 11,197	\$ -	\$ -	\$ -	\$ 79,055	\$ 90,252
Restricted cash and cash equivalents	-	178	1,229,148	260,777	316,670	1,806,773
Restricted investments	-	-	24,915	601,161	120,551	746,627
Unrestricted investments	-	-	-	14,091	1,907,063	1,921,154
Personal income tax receivable from New York State	-	-	-	-	753,222	753,222
Other	316	-	-	467	-	783
Total assets	\$ 11,513	\$ 178	\$ 1,254,063	\$ 876,496	\$ 3,176,561	\$ 5,318,811
LIABILITIES:						
Accrued expenses	\$ 3,748	\$ 85	\$ 745	\$ 316	\$ 109	\$ 5,003
Distribution payable to New York City for capital programs	-	-	1,050,020	-	-	1,050,020
Personal income tax payable to New York City	-	-	-	-	78,222	78,222
Total liabilities	3,748	85	1,050,765	316	78,331	1,133,245
DEFERRED INFLOWS OF RESOURCES:						
Unavailable personal income tax revenue	-	-	-	-	675,000	675,000
Total deferred inflows of resources	-	-	-	-	675,000	675,000
FUND BALANCES:						
Restricted for:						
Capital distribution to New York City	-	93	203,298	-	-	203,391
Debt service	-	-	-	862,090	437,112	1,299,202
Unrestricted for:						
Assigned for debt service	-	-	-	14,090	1,986,118	2,000,208
Unassigned	7,765	-	-	-	-	7,765
Total fund balances	7,765	93	203,298	876,180	2,423,230	3,510,566
Total liabilities, deferred inflows of resources and fund balances	\$ 11,513	\$ 178	\$ 1,254,063	\$ 876,496	\$ 3,176,561	\$ 5,318,811

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

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

GOVERNMENTAL FUNDS BALANCE SHEETS
AS OF JUNE 30, 2016

(in thousands)

	Capital Projects		Debt Service		Total Governmental Funds	
	General Fund	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds		Future Tax Secured
ASSETS:						
Unrestricted cash and cash equivalents	\$ 8,423	\$ -	\$ -	\$ -	\$ 2	\$ 8,425
Restricted cash and cash equivalents	-	223	19,056	236	250,316	269,831
Restricted investments	-	-	-	828,000	43,062	871,062
Unrestricted investments	-	-	-	44,038	1,855,604	1,899,644
Personal income tax receivable from New York State	-	-	-	-	739,405	739,405
Other	380	-	-	3,177	-	3,557
Total assets	\$ 8,803	\$ 223	\$ 19,056	\$ 875,451	\$ 2,888,389	\$ 3,791,922
LIABILITIES:						
Accrued expense payable	\$ 3,878	\$ 190	\$ 385	\$ 380	\$ -	\$ 4,833
Distribution payable to New York City for capital programs	-	-	6,321	-	-	6,321
Personal income tax payable to New York City	-	-	-	-	63,405	63,405
Total liabilities	3,878	190	6,706	380	63,405	74,559
DEFERRED INFLOWS OF RESOURCES:						
Unavailable personal income tax revenue	-	-	-	-	676,000	676,000
Total deferred inflows of resources	-	-	-	-	676,000	676,000
FUND BALANCES:						
Restricted for:						
Capital distribution to New York City	-	33	12,350	-	-	12,383
Debt service	-	-	-	831,033	293,378	1,124,411
Unrestricted for:						
Assigned for debt service	-	-	-	44,038	1,855,606	1,899,644
Unassigned	4,925	-	-	-	-	4,925
Total fund balances	4,925	33	12,350	875,071	2,148,984	3,041,363
Total liabilities, deferred inflows of resources and fund balances	\$ 8,803	\$ 223	\$ 19,056	\$ 875,451	\$ 2,888,389	\$ 3,791,922

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENTS OF NET POSITION (DEFICIT) AS OF JUNE 30, 2017 AND 2016

