

NYCTL 2014-A TRUST  
Financial Statements  
For the Years ended June 30, 2015 and 2014  
(With Independent Auditors' Report)

NYCTL 2014-A TRUST

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INDEPENDENT AUDITORS' REPORT

Wilmington Trust Company  
NYCTL 2014-A Trust:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the NYCTL 2014-A Trust (the Trust), a blended component unit of the City of New York, as of and for the years ended June 30, 2015 and 2014 and the related notes to financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 audits. We conducted our audits 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 audits 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, 2015 and 2014, and the respective changes in financial position for the years then ended, 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 8, 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 audits were 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 22 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 audits 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, 2015, 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, 2015

**NYCTL 2014-A TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015 and 2014**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following is a narrative overview and analysis of the financial activities of NYCTL 2014-A Trust (the "Trust") for the fiscal year ended June 30, 2015 and the period from April 24, 2014 (inception) to June 30, 2014. 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 April 24, 2014 (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 2014-A TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015 and 2014**

**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 and for the years ended June 30, 2015 and 2014 is as follows:

**Summary of Net Position**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 292,944	1,297,268
Restricted investments	18,680,464	-
Tax liens receivable, net of allowance	<u>54,084,000</u>	<u>66,160,024</u>
<b>TOTAL</b>	<u><u>\$ 73,057,408</u></u>	<u><u>67,457,292</u></u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	2,170,322	-
Accrued bond interest payable	81,477	-
Overages due to taxpayers	406,501	1,283
Bonds payable, net of discount	34,226,533	-
Residual liability due to Water Board	<u>8,591,016</u>	<u>15,449,590</u>
<b>TOTAL LIABILITIES</b>	<u>45,475,849</u>	<u>15,450,873</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 27,581,559</u></u>	<u><u>52,006,419</u></u>

**Summary of Activities:**

	<u>2015</u>	<u>2014</u>
<b>REVENUES:</b>		
Tax liens received from The City of New York	\$ 36,959,783	67,346,791
Interest on tax liens	9,542,255	-
Other revenue	<u>3,417</u>	<u>1,004,984</u>
<b>TOTAL REVENUES</b>	<u>46,505,455</u>	<u>68,351,775</u>
<b>EXPENSES:</b>		
Distributions to the City	51,487,052	-
Administrative expenses	1,819,035	52
Increase in allowance for doubtful accounts	7,028,291	895,714
Write-offs of uncollectible liens, net of recoveries	52,529	-
Bond interest expense	610,418	-
Costs of bond issuance	2,335,613	-
Additional liability due Water Board	<u>7,597,377</u>	<u>15,449,590</u>
<b>TOTAL EXPENSES</b>	<u>70,930,315</u>	<u>16,345,356</u>
<b>NET CHANGE IN NET POSITION</b>	<u><u>\$ (24,424,860)</u></u>	<u><u>\$ 52,006,419</u></u>

**NYCTL 2014-A TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015 and 2014**

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

During fiscal year 2015, the Trust's total assets increased by \$5,600,116 resulting primarily from an increase in restricted investments of \$18,680,464 offset by a decrease in tax liens receivable of \$12,076,024 and cash and cash equivalents of \$1,004,324. The decrease in tax liens receivable resulted primarily from cash collections of the tax liens totaling \$52,518,189, write-offs of uncollectible liens of \$52,529, and an increase in the allowance for doubtful accounts of \$7,028,291 offset by the tax liens received from the City of \$36,959,783, accrued interest of \$9,542,255 and accrued legal fees of \$1,020,947. The \$30,024,976 increase in the Trust's liabilities resulted primarily from the issuance of bonds of \$34,226,533, an increase in accrued bond interest payable of \$81,477, an increase in accounts payable and accrued expenses of \$2,170,322 and an increase in overages due to taxpayers of \$405,218 offset by a decrease in the residual liability to the Water Board of \$6,858,574.

During the period from April 24, 2014 (inception) to June 30, 2014, the Trust's total assets increased by \$67,457,292 resulting primarily from an increase in net tax liens receivable of \$66,160,024, 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 \$67,346,791, accrued interest of \$1,004,984 offset by recording an allowance for doubtful accounts of \$895,714 and receipts in satisfaction of liens and costs of \$1,296,037. The \$15,450,873 increase in the Trust's liabilities resulted primarily from an increase in the residual liability due to the Water Board of \$15,449,590.

