

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

FINANCIAL REPORT

June 30, 2013 and 2012

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

FINANCIAL REPORT

June 30, 2013 and 2012

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-9
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statements of Net Position	10
Statements of Activities	11
Governmental Funds Financial Statements	
Balance Sheets	12-13
Reconciliations of the Governmental Funds Balance Sheets to the Statements of Net Position	14
Statements of Revenues, Expenditures, and Changes in Fund Balances	15-16
Reconciliations of the Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balances to the Statements of Activities	17
Notes to Financial Statements	18-23

INDEPENDENT AUDITOR'S REPORT

The Members of the Audit Committee and Board of Directors
Fiscal Year 2005 Securitization Corporation
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Fiscal Year 2005 Securitization Corporation (Corporation), a component unit of The City of New York, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Corporation'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 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Other Auditors

The financial statements of the Corporation, as of and for the year ended June 30, 2012, were audited by other auditors, whose report dated September 27, 2012, expressed an unmodified opinion on those statements.

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 9, 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.

Adoption of Accounting Standard

As discussed in Note 2, the Corporation adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), as of July 1, 2012. As required by GASB 65, the provisions were applied retroactively.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2013, on our consideration of the Corporation'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 Corporation's internal control over financial reporting and compliance.

Bollam Sheedy Torani & Co LLP

New York, New York
September 12, 2013

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012
(Unaudited)
(Amounts in thousands, except as noted)

The following is a narrative overview and analysis of the financial activities of Fiscal Year 2005 Securitization Corporation (FSC or the "Corporation") as of June 30, 2013 and 2012, and for the years then ended. It should be read in conjunction with FSC's government-wide financial statements, governmental funds financial statements, and the notes to the financial statements.

The financial statements consist of four parts: (1) management's discussion and analysis (this section); (2) the government-wide financial statements; (3) the governmental funds financial statements; and (4) the notes to the financial statements.

The government-wide financial statements, which include the statements of net position and the statements of activities, are presented to display information about the Corporation as a whole, in accordance with Governmental Accounting Standards Board (GASB) standards. This is to provide the reader with a broad overview of FSC'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.

FSC'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 principal and interest on bonds payable, which are recognized when due.

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

Financial Highlights and Overall Analysis - Government-Wide Financial Statements

FSC was incorporated for the purpose of issuing bonds, a major portion of the proceeds of which were used to acquire securities held in an escrow account securing certain issues of The City of New York (The City) general obligation bonds. FSC's investments, which are held by the Trustee for FSC as they mature, are expected to generate sufficient cash flow to fully fund the debt service and operational expenditures of FSC for the life of the FSC bonds.

On December 2, 2004, FSC issued \$499 million of bonds, the proceeds of which were (1) exchanged for securities held in an escrow account securing certain general obligation bonds of The City (Refunded Bonds Escrow Fund or the Fund) (which The City used to purchase securities adequate to generate sufficient cash flow to fully pay debt service on those previously refunded bonds by redeeming them at their first call date), (2) used to pay costs of issuance and fund a reserve to pay FSC's debt service and operating costs, and (3) held by FSC, in accordance with the bond indenture dated as of December 1, 2004 (Indenture) and transferred to The City in November 2005.

In fiscal year 2013, FSC implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63) and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). GASB 63 renames the statement of net assets to the statement of net position, as well as reported net assets, and components thereof, to net position. GASB 65 resulted in the restatement of FSC's fiscal year 2012 government-wide financial statements in that GASB 65 requires the recognition of bond issuance costs as expenses in the period it was paid. Prior to GASB 65, bond issuance costs were carried on the statement of net position and amortized over the life of the bonds. Since GASB 65 requires retroactive treatment, any carrying costs and amortization thereof have been excluded pursuant to the statement and reported as a restatement of beginning net position in fiscal year 2012. (See Note 2 for detailed GASB 65 adjustments.)

