

NYCTL 2016-A TRUST

Financial Statements

For the Period from May 10, 2016 (Inception) to June 30, 2016

(With Independent Auditors' Report)

NYCTL 2016-A TRUST

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INDEPENDENT AUDITORS' REPORT

Wilmington Trust Company
NYCTL 2016-A Trust:

We have audited the accompanying financial statements of the governmental activities and each major fund of the NYCTL 2016-A Trust (the Trust), a blended component unit of the City of New York, as of and for the period from May 10, 2016 (inception) to June 30, 2016 and the related notes to financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Managements 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Trust'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 Trust'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 opinions.

Opinions

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, as of June 30, 2016 and the respective changes in financial position from the period from May 10, 2016 (inception) to June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

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 6, 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust's financial statements as a whole. The supplemental schedule on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 16, 2016, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Trust's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York
September 16, 2016

**NYCTL 2016-A TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS

The following is a narrative overview and analysis of the financial activities of NYCTL 2016-A Trust (the "Trust") for the period from May 10, 2016 (inception) to June 30, 2016. It should be read in conjunction with the Trust's government-wide financial statements, governmental fund financial statements and the notes to the financial statements.

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

The government-wide financial statements of the Trust, which include the statement of net position and the statement 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 Trust'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 Trust's governmental fund financial statements 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 twelve months after the fiscal year-end. Expenditures are recognized when the related liability is incurred, except for the principal and interest on the bonds payable, which are recognized when due, and the residual liability due to the New York City Water Board (the "Water Board"), which is recognized when distributions are made to the Water Board.

The reconciliation of the governmental fund balance sheet to the statement of net position and the reconciliation of the governmental fund statement of revenues, expenditures and changes in fund balance to the statement of activities are presented to assist the reader in understanding the differences between government-wide and governmental fund financial statements.

OVERVIEW OF THE ORGANIZATION

The Trust was created on May 10, 2016 (inception) to acquire certain liens securing unpaid real estate taxes, water rents, sewer surcharges, and other charges, payable to the City of New York (the "City") and the Water Board, in exchange for the proceeds from bonds to be issued by the Trust, net of reserves funded by bond proceeds and bond issuance costs. The City is the sole beneficiary of the Trust and is entitled to receive distributions from the Trust after payments to bondholders and certain reserve requirements have been satisfied. The City is not entitled to cause the Trust to make distributions to it while bonds remain outstanding.

**NYCTL 2016-A TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

A summary of the Trust's assets, liabilities and net position and its activities as of June 30, 2016 and for the period from May 10, 2016 (inception) to June 30, 2016 is as follows:

Summary of Balance Sheet:

	2016
ASSETS:	
Cash and cash equivalents	\$ 1,512,718
Tax liens receivable, net of allowance	45,276,110
Total Assets	46,788,828
 LIABILITIES:	
Accounts payable and accrued liabilities	1,146
Overages due to taxpayers	10,935
Residual liability due to Water Board	11,039,312
Total Liabilities	11,051,393
 NET POSITION:	
Unrestricted	35,737,435
Total Net Position	\$ 35,737,435

Summary of Activities:

	2016
REVENUES:	
Tax liens received from the City of New York	\$ 46,109,298
Interest on tax liens	744,096
Total revenues	46,853,394
 EXPENSES:	
Increase in allowance for doubtful accounts	76,466
Addition to residual liability due to Water Board	11,039,312
Administrative expenses	181
Total Expenses	11,115,959
Change in net position	35,737,435
Net position - Beginning of year	-
Net position - End of year	\$ 35,737,435

**NYCTL 2016-A TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS
(CONTINUED)**

During the period from May 10, 2016 (inception) to June 30, 2016, the Trust's total assets increased by \$46,788,828 resulting primarily from an increase in net tax liens receivable of \$45,276,110, reflecting the Trust's commencement of operations during the period. The increase in tax liens receivable resulted primarily from tax liens received from the City of \$46,109,298, accrued interest of \$744,096 offset by recording an allowance for doubtful accounts of \$76,466 and receipts in satisfaction of liens and costs of \$1,500,818. The \$11,051,393 increase in the Trust's liabilities resulted primarily from an increase in the residual liability due to the Water Board of \$11,039,312.