During fiscal year 2015, the Trust's total revenues were \$46,505,455 and consisted of a second sale of tax liens received from the City of \$36,959,783, interest on tax liens of \$9,542,255 and investment income of \$3,417. Total expenses of \$70,930,315 resulted primarily from the recording of distributions to the City of \$51,487,052, administrative expenses of \$1,819,035, an increase in allowance for doubtful accounts of \$7,028,291, write-offs of uncollectible liens of \$52,529, bond interest expense of \$610,418, costs of bond issuance of \$2,335,613 and an increase in the residual liability due to Water Board of \$7,597,377.

During the period from April 24, 2014 (inception) to June 30, 2014, total revenues were \$68,351,775 and consisted of tax liens received from the City of \$67,346,791 and interest on tax liens receivable of \$1,004,984. Total expenses of \$16,345,356 resulted primarily from the recording of an allowance for doubtful accounts of \$895,714 and an increase in the residual liability due to the Water Board of \$15,449,590.

**NYCTL 2014-A TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015 and 2014**

**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS - GOVERNMENTAL FUND FINANCIAL STATEMENTS**

The Trust reports governmental activity using two funds: general fund ("GF") and a debt service fund ("DSF").

The following summarizes the changes in the general fund ("GF") balances for the year ended June 30, 2015 and for the period from April 24, 2014, (inception) through June 30, 2014:

	<u>2015</u>	<u>2014</u>
<b>REVENUES:</b>		
Tax liens received from The City of New York	\$ 36,959,783	\$ 67,346,791
Interest of tax liens	<u>9,542,255</u>	<u>1,004,984</u>
<b>TOTAL REVENUES</b>	<u>46,502,038</u>	<u>68,351,775</u>
<b>EXPENDITURES:</b>		
Distributions to the City of New York and the Water Board	65,943,003	-
Increase in allowance for doubtful accounts	7,028,291	895,714
Write-offs of uncollectible liens, net of recoveries	52,529	-
Increase (decrease) in deferred inflows of resources	(11,343,551)	40,940,419
Trust administrative expenses	<u>1,819,035</u>	<u>52</u>
<b>TOTAL EXPENDITURES</b>	<u>63,499,307</u>	<u>41,836,185</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfers to debt service fund	(82,781,589)	-
Principal amount of bonds issued	95,479,000	-
Bond discount	<u>(12,479)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>12,684,932</u>	<u>-</u>
Net change in fund balance	(4,312,337)	26,515,590
Fund balance, beginning of year	<u>26,515,590</u>	<u>-</u>
Fund balance, end of year	\$ <u>22,203,253</u>	\$ <u>26,515,590</u>

Program revenue recorded in the GF in fiscal year 2015 was \$46,502,038 and consisted of tax liens received from The City of New York of \$36,959,783 and interest on tax liens of \$9,542,255. Total expenditures from the GF of \$63,499,307 resulted primarily from distributions to the City and the Water Board of \$65,943,003, an increase in allowance for doubtful accounts \$7,028,291, write-offs of uncollectible liens of \$52,529 and administrative expenses of \$1,819,035, offset by a decrease in unearned revenues of \$11,343,551. Other financing sources reflect the proceeds from the issuance of bonds, net of bond discount, offset by the transfers to the DSF for debt service payments made in the fiscal year.

Program revenue recorded in the GF for the period from April 24, 2014 (inception) to June 30, 2014 was \$68,351,775 and consisted of tax liens received from the City of \$67,346,791 and interest on tax liens receivable of \$1,004,984. Total expenditures from the GF of \$41,836,185 resulted from the increase in unearned revenue of \$40,940,419, an increase in allowance for doubtful accounts of \$895,714 and administrative expenses of \$52.