	2017	2016
	(in thousands)	
Total fund balances - governmental funds	\$ 3,510,566	\$ 3,041,363
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 when received. 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.	(2,480,127)	(2,085,007)
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 sheets where no bond interest is reported as payable until due, no subsidy receivable is reported.	30,531	30,625
BARBs proceeds are reported as an other financing sources in the governmental funds financial statements. However, in the statements of net position (deficit), they are reported as due from the City.	5,064,874	5,640,622
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	(40,695,645)	(37,357,480)
Accrued interest payable	(536,455)	(494,141)
Costs of bond refundings are reported as expenditures in governmental funds financial statements. However, in the statements 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.	82,287	73,446
Net position (deficit) of governmental activities	\$ (35,023,969)	\$ (31,150,572)

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

**GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

(in thousands)

						Total Governmental Funds
	General Fund	Capital Projects		Debt Service		
		Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	
REVENUES:						
Personal income tax revenue	\$ 26,615	\$ -	\$ -	\$ -	\$ 11,065,194	\$ 11,091,809
Less remittances to New York City	-	-	-	-	(10,794,558)	(10,794,558)
Personal income tax revenue retained	26,615	-	-	-	270,636	297,251
Unrestricted grants	-	-	-	-	2,021,568	2,021,568
Federal interest subsidy	116,751	-	-	-	-	116,751
Investment earnings	73	-	1,766	598	3,473	5,910
Total revenues	<u>143,439</u>	<u>-</u>	<u>1,766</u>	<u>598</u>	<u>2,295,677</u>	<u>2,441,480</u>
EXPENDITURES:						
Interest expense	-	-	-	392,792	1,194,541	1,587,333
Costs of debt issuance	-	(60)	21,583	-	-	21,523
Distributions to New York City for general capital program	-	-	4,721,999	-	-	4,721,999
Distributions of federal interest subsidy to New York City	116,751	-	-	-	-	116,751
Defeasance escrow	-	-	-	-	19,397	19,397
Principal amount of bonds retired	-	-	-	162,120	870,415	1,032,535
Refunding bond issuance costs	-	-	-	-	4,204	4,204
General and administrative expenses	24,164	-	-	-	-	24,164
Total expenditures	<u>140,915</u>	<u>(60)</u>	<u>4,743,582</u>	<u>554,912</u>	<u>2,088,557</u>	<u>7,527,906</u>
Excess (deficiency) of revenues over expenditures	<u>2,524</u>	<u>60</u>	<u>(4,741,816)</u>	<u>(554,314)</u>	<u>207,120</u>	<u>(5,086,426)</u>
OTHER FINANCING SOURCES (USES):						
Principal amount of bonds issued	-	-	4,400,000	-	-	4,400,000
Distributions to New York City for educational facilities capital programs	-	-	-	-	-	-
Refunding bond proceeds	-	-	-	-	833,595	833,595
Bond premium, net of discount	-	-	533,758	-	120,907	654,665
Payments of refunded bonds	-	-	-	-	(908,379)	(908,379)
Transfer from New York City - building aid	-	-	-	575,748	-	575,748
Transfers in (out)	316	-	(994)	(20,325)	21,003	-
Total other financing sources (uses)	<u>316</u>	<u>-</u>	<u>4,932,764</u>	<u>555,423</u>	<u>67,126</u>	<u>5,555,629</u>
Net changes in fund balances	2,840	60	190,948	1,109	274,246	469,203
FUND BALANCES - beginning of year	4,925	33	12,350	875,071	2,148,984	3,041,363
FUND BALANCES - end of year	<u>\$ 7,765</u>	<u>\$ 93</u>	<u>\$ 203,298</u>	<u>\$ 876,180</u>	<u>\$ 2,423,230</u>	<u>\$ 3,510,566</u>

