

FY05 SC *Fiscal Year 2005 Securitization Corporation*



Fiscal Year 2005 Securitization Corporation
A Component Unit of The City of New York
Financial Statements
(Together with Independent Auditors' Report)
June 30, 2020 and 2019

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ACCOUNTANTS & ADVISORS

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

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

JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors of the
Fiscal Year 2005 Securitization Corporation

We have audited the accompanying financial statements of the governmental activities of Fiscal Year 2005 Securitization Corporation (the "Corporation"), a component unit of The City of New York, as of and for the years ended June 30, 2020 and 2019, which collectively comprise the Corporation's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Fiscal Year 2005 Securitization Corporation as of June 30, 2020 and 2019, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Corporation expects to cease operations and dissolve the Corporation by fiscal year 2021. Our opinion is not modified with respect to this matter.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



New York, NY
September 17, 2020

FISCAL YEAR 2005 SECURITIZATION CORPORATION

(A Component Unit of The City of New York)

Management's Discussion and Analysis

June 30, 2020 and 2019

(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, 2020 and 2019, 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 governmental funds 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 matured generated sufficient cash flow to fully fund the debt service and the operations of FSC for the life of 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") (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 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 a portion of the proceeds to the City in November 2005, in accordance with the bond indenture dated as of December 1, 2004 ("Indenture").

FSC expects to cease operations and dissolve the Corporation by fiscal year 2021 as the final payment on FSC's bonds was paid on April 1, 2020. After such date, the Corporation had no liabilities and bonds outstanding as it fully expended its debt service funds.

FISCAL YEAR 2005 SECURITIZATION CORPORATION

(A Component Unit of The City of New York)

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

(Amounts in thousands, except as noted)

Financial Highlights and Overall Analysis – Government-Wide Financial Statements, continued

The following summarizes the activities of FSC for the years ended June 30, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020 v 2019</u> <u>Change</u>	<u>2019 v 2018</u> <u>Change</u>
Revenue:					
Investment income	\$ 100	\$ 1,280	\$ 1,116	\$ (1,180)	\$ 164
Total revenue	<u>100</u>	<u>1,280</u>	<u>1,116</u>	<u>(1,180)</u>	<u>164</u>
Expenses:					
Bond interest	212	2,628	4,988	(2,416)	(2,360)
General and administrative	235	156	114	79	42
Total expenses	<u>447</u>	<u>2,784</u>	<u>5,102</u>	<u>(2,337)</u>	<u>(2,318)</u>
Change in net position	(347)	(1,504)	(3,986)	1,157	2,482
Net Position - beginning of year	<u>575</u>	<u>2,079</u>	<u>6,065</u>	<u>(1,504)</u>	<u>(3,986)</u>
Net Position - end of year	<u>\$ 228</u>	<u>\$ 575</u>	<u>\$ 2,079</u>	<u>\$ (347)</u>	<u>\$ (1,504)</u>

For the fiscal year ended June 30, 2020, FSC recognized approximately \$100 thousand of investment income, compared to \$1.3 million in fiscal year 2019 and \$1.1 million in fiscal year 2018. The variance in investment income from one year to another resulted primarily from the change in the market value of the long-term, fixed-return securities held during the year under the Corporation's Forward Supply Contract. As the investments generated sufficient cash flow to fully fund debt service and to pay the operating costs of FSC as they mature, market value fluctuations posed little risk to FSC or its bondholders because the investments were restricted to pay debt service when due.

During fiscal year 2020, FSC incurred approximately \$447 thousand in expenses, compared to \$2.8 million in fiscal year 2019 and \$5.1 million in fiscal year 2018. Expenses decreased each year as the declining bond principal outstanding resulted in reduced bond interest costs.