**NYCTL 2014-A TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015 and 2014**

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

The following summarizes the GF assets, liabilities, deferred inflows and fund balances as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 292,944	\$ 1,297,268
Tax liens receivable - net of allowance	<u>54,084,000</u>	<u>66,160,024</u>
Total assets	<u>\$ 54,376,944</u>	<u>\$ 67,457,292</u>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	2,170,322	-
Overages due to taxpayers	<u>406,501</u>	<u>1,283</u>
Total liabilities	<u>2,576,823</u>	<u>1283</u>
Deferred inflows of resources - unearned revenues	<u>29,596,868</u>	<u>40,940,419</u>
Fund balance - unassigned	<u>22,203,253</u>	<u>26,515,590</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 54,376,944</u>	<u>\$ 67,457,292</u>

During fiscal year 2015, the GF's total assets decreased by \$13,080,348 as a result of the decrease in cash and cash equivalents of \$1,004,324, and the decrease in tax liens receivable of \$12,076,024. The decrease in tax liens receivable resulted primarily from cash collections of the tax liens totaling \$52,518,189, write-offs of uncollectible liens of \$52,529, and an increase in the allowance for doubtful accounts of \$7,028,291 offset by the tax liens received from the City of \$36,959,783, accrued interest of \$9,542,255 and accrued legal fees of \$1,020,947. The decrease of \$11,343,551 in deferred inflows of resources was attributed to a decrease in unearned revenue. The increase of \$2,575,540 in the GF's liabilities resulted from an increase in accounts payable and accrued expenses of \$2,170,322 and overages due to taxpayers of \$405,218.

During the period from April 24, 2014 (inception) to June 30, 2014, the GF's total assets increased by \$67,457,292 resulting from an increase in net tax liens receivable of \$66,160,024, 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 \$67,346,791, accrued interest of \$1,004,984 offset by recording an allowance for doubtful accounts of \$895,714 and receipts in satisfaction of liens and costs of \$1,296,037. The \$40,940,419 increase in the GF's deferred inflow of resources consists of unearned 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 2014-A have been accounted for in its general fund. A debt service fund is used to account for debt service activities related to the debt issued subsequent to June 30, 2014.

**NYCTL 2014-A TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015 and 2014**

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

The following summarizes the changes in the DSF balances for the year ended June 30, 2015. There was no DSF activity for the period from April 24, 2014 (inception) through June 30, 2014.

	<u>2015</u>	<u>2014</u>
Revenues - other revenue - investment income	\$ <u>3,417</u>	<u>-</u>
Expenditures :		
Principal amount of bonds retired	61,247,993	-
Bond interest expenditure	520,936	-
Costs of bond issuance	<u>2,335,613</u>	<u>-</u>
Total expenditures	<u>64,104,542</u>	<u>-</u>
Other Financing Sources (Uses) - transfers from general fund	<u>82,781,589</u>	<u>-</u>
Net Change in Fund Balance	18,680,464	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>
Fund Balance, End of Year	\$ <u><u>18,680,464</u></u>	<u><u>-</u></u>

During fiscal year 2015, total DSF revenues consisted of the earnings on the restricted investments of \$3,417. Total expenditures from the DSF of \$64,104,542 consisted of the repayments of bond principal of \$61,247,993, bond interest expense of \$520,936, and the costs of bond issuance of \$2,335,613. Other financing sources reflect transfers from the GF for debt service payments made in the fiscal year.

As of June 30, 2015, the assets in the DSF consisted of restricted investments of \$18,680,464. The DSF fund balance of \$18,680,464 as of June 30, 2015 was restricted for debt service.

The activity of the DSF began during the year ended June 30, 2015.

**CONTACTING THE TRUST'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the City of New York's citizens, taxpayers, customers, investors, and creditors with a general overview of the Trust's finances and to demonstrate the Trust's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

NYC Office of Management and Budget  
255 Greenwich Street, 7<sup>th</sup> Floor  
New York, New York 10007

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**NYCTL 2014-A TRUST  
STATEMENTS OF NET POSITION  
JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 292,944	\$ 1,297,268
Restricted investments	18,680,464	-
Tax liens receivable:		
Principal	53,425,154	66,068,496
Accrued interest	6,283,443	987,242
Accrued capitalized costs	2,299,408	-
Less: allowance for uncollectible accounts	<u>(7,924,005)</u>	<u>(895,714)</u>
Net tax liens receivable	<u>54,084,000</u>	<u>66,160,024</u>
<b>TOTAL ASSETS</b>	<u>73,057,408</u>	<u>67,457,292</u>
<b>LIABILITIES:</b>		
Accounts payable and accrued liabilities	2,170,322	-
Accrued bond interest payable	81,477	-
Overages due to taxpayers	406,501	1,283
Bonds payable:		
Class A	34,231,007	-
Discount on bonds payable	<u>(4,474)</u>	<u>-</u>
Bonds payable, net of discount	34,226,533	-
Residual liability due to Water Board	<u>8,591,016</u>	<u>15,449,590</u>
<b>TOTAL LIABILITIES</b>	<u>45,475,849</u>	<u>15,450,873</u>
<b>NET POSITION:</b>		
Restricted by contractual agreements	18,680,464	-
Unrestricted	<u>8,901,095</u>	<u>52,006,419</u>
<b>TOTAL NET POSITION</b>	<u>\$ 27,581,559</u>	<u>\$ 52,006,419</u>

See accompanying notes to financial statements.