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

**GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	(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	\$ 25,539	\$ -	\$ -	\$ -	\$ 10,759,763	\$ 10,785,302
Less remittances to New York City	-	-	-	-	(10,605,012)	(10,605,012)
Personal income tax revenue retained	25,539	-	-	-	154,751	180,290
Unrestricted grants	-	-	-	-	1,733,769	1,733,769
Federal interest subsidy	116,752	-	-	-	-	116,752
Investment earnings	32	355	909	4,712	2,458	8,466
Total revenues	<u>142,323</u>	<u>355</u>	<u>909</u>	<u>4,712</u>	<u>1,890,978</u>	<u>2,039,277</u>
EXPENDITURES:						
Interest expense	-	-	-	354,097	1,071,839	1,425,936
Costs of debt issuance	-	4,301	18,355	-	-	22,656
Distributions to New York City for general capital program	-	-	3,984,060	-	-	3,984,060
Distributions of federal interest subsidy to New York City	116,752	-	-	-	-	116,752
Defeasance escrow	-	-	-	-	11,835	11,835
Principal amount of bonds retired	-	-	-	132,005	696,350	828,355
Refunding bond issuance costs	-	-	-	-	1,966	1,966
General and administrative expenses	25,085	-	-	-	-	25,085
Total expenditures	<u>141,837</u>	<u>4,301</u>	<u>4,002,415</u>	<u>486,102</u>	<u>1,781,990</u>	<u>6,416,645</u>
Excess (deficiency) of revenues over expenditures	<u>486</u>	<u>(3,946)</u>	<u>(4,001,506)</u>	<u>(481,390)</u>	<u>108,988</u>	<u>(4,377,368)</u>
OTHER FINANCING SOURCES (USES):						
Principal amount of bonds issued	-	750,000	3,650,000	-	-	4,400,000
Distributions to New York City for educational facilities capital programs	-	(852,293)	-	-	-	(852,293)
Refunding bond proceeds	-	-	-	-	399,660	399,660
Bond premium, net of discount	-	106,627	301,004	-	69,671	477,302
Payments of refunded bonds	-	-	-	-	(467,266)	(467,266)
Transfer from New York City - building aid	-	-	-	605,954	-	605,954
Transfers in (out)	380	(324)	(1,600)	(110,976)	112,520	-
Total other financing sources (uses)	<u>380</u>	<u>4,010</u>	<u>3,949,404</u>	<u>494,978</u>	<u>114,585</u>	<u>4,563,357</u>
Net changes in fund balances	866	64	(52,102)	13,588	223,573	185,989
FUND BALANCES - beginning of year	<u>4,059</u>	<u>(31)</u>	<u>64,452</u>	<u>861,483</u>	<u>1,925,411</u>	<u>2,855,374</u>
FUND BALANCES - end of year	<u>\$ 4,925</u>	<u>\$ 33</u>	<u>\$ 12,350</u>	<u>\$ 875,071</u>	<u>\$ 2,148,984</u>	<u>\$ 3,041,363</u>

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

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

**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, 2017 AND 2016**

	2017	2016
	(in thousands)	
Net change in fund balances - total governmental funds	\$ 469,203	\$ 185,989
Amounts reported for governmental activities in the statements of activities are different because:		
Bond proceeds provide current financial resources to governmental funds financial statements but bonds issued increase long-term liabilities on the statements of net position (deficit).	(4,400,000)	(4,799,660)
Refunding bond proceeds and payments to refunded bond escrow holder are reported as other financing sources and uses in the governmental funds financial statements, but increase and decrease long-term liabilities in the statements of net position (deficit).	74,784	467,266
The governmental funds financial statements 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.	(9,461)	(8,052)
Payment (including defeasance) of bond principal is an expenditure in the governmental funds financial statements, but the payment reduces long-term liabilities in the statement of net position (deficit).	1,051,932	840,190
Payments to defease bonds prior to maturity are reported as expenditures in the governmental funds financial statements. However, in the statements of net position (deficit), only the difference between the carrying value of the defeased bonds and the amount paid to defease the bonds are reported as period revenues or expenses.	(391)	-
The governmental funds financial statements 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.	(425,597)	(277,983)
Distributions to the City's educational facilities capital program from BARBs proceeds are reported as an other financing use in governmental funds financial statements. However, in the statements of net position (deficit), distributions of BARBs proceeds are reported as due from New York City-future State building aid.	-	852,293
Retention of building aid is reported similar to a transfer from the City, as an other financing source in the governmental funds financial statements. 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.	(575,748)	(605,954)
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 financial statements where interest expenditure is reported when due, no subsidy revenue is accrued as of year end.	(94)	151
Interest is reported on the statement of activities on the accrual basis. However, interest is reported as an expenditure in the governmental funds financial statements when the outlay of financial resources is due.	(58,025)	(65,805)
Change in net position (deficit) - governmental activities	\$ (3,873,397)	\$ (3,411,565)