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012
(Unaudited)
(Amounts in thousands, except as noted)

Financial Highlights and Overall Analysis - Government-Wide Financial Statements - Continued

The following summarizes the activities of FSC:

	<u>Years Ended June 30,</u>			<u>2013 v 2012</u>	<u>2012 v 2011</u>
	<u>2013</u>	<u>2012</u>	<u>2011</u>		
REVENUE		(Restated)			
Investment income	\$ 710	\$ 23,099	\$ 13,122	\$ (22,389)	\$ 9,977
Total revenue	<u>710</u>	<u>23,099</u>	<u>13,122</u>	<u>(22,389)</u>	<u>9,977</u>
EXPENSES					
Bond interest	12,873	13,297	13,899	(424)	(602)
Other	<u>120</u>	<u>124</u>	<u>409</u>	<u>(4)</u>	<u>(285)</u>
Total expenses	<u>12,993</u>	<u>13,421</u>	<u>14,308</u>	<u>(428)</u>	<u>(887)</u>
CHANGE IN NET POSITION	(12,283)	9,678	(1,186)	(21,961)	10,864
NET POSITION, beginning of year	44,374	36,084	37,270	8,290	(1,186)
Restatement of beginning net position	<u>-</u>	<u>(1,388)</u>	<u>-</u>	<u>1,388</u>	<u>(1,388)</u>
NET POSITION, end of year	<u>\$ 32,091</u>	<u>\$ 44,374</u>	<u>\$ 36,084</u>	<u>\$ (12,283)</u>	<u>\$ 8,290</u>

For the fiscal year ended June 30, 2013, FSC recognized approximately \$710 thousand of investment earnings, compared to \$23.1 million in fiscal year 2012 and \$13.1 million in fiscal year 2011. The investment income resulted primarily from the change in the market value of the long-term, fixed-return securities held during the year. As the investments are expected to generate sufficient cash flow to fully fund debt service and to pay operating costs of FSC as they mature, market value fluctuations pose low risk to FSC or its bondholders because these investments are restricted to pay debt service when due and operating costs of FSC.

During fiscal year 2013, FSC incurred approximately \$13.0 million in expenses, compared to \$13.4 million in fiscal year 2012 and \$14.3 million in fiscal year 2011. Expenses decrease slightly each year as the declining bond principal outstanding results in reduced bond interest costs.

The restatement of the beginning net position in fiscal year 2012 was made to exclude the carrying value of bond issuance costs and amortization thereof pursuant to the implementation of GASB 65, as discussed in Note 2.

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

(Unaudited)

(Amounts in thousands, except as noted)

Financial Highlights and Overall Analysis - Government-Wide Financial Statements - Continued

The following summarizes FSC's assets, liabilities, and net position:

	June 30,			2013 v 2012	2012 v 2011
	2013	2012	2011		
		(Restated)		Change	Change
ASSETS					
Non-capital	\$ 295,264	\$ 318,029	\$ 322,029	\$ (22,765)	\$ (4,000)
Total assets	295,264	318,029	322,029	(22,765)	(4,000)
LIABILITIES					
Current liabilities	32,516	13,977	15,923	18,539	(1,946)
Long-term liabilities	230,657	259,678	270,022	(29,021)	(10,344)
Total liabilities	263,173	273,655	285,945	(10,482)	(12,290)
NET POSITION					
Restricted for debt service	31,694	43,957	34,255	(12,263)	9,702
Unrestricted	397	417	1,829	(20)	(1,412)
Total net position	\$ 32,091	\$ 44,374	\$ 36,084	\$ (12,283)	\$ 8,290

As of June 30, 2013, 2012, and 2011, FSC's assets consisted mainly of investments restricted to pay bondholders. The decreases in asset value for fiscal year 2013 and 2012 resulted from debt service payments.

The Corporation's period-end liabilities of approximately \$263 million, \$274 million, and \$286 million were primarily composed of bonds outstanding and accrued interest thereon. The decline each year in the liabilities resulted primarily from bond principal payments made during fiscal years 2013, 2012, and 2011, respectively.

Financial Highlights and Overall Analysis - Governmental Funds Financial Statements

FSC reports governmental activity using two funds: (1) a general fund (GF) and (2) a debt service fund (DSF). In fiscal year 2011, FSC implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). GASB 54 resulted in the creation of a general fund and the restatement of those activities that were formerly presented in the debt service fund that are now reported in the general fund. As such, FSC now reports in the GF administrative and operating expenditures and the transfer of funds from the DSF to the GF to pay for those expenditures, in accordance with the indenture.