**NYCTL 2014-A TRUST  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>REVENUES:</b>		
Tax liens received from The City of New York	\$ 36,959,783	\$ 67,346,791
Interest on tax liens	9,542,255	1,004,984
Other income - investment income	3,417	-
Total revenues	46,505,455	68,351,775
<b>EXPENSES:</b>		
Distributions to The City of New York	51,487,052	-
Increase in allowance for doubtful accounts	7,028,291	895,714
Addition to residual liability due to Water Board	7,597,377	15,449,590
Write-offs of uncollectible liens, net of recoveries	52,529	-
Trust administrative expenses:		
Servicer fees	1,371,657	-
Trustee fees	98,401	-
Financial advisor management fees	146,444	-
Lien and other expenses	202,533	52
Total administrative expenses	1,819,035	52
Bond interest expense	610,418	-
Costs of bond issuance	2,335,613	-
Total expenses	70,930,315	16,345,356
Net change in net position	(24,424,860)	52,006,419
Net position - Beginning of year	52,006,419	-
Net position - End of year	\$ 27,581,559	\$ 52,006,419

See accompanying notes to financial statements.

**NYCTL 2014-A TRUST  
GOVERNMENTAL FUND BALANCE SHEETS  
JUNE 30, 2015**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 292,944	\$ -	\$ 292,944
Restricted investments	-	18,680,464	18,680,464
Tax liens receivable:			
Principal	53,425,154	-	53,425,154
Accrued interest	6,283,443	-	6,283,443
Accrued capitalized costs	2,299,408	-	2,299,408
Less: allowance for uncollectible accounts	<u>(7,924,005)</u>	<u>-</u>	<u>(7,924,005)</u>
Net tax liens receivable	<u>54,084,000</u>	<u>-</u>	<u>54,084,000</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 54,376,944</u></b>	<b><u>\$ 18,680,464</u></b>	<b><u>\$ 73,057,408</u></b>
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	2,170,322	-	2,170,322
Overages due to taxpayers	<u>406,501</u>	<u>-</u>	<u>406,501</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,576,823</u></b>	<b><u>-</u></b>	<b><u>2,576,823</u></b>
<b>DEFERRED INFLOW OF RESOURCES -</b>			
unearned revenues	<u>29,596,868</u>	<u>-</u>	<u>29,596,868</u>
<b>FUND BALANCE:</b>			
Restricted by contractual agreements	-	18,680,464	18,680,464
Unassigned	<u>22,203,253</u>	<u>-</u>	<u>22,203,253</u>
<b>TOTAL FUND BALANCE</b>	<b><u>22,203,253</u></b>	<b><u>18,680,464</u></b>	<b><u>40,883,717</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF</b>			
<b>RESOURCES AND FUND BALANCE</b>	<b><u>\$ 54,376,944</u></b>	<b><u>\$ 18,680,464</u></b>	<b><u>\$ 73,057,408</u></b>

See accompanying notes to financial statements.

**NYCTL 2014-A TRUST  
GOVERNMENTAL FUND BALANCE SHEET  
JUNE 30, 2014**

	<b>General Fund</b>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 1,297,268
Tax liens receivable:	
Principal	66,068,496
Accrued interest	987,242
Less: allowance for uncollectible accounts	(895,714)
Net tax liens receivable	66,160,024
<b>TOTAL ASSETS</b>	<b>\$ 67,457,292</b>
<b>LIABILITIES:</b>	
Overages due to taxpayers	\$ 1,283
<b>TOTAL LIABILITIES</b>	1,283
<b>DEFERRED INFLOW OF RESOURCES</b> - unearned revenues	40,940,419
<b>FUND BALANCE:</b>	
Unassigned	26,515,590
<b>TOTAL FUND BALANCE</b>	26,515,590
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 67,457,292</b>

See accompanying notes to financial statements.