During the period from May 10, 2016 (inception) to June 30, 2016, total revenues were \$46,853,394 and consisted of tax liens received from the City of \$46,109,298 and interest on tax liens receivable of \$744,096. Total expenses of \$11,115,959 resulted primarily from the recording of an allowance for doubtful accounts of \$76,466 and an increase in the residual liability due to the Water Board of \$11,039,312.

Subsequent Long-Term Debt Activity:

The Trust issued debt subsequent to June 30, 2016 (Note 5) to fund its purchase of certain tax liens from the City, as well as to fund required reserve accounts and pay costs of issuance. Debt repayments will be made solely from cash collections received as a result of payments of tax liens or from proceeds from real estate owned as a result of foreclosure on properties with unpaid tax liens. While the bonds issued have a stated maturity date of November 10, 2029, the bonds will be repaid as funds are available from cash collections, generally quarterly. The expected maturity of the bonds is August 10, 2019.

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS - GOVERNMENTAL FUND FINANCIAL STATEMENTS

The following summarizes the changes in the general fund ("GF") balances for the period from May 10, 2016, (inception) through June 30, 2016:

	<u>2016</u>
Revenues:	
Tax liens received from The City of New York	\$ 46,109,298
Interest on tax liens	<u>744,096</u>
Total revenues	<u>46,853,394</u>
Expenditures:	
Increase in allowance for doubtful accounts	76,466
Increase in unrecognized revenues	27,674,973
Trust administrative expenses	<u>181</u>
Total expenditures	<u>27,751,620</u>
Net Change in Fund Balance	19,101,774
Fund Balance, Beginning of Period	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 19,101,774</u></u>

**NYCTL 2016-A TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS - GOVERNMENTAL FUND FINANCIAL STATEMENTS (Continued)

Program revenue recorded in the GF for the period from May 10, 2016 (inception) to June 30, 2016 was \$46,853,394 and consisted of tax liens received from the City of \$46,109,298 and interest on tax liens receivable of \$744,096. Total expenditures from the GF of \$27,751,620 resulted from the increase in unrecognized revenue of \$27,674,973, an increase in allowance for doubtful accounts of \$76,466 and administrative expenses of \$181.

The following summarizes the GF assets, liabilities and fund balances as of June 30, 2016:

	<u>2016</u>
Assets:	
Cash and cash equivalents	\$ 1,512,718
Tax liens receivable, net of allowance	<u>45,276,110</u>
Total Assets	<u>\$ 46,788,828</u>
Liabilities:	
Accounts payable and accrued liabilities	\$ 1,146
Overages due to taxpayers	<u>10,935</u>
Total Liabilities	<u>12,081</u>
Deferred Inflows of Resources	27,674,973
Fund Balance:	
Unassigned	<u>19,101,774</u>
Total Fund Balance	<u>19,101,774</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 46,788,828</u>

During the period from May 10, 2016 (inception) to June 30, 2016, the GF's total assets increased by \$46,788,828 resulting from an increase in net tax liens receivable of \$45,276,110, reflecting the Trust's commencement of operations during the period. The increase in tax liens receivable resulted primarily from tax liens received from the City of \$46,109,298, accrued interest of \$744,096 offset by recording an allowance for doubtful accounts of \$76,466 and receipts in satisfaction of liens and costs of \$1,500,818. The \$27,674,973 increase in the GF's deferred inflow of resources consists of unrecognized revenues and represents the portion of the tax liens receivable that is not currently available since it is not expected to be collected within twelve months after year-end.

All activities of NYCTL 2016-A have been accounted for in its general fund. A debt service fund will be used to account for debt service activities related to the debt issued subsequent to June 30, 2016.