FISCAL YEAR 2005 SECURITIZATION CORPORATION

(A Component Unit of The City of New York)

Management's Discussion and Analysis

June 30, 2020 and 2019

(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 as of June 30, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020 v 2019</u> <u>Change</u>	<u>2019 v 2018</u> <u>Change</u>
Assets:					
Non-capital	<u>\$ 228</u>	<u>\$ 22,703</u>	<u>\$ 89,330</u>	<u>\$ (22,475)</u>	<u>\$ (66,627)</u>
Total assets	<u>228</u>	<u>22,703</u>	<u>89,330</u>	<u>(22,475)</u>	<u>(66,627)</u>
Liabilities:					
Current liabilities	<u>-</u>	<u>22,128</u>	<u>65,471</u>	<u>(22,128)</u>	<u>(43,343)</u>
Long-term liabilities	<u>-</u>	<u>-</u>	<u>21,780</u>	<u>-</u>	<u>(21,780)</u>
Total liabilities	<u>-</u>	<u>22,128</u>	<u>87,251</u>	<u>(22,128)</u>	<u>(65,123)</u>
Net Position:					
Restricted for debt service	<u>-</u>	<u>224</u>	<u>1,681</u>	<u>(224)</u>	<u>(1,457)</u>
Unrestricted	<u>228</u>	<u>351</u>	<u>398</u>	<u>(123)</u>	<u>(47)</u>
Total net position	<u>\$ 228</u>	<u>\$ 575</u>	<u>\$ 2,079</u>	<u>\$ (347)</u>	<u>\$ (1,504)</u>

As of June 30, 2020, 2019 and 2018, FSC's assets consisted mainly of investments restricted to pay bondholders. The declining asset value resulted from investments used for debt service payments during each fiscal year.

The Corporation's year-end liabilities were \$0, \$22.1 million and \$87.3 million for fiscal years 2020, 2019, and 2018, respectively; and 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 each fiscal year. As of June 30, 2020, FSC had no liabilities as it made its final debt payment on April 1, 2020.

FISCAL YEAR 2005 SECURITIZATION CORPORATION

(A Component Unit of The City of New York)

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

(Amounts in thousands, except as noted)

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”).

The following summarizes the changes in the GF balances for the years ended June 30, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020 v 2019</u> <u>Change</u>	<u>2019 v 2018</u> <u>Change</u>
Revenue:					
Investment income	\$ 4	\$ 9	\$ 4	\$ (5)	\$ 5
Total revenue	<u>4</u>	<u>9</u>	<u>4</u>	<u>(5)</u>	<u>5</u>
Expenditures:					
General and administrative	<u>235</u>	<u>156</u>	<u>114</u>	<u>79</u>	<u>42</u>
Total expenditures	<u>235</u>	<u>156</u>	<u>114</u>	<u>79</u>	<u>42</u>
Other financing sources:					
Transfers from the debt service fund to general fund	<u>108</u>	<u>100</u>	<u>100</u>	<u>8</u>	<u>-</u>
Total other financing sources	<u>108</u>	<u>100</u>	<u>100</u>	<u>8</u>	<u>-</u>
Net change in fund balances	(123)	(47)	(10)	(76)	(37)
Fund balances - beginning of year	<u>351</u>	<u>398</u>	<u>408</u>	<u>(47)</u>	<u>(10)</u>
Fund balances - end of year	<u>\$ 228</u>	<u>\$ 351</u>	<u>\$ 398</u>	<u>\$ (123)</u>	<u>\$ (47)</u>

General and administrative expenditures fluctuate each year based on allocated costs associated with management's time spent on conducting FSC's operations.

FISCAL YEAR 2005 SECURITIZATION CORPORATION

(A Component Unit of The City of New York)