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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’s original authorizing legislation limited the amount of Authority bonds and notes issued for the City’s general capital purposes (FTS Bonds) at \$7.5 billion, (excluding Recovery Bonds, discussed below) which was amended several times to \$13.5 billion. On July 11, 2009, subsequent authorizing legislation was enacted under Chapter 182 of the Laws of New York, 2009, which permitted the Authority to have outstanding \$13.5 billion of FTS Bonds (excluding Recovery Bonds). In addition, Chapter 182 permitted 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, does not exceed the debt limit of the City. At the end of fiscal year 2017, the City’s and the Authority’s remaining combined debt incurring capacity was approximately \$24.0 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 enabled 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 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.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2017 AND 2016

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 funds 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 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 are recognized when due.

The Authority uses five governmental funds for reporting its activities: (1) a general fund (“GF”), (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 outstanding debts. 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.

Fund balance that cannot be spent because it is not in spendable form is defined as nonspendable. Resources constrained for debt service or redemption in accordance with TFA’s Trust Indenture, (the “Indenture”) are classified as restricted on the statements of net position (deficit) and the governmental funds balance sheets.

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. Authorized officers allowed to assign funds are comprised of the Executive Director, Comptroller, Treasurer, Secretary, Deputy Comptroller, Assistant Secretaries

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2017 AND 2016

2. Summary Of Significant Accounting Policies (continued)

and Assistant Treasurer. 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 use 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 are 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 funds financial statements recognize the premiums and discounts, as well as debt issuance costs, during the current period. Bond premiums and discounts are presented as additions or reductions to the face amount of the bonds payable. Bond issuance costs are recognized in the period incurred both on the government-wide and governmental funds financial statements.
- D. Deferred bond refunding costs represent the accounting loss incurred in a current or advance refunding of outstanding bonds and are reported as a deferred outflow of resources on the government-wide financial statements. 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 governmental funds financial statements, 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 funds financial statements.
- F. The 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. In fiscal years 2017 and 2016, the Authority received unrestricted grants for future debt service payments and reduced the amount of PIT retained for such purpose 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 pursuant to GASB standards. The Authority reports, on its statements 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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2017 AND 2016

2. Summary Of Significant Accounting Policies (continued)

capital program are reported as an other 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, 2017 and 2016, the Authority retained \$576 million and \$606 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 2017 and 2016.

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 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. Recent Accounting Pronouncements:

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 June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 74"). GASB 74 establishes financial reporting standards for state and local governmental other postemployment benefit ("OPEB") plans. The requirements of GASB 74 are effective for fiscal years beginning after June 15, 2016. The adoption of GASB 74 did not have an impact on TFA's financial statements, as TFA is not an OPEB Plan.
- In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). GASB 75 establishes accounting and financial reporting standards for OPEB that is provided to employees of state and local governmental employees. The requirements of GASB 75 are effective for fiscal years beginning after June 15, 2017. The adoption of GASB 75 did not have an impact on TFA's financial statements, as it has no employees.