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

(Unaudited)

(Amounts in thousands, except as noted)

Financial Highlights and Overall Analysis - Governmental Funds Financial Statements - Continued

The following summarizes the changes in the GF balances:

	<u>Years Ended June 30,</u>			<u>2013 v 2012</u>	<u>2012 v 2011</u>
	<u>2013</u>	<u>2012</u>	<u>2011</u>		
REVENUE					
Investment income	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenue	-	-	-	-	-
EXPENDITURES					
General and administrative	120	124	130	(4)	(6)
Total expenditures	120	124	130	(4)	(6)
OTHER FINANCING SOURCES					
Transfers from the debt service fund to general fund	100	100	206	-	(106)
Total other financing sources	100	100	206	-	(106)
NET CHANGE IN FUND BALANCES	(20)	(24)	76	4	(100)
FUND BALANCES, beginning of year	417	441	365	(24)	76
FUND BALANCES, end of year	\$ 397	\$ 417	\$ 441	\$ (20)	\$ (24)

General and administrative expenditures decreased by \$4,000 and \$6,000 in fiscal years 2013 and 2012, respectively, due to a reduction in management fees. Other financing sources decreased in fiscal year 2012 by \$106,000, as a one-time additional transfer of funds was needed in fiscal year 2011.

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012
(Unaudited)
(Amounts in thousands, except as noted)

Financial Highlights and Overall Analysis - Governmental Funds Financial Statements - Continued

The following summarizes the changes in the fund balance of FSC's DSF:

	<u>Years Ended June 30,</u>			<u>2013 v 2012</u>	<u>2012 v 2011</u>
	<u>2013</u>	<u>2012</u>	<u>2011</u>		
REVENUE					
Investment income	\$ 710	\$ 23,099	\$ 13,122	\$ (22,389)	\$ 9,977
Total revenue	710	23,099	13,122	(22,389)	9,977
EXPENDITURES					
Bond interest	12,968	13,437	14,006	(469)	(569)
Principal amount of bonds retired	10,385	12,150	11,860	(1,765)	290
Total expenditures	23,353	25,587	25,866	(2,234)	(279)
OTHER FINANCING USES					
Transfers from the debt service fund to general fund	(100)	(100)	(206)	-	106
Total other financing uses	(100)	(100)	(206)	-	106
NET CHANGE IN FUND BALANCES	(22,743)	(2,588)	(12,950)	(20,155)	10,362
FUND BALANCES, beginning of year	317,594	320,182	333,132	(2,588)	(12,950)
FUND BALANCES, end of year	\$294,851	\$317,594	\$320,182	\$ (22,743)	\$ (2,588)

For the fiscal year ended June 30, 2013, the DSF reported approximately \$710 thousand of investment earnings, compared to \$23 million for 2012 and \$13 million for 2011. The variance is due to the market valuation of the long-term, fixed income securities, as discussed previously.

The DSF, during fiscal year 2013, had expenditures of approximately \$23.4 million, approximately \$25.6 million in fiscal year 2012, and \$25.9 million in fiscal year 2011. Interest expenditures decreased slightly each year as the bond principal outstanding declines each year. Principal payments on bonds fluctuate between fiscal years in accordance with a fixed maturity schedule.

Other financing uses decreased in fiscal year 2012 by \$106 thousand, as an additional transfer of funds was needed in fiscal year 2011.