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**NYCTL 2016-A TRUST
STATEMENT OF NET POSITION
JUNE 30, 2016**

	2016
ASSETS:	
Cash and cash equivalents	\$ 1,512,718
Tax liens receivable:	
Principal	44,629,746
Accrued interest	722,830
Less: allowance for uncollectible accounts	(76,466)
Net tax liens receivable	45,276,110
TOTAL ASSETS	46,788,828
 LIABILITIES:	
Accounts payable and accrued liabilities	1,146
Overages due to taxpayers	10,935
Residual liability due to Water Board	11,039,312
TOTAL LIABILITIES	11,051,393
 NET POSITION:	
Unrestricted	35,737,435
TOTAL NET POSITION	\$ 35,737,435

See accompanying notes to financial statements.

**NYCTL 2016-A TRUST
STATEMENT OF ACTIVITIES
FOR THE PERIOD FROM MAY 10, 2016 (INCEPTION) TO JUNE 30, 2016**

	2016
REVENUES:	
Tax liens received from the City of New York	\$ 46,109,298
Interest on tax liens	744,096
Total revenues	46,853,394
EXPENSES:	
Increase in allowance for doubtful accounts	76,466
Addition to residual liability due to Water Board	11,039,312
Lien and other administrative expenses	181
Total expenses	11,115,959
NET CHANGE IN NET POSITION	35,737,435
Net position - Beginning of period	-
Net position - End of year	\$ 35,737,435

See accompanying notes to financial statements.

**NYCTL 2016-A TRUST
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2016**

	General Fund
ASSETS:	
Cash and cash equivalents	\$ 1,512,718
Tax liens receivable:	
Principal	44,629,746
Accrued interest	722,830
Less: allowance for uncollectible accounts	(76,466)
Net tax liens receivable	45,276,110
TOTAL ASSETS	\$ 46,788,828
 LIABILITIES:	
Accounts payable and accrued liabilities	\$ 1,146
Overages due to taxpayers	10,935
TOTAL LIABILITIES	12,081
DEFERRED INFLOW OF RESOURCES	27,674,973
 FUND BALANCE:	
Unassigned	19,101,774
TOTAL FUND BALANCE	19,101,774
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 46,788,828

See accompanying notes to financial statements.

**NYCTL 2015-A TRUST
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES SHEET
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2016**

	2016
Total fund balance - governmental fund	\$ 19,101,774
Amounts reported for governmental activities in the statements of net position are different because:	
Unrecognized revenues accrued but not received within twelve months after the year's end is reported as unrecognized revenue in the governmental fund financial statements because it's not currently available; however it is recognized as revenue in the statement of net assets.	27,674,973
Some liabilities are not due and payable in the current period from currently available financial resources and therefore are not reported in the governmental funds financial statements. These liabilities consist of:	
Residual liability due to Water Board	(11,039,312)
Net position of governmental activities	\$ 35,737,435

NYCTL 2016-A TRUST
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE PERIOD FROM MAY 10, 2016 (INCEPTION) TO JUNE 30, 2016

	General Fund
REVENUES:	
Tax liens received from the City of New York	\$ 46,109,298
Interest on tax liens	744,096
Total revenues	46,853,394
EXPENDITURES:	
Increase in allowance for doubtful accounts	76,466
Increase in unrecognized revenues	27,674,973
Trust administrative expenses:	181
Total expenditures	27,751,620
NET CHANGE IN FUND BALANCE	19,101,774
Fund balance - Beginning of period	-
Fund balance - End of year	\$ 19,101,774

See accompanying notes to financial statements.