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NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2017 AND 2016

2. Summary Of Significant Accounting Policies (continued)

- In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, (“GASB 83”). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations. This statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations. The requirements of GASB 83 are effective for fiscal years beginning after June 15, 2018. TFA has not completed the process of evaluating GASB 83, but does not expect it to have an impact on TFA’s financial statements.
- In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, (“GASB 84”). The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB 84 are effective for fiscal years beginning after December 15, 2018. TFA has not completed the process of evaluating GASB 84, but does not expect it to have an impact on TFA’s financial statements, as it does not enter in fiduciary activities.
- In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, (“GASB 85”). The objective of GASB 85 is to address practice issues that have been identified during implementation and application of certain GASB statements. The requirements of GASB 85 are effective for fiscal years beginning after June 15, 2017. The adoption of GASB 85 did not have an impact on TFA’s financial statements.
- In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, (“GASB 86”). The primary objective of GASB 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets are acquired with only existing resources – resources other than the proceeds of refunding debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished. The requirements of GASB 86 are effective for fiscal years beginning after June 15, 2017. TFA has not completed the process of evaluating GASB 86, but does not expect it to have an impact on TFA’s financial statements.
- In June 2017, GASB issued Statement No. 87, *Leases*, (“GASB 87”). The objective of GASB 87 is to improve accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. TFA has not completed the process of evaluating GASB 87, but does not expect it to have an impact on TFA’s financial statements, as it does not enter into any lease agreements.

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NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2017 AND 2016

2. Summary Of Significant Accounting Policies (continued)

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.

3. Cash And Cash Equivalents

The Authority's cash and cash equivalents as of June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
	(in thousands)	
Restricted cash and cash equivalents:		
Cash	\$ 7	\$ 2
Cash equivalents (see Note 4)	<u>1,806,766</u>	<u>269,829</u>
Total restricted cash and cash equivalents	<u>1,806,773</u>	<u>269,831</u>
Unrestricted cash and cash equivalents:		
Cash	193	247
Cash equivalents (see Note 4)	<u>90,059</u>	<u>8,178</u>
Total unrestricted cash and cash equivalents	<u>90,252</u>	<u>8,425</u>
Total cash and cash equivalents	<u>\$ 1,897,025</u>	<u>\$ 278,256</u>

As of June 30, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016, the carrying amounts and bank balances of bank deposits were \$200 thousand and \$249 thousand, respectively. These deposits were covered by the Federal Deposit Insurance Corporation.

The Authority's investments classified as cash equivalents included U.S. Government Securities and Commercial Paper that have 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).

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2017 AND 2016

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.

The Authority's investments, including cash equivalents, as of June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
	(in thousands)	
Restricted investments and cash equivalents:		
Money market funds	\$ 11,336	\$ 3,886
Federal Home Loan Bank discount notes (Maturing within one year)	830,054	449,329
Federal Home Loan Mortgage Corporation discount notes (Maturing within one year)	170,934	568,637
Federal National Mortgage Association discount notes (Maturing within one year)	139,208	60,440
U.S. Treasuries (Maturing within one year)	93,259	-
U.S. Treasuries (Maturing within five to ten years)	55,404	40,018
Commercial paper (Maturing within one year)	<u>1,253,198</u>	<u>18,581</u>
Total restricted investments and cash equivalents	2,553,393	1,140,891
Less: amounts reported as restricted cash equivalents	<u>(1,806,766)</u>	<u>(269,829)</u>
Total restricted investments	<u>\$ 746,627</u>	<u>\$ 871,062</u>
Unrestricted investments and cash equivalents:		
Money market funds	\$ 11,038	\$ 8,178
Federal Home Loan Bank discount notes (Maturing within one year)	1,056,362	537,633
Federal Home Loan Mortgage Corporation discount notes (Maturing within one year)	929,722	733,436
Federal National Mortgage Association discount notes (Maturing within one year)	<u>14,091</u>	<u>628,573</u>
Total unrestricted investments and cash equivalents	2,011,213	1,907,820
Less: amounts reported as unrestricted cash equivalents	<u>(90,059)</u>	<u>(8,178)</u>
Total unrestricted investments	<u>\$ 1,921,154</u>	<u>\$ 1,899,642</u>

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2017 AND 2016

4. Investments (continued)

Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of June 30, 2017 and 2016:

- Money Market Funds of \$22.4 million and \$12.1 million, respectively, are valued based on various market and industry inputs (Level 2 inputs).
- U.S. Treasury securities of \$148.7 million and \$40.0 million, respectively, are valued using quoted market prices (Level 1 inputs).
- U.S. Agencies securities of \$3.1 billion and \$3.0 billion, respectively, are valued using a matrix pricing model (Level 2 inputs).
- Commercial paper of \$1.3 billion and \$18.6 million, respectively, are valued using a matrix pricing model (Level 2 inputs).