Management's Discussion and Analysis

June 30, 2020 and 2019

(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 balances of FSC's DSF for the years ended June 30, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020 v 2019</u> <u>Change</u>	<u>2019 v 2018</u> <u>Change</u>
Revenue:					
Investment income	\$ 96	\$ 1,271	\$ 1,112	\$ (1,175)	\$ 159
Total revenue	<u>96</u>	<u>1,271</u>	<u>1,112</u>	<u>(1,175)</u>	<u>159</u>
Expenditures:					
Bond interest	540	3,392	5,639	(2,852)	(2,247)
Principal amount of bonds retired	21,785	64,360	45,560	(42,575)	18,800
Total expenditures	<u>22,325</u>	<u>67,752</u>	<u>51,199</u>	<u>(45,427)</u>	<u>16,553</u>
Other financing (uses):					
Transfers from the debt service fund to general fund	(108)	(100)	(100)	(8)	-
Total other financing (uses)	<u>(108)</u>	<u>(100)</u>	<u>(100)</u>	<u>(8)</u>	<u>-</u>
Net change in fund balances	(22,337)	(66,581)	(50,187)	44,244	(16,394)
Fund balances - beginning of year	<u>22,337</u>	<u>88,918</u>	<u>139,105</u>	<u>(66,581)</u>	<u>(50,187)</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ 22,337</u>	<u>\$ 88,918</u>	<u>\$ (22,337)</u>	<u>\$ (66,581)</u>

For the fiscal year ended June 30, 2020, the DSF reported approximately \$96 thousand of investment income, compared to \$1.3 million for 2019 and \$1.1 million for 2018. The variance was due to the market valuation of the long-term, fixed income securities, as discussed previously.

The DSF, during fiscal year 2020, had expenditures of approximately \$22.3 million, \$67.8 million in fiscal year 2019, and \$51.2 million in fiscal year 2018. Principal payments on bonds fluctuated between fiscal years in accordance with a fixed maturity schedule. Interest expenditures decreased each year as the bond principal outstanding declined each year.

FISCAL YEAR 2005 SECURITIZATION CORPORATION

(A Component Unit of The City of New York)

Management's Discussion and Analysis

June 30, 2020 and 2019

(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 as of June 30, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020 v 2019</u> <u>Change</u>	<u>2019 v 2018</u> <u>Change</u>
Assets:					
Cash and cash equivalents	\$ 218	\$ 366	\$ 412	\$ (148)	\$ (46)
Non-capital	10	-	-	10	-
Total assets	<u>\$ 228</u>	<u>\$ 366</u>	<u>\$ 412</u>	<u>\$ (138)</u>	<u>\$ (46)</u>
Liabilities:					
Accrued expenditures	\$ -	\$ 15	\$ 14	\$ (15)	\$ 1
Total liabilities	<u>-</u>	<u>15</u>	<u>14</u>	<u>(15)</u>	<u>1</u>
Fund balances:					
Nonspendable prepaid expenditures	10	-	-	10	-
Unassigned	218	351	398	(133)	(47)
Total fund balances	<u>228</u>	<u>351</u>	<u>398</u>	<u>(123)</u>	<u>(47)</u>
Total liabilities and fund balances	<u>\$ 228</u>	<u>\$ 366</u>	<u>\$ 412</u>	<u>\$ (138)</u>	<u>\$ (46)</u>

The GF assets at June 30, 2020, 2019, and 2018 totaled approximately \$228 thousand, \$366 thousand and \$412 thousand, respectively. They were primarily composed of unrestricted cash and cash equivalents used to pay operating expenditures.

FISCAL YEAR 2005 SECURITIZATION CORPORATION

(A Component Unit of The City of New York)

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

(Amounts in thousands, except as noted)

Financial Highlights and Overall Analysis – Governmental Funds Financial Statements, continued

The following summarizes the DSF assets, liabilities and fund balances as of June 30, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020 v 2019</u> <u>Change</u>	<u>2019 v 2018</u> <u>Change</u>
Assets:					
Cash and investments	<u>\$ -</u>	<u>\$ 22,337</u>	<u>\$ 88,918</u>	<u>\$ (22,337)</u>	<u>\$ (66,581)</u>
Total assets	<u>\$ -</u>	<u>\$ 22,337</u>	<u>\$ 88,918</u>	<u>\$ (22,337)</u>	<u>\$ (66,581)</u>
Fund balance:					
Restricted for debt service	<u>\$ -</u>	<u>\$ 22,337</u>	<u>\$ 88,918</u>	<u>\$ (22,337)</u>	<u>\$ (66,581)</u>
Total fund balances	<u>\$ -</u>	<u>\$ 22,337</u>	<u>\$ 88,918</u>	<u>\$ (22,337)</u>	<u>\$ (66,581)</u>

The DSF assets at June 30, 2020, 2019 and 2018 totaled approximately \$0, \$22.3 million and \$88.9 million, respectively. They were almost entirely composed of investments restricted to pay bondholders. The decline each year resulted primarily from debt service payments. As of June 30, 2020, FSC had no DSF assets as it made its final debt service payment on April 1, 2020.