NYCTL 2016-A TRUST
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE PERIOD FROM MAY 10, 2016 (INCEPTION) TO JUNE 30, 2016

	2016
Net change in fund balances - governmental fund	\$ 19,101,774
Amounts reported in the statement of activities are different because:	
The increase in the unrecognized revenues is reported as an expenditure in the governmental fund financial statements but not as a deferred inflows of resources in the government wide financial statements. This is because the tax liens receivable are reported at their net realizable value in the statement of net position, however the portion that is not expected to be collected within one year is considered unavailable and recorded as a deferred inflow of resources, unrecognized revenue, in the governmental fund.	27,674,973
The net change in the residual liability due to Water Board was reported in the statements of activities as an expense but amounts related to the liability due to Water Board are reported as an expenditure in the governmental fund financial statements when current financial resources are distributed to the Water Board.	<u>(11,039,312)</u>
Change in net position - governmental activities	<u>\$ 35,737,435</u>

**NYCTL 2016-A TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

NYCTL 2016-A Trust (the "Trust") is a Delaware statutory trust formed on May 10, 2016. The Trust is governed by a Declaration and Agreement of Trust dated May 10, 2016 between the City of New York (the "City") and the Wilmington Trust Company of Wilmington, Delaware (the "Owner Trustee"). Tax lien sales are authorized by Chapter 3 of Title 11 of the Administrative Code of the City of New York. In accordance with a purchase and sale agreement between the Trust and the City, the Trust was created to acquire certain tax liens (Note 4) from the City in exchange for the proceeds from bonds issued by the Trust, net of reserves funded by bond proceeds and bond issuance costs.

Although legally separate from the City, the Trust is an instrumentality of the City and, accordingly, is included in the City's financial statements as a blended component unit.

The City is the sole beneficiary of the Trust and is entitled to receive distributions from the Trust after payments to bondholders and certain reserve requirements have been satisfied. The City is not entitled to cause the Trust to make distributions to it. As certain tax liens secure unpaid water and sewer rents and sewer surcharges, the City and the New York City Water Board ("Water Board") have agreed that the City and the Water Board will share in the distributions and residual assets of the Trusts (see Note 2D).

The Trust does not have any employees. In addition to its interaction with various City agencies, the Trust's affairs are administered by the Owner Trustee, its program manager, tax lien servicer, paying agent and investment custodian.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. As a governmental activity the Trust reports its activities in government-wide and governmental fund financial statements.

The government-wide financial statements of the Trust, which include the statement of net position and the statement of activities, are presented to display information about the reporting entity as a whole, in accordance with GASB standards. The government-wide financial statements 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 related cash flows.

The Trust's governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenue is recognized when it becomes susceptible to accrual; that is, when it becomes both measurable and available to finance expenditures in the current fiscal period. Expenditures are recognized when the related liability is incurred, except for the principal and interest on the bonds payable, which are recognized when due, and the residual liability due to the New York City Water Board (the "Water Board"), which is recognized when distributions are made to the Water Board.

The Trust will report its governmental activity using two funds: general fund ("GF") and a debt service fund ("DSF"). Subsequent to June 30, 2016, the DSF will be used to account for the receipt and disbursement of resources used to pay interest on and principal of long term debt issued subsequent to June 30, 2016. The GF is used to account for all financial resources not accounted for in the DSF, generally those used or held for use for administrative expenditures. The GF accounted for all activities for the period from May 10, 2016 (inception) to June 30, 2016.

Fund balances are classified as either: 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned in accordance with GASB Statement 54 *Fund Balance Reporting and Governmental Fund Type Definition*.

**NYCTL 2016-A TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Trustee of the Trust upon duly executed direction from the City constitutes the Trust's highest level of decision-making authority. When resolutions are adopted by the Trustee that constrain fund balances for a specific purpose, such resources are accounted for and reported as committed for such purpose; unless and until a subsequent resolution altering the commitment is adopted by the Trustee. There is no authority under which fund balances may be internally constrained.

Fund balances that are constrained for use for a specific purpose, based on the direction of any officer of the Trust who is duly authorized due to executed direction from the City, to direct the movement of such funds, are accounted for and reported as assigned for such purpose unless and until a subsequent authorized action by the same or another duly authorized officer, or by the Trustee, 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 Trust'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 Trust'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 bond indenture are classified as restricted on the statements of net position and the governmental funds balance sheets.