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012
(Unaudited)
(Amounts in thousands, except as noted)

Financial Highlights and Overall Analysis - Governmental Funds Financial Statements - Continued

The following summarizes the GF assets, liabilities, and fund balances:

	<u>June 30,</u>			<u>2013 v 2012</u>	<u>2012 v 2011</u>
	<u>2013</u>	<u>2012</u>	<u>2011</u>		
ASSETS					
Cash and cash equivalents	\$ 413	\$ 435	\$ 459	\$ (22)	\$ (24)
Total assets	<u>\$ 413</u>	<u>\$ 435</u>	<u>\$ 459</u>	<u>\$ (22)</u>	<u>\$ (24)</u>
LIABILITIES					
Accrued expenditures	\$ 16	\$ 18	\$ 18	\$ (2)	\$ -
Total liabilities	<u>16</u>	<u>18</u>	<u>18</u>	<u>(2)</u>	<u>-</u>
FUND BALANCES					
Unassigned	<u>397</u>	<u>417</u>	<u>441</u>	<u>(20)</u>	<u>(24)</u>
Total fund balances	<u>397</u>	<u>417</u>	<u>441</u>	<u>(20)</u>	<u>(24)</u>
Total liabilities and fund balances	<u>\$ 413</u>	<u>\$ 435</u>	<u>\$ 459</u>	<u>\$ (22)</u>	<u>\$ (24)</u>

The GF assets at June 30, 2013, 2012, and 2011, totaled approximately \$413,000, \$435,000, and \$459,000, respectively. They are composed of unrestricted cash and cash equivalents used to pay operating expenditures.

The following summarizes the DSF assets, liabilities, and fund balances:

	<u>June 30,</u>			<u>2013 v 2012</u>	<u>2012 v 2011</u>
	<u>2013</u>	<u>2012</u>	<u>2011</u>		
ASSETS					
Cash, investments	\$ 294,851	\$ 317,594	\$ 320,182	\$ (22,743)	\$ (2,588)
Total assets	<u>\$ 294,851</u>	<u>\$ 317,594</u>	<u>\$ 320,182</u>	<u>\$ (22,743)</u>	<u>\$ (2,588)</u>
LIABILITIES					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE					
Restricted for debt service	<u>294,851</u>	<u>317,594</u>	<u>320,182</u>	<u>(22,743)</u>	<u>(2,588)</u>
Total fund balances	<u>294,851</u>	<u>317,594</u>	<u>320,182</u>	<u>(22,743)</u>	<u>(2,588)</u>
Total liabilities and fund balances	<u>\$ 294,851</u>	<u>\$ 317,594</u>	<u>\$ 320,182</u>	<u>\$ (22,743)</u>	<u>\$ (2,588)</u>

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

(Unaudited)

(Amounts in thousands, except as noted)

Financial Highlights and Overall Analysis - Governmental Funds Financial Statements - Continued

The DSF assets at June 30, 2013, 2012, and 2011, totaled approximately \$295 million, \$318 million, and \$320 million, respectively. They are composed of investments restricted to pay bondholders. The decline in fiscal year 2013 and fiscal year 2012 resulted primarily from debt service payments.

On August 5, 2011, Standard & Poor's Ratings Services (S&P) lowered its long-term rating on the sovereign debt of the United States of America to 'AA+' with a negative outlook. Correspondingly, S&P lowered the ratings on defeased bonds because they are secured by U.S. Treasury and U.S. agency securities. As FSC's debt is being paid from maturity of such securities, S&P lowered the rating on FSC debt in connection with its downgrade of the United States.

This financial report is designed to provide a general overview of FSC's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to Raymond Orlando, Manager of Investor Relations, Fiscal Year 2005 Securitization Corporation, 255 Greenwich Street, New York, New York 10007.

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

STATEMENTS OF NET POSITION
(Amounts in thousands)

	June 30,	
	2013	2012
		(Restated)
ASSETS		
Unrestricted cash and cash equivalents	\$ 413	\$ 435
Restricted cash and cash equivalents	8	7
Restricted investments	294,843	317,587
 Total assets	 295,264	 318,029
LIABILITIES		
Accrued expenses	16	18
Accrued interest payable	3,440	3,574
Bonds payable		
Portion due within one year	29,060	10,385
Portion due after one year	230,790	259,850
Unamortized bond discount	(133)	(172)
 Total liabilities	 263,173	 273,655
NET POSITION		
Restricted for debt service	31,694	43,957
Unrestricted	397	417
 TOTAL NET POSITION	 \$ 32,091	 \$ 44,374

The accompanying Notes to Financial Statements are an integral part of these statements.

