

**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)**

**As of July 31, 2020 and June 30, 2020  
and for the Period from July 1, 2020 through July 31, 2020  
and for the Year Ended June 30, 2020**

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

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

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

**AS OF JULY 31, 2020 AND JUNE 30, 2020  
AND FOR THE PERIOD FROM JULY 1, 2020 THROUGH JULY 31, 2020  
AND FOR THE YEAR ENDED JUNE 30, 2020**

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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 July 31, 2020 and June 30, 2020 and for the period from July 1, 2020 through July 31, 2020 and for the year ended June 30, 2020, 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 July 31, 2020 and June 30, 2020, and the respective changes in financial position thereof for the period from July 1, 2020 through July 31, 2020 and for the year ended June 30, 2020 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 ceased operations on July 31, 2020 and is in the process of legally dissolving. 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

July 31, 2020 and June 30, 2020

(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 July 31, 2020 and June 30, 2020, and for the period from July 1, 2020 through July 31, 2020 (dissolution) and the fiscal year ended June 30, 2020. 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.

As of July 31, 2020 and June 30, 2020, all of FSC's assets were currently available financial resources and there were no general long-term liabilities. Therefore, there are no differences between the government-wide financial statements and the general fund financial statements for the period from July 1, 2020 through July 31, 2020 (dissolution) and the fiscal year ended June 30, 2020, and thus no reconciliations are provided.

### **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 ceased operations on July 31, 2020. As of that date, the Corporation had no assets or liabilities.

## FISCAL YEAR 2005 SECURITIZATION CORPORATION

(A Component Unit of The City of New York)

Management's Discussion and Analysis

July 31, 2020 and June 30, 2020

(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 period ended July 31, 2020 and the years ended June 30, 2020 and 2019:

	<u>July 31, 2020</u>	<u>June 30,</u> <u>2020</u>	<u>June 30,</u> <u>2019</u>	<u>July 31, 2020 v</u> <u>June 30, 2020</u> <u>Change</u>	<u>June 30, 2020 v</u> <u>June 30, 2019</u> <u>Change</u>
Revenue:					
Investment income	\$ -	\$ 100	\$ 1,280	\$ (100)	\$ (1,180)
Total revenue	<u>-</u>	<u>100</u>	<u>1,280</u>	<u>(100)</u>	<u>(1,180)</u>
Expenses:					
Bond interest	-	212	2,628	(212)	(2,416)
General and administrative	228	235	156	(7)	79
Total expenses	<u>228</u>	<u>447</u>	<u>2,784</u>	<u>(219)</u>	<u>(2,337)</u>
Change in net position	(228)	(347)	(1,504)	119	1,157
Net Position - beginning of year	<u>228</u>	<u>575</u>	<u>2,079</u>	<u>(347)</u>	<u>(1,504)</u>
Net Position - end of year	<u>\$ -</u>	<u>\$ 228</u>	<u>\$ 575</u>	<u>\$ (228)</u>	<u>\$ (347)</u>

For the period from July 1, 2020 through July 31, 2020, FSC recognized no investment income, compared to \$100 thousand in fiscal year 2020 and \$1.3 million in fiscal year 2019. 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 matured, market value fluctuations posed little risk to FSC or its bondholders because the investments were restricted to pay debt service when due.

During July 1, 2020 through July 31, 2020, FSC incurred approximately \$228 thousand in expenses, compared to \$447 thousand in fiscal year 2020 and \$2.8 million in fiscal year 2019. 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

July 31, 2020 and June 30, 2020

(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 July 31, 2020, June 30, 2020 and June 30, 2019:

	<u>July 31, 2020</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>July 31, 2020 v June 30, 2020 Change</u>	<u>June 30, 2020 v June 30, 2019 Change</u>
Assets:					
Non-capital	\$ -	\$ 228	\$ 22,703	\$ (228)	\$ (22,475)
Total assets	<u>-</u>	<u>228</u>	<u>22,703</u>	<u>(228)</u>	<u>(22,475)</u>
Liabilities:					
Current liabilities	<u>-</u>	<u>-</u>	<u>22,128</u>	<u>-</u>	<u>(22,128)</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>22,128</u>	<u>-</u>	<u>(22,128)</u>
Net Position:					
Restricted for debt service	-	-	224	-	(224)
Unrestricted	<u>-</u>	<u>228</u>	<u>351</u>	<u>(228)</u>	<u>(123)</u>
Total net position	<u>\$ -</u>	<u>\$ 228</u>	<u>\$ 575</u>	<u>\$ (228)</u>	<u>\$ (347)</u>

As of July 31, 2020, FSC had no assets or liabilities, as it as it made its final debt payment on April 1, 2020 and ceased its operations.

As of June 30, 2020 and 2019, 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 and \$22.1 million as of June 30, 2020 and 2019, 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.

**FISCAL YEAR 2005 SECURITIZATION CORPORATION**

(A Component Unit of The City of New York)

Management's Discussion and Analysis

July 31, 2020 and June 30, 2020

(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 periods for the period from July 1, 2020 through July 31, 2020, and the fiscal years ended June 30, 2020 and 2019:

	<u>July 31, 2020</u>	<u>June 30,</u> <u>2020</u>	<u>June 30,</u> <u>2019</u>	<u>July 31, 2020 v</u> <u>June 30, 2020</u> <u>Change</u>	<u>June 30, 2020 v</u> <u>June 30, 2019</u> <u>Change</u>
Revenue:					
Investment income	\$ -	\$ 4	\$ 9	\$ (4)	\$ (5)
Total revenue	<u>-</u>	<u>4</u>	<u>9</u>	<u>(4)</u>	<u>(5)</u>
Expenditures:					
General and administrative	<u>228</u>	<u>235</u>	<u>156</u>	<u>(7)</u>	<u>79</u>
Total expenditures	<u>228</u>	<u>235</u>	<u>156</u>	<u>(7)</u>	<u>79</u>
Other financing sources:					
Transfers from the debt service fund to general fund	<u>-</u>	<u>108</u>	<u>100</u>	<u>(108)</u>	<u>8</u>
Total other financing sources	<u>-</u>	<u>108</u>	<u>100</u>	<u>(108)</u>	<u>8</u>
Net change in fund balances	(228)	(123)	(47)	(105)	(76)
Fund balances - beginning of year	<u>228</u>	<u>351</u>	<u>398</u>	<u>(123)</u>	<u>(47)</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ 228</u>	<u>\$ 351</u>	<u>\$ (228)</u>	<u>\$ (123)</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

July 31, 2020 and June 30, 2020

(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 period from July 1, 2020 through July 31, and the fiscal years ended 2020, and 2019:

	<u>July 31, 2020</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>July 31, 2020 v June 30, 2020 Change</u>	<u>June 30, 2020 v June 30, 2019 Change</u>
Revenue:					
Investment income	\$ -	\$ 96	\$ 1,271	\$ (96)	\$ (1,175)
Total revenue	<u>-</u>	<u>96</u>	<u>1,271</u>	<u>(96)</u>	<u>(1,175)</u>
Expenditures:					
Bond interest	-	540	3,392	(540)	(2,852)
Principal amount of bonds retired	-	21,785	64,360	(21,785)	(42,575)
Total expenditures	<u>-</u>	<u>22,325</u>	<u>67,752</u>	<u>(22,325)</u>	<u>(45,427)</u>
Other financing (uses):					
Transfers from the debt service fund to general fund	-	(108)	(100)	108	(8)
Total other financing (uses)	<u>-</u>	<u>(108)</u>	<u>(100)</u>	<u>108</u>	<u>(8)</u>
Net change in fund balances	-	(22,337)	(66,581)	22,337	44,244
Fund balances - beginning of year	-	22,337	88,918	(22,337)	(66,581)
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,337</u>	<u>\$ -</u>	<u>\$ (22,337)</u>

For the period from July 1, 2020 through July 31, 2020, the DSF did not have any activity as the final debt payment was made on April 1, 2020.