- B. Cash equivalents include short-term investments with maturities of three months or less at date of acquisition.
- C. The Trust records tax lien receivables based on the amounts that are receivable for real estate taxes, water rents, sewer surcharges, and other charges. Interest that accrues on the outstanding balances as well as certain other costs, such as public notices that can be recovered from the taxpayer as part of the tax lien balance are capitalized. The Trust establishes an allowance for doubtful accounts by comparing tax lien receivable balances with the estimated fair value of the properties subject to the liens as provided by the City. The Trust also considers certain factors related to specific properties, such as environmental issues and where other tax liens have legal priority over the Trust's tax liens, in determining the adequacy of its allowance for doubtful accounts.
- D. The City and the Water Board have agreed to share in the distributions and residual assets of the Trust in accordance with the fixed percentages as of the first purchase of tax liens of 76.4% and 23.6% respectively. After the second purchase of tax liens (see Note 4), the percentages to the City and the Water Board were adjusted to 79.81% and 20.19%, respectively. As the City is the sole beneficiary of the net position of the Trust, the amounts that would be due to the Water Board under this agreement are recorded as a general long-term liability for financial reporting purposes.
- E. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Trust's management to make estimates and assumptions in determining the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of additions and deductions in fiduciary net position during the reporting period. Actual results could differ from those estimates.

NOTE 3 – CASH AND CASH EQUIVALENTS

The Trust's cash and cash equivalents consist of cash in demand deposit accounts and money market funds. As of June 30, 2016, total cash and cash equivalents were \$1,512,718, of which \$1,262,719 was in excess of Federal Deposit Insurance Corporation coverage.

**NYCTL 2016-A TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

NOTE 4 – TAX LIENS RECEIVABLE

A tax lien is a lien on a parcel of real estate located in the City securing unpaid real property taxes, assessments, sewer rents, sewer surcharges, water rents, and other City charges, such as environmental charges, Department of Housing Preservation and Development charges and business improvement district charges. In addition to these unpaid items, a tax lien also includes the costs of any advertisements and notices given in connection with the sale of the tax lien, that had become a lien against the property prior to the sale of the lien to the Trust, and interest and penalties accrued at various rates up to the time of sale of the lien to the Trust. In addition, a tax lien also includes a surcharge of 5% on all of the aforementioned amounts computed through the date of the sale to the Trust. The total of these amounts described in this paragraph represents the tax lien principal balance as of the date of the sale to the Trust. The City is required to redeem or replace any tax liens that are determined to be defective, in accordance with the provisions of the bond indenture. As the bond indenture has been discharged, the City may elect to reduce its distributions for defective liens.

Subsequent to the purchase of the tax liens by the Trust, the tax liens accrue interest at the annual rate of 9% or 18% depending on the underlying assessed value of the properties to which the liens are attached, compounded daily. In addition, certain costs incurred by the Trust are eligible to be capitalized as part of the tax lien balance. Special rules for calculating tax lien amounts apply to bankruptcy tax liens.

The Trust has the right to foreclose and take title to properties for which related tax lien collection efforts are unsuccessful. Such properties are referred to as real estate owned ("REO"). As of June 30, 2016, the Trust did not have title to any properties.

The Trust has agreements with both Tower Capital Management LLC, Inc. and MTAG Services, LLC for servicing, managing, maintaining custody of certain documents, and collection activities on its tax liens.

The Trust may be unable to recover the amount of certain tax liens, including accumulated interest and capitalized expenses, when the value of the related property is less than the amount of the tax lien, where other tax liens have legal priority over the Trust's tax liens, or where the court awards a reduced expense amount. The Trust has recorded an allowance for uncollectible tax liens of \$76,466 as of June 30, 2016.

The changes in the tax liens receivable for the period from May 10, 2016 (inception) to June 30, 2016 were as follows:

	Gross tax lien receivable balance
Balance as of May 10, 2016 (inception)	\$ -
Add: Tax liens received from the City of New York	46,109,298
Accrued interest on outstanding lien	744,096
Less: Receipts in satisfaction of liens and costs	<u>(1,500,818)</u>
Balance as of June 30, 2016	<u>\$ 45,352,576</u>

NOTE 5 – SUBSEQUENT EVENTS

Bonds Payable

On August 3, 2016, the Trust issued Tax Lien Collateralized Bonds, Series 2016-A for the principal amount of \$64,977,000.