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

STATEMENTS OF ACTIVITIES
(Amounts in thousands)

	Years Ended June 30,	
	2013	2012
		(Restated)
REVENUE		
Investment income	\$ 710	\$ 23,099
Total revenue	710	23,099
EXPENSES		
Bond interest	12,873	13,297
General and administrative	120	124
Total expenses	12,993	13,421
CHANGE IN NET POSITION	(12,283)	9,678
NET POSITION, beginning of year	44,374	36,084
Restatement of beginning net position (Note 2)	-	(1,388)
NET POSITION, end of year	\$ 32,091	\$ 44,374

The accompanying Notes to Financial Statements are an integral part of these statements.

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS
BALANCE SHEET
(Amounts in thousands)

	June 30, 2013		
	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Unrestricted cash and cash equivalents	\$ 413	\$ -	\$ 413
Restricted cash and cash equivalents	-	8	8
Restricted investments	-	294,843	294,843
	\$ 413	\$ 294,851	\$ 295,264
LIABILITIES			
Accrued expenditures	\$ 16	\$ -	\$ 16
	16	-	16
FUND BALANCES			
Restricted for debt service	-	294,851	294,851
Unassigned	397	-	397
	397	294,851	295,248
	\$ 413	\$ 294,851	\$ 295,264

The accompanying Notes to Financial Statements are an integral part of these statements.

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS
BALANCE SHEET
(Amounts in thousands)

	June 30, 2012		
	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Unrestricted cash and cash equivalents	\$ 435	\$ -	\$ 435
Restricted cash and cash equivalents	-	7	7
Restricted investments	-	317,587	317,587
	\$ 435	\$ 317,594	\$ 318,029
LIABILITIES			
Accrued expenditures	\$ 18	\$ -	\$ 18
	18	-	18
FUND BALANCES			
Restricted for debt service	-	317,594	317,594
Unassigned	417	-	417
	417	317,594	318,011
Total liabilities and fund balances	\$ 435	\$ 317,594	\$ 318,029

The accompanying Notes to Financial Statements are an integral part of these statements.

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE
STATEMENTS OF NET POSITION
(Amounts in thousands)

	June 30,	
	2013	2012
Total fund balances - governmental funds	\$ 295,248	\$ 318,011
Amounts reported in the statements of net position are different because:		
Bond discounts are reported as other financing uses in the governmental funds financial statements upon issuance. However, in the statements of net position, bond discounts are reported as a component of bonds payable and amortized over the life of the bonds.	133	172
Some liabilities are not due and payable in the current period from financial resources available currently at year-end and are, therefore, not reported in the governmental funds financial statements, but are reported in the statements of net position. Those liabilities consist of:		
Bonds payable	(259,850)	(270,235)
Accrued interest payable	(3,440)	(3,574)
Net position of governmental activities	\$ 32,091	\$ 44,374

The accompanying Notes to Financial Statements are an integral part of these statements.

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**
(Amounts in thousands)

	Year Ended June 30, 2013		
	General Fund	Debt Service Fund	Total Governmental Funds
REVENUE			
Investment income	\$ -	\$ 710	\$ 710
Total revenue	-	710	710
EXPENDITURES			
Bond interest	-	12,968	12,968
Principal amount of bonds retired	-	10,385	10,385
General and administrative	120	-	120
Total expenditures	120	23,353	23,473
OTHER FINANCING SOURCES (USES)			
Transfers from the debt service fund to general fund	100	(100)	-
Total other financing sources (uses)	100	(100)	-
NET CHANGE IN FUND BALANCES	(20)	(22,743)	(22,763)
FUND BALANCES, beginning of year	417	317,594	318,011
FUND BALANCES , end of year	\$ 397	\$ 294,851	\$ 295,248

The accompanying Notes to Financial Statements are an integral part of these statements.