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

The DSF, during the fiscal years ended June 30, 2020 and 2019 had expenditures of approximately \$22.3 million and \$67.8, respectively. 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

July 31, 2020 and June 30, 2020

(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 July 31, 2020, June 30, 2020 and June 30, 2019:

	<u>July 31, 2020</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>July 31, 2020 v June 30, 2020 Change</u>	<u>June 30, 2020 v June 30, 2019 Change</u>
Assets:					
Non-capital	\$ -	\$ 228	\$ 366	\$ (228)	\$ (138)
Total assets	<u>-</u>	<u>\$ 228</u>	<u>\$ 366</u>	<u>\$ (228)</u>	<u>\$ (138)</u>
Liabilities:					
Accrued expenditures	\$ -	\$ -	\$ 15	\$ -	\$ (15)
Total liabilities	<u>-</u>	<u>-</u>	<u>15</u>	<u>-</u>	<u>(15)</u>
Fund balances:					
Nonspendable prepaid expenditures	-	10	-	(10)	10
Unassigned	<u>-</u>	<u>218</u>	<u>351</u>	<u>(218)</u>	<u>(133)</u>
Total fund balances	<u>-</u>	<u>228</u>	<u>351</u>	<u>(228)</u>	<u>(123)</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 228</u>	<u>\$ 366</u>	<u>\$ (228)</u>	<u>\$ (138)</u>

As of July 31, 2020, GF had no assets or liabilities as it ceased operations.

The GF assets at June 30, 2020 and 2019 totaled approximately \$228 thousand and \$366 thousand, respectively. They were composed primarily 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

July 31, 2020 and June 30, 2020

(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 July 31, 2020, June 30, 2020 and June 30, 2019:

	<u>July 31, 2020</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>July 31, 2020 v June 30, 2020 Change</u>	<u>June 30, 2020 v June 30, 2019 Change</u>
Assets:					
Cash and investments	\$ -	\$ -	\$ 22,337	\$ -	\$ (22,337)
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,337</u>	<u>\$ -</u>	<u>\$ (22,337)</u>
Fund balance:					
Restricted for debt service	\$ -	\$ -	\$ 22,337	\$ -	\$ (22,337)
Total fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,337</u>	<u>\$ -</u>	<u>\$ (22,337)</u>

As of July 31, 2020, DSF had no assets or liabilities as it ceased operations.

The DSF assets as of June 30, 2020 and 2019 totaled approximately \$0 and \$22.3 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 July 31, 2020 and June 30, 2020, FSC had no 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.

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**FISCAL YEAR 2005 SECURITIZATION CORPORATION**

(A Component Unit of The City of New York)

Statements of Net Position

As of July 31, 2020

and June 30, 2020

(Amounts in thousands)

	<u>July 31, 2020</u>	<u>June 30, 2020</u>
<b>ASSETS:</b>		
Unrestricted cash	\$ -	\$ 218
Prepaid expenditures	-	10
	<hr/>	<hr/>
Total assets	-	228
	<hr/>	<hr/>
<b>LIABILITIES:</b>		
Accrued expenses	-	-
Accrued interest payable	-	-
Bonds payable:		
Portion due within one year	-	-
	<hr/>	<hr/>
Total liabilities	-	-
	<hr/>	<hr/>
<b>NET POSITION:</b>		
Unrestricted	-	228
	<hr/>	<hr/>
<b>TOTAL NET POSITION</b>	<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)

Statements of Activities

For the period from July 1, 2020 through July 31, 2020

and the Fiscal Year ended June 30, 2020

(Amounts in thousands)