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 Investor Relations, Fiscal Year 2005 Securitization Corporation, 255 Greenwich Street, New York, NY 10007.

FISCAL YEAR 2005 SECURITIZATION CORPORATION

(A Component Unit of The City of New York)

Statements of Net Position

June 30, 2020 and 2019

(Amounts in thousands)

	<u>2020</u>	<u>2019</u>
ASSETS:		
Unrestricted cash	\$ 218	\$ -
Unrestricted cash equivalents	-	365
Restricted cash	-	8
Restricted investments	-	22,329
Receivables	-	1
Prepaid expenditures	10	-
	<hr/>	<hr/>
Total assets	228	22,703
	<hr/>	<hr/>
LIABILITIES:		
Accrued expenses	-	15
Accrued interest payable	-	328
Bonds payable:		
Portion due within one year	-	21,785
	<hr/>	<hr/>
Total liabilities	-	22,128
	<hr/>	<hr/>
NET POSITION:		
Restricted for debt service	-	224
Unrestricted	228	351
	<hr/>	<hr/>
TOTAL NET POSITION	<u>\$ 228</u>	<u>\$ 575</u>

See accompanying notes to financial statements.

FISCAL YEAR 2005 SECURITIZATION CORPORATION

(A Component Unit of The City of New York)

Statements of Activities

Years ended June 30, 2020 and 2019

(Amounts in thousands)

	<u>2020</u>	<u>2019</u>
REVENUE:		
Investment income	\$ 100	\$ 1,280
Total revenue	<u>100</u>	<u>1,280</u>
EXPENSES:		
Bond interest	212	2,628
General and administrative	<u>235</u>	<u>156</u>
Total expenses	<u>447</u>	<u>2,784</u>
Change in net position	(347)	(1,504)
NET POSITION - Beginning of year	<u>575</u>	<u>2,079</u>
NET POSITION - End of year	<u>\$ 228</u>	<u>\$ 575</u>

See accompanying notes to financial statements.

FISCAL YEAR 2005 SECURITIZATION CORPORATION

(A Component Unit of The City of New York)

Governmental Funds Balance Sheet

June 30, 2020

(Amounts in thousands)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Unrestricted cash	\$ 218	\$ -	\$ 218
Prepaid expenditures	10	-	10
Total assets	<u>\$ 228</u>	<u>\$ -</u>	<u>\$ 228</u>
LIABILITIES:			
Accrued expenditures	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:			
Nonspendable prepaid expenditures	10	-	10
Unassigned	218	-	218
Total fund balances	<u>228</u>	<u>-</u>	<u>228</u>
Total liabilities and fund balances	<u>\$ 228</u>	<u>\$ -</u>	<u>\$ 228</u>

See accompanying notes to financial statements.

FISCAL YEAR 2005 SECURITIZATION CORPORATION

(A Component Unit of The City of New York)

Governmental Funds Balance Sheet

June 30, 2019

(Amounts in thousands)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Unrestricted cash equivalents	\$ 365	\$ -	\$ 365
Restricted cash	-	8	8
Restricted investments	-	22,329	22,329
Receivables	1	-	1
	<u>1</u>	<u>-</u>	<u>1</u>
Total assets	<u>\$ 366</u>	<u>\$ 22,337</u>	<u>\$ 22,703</u>
LIABILITIES:			
Accrued expenditures	\$ 15	\$ -	\$ 15
	<u>15</u>	<u>-</u>	<u>15</u>
Total liabilities	<u>15</u>	<u>-</u>	<u>15</u>
FUND BALANCES:			
Restricted for debt service	-	22,337	22,337
Unassigned	351	-	351
	<u>351</u>	<u>-</u>	<u>351</u>
Total fund balances	<u>351</u>	<u>22,337</u>	<u>22,688</u>
Total liabilities and fund balances	<u>\$ 366</u>	<u>\$ 22,337</u>	<u>\$ 22,703</u>