**NYCTL 2014-A TRUST  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEETS  
TO THE STATEMENTS OF NET POSITION  
AS OF JUNE 30, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
Total fund balance - governmental fund	\$ 40,883,717	\$ 26,515,590
Amounts reported for governmental activities in the statements of net position are different because:		
Bond discounts are reported as other financing uses in the debt service fund financial statements. However, in the statements of net position, bond discounts are reported as a component of bonds payable and amortized over the life of the related debt.	4,474	-
Unearned revenue accrued but not received within twelve months after the year's end is reported as unearned revenue in the governmental fund financial statements because it's not currently available; however it is recognized as revenue in the statement of net position.	29,596,868	40,940,419
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:		
Accrued bond interest payable	(81,477)	-
Bonds payable	(34,231,007)	-
Residual liability due to Water Board	(8,591,016)	(15,449,590)
Net position of governmental activities	\$ 27,581,559	\$ 52,006,419

See accompanying notes to financial statements.

**NYCTL 2014-A TRUST**  
**GOVERNMENTAL FUND STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Tax liens received from The City of New York	\$ 36,959,783	\$ -	\$ 36,959,783
Interest on tax liens	9,542,255	-	9,542,255
Other income - investment income	-	3,417	3,417
	<u>46,502,038</u>	<u>3,417</u>	<u>46,505,455</u>
<b>EXPENSES:</b>			
Distributions to The City of New York	51,487,052	-	51,487,052
Distributions to the Water Board	14,455,951	-	14,455,951
Increase in allowance for doubtful accounts	7,028,291	-	7,028,291
Decrease in unearned revenue	(11,343,551)	-	(11,343,551)
Write-offs of uncollectible liens, net of recoveries	52,529	-	52,529
Trust administrative expenses:			
Servicer fees	1,371,657	-	1,371,657
Trustee fees	98,401	-	98,401
Financial advisor management fees	146,444	-	146,444
Lien and other expenses	202,533	-	202,533
	<u>1,819,035</u>	<u>-</u>	<u>1,819,035</u>
Principal amount of bonds retired	-	61,247,993	61,247,993
Bond interest expenditure	-	520,936	520,936
Costs of bond issuance	-	2,335,613	2,335,613
	<u>63,499,307</u>	<u>64,104,542</u>	<u>127,603,849</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers from general fund to debt service fund	(82,781,589)	82,781,589	-
Principal amount of bonds issued	95,479,000	-	95,479,000
Bond discount	(12,479)	-	(12,479)
	<u>12,684,932</u>	<u>82,781,589</u>	<u>95,466,521</u>
Net change in fund balances	(4,312,337)	18,680,464	14,368,127
Fund balances - Beginning of period	<u>26,515,590</u>	<u>-</u>	<u>26,515,590</u>
Fund balances - End of year	<u>\$ 22,203,253</u>	<u>\$ 18,680,464</u>	<u>\$ 40,883,717</u>

See accompanying notes to financial statements.

**NYCTL 2014-A TRUST  
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE PERIOD FROM APRIL 24, 2014 (INCEPTION) TO JUNE 30, 2014**

	<u>General Fund</u>
<b>REVENUES:</b>	
Tax Liens received from The City of New York	\$ 67,346,791
Interest on tax liens	<u>1,004,984</u>
Total revenues	<u>68,351,775</u>
<b>EXPENDITURES:</b>	
Increase in allowance for doubtful accounts	895,714
Increase in unearned revenues	40,940,419
Trust administrative expenses	<u>52</u>
Total expenditures	<u>41,836,185</u>
<b>NET CHANGE IN FUND BALANCES</b>	26,515,590
Fund balances - Beginning of period	<u>-</u>
Fund balances - End of year	<u>\$ 26,515,590</u>

See accompanying notes to financial statements.