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.

Concentration of Credit Risk — Concentration of credit risk is the risk of loss attributed to the magnitude of TFA's investments in a single issuer (5% or more). TFA's investment policy places no limit on the amount TFA may invest in any one issuer of eligible government obligations as defined in the Indenture. As of June 30, 2017, TFA's investments were in eligible U.S. Government sponsored entities and commercial paper. These are 73% and 27% of TFA total investments, respectively.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2017 AND 2016

5. Long-Term Liabilities

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, does not exceed the debt limit of the City. As of June 30, 2017, the City’s and the Authority’s remaining combined debt-incurring capacity was approximately \$24.0 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, 2017 and 2016, the Authority had \$989.8 million and \$1.0 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, 2017 and 2016, were \$31.8 billion and \$28.3 billion, respectively. Total FTS Bonds outstanding at June 30, 2017 and 2016, were \$32.8 billion and \$29.3 billion, respectively.

In fiscal year 2017, the changes in FTS long-term debt were as follows:

	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017
		(in thousands)		
Senior FTS Bonds	\$ 1,034,610	\$ -	\$ (44,835)	\$ 989,775
Subordinate FTS Bonds:				
Recovery Bonds	906,425	-	(106,260)	800,165
Parity Bonds	23,248,795	5,233,595	(1,552,650)	26,929,740
Build America Bonds	2,986,555	-	(29,565)	2,956,990
Qualified School Construction Bonds	1,137,340	-	-	1,137,340
Subtotal - Subordinate FTS Bonds	28,279,115	5,233,595	(1,688,475)	31,824,235
Total before premiums/discounts (net)	29,313,725	5,233,595	(1,733,310)	32,814,010
Premiums/(discounts)(net)	1,620,813	654,664	(229,243)	2,046,234
Total FTS Bonds Payable	\$ 30,934,538	\$ 5,888,259	\$ (1,962,553)	\$ 34,860,244
Due within one year				<u>\$ 1,000,260</u>

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2017 AND 2016

5. Long-Term Liabilities (continued)

In fiscal year 2016, the changes in FTS long-term debt were as follows:

	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016
		(in thousands)		
Senior FTS Bonds	\$ 1,287,545	\$ -	\$ (252,935)	\$ 1,034,610
Subordinate FTS Bonds:				
Recovery Bonds	936,115	-	(29,690)	906,425
Parity Bonds	20,070,145	4,049,660	(871,010)	23,248,795
Build America Bonds	2,993,200	-	(6,645)	2,986,555
Qualified School Construction Bonds	1,137,340	-	-	1,137,340
Subtotal - Subordinate FTS Bonds	25,136,800	4,049,660	(907,345)	28,279,115
Total before premiums/discounts (net)	26,424,345	4,049,660	(1,160,280)	29,313,725
Premiums/(discounts)(net)	1,434,301	370,675	(184,163)	1,620,813
Total FTS Bonds Payable	<u>\$ 27,858,646</u>	<u>\$ 4,420,335</u>	<u>\$ (1,344,443)</u>	<u>\$ 30,934,538</u>
Due within one year				<u>\$ 828,515</u>

As of June 30, 2017, the interest rates on the Authority's outstanding FTS fixed rate bonds ranged from 1.00% to 5.50% on tax-exempt bonds and .90% 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 ended June 30, 2017 and 2016. 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, 2017 and 2016, the Authority had \$4.2 billion and \$4.2 billion, respectively, of FTS variable rate bonds outstanding, consisting of \$222.4 million of Auction Rate Securities ("ARS"), \$610.9 million and \$434.2 million, respectively, of Index Rate Bonds, and \$3.4 billion and \$3.6 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 ARS cannot exceed 12%. In fiscal years 2017 and 2016, the interest rate on the ARS averaged .84% and .46%, respectively, and on the Index Rate Bonds 1.34% and .79%, respectively. The Authority's Index Rate Bonds pay interest based on a specified index. Such bonds also provide for an increased rate of interest commencing on an identified step up date if such bonds are not converted or

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2017 AND 2016

5. Long-Term Liabilities (continued)

refunded. 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 2017 and 2016, the VRDB rates averaged .77% and .21%, respectively, on tax exempt bonds.