See accompanying notes to financial 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

June 30, 2020 and 2019

(Amounts in thousands)

	<u>2020</u>	<u>2019</u>
Total fund balances - governmental funds	\$ 228	\$ 22,688
Amounts reported in the statements of net position are different because:		
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	-	(21,785)
Accrued interest payable	-	(328)
Net position of governmental activities	<u>\$ 228</u>	<u>\$ 575</u>

See accompanying notes to financial 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

Year ended June 30, 2020

(Amounts in thousands)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUE:			
Investment income	\$ 4	\$ 96	\$ 100
Total revenue	<u>4</u>	<u>96</u>	<u>100</u>
EXPENDITURES:			
Bond interest	-	540	540
Principal amount of bonds retired	-	21,785	21,785
General and administrative	235	-	235
Total expenditures	<u>235</u>	<u>22,325</u>	<u>22,560</u>
OTHER FINANCING SOURCES (USES):			
Transfers from the debt service fund to general fund	108	(108)	-
Total other financing sources (uses)	<u>108</u>	<u>(108)</u>	<u>-</u>
Net change in fund balances	(123)	(22,337)	(22,460)
FUND BALANCES - Beginning of year	<u>351</u>	<u>22,337</u>	<u>22,688</u>
FUND BALANCES - End of year	<u>\$ 228</u>	<u>\$ -</u>	<u>\$ 228</u>

See accompanying notes to financial 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

Year ended June 30, 2019

(Amounts in thousands)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUE:			
Investment income	<u>\$ 9</u>	<u>\$ 1,271</u>	<u>\$ 1,280</u>
Total revenue	<u> 9</u>	<u> 1,271</u>	<u> 1,280</u>
EXPENDITURES:			
Bond interest	-	3,392	3,392
Principal amount of bonds retired	-	64,360	64,360
General and administrative	<u> 156</u>	<u> -</u>	<u> 156</u>
Total expenditures	<u> 156</u>	<u> 67,752</u>	<u> 67,908</u>
OTHER FINANCING SOURCES (USES):			
Transfers from the debt service fund to general fund	<u> 100</u>	<u> (100)</u>	<u> -</u>
Total other financing sources (uses)	<u> 100</u>	<u> (100)</u>	<u> -</u>
Net change in fund balances	(47)	(66,581)	(66,628)
FUND BALANCES - Beginning of year	<u> 398</u>	<u> 88,918</u>	<u> 89,316</u>
FUND BALANCES - End of year	<u><u> 351</u></u>	<u><u> 22,337</u></u>	<u><u> 22,688</u></u>

See accompanying notes to financial 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

Years ended June 30, 2020 and 2019

(Amounts in thousands)

	<u>2020</u>	<u>2019</u>
Net change in fund balances - governmental funds	\$ (22,460)	\$ (66,628)
Amount reported for governmental activities in the statements of activities are different because:		
Payment of bond principal is an expenditure in the governmental funds financial statements, but the payment reduces bonds payable on the statements of net position.	21,785	64,360
The governmental funds report bond discounts as other financing (uses) upon issuance. However, on the statements of activities, bond discounts are amortized and offset interest expense over the life of the bond.	-	(5)
Interest expense is reported on the statements of activities on the accrual basis. However, interest expense is reported as an expenditure in the governmental funds financial statements when the outlay of financial resources is due.	<u>328</u>	<u>769</u>
Change in net position - governmental activities	<u>\$ (347)</u>	<u>\$ (1,504)</u>

See accompanying notes to financial statements.