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**
(Amounts in thousands)

	June 30, 2012		
	General Fund	Debt Service Fund	Total Governmental Funds
REVENUE			
Investment income	\$ -	\$ 23,099	\$ 23,099
Total revenue	-	23,099	23,099
EXPENDITURES			
Bond interest	-	13,437	13,437
Principal amount of bonds retired	-	12,150	12,150
General and administrative	124	-	124
Total expenditures	124	25,587	25,711
OTHER FINANCING SOURCES (USES)			
Transfers from the debt service fund to general fund	100	(100)	-
Total other financing sources (uses)	100	(100)	-
NET CHANGE IN FUND BALANCES	(24)	(2,588)	(2,612)
FUND BALANCES, beginning of year	441	320,182	320,623
FUND BALANCES, end of year	\$ 417	\$ 317,594	\$ 318,011

The accompanying Notes to Financial Statements are an integral part of these statements.

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

RECONCILIATIONS OF THE GOVERNMENTAL FUNDS STATEMENTS
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES TO THE STATEMENTS OF ACTIVITIES
(Amounts in thousands)

	Years Ended June 30,	
	2013	2012
Net change in fund balances, governmental funds	\$ (22,763)	\$ (2,612)
Amounts reported for governmental activities in the statements of activities are different because:		
Repayment of bond principal is an expenditure in the governmental funds financial statements, but the repayment reduces bonds payable on the statements of net position.	10,385	12,150
The governmental funds report bond discounts as other financing uses upon issuance. However, on the statements of activities, bond discounts are amortized to interest expense over the life of the bond.	(39)	(41)
Interest is reported on the statements of activities on the accrual basis. However, interest is reported as an expenditure in the governmental funds financial statements when the outlay of financial resources is due.	134	181
Change in net position, governmental activities	\$ (12,283)	\$ 9,678

The accompanying Notes to Financial Statements are an integral part of these statements.

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012
(Amounts in thousands, except as noted)

(1) ORGANIZATION

Fiscal Year 2005 Securitization Corporation (FSC or the Corporation) is a special purpose, bankruptcy-remote, local development corporation organized under the Not-For-Profit Corporation Law of the State of New York (State). FSC is governed by a Board of Directors elected by its three Members, all of whom are officials of The City of New York (The City). FSC's Certificate of Incorporation requires the vote of an independent director as a condition to taking certain actions; the independent director would be appointed by the Mayor of The City prior to any such actions. Although legally separate from The City, FSC is a financing instrumentality of The City and, accordingly, is included in The City's financial statements as a blended component unit in accordance with Governmental Accounting Standards Board (GASB) standards.

FSC was incorporated for the purpose of issuing bonds, a major portion of the proceeds of which were used to acquire securities held in an escrow account securing certain general obligation bonds of The City. FSC's securities, which are held by the trustee for FSC as they mature, are expected to generate sufficient cash flow to fund the debt service and operational expenditures of FSC for the life of FSC's bonds.

On December 2, 2004, FSC issued \$499 million of bonds, the proceeds of which were: (1) exchanged for securities held in an escrow account securing certain general obligation bonds of The City (Refunded Bonds Escrow Fund) (which The City used to purchase securities adequate to generate sufficient cash flow to fully pay debt service on those previously refunded bonds by redeeming them at their first call date), (2) used to pay costs of issuance and fund a reserve to pay FSC's debt service and operating costs, and (3) transferred to The City in November 2005, in accordance with the bond indenture dated as of December 1, 2004 (Indenture).

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The government-wide financial statements of FSC, which include the statements of net position and the statements 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.

FSC's governmental funds 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 generally considered available if expected to be received within one year after period-end. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable, which is recognized when due.

FSC uses two governmental funds for reporting its activities: a debt service fund (DSF) and a general fund (GF). The DSF is used to account for the accumulation of resources for payment of principal and interest on debt, and the GF is used to account for all financial resources and activities not accounted for in the DSF, which relate to FSC's administrative and operating expenditures.

Fund balances of the governmental funds are classified as either: 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned.

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

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012
(Amounts in thousands, except as noted)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Board of Directors (Board) of FSC constitutes FSC's highest level of decision-making authority. When resolutions are adopted by the Board 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 Board.

Fund balances which are constrained for use for a specific purpose based on the direction of any officer of FSC who is duly authorized under FSC's Indenture to direct the movement of such funds are accounted for and reported as assigned for such purpose, unless or until a subsequent authorized action by the same or another duly authorized officer, or by the Board, is taken which removes or changes the assignment.