	<u>July 31, 2020</u>	<u>June 30, 2020</u>
REVENUE:		
Investment income	\$ -	\$ 100
Total revenue	<u>-</u>	<u>100</u>
EXPENSES:		
Bond interest	-	212
General and administrative	<u>228</u>	<u>235</u>
Total expenses	<u>228</u>	<u>447</u>
Change in net position	(228)	(347)
NET POSITION - Beginning of year	<u>228</u>	<u>575</u>
NET POSITION - End of year	<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

As of July 31, 2020

(Amounts in thousands)

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

As of June 30, 2020

(Amounts in thousands)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>			
Unrestricted cash	\$ 218	\$ -	\$ 218
Prepaid expenditures	10	-	10
Total assets	<u>\$ 228</u>	<u>\$ -</u>	<u>\$ 228</u>
<b>LIABILITIES:</b>			
Accrued expenditures	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES:</b>			
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 Statement of Revenues, Expenditures and

Changes in Fund Balances

For the Period from July 1, 2020 through July 31, 2020

(Amounts in thousands)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUE:			
Investment income	\$ -	\$ -	\$ -
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:			
General and administrative	228	-	228
Total expenditures	<u>228</u>	<u>-</u>	<u>228</u>
OTHER FINANCING SOURCES (USES):			
Transfers from the debt service fund to general fund	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(228)	-	(228)
FUND BALANCES - Beginning of year	<u>228</u>	<u>-</u>	<u>228</u>
FUND BALANCES - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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	<u>108</u>	<u>(108)</u>	<u>-</u>
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><u>\$ 228</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 228</u></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

July 31, 2020 and June 30, 2020

(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 ceased operations on July 31, 2020. After such date, the Corporation had no assets or liabilities.

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.

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

## FISCAL YEAR 2005 SECURITIZATION CORPORATION

(A Component Unit of The City of New York)

Notes to Financial Statements

July 31, 2020 and June 30, 2020

(Amounts in thousands, except as noted)

### (2) Summary of Significant Accounting Policies, continued

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 statement 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.

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).

**FISCAL YEAR 2005 SECURITIZATION CORPORATION**

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Notes to Financial Statements

July 31, 2020 and June 30, 2020

(Amounts in thousands, except as noted)

**(2) Summary of Significant Accounting Policies, continued**

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. As FSC has ceased operations any current or future requiring implementations is not applicable to FSC.

**(3) Bonds Payable**

FSC issued \$499 million of bonds of which it had \$0 outstanding as of July 31, 2020.

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

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

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%.

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Notes to Financial Statements

July 31, 2020 and June 30, 2020

(Amounts in thousands, except as noted)

**(3) Bonds Payable, continued**

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.

**(4) Cash and Cash Equivalents**

Cash and cash equivalents consisted of the following at July 31, 2020 and June 30, 2020:

	<u>July 31, 2020</u>	<u>June 30, 2020</u>
Unrestricted:		
Cash uninsured and uncollateralized (see Note 5)	\$ -	\$ 218
Total cash and cash equivalents	<u>\$ -</u>	<u>\$ 218</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 July 31, 2020 and June 30, 2020, \$0 and \$218 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

July 31, 2020 and June 30, 2020

(Amounts in thousands, except as noted)

### (5) Investments

Investments consisted of the following at July 31, 2020 and June 30, 2020:

	<u>July 31, 2020</u>	<u>June 30, 2020</u>
Unrestricted:		
Money Market Funds	\$ -	\$ -
Cash	-	218
Total - Unrestricted	<u>-</u>	<u>218</u>
Restricted for Debt Service:		
U.S. Treasury obligations (maturing within one year)*	-	-
Total - Restricted	<u>-</u>	<u>-</u>
Total Investments including cash and cash equivalents	-	218
Less: amounts reported as cash and cash equivalents (see Note 4)	-	(218)
Total - Investments	<u>\$ -</u>	<u>\$ -</u>

\* Net of market value adjustment for Forward Supply Contract

*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.

*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.

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