The stated maturity of the bonds is November 10, 2029. However, the final payment of the bonds could occur earlier than the stated maturity date. The expected maturity is August 10, 2019. Collections on tax liens are used to pay accrued interest on the Class A bonds and then principal on the bonds. The timing of the repayment of the principal amount of the bonds and all accrued interest is entirely dependent upon the redemption of the tax liens or the liquidation of any real estate owned resulting from foreclosure.

The interest rate on the bonds is fixed at 1.47%. The closing date of the bonds was August 3, 2016. Accordingly, no interest expense or amortization of bond discount has been recorded through June 30, 2016.

**NYCTL 2016-A TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

NOTE 5 – SUBSEQUENT EVENTS (Continued)

Bond issuance costs were approximately \$2,086,979.

Additional Receipt of Tax Liens

In July 2016, the Trust received additional tax liens of approximately \$31,396,010.

Distributions

In August 2016, the Trust made a distribution to the City of New York and the Water Board in the amount of \$24,244,795 and \$5,524,660, respectively, from the proceeds of closing of bonds payable on August 3, 2016. In addition on August 10, 2016, a distribution to the City of New York and the Water Board in the amount of \$18,810,051 and \$5,364,877 respectively, was made from the closing of the second sale of tax liens.

NOTE 6 – LITIGATION

A number of parties contesting the foreclosure of Tax Liens previously sold by the City have challenged, among other things, (i) the power of the City to sell Tax Liens to the trusts, (ii) the power of the City to sell Tax Liens when some Tax Liens are less than a year old, (iii) the enforceability of Tax Liens when a tax certiorari challenge is pending, (iv) the power of the City to restore tax charges that were not previously billed, (v) the 5% surcharge and the applicable interest rate on the Tax Liens, (vi) the standing of the Indenture Trustee to foreclose on the Tax Liens, (vii) the priority of Tax Liens over other liens, (viii) failure by the City to give proper or adequate notice of the Tax Lien sale and (ix) that the upset price bid in a tax lien foreclosure auction in the amount of the Redemptive Value of the tax lien is fraudulent. In addition legal challenges to the collection of the Tax Liens have alleged violations of the Federal Fair Debt Collection Practices Act, the Truth in Lending Act, the New York General Business Law, the New York General Obligation Law, breach of contract and unjust enrichment. To date, no such action or challenge has been successful after completion of the appeal process. Certain parties have also asserted individual defenses against the enforcement of tax liens on properties, such as improper billing, full or partial payment prior to sale, the partial or full tax-exempt status of properties, the existence of forbearance agreements with the City or Trust, or inadequate service of process. The outcome of these challenges is not expected to have a material negative impact on the Trust, as the City is required to redeem or replace defective liens. No assurance can be given that similar or other actions will not be brought against the Trust.

**NYCTL 2016-A TRUST
SUPPLEMENTAL SCHEDULE
SCHEDULE 1 - CHANGES IN RESIDUAL LIABILITY DUE TO WATER BOARD
FOR THE PERIOD FROM MAY 10, 2016 (INCEPTION) TO JUNE 30, 2016**

	Residual Liability Due Water Board
Beginning balance at May 10, 2016 (Inception)	\$ -
Tax liens received from the City of New York	10,881,794
Net change in net position	<u>157,518</u>
Ending balance at June 30, 2016	<u>\$ 11,039,312</u>

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

Wilmington Trust Company
NYCTL 2016-A Trust:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States financial statements of the governmental activities and each major fund of the NYCTL 2016-A Trust (the Trust), a blended component unit of the City of New York, as of June 30, 2016, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated September 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstance for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Trust's internal control and compliance. Accordingly this communication is not suitable for any other person.

Toski & Co., CPAs, P.C.

Williamsville, New York
September 16, 2016