Resources that are not constrained are reported as unrestricted in the statements of net position and unassigned in the governmental fund balance sheets.

When both restricted and unrestricted resources are available for use for a specific purpose, it is FSC'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 FSC's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

Investments are reported at fair value as of the reporting date.

Bond discounts are deferred and amortized over the life of the related debt using the interest method in the government-wide financial statements. With the implementation of GASB 65 (discussed below), bond issuance costs are recognized as expenses in the period incurred. The amount of unamortized bond discount at June 30, 2013 and 2012, were \$133 and \$172, respectively, which were net of accumulated amortization of \$392 and \$353, respectively.

The governmental funds financial statements recognize bond premiums and discounts, as well as bond issuance costs, during the period of receipt or payment. The face amount of debt issued is reported as other financing sources, as are premiums on debt issuances. Discounts on debt issuances are reported as other financing uses.

Interest expense is recognized as it is incurred on the accrual basis in the government-wide financial statements. Interest expenditures are recognized when due in the governmental funds financial statements.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires FSC's management to make estimates and assumptions in determining the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflow of resources as of the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

As a component unit of The City, FSC implements new GASB standards in the same fiscal year as they are implemented by The City. The following are discussions of the standards requiring implementation in the current year and standards which may impact FSC in future years.

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

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012
(Amounts in thousands, except as noted)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statement No. 14 and No. 34* (GASB 61). GASB 61 amends existing standards relating to the composition and reporting of the governmental financial reporting entity. GASB 61 is effective for financial statement periods beginning after June 15, 2012. GASB 61 does not have an impact on FSC or its status as a blended component unit of The City.
- In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements* (GASB 62). GASB 62 incorporates a large volume of FASB and AICPA accounting pronouncements into the GASB hierarchy of U.S. GAAP state and local governments. GASB 62 is effective for financial statement periods beginning after December 15, 2011. GASB 62 does not have an impact on FSC's financial statements.
- In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). GASB 63 establishes new reporting requirements of two elements (deferred outflows of resources and deferred inflows of resources) and renames the statement of net assets to statement of net position, as well as reported net assets, and components thereof, to net position. GASB 63 is effective for financial statements for periods beginning after December 15, 2011. FSC has implemented GASB 63 in fiscal year 2013 and as a result it has renamed its financial statements to the statement of net position and components thereof, with no financial impact.
- In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). GASB 65 establishes accounting and reporting standards that reclassify certain items that are currently reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and that recognizes certain items currently being reported as assets and liabilities as outflows and inflows of resources. In addition, it limits the use of the term "deferred" in the financial statement presentation. In fiscal year 2013, FSC implemented GASB 65, which caused FSC to retroactively recognize cost of issuance as an outflow of resource and restate its fiscal 2012 government-wide financial statements by eliminating any carrying amounts of bond issuance costs and related amortization thereof. As a result, FSC reduced its fiscal year 2012 beginning balance by \$1.388 million as follows: 1) excluding the previously reported fiscal year 2012 carrying value of \$1.122 million of unamortized bond issuance costs on its statements of net position, and 2) excluding \$266 thousand of amortized bond issuance costs in fiscal year 2012 on its statements of activities.
- In March 2012, GASB issued Statement No. 66, *Technical Corrections - 2012 an amendment of GASB Statements No. 10 and No. 62* (GASB 66). GASB 66 resolves conflicting accounting and reporting guidance that resulted from the issuance of two pronouncements, Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of GASB 66 are effective for financial statements for periods beginning after December 15, 2012. FSC has not completed the process of evaluating GASB 66, but does not expect it to have an impact on its financial statements.
- In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers. The requirements of GASB 68 are effective for fiscal years beginning after June 15, 2014. GASB 68 is not expected to have an impact on its financial statements as it has no employees or pension system.

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012
(Amounts in thousands, except as noted)

(3) BONDS PAYABLE

FSC issued \$499 million of bonds of which it has \$270 million outstanding as of June 30, 2013. Outstanding bonds payable bear interest at fixed rates ranging from 3.51% to 4.93%.