During fiscal year 2017, the Authority issued \$794.6 million of FTS bonds to refund \$862.9 million of outstanding FTS bonds. This refunding resulted in an accounting loss of \$18.3 million. The Authority in effect reduced its aggregate debt service by \$99.2 million and obtained an economic benefit of \$85.0 million.

During fiscal year 2016, the Authority issued \$400.0 million of FTS bonds to refund \$463.9 million of outstanding FTS bonds. This refunding resulted in an accounting gain of \$978.9 thousand. The Authority in effect reduced its aggregate debt service by \$67.8 million and obtained an economic benefit of \$63.2 million.

The bonds refunded with defeasance collateral have been removed from the financial statements as a liability of the Authority. As of June 30, 2017 and 2016, the Authority had FTS Bonds refunded with defeasance collateral totaling \$13.7 billion and \$12.9 billion, respectively, of which \$1.3 billion and \$1.6 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, 2017, for FTS Bonds, including Recovery Bonds, payable to their maturity are as follows:

	SENIOR		SUBORDINATE		Total	Total	Total
	<u>Principal</u>	<u>Interest (a)</u>	<u>Principal</u>	<u>Interest (a)</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	(in thousands)						
Year ending June 30,							
2018	\$ 3,350	\$ 8,392	\$ 1,008,220	\$ 1,296,690	\$ 1,011,570	\$ 1,305,082	\$ 2,316,652
2019	12,940	7,999	1,370,740	1,268,783	1,383,680	1,276,782	2,660,462
2020	3,380	7,598	1,359,980	1,219,610	1,363,360	1,227,208	2,590,568
2021	-	7,509	1,411,725	1,170,030	1,411,725	1,177,539	2,589,264
2022	-	7,509	1,441,385	1,118,708	1,441,385	1,126,217	2,567,602
2023 to 2027	368,940	33,078	6,569,520	4,826,449	6,938,460	4,859,527	11,797,987
2028 to 2032	601,165	8,147	6,077,245	3,437,905	6,678,410	3,446,052	10,124,462
2033 to 2037	-	-	6,107,190	2,066,562	6,107,190	2,066,562	8,173,752
2038 to 2042	-	-	5,316,105	645,675	5,316,105	645,675	5,961,780
2043 to 2045	-	-	1,162,125	28,676	1,162,125	28,676	1,190,801
Total	\$ 989,775	\$ 80,232	\$31,824,235	\$17,079,088	\$32,814,010	\$17,159,320	\$49,973,330

(a) The variable interest rates used in this table were .77% on tax-exempt bonds and .84% on auction bonds.

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NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2017 AND 2016

5. Long-Term Liabilities (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 BARBs, 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 administrative expenditures. As of June 30, 2017 and 2016, the Authority had \$7.9 billion and \$8.0 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.

In fiscal year 2017, the changes in BARBs long-term debt were as follows:

	Balance at <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2017</u>
		(in thousands)		
Tax-exempt Bonds	\$ 7,548,005	\$ -	\$ (162,120)	\$ 7,385,885
Build America Bonds	295,750	-	-	295,750
Qualified School Construction Bonds	200,000	-	-	200,000
Total before premiums/discounts (net)	8,043,755	-	(162,120)	7,881,635
Premiums/(discounts)(net)	464,194	-	(30,301)	433,893
Total BARBs Payable	\$ 8,507,949	\$ -	\$ (192,421)	\$ 8,315,528
Due within one year				<u>\$ 184,145</u>

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NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2017 AND 2016