**NYCTL 2014-A TRUST**  
**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE TO THE STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
Net change in fund balances - governmental fund	\$ 14,368,127	\$ 26,515,590
Amounts reported in the statement of activities are different because.		
The increase (decrease) in unearned revenue 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 which is not expected to be collected within one year is considered unavailable and recorded as a deferred inflows of resources, unearned revenue, in the governmental fund.	(11,343,551)	40,940,419
Repayment of bond principal is an expenditure in the debt service fund, but the repayment reduces long-term liabilities on the statements of net position.	61,247,993	-
The debt service fund reports bond discounts as other financing uses. However, in the statements of activities, bond discounts are amortized over the lives of the related debt as interest expense.	12,479	-
Interest expense is reported in the statement of activities on the accrual basis, but interest is reported as an expenditure in the debt service fund when the outlay of financial resources is required.	(89,482)	-
The debt service fund reports proceeds from the issuance of debt as other financing sources since it provides current financial resources to governmental funds. However, such amounts are reported as a long-term liability in the statement of net position.	(95,479,000)	-
The net change in the residual liability due to Water Board is 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.	(7,597,377)	(15,449,590)
Distributions paid to the Water Board are an expenditure in the governmental fund financial statements, but the distributions reduce the long-term residual liability due to Water Board on the statement of net position.	14,455,951	-
Change in net position - governmental activities	\$ (24,424,860)	\$ 52,006,419

See accompanying notes to financial statements.

**NYCTL 2014-A TRUST  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2015 and 2014**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

NYCTL 2014-A Trust (the "Trust") is a Delaware statutory trust formed on April 24, 2014. The Trust is governed by a Declaration and Agreement of Trust dated April 24, 2014 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 2E).

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, 2014, the DSF is 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, 2014. 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.

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 2014-A TRUST  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2015 and 2014**

**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 which 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. Investments including accrued interest are reported at fair value.
- 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. Bond discounts are amortized over the life of the related debt in proportion to the portion of the debt that is repaid each year. Amortization of bond discounts is recorded as a component of bond interest expense. Bond issuance costs are expensed in the year the bonds are issued. (see Note 6)
- E. 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 77.09% and 22.91% respectively. After the second purchase of tax liens (see Note 4) the percentages to the City and the Water Board will be adjusted to 78.1% and 21.9%, 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.
- F. 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.

**NYCTL 2014-A TRUST  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2015 and 2014**

**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, 2015 total cash and cash equivalents were \$292,944 of which \$42,944 was in excess of Federal Deposit Insurance Corporation coverage. As of June 30, 2014 total cash and cash equivalents were \$1,297,268 of which \$1,047,268 was in excess of Federal Deposit Insurance Corporation coverage.

**NOTE 4 – RESTRICTED INVESTMENTS**

The Trust has limited its investments to those eligible investments specified in its agreement with its paying agent and investment custodian, which is The Bank of New York. The eligible investments are obligations of, or guaranteed by, the U.S. government; Fannie Mae, Freddie Mac or the Federal Farm Credit System; certain highly-rated certificates of deposit (or similar instruments), certain highly-rated municipal obligations; certain highly-rated commercial paper (or similar instruments), certain investment agreements with highly-rated institutions; certain repurchase obligations with highly-rated institutions, certain highly-rated corporate securities (that do not exceed 20% of its investments); and certain highly-rated taxable money market funds.

The Trust is required under its bond indenture to maintain three separate accounts, representing restricted investments:

- 1) Bond Account – an account established by the paying agent, which receives daily transfers from lockbox accounts to which payments received from property owners on tax liens are deposited. The paying agent uses this account to make principal and interest payments on the bonds, as well as payments for other expenses of the Trust, in the order of priority specified in the bond indenture.
- 2) Interest Reserve Fund – initially funded out of the proceeds from the sale of bonds, this fund maintains an amount equal to six months of interest on outstanding bonds and is to be used solely to pay interest on the bonds in the event there are insufficient funds in the Bond Account for these interest payments. The Interest Reserve Fund is replenished from the Bond Account.
- 3) Working Capital Reserve Fund – initially funded out of proceeds from the sale of bonds in the amount of \$4,000,000, this fund is used to pay lien administration expenses and the base fee to the tax lien servicers to the extent amounts on deposit in the Bond Account are insufficient for such purpose. The Working Capital Reserve Fund is replenished from the Bond Account.

As of June 30, 2015 and 2014, the amounts held in each of these funds were as follows:

	<u>2015</u>	<u>2014</u>
Working Capital Reserve Fund	\$ 8,651,361	-
Interest Reserve	245,841	-
Bond Account	<u>9,783,262</u>	<u>-</u>
Total Restricted Investments	\$ <u>18,680,464</u>	<u>-</u>

All of the restricted funds were invested in various short-term investment funds during the fiscal year ended June 30, 2015. As of June 30, 2015 the short-term investment fund was Goldman Sachs Financial Square Prime Obligations Fund, which carries a rating of AAAM by Standard & Poors and Aaa-mf by Moody's Investor Services, Inc. and is a money market portfolio. As of June 30, 2014, the Trust had no restricted investments as bonds were issued during the fiscal year ended June 30, 2015.