A summary of changes in outstanding bonds is as follows:

	Balance June 30, 2012	Period Ended June 30, 2013		Balance June 30, 2012
		Bonds Issued	Bonds Retired	
Series A	\$ 106,235	\$ -	\$ 5,495	\$ 100,740
Series B	125,580	-	2,510	123,070
Series C	38,420	-	2,380	36,040
Total	\$ 270,235	\$ -	\$ 10,385	\$ 259,850

	Balance June 30, 2011	Period Ended June 30, 2012		Balance June 30, 2011
		Bonds Issued	Bonds Retired	
Series A	\$ 114,795	\$ -	\$ 8,560	\$ 106,235
Series B	128,565	-	2,985	125,580
Series C	39,025	-	605	38,420
Total	\$ 282,385	\$ -	\$ 12,150	\$ 270,235

Debt service requirements, including principal and interest at June 30, 2013, are as follows:

	Principal	Interest	Total
For the year ending June 30, 2014	\$ 29,060	\$ 12,025	\$ 41,085
2015	33,415	10,537	43,952
2016	22,205	9,121	31,326
2017	43,465	7,925	51,390
2018	45,560	5,639	51,199
2019 through 2020	86,145	3,932	90,077
	\$ 259,850	\$ 49,179	\$ 309,029

FSC has fully funded its debt service account with investments that will provide money at times and in amounts sufficient to pay principal and interest on the FSC bonds. These investments, discussed further in Note 5, are held in trust for bondholders and reported as restricted assets on the debt service fund balance sheets and statements of net assets.

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012
(Amounts in thousands, except as noted)

(4) CASH AND CASH EQUIVALENTS

Cash was comprised of bank deposits restricted for debt service; there was no difference between the carrying amounts and bank balances as of June 30, 2013 and 2012. Cash equivalents were unrestricted and comprised of a Treasury Money Market Fund (Note 5). Cash and cash equivalents consisted of the following:

	June 30,	
	2013	2012
Cash		
Uninsured and uncollateralized	\$ 8	\$ 7
Cash equivalents (Note 5)	413	435
Total cash and cash equivalents	\$ 421	\$ 442

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of a depository financial institution, FSC may not be able to recover its deposits that are in possession of an outside party. As of June 30, 2013 and 2012, \$8 thousand and \$7 thousand of uninsured and uncollateralized deposits were exposed to custodial credit risk, respectively. FSC's deposit policy, which is not otherwise subject to limitations under its indenture, is that deposits shall be held in a bank located in the state or national banking association having a capital surplus aggregating at least \$50 million.

(5) INVESTMENTS

Investments consisted of the following:

	June 30,	
	2013	2012
Unrestricted		
Money Market Funds	\$ 413	\$ 435
Restricted for debt service		
U.S. Treasury obligations (maturing within one year)	41,163	23,412
U.S. Treasury obligations (maturing after one year)	253,680	294,175
Total restricted	294,843	317,587
Total investments including cash equivalents	295,256	318,022
Less amounts reported as cash equivalents (Note 4)	(413)	(435)
Total investments	\$ 294,843	\$ 317,587

Each account of FSC is held pursuant to the Indenture and may be invested in securities or categories of investments that are specifically enumerated as permitted investments for such account pursuant to the Indenture. FSC values investments at fair value as of the statement of net position date.

FISCAL YEAR 2005 SECURITIZATION CORPORATION
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012
(Amounts in thousands, except as noted)

(5) INVESTMENTS - Continued

Custodial Credit Risk - Is the risk that, in the event of the failure of the custodian, FSC may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments are held by FSC's agent in FSC's name.

Credit Risk - All investments held by FSC at June 30, 2013 and 2012, are obligations of, or guaranteed by, the United States of America.

Interest Rate Risk - While the long-term nature of fixed-rate securities makes the market values of the investments with maturity greater than one year highly susceptible to changes in market interest rates, the changes in market value pose no risk to bondholders or to FSC because the investments mature at times and in amounts that are adequate to generate sufficient cash flow to fully fund the debt service and pay operational expenditures of FSC as provided for by the Indenture.