FISCAL YEAR 2005 SECURITIZATION CORPORATION

(A Component Unit of The City of New York)

Notes to Financial Statements

June 30, 2020 and 2019

(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 (the “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 investments, which are held by the trustee for FSC, as they matured generated 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 a portion of the proceeds to the City in November 2005, in accordance with the bond indenture dated as of December 1, 2004 (“Indenture”).

FSC expects to cease operations and dissolve the Corporation by fiscal year 2021 as the final payment on FSC’s bonds was April 1, 2020. After such date, the Corporation had no liabilities and bonds outstanding as it fully expended its debt service funds.

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 costs based on its allocated share of personnel and overhead.

(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.

FISCAL YEAR 2005 SECURITIZATION CORPORATION

(A Component Unit of The City of New York)

Notes to Financial Statements

June 30, 2020 and 2019

(Amounts in thousands, except as noted)

(2) Summary of Significant Accounting Policies, continued

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 are 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.

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 funds 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.

FISCAL YEAR 2005 SECURITIZATION CORPORATION

(A Component Unit of The City of New York)

Notes to Financial Statements

June 30, 2020 and 2019

(Amounts in thousands, except as noted)

(2) Summary of Significant Accounting Policies, continued

The governmental funds financial statements recognize bond premiums and discounts 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).

Bond issuance costs are recognized as an expense/expenditure in the period incurred on both government-wide and governmental funds financial statements, except for prepaid debt insurance costs which is amortized over the life of the related bonds on the government-wide financial statements.

Interest expense is recognized as 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 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 January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, ("GASB 84"). The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB 84 are effective for fiscal years beginning after December 15, 2018. The adoption of GASB 84 did not have an impact on FSC's financial statements, as it does not enter into fiduciary activities.
- In June 2017, GASB issued Statement No. 87, *Leases*, ("GASB 87"). The objective of GASB 87 is to improve accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for fiscal years beginning after December 15, 2019. FSC has not completed the process of evaluating GASB 87, but does not expect it to have an impact on FSC's financial statements, as it does not enter into any lease agreements.

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Notes to Financial Statements

June 30, 2020 and 2019

(Amounts in thousands, except as noted)

(2) Summary of Significant Accounting Policies, continued

- In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*, (“GASB 90”). GASB 90 clarifies the accounting and financial reporting requirements for a state and local government’s majority equity interest in an organization that remains legally separate after acquisition. The requirements of GASB 90 are effective for fiscal years beginning after December 15, 2018. The adoption of GASB 90 did not have an impact on FSC’s financial statements, as it has not made such acquisitions.
- In January 20, 2020, GASB issued Statement No. 92, *Omnibus 2020*, (“GASB 92”). GASB 92 enhances the comparability in accounting and financial reporting as well as improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements for GASB 92 are effective for reporting periods beginning after June 15, 2020. FSC has not completed the process of evaluating GASB 92 but does not expect it to have an impact on FSC’s financial statements.
- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, (“GASB 93”). GASB 93 addresses those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (“IBOR”) – most notably, the London Interbank Offered Rate (“LIBOR”) resulting from global reference rate reform. LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements for GASB 93 are effective for reporting periods beginning after June 15, 2020. FSC has not completed the process of evaluating GASB 93 but does not expect it to have an impact on FSC’s financial statements.
- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, (“GASB 94”). GASB 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (“PPPs”). The requirements for GASB 94 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. FSC has not completed the process of evaluating GASB 94 but does not expect it to have an impact on FSC’s financial statements as it does not enter into PPPs.
- In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, (“GASB 95”). GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

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(2) Summary of Significant Accounting Policies, continued

- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, (“GASB 96”). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users (governments). The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. FSC has not completed the process of evaluating GASB 96 but does not expect it to have an impact on FSC’s financial statements as it does not enter into SBITAs.
- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (“GASB 97”). The objectives of GASB 97 are to 1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. FSC has not completed the process of evaluating GASB 97 but does not expect it to have an impact on FSC’s financial statements.

(3) Bonds Payable

FSC issued \$499 million of bonds of which it had \$0 outstanding as of June 30, 2020. Outstanding bonds: 1) were secured with pledged collateral consisting of monies and investments deposited in accounts, as well as all accounts and assets subject to, defined by and established pursuant to the Indenture, and 2) paid interest at fixed rates ranging from 4.76% to 4.93%.