**NYCTL 2014-A TRUST  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2015 and 2014**

**NOTE 5 – FAIR VALUE HIERARCHY**

The Trust 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 Trust's investment in Goldman Sachs Financial Square Prime Obligations Fund is valued using quoted market prices (Level 1 inputs).

**NOTE 6 – 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 was 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, 2015 and 2014, the Trust does not have title to any properties.

The Trust has agreements with both Tower Capital Management LLC, Inc. and Mooring Tax Asset Group 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 \$7,924,005 and \$895,714 as of June 30, 2015 and 2014, respectively.

The changes in the tax liens receivable for the years ended June 30, 2015 and 2014 were as follows:

	<u>Gross tax lien receivable balance</u>
Balance as of April 24, 2014 (inception)	\$ -
Add: Tax Liens received from The City of New York	67,346,791
Accrued interest on outstanding lien	1,004,984
Less: Receipts in satisfaction of liens and costs	<u>(1,296,037)</u>
Balance as of June 30, 2014	67,055,738
Add: Tax Liens received from The City of New York	36,959,783
Accrued interest on outstanding liens	9,542,255
Accrued legal expenses	1,020,947
Less: Receipts in satisfaction of liens and costs	(52,518,189)
Write-offs of uncollectible lien and defective liens	<u>(52,529)</u>
Balance as of June 30, 2015	<u>\$ 62,008,005</u>

**NYCTL 2014-A TRUST  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2015 and 2014**

**NOTE 7 – BONDS PAYABLE**

On August 6, 2014, the Trust issued Tax Lien Collateralized Bonds, Series 2014-A for the principal amount of \$95,479,000.

The following is a summary of changes in the principal amounts of the Trust's Tax Lien Collateralized Bonds, Series 2014-A for the year ended June 30, 2015:

	Balance at June 30, <u>2014</u>	<u>Issued</u>	<u>Retired</u>	Balance at June 30, <u>2015</u>
Class A	\$ -	\$ 95,479,000	\$ 61,247,993	\$ 34,231,007

The stated maturity of the bonds is November 10, 2027. However, the final payment of the bonds could occur earlier than the stated maturity date. The expected maturity is May 10, 2017. 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 1.03%. The closing date of the bonds was August 6, 2014. Accordingly, no interest expense or amortization of bond discount has been recorded through June 30, 2014.

Bond issuance costs were \$2,335,613 for the fiscal year ended June 30, 2015. Bond issuance costs were expensed in the period of the bond issuance. The closing date of the bonds was August 6, 2014. Accordingly, no bond issuance cost was recorded through June 30, 2014.

**NOTE 8 – 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 9% or the 18% interest rate on the tax liens, (vi) the standing of the indenture trustee to foreclose on the tax liens, (vii) the priority of the tax liens over other liens, and (viii) failure of the City to give proper or adequate notice of the tax lien sale. 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, and the New York General Obligation Law; breach of contract; and unjust enrichment. The Trust and the City are defending against all such claims and do not expect them to be successful. To date, no such action or challenge has been successful after completion of the appeal process. Certain of such parties have also asserted individual defenses such as improper billing, full or partial payment, tax-exempt status, the existence of forbearance agreements, 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.

**NYCTL 2014-A TRUST**  
**SUPPLEMENTAL SCHEDULE**  
**SCHEDULE 1 - CHANGES IN RESIDUAL LIABILITY DUE TO WATER BOARD**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<b>Residual Liability Due Water Board</b>
Beginning balance at April 24, 2014 (Inception)	\$ -
Tax liens received from The City of New York	15,429,150
Net change in net position	20,440
Ending balance at June 30, 2014	15,449,590
Tax liens received from The City of New York	8,101,584
Net change in net position	(504,207)
Distributions	(14,455,951)
Ending balance at June 30, 2015	\$ 8,591,016

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 2014-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 2014-A Trust (the Trust), a blended component unit of the City of New York, as of June 30, 2015 and 2014, 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, 2015.

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, 2015