5. Long-Term Liabilities (continued)

In fiscal year 2016, the changes in BARBs long-term debt were as follows:

	<u>Balance at June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>
		(in thousands)		
Tax-exempt Bonds	\$ 6,930,010	\$ 750,000	\$ (132,005)	\$ 7,548,005
Build America Bonds	295,750	-	-	295,750
Qualified School Construction Bonds	200,000	-	-	200,000
Total before premiums/discounts (net)	7,425,760	750,000	(132,005)	8,043,755
Premiums/(discounts)(net)	388,448	106,626	(30,880)	464,194
Total BARBs Payable	\$ 7,814,208	\$ 856,626	\$ (162,885)	\$ 8,507,949
Due within one year				<u>\$ 162,120</u>

As of June 30, 2017 the interest rates on the Authority's outstanding BARBs fixed rate bonds ranged from 2.0% to 6.0% on tax-exempt bonds and 4.80% to 7.13% on taxable bonds.

Debt service requirements at June 30, 2017 for BARBs payable to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
		(in thousands)	
Year ending June 30,			
2018	\$ 191,120	\$ 391,066	\$ 582,186
2019	199,260	382,705	581,965
2020	210,300	373,808	584,108
2021	219,805	363,964	583,769
2022	232,425	353,469	585,894
2023 to 2027	1,373,780	1,581,350	2,955,130
2028 to 2032	1,726,900	1,187,300	2,914,200
2033 to 2037	2,173,160	689,713	2,862,873
2038 to 2042	1,219,395	203,192	1,422,587
2043 to 2046	335,490	20,533	356,023
Total	\$ 7,881,635	\$ 5,547,100	\$ 13,428,735

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NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2017 AND 2016

5. Long-Term Liabilities (continued)

As of June 30, 2017 and 2016, the Authority maintained its required debt service accounts as follows:

	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Required for FTS	\$ 166,435	\$ 327,123	\$ 120,355	\$ 291,072
Required for BARBs	191,120	391,066	169,095	392,792
Total	<u>\$ 357,555</u>	<u>\$ 718,189</u>	<u>\$ 289,450</u>	<u>\$ 683,864</u>

The Authority held \$1.9 billion and \$1.7 billion in excess of amounts required to be retained for FTS Bonds debt service under the Indenture as of June 30, 2017 and 2016, respectively. The Authority held \$260.9 million and \$282.8 million in excess of amounts required to be retained for BARBs debt service under the Indenture as of June 30, 2017 and 2016, respectively.

6. Unrestricted Grants

In fiscal year 2017, the Authority received an unrestricted grant from the City in the amount of \$1.9 billion. These funds will be used to fund future year's debt service requirements for FTS Bonds and will reduce the amount of PIT retained for such purpose. Additionally, the Authority received a grant from HYIC in the amount of \$112.8 million. These funds were also used toward the Authority's future debt service payments. In fiscal year 2016, the Authority received an unrestricted grant from the City in the amount of \$1.7 billion for FTS Bonds. These funds were used to fund future years' debt service requirements for FTS Bonds. The City grants are reported as assigned for debt service in the governmental funds balance sheets.

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.

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NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2017 AND 2016

8. Subsequent Events

On July 20, 2017, the Authority issued \$812.8 million of tax-exempt Fiscal 2018 Series S-1 BARBs and \$194.8 million of tax-exempt Fiscal 2018 S-2 BARBs. The tax-exempt proceeds were used to refund prior outstanding BARBs.

On August 17, 2017, the Authority issued \$1.35 billion, Fiscal 2018 Series A FTS Bonds, comprised of Subseries A-1, \$181.3 million of tax-exempt bonds; Subseries A-2, \$406.8 million of tax-exempt bonds; Subseries A-3, \$411.9 million of tax-exempt bonds; Subseries A-4 \$124.2 million of taxable bonds; Subseries A-5, \$225.8 million of taxable bonds. The proceeds of the Fiscal 2018 Series A FTS Bonds will be used for the City's capital programs. The Authority also reoffered \$161.1 million of Series 2018-1 FTS bonds.

* * * * *