FISCAL YEAR 2005 SECURITIZATION CORPORATION

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June 30, 2020 and 2019

(Amounts in thousands, except as noted)

(3) Bonds Payable, continued

A summary of changes in outstanding bonds during the fiscal year ended June 30, 2020, is as follows:

	Balance	Year Ended June 30, 2020		Balance
	June 30, 2019	Bonds Issued	Bonds Retired	June 30, 2020
Series A	\$ 10,955	\$ -	\$ 10,955	\$ -
Series B	10,830	-	10,830	-
Total before discounts (net)	21,785	-	21,785	-
Less: discounts (net)	-	-	-	-
Total Bonds Payable	<u>\$ 21,785</u>	<u>\$ -</u>	<u>\$ 21,785</u>	<u>\$ -</u>
Due within one year				<u>\$ -</u>

FSC fully funded its debt service account with investments that provided cash flows sufficient to pay principal and interest on the FSC bonds. These investments, discussed further in Note 5, were held in trust for bondholders and reported as restricted assets on the debt service fund balance sheets and statements of net position.

A summary of changes in outstanding bonds during the fiscal year ended June 30, 2019, is as follows:

	Balance	Year Ended June 30, 2019		Balance
	June 30, 2018	Bonds Issued	Bonds Retired	June 30, 2019
Series A	\$ 23,045	\$ -	\$ 12,090	\$ 10,955
Series B	53,045	-	42,215	10,830
Series C	10,055	-	10,055	-
Total before discounts (net)	86,145	-	64,360	21,785
Less: discounts (net)	(5)	-	5	-
Total Bonds Payable	<u>\$ 86,140</u>	<u>\$ -</u>	<u>\$ 64,355</u>	<u>\$ 21,785</u>
Due within one year				<u>\$ 21,785</u>

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June 30, 2020 and 2019

(Amounts in thousands, except as noted)

(4) Cash and Cash Equivalents

Cash equivalents as of June 30, 2019, were unrestricted and comprised of Money Market Funds (see Note 5). Cash was comprised of bank deposits restricted for debt service as of June 30, 2019. There were no differences between the carrying amounts and bank balances as of June 30, 2020 and 2019.

Cash and cash equivalents consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Restricted:		
Cash uninsured and uncollateralized	\$ -	\$ 8
Unrestricted:		
Cash uninsured and uncollateralized (see Note 5)	218	-
Cash equivalents (see Note 5)	<u>-</u>	<u>365</u>
Total cash and cash equivalents	<u>\$ 218</u>	<u>\$ 373</u>

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, 2020, and 2019, \$218 thousand and \$8 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.

FISCAL YEAR 2005 SECURITIZATION CORPORATION

(A Component Unit of The City of New York)

Notes to Financial Statements

June 30, 2020 and 2019

(Amounts in thousands, except as noted)

(5) Investments

Investments consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Unrestricted:		
Money Market Funds	\$ -	\$ 365
Cash	218	-
Total - Unrestricted	<u>218</u>	<u>365</u>
Restricted for Debt Service:		
U.S. Treasury obligations (maturing within one year)*	-	22,329
Total - Restricted	<u>-</u>	<u>22,329</u>
 Total Investments including cash and cash equivalents	218	22,694
Less: amounts reported as cash and cash equivalents (see Note 4)	(218)	(365)
 Total - Investments	<u>\$ -</u>	<u>\$ 22,329</u>

* Net of market value adjustment for Forward Supply Contract

FSC 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. FSC had the following recurring fair measurement as of June 30, 2019:

- U.S. Treasury Securities under a Forward Supply Contract that are valued using present value and option pricing model techniques (Level 2 inputs).
- Money Market Funds are valued based on various market and industry inputs (Level 2 inputs).

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.

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Notes to Financial Statements

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(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, 2019, 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 susceptible to changes in market interest rates, the changes in market value pose no risk 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.
