

NYCTL 2017-A TRUST
Financial Statements
For the Years ended June 30, 2020 and 2019
(With Independent Auditors' Report)

**NYCTL 2017-A Trust
(A Blended Component Unit of the City of New York)**

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

YEARS ENDED JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

Wilmington Trust Company
NYCTL 2017-A Trust:

We have audited the accompanying financial statements of the business-type activities of the NYCTL 2017-A Trust (the Trust), a blended component unit of the City of New York, as of and for the years ended June 30, 2020 and 2019 and the related notes to financial statements.

Managements Responsibility for the Financial Statements

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

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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the NYCTL 2017-A Trust, as of June 30, 2020 and 2019 and the respective changes in financial position and its cash flows for the years ended June 30, 2020 and 2019, in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trust's financial statements as a whole. The supplemental schedule on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2020, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Trust's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
September 25, 2020

NYCTL 2017-A TRUST
(A Blended Component Unit of the City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019

OVERVIEW OF THE FINANCIAL STATEMENTS

The following is a narrative overview and analysis of the financial activities of the New York City Tax Lien ("NYCTL") 2017-A Trust (the "Trust") for the years ended June 30, 2020 and 2019. It should be read in conjunction with the Trust's financial statements, and the accompanying notes to the financial statements.

The financial statements consist of three parts: (1) management's discussion and analysis (this section), (2) the financial statements and (3) the supplemental schedule.

The financial statements of the Trust, which include the statements of net position, the statements of revenues, expenses and changes in net position, the statements of cash flows, and the related notes to the financial statements, are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), as prescribed by the Governmental Accounting Standards Board ("GASB"). The financial statements are prepared using the accrual basis of accounting, in which revenues are recognized in the period they are earned and expenses are recognized in the period they are incurred.

OVERVIEW OF THE ORGANIZATION

The Trust was created on April 26, 2017 (inception) to acquire certain liens securing unpaid real estate taxes, water rents, sewer surcharges, and other charges, payable to the City of New York (the "City") and the New York City Water Board ("Water Board"), in exchange for the proceeds from bonds to be issued by the Trust, net of reserves funded by bond proceeds and bond issuance costs. The City is the sole beneficiary of the Trust and is entitled to receive distributions from the Trust after payments to bondholders and certain reserve requirements have been satisfied. The City is not entitled to cause the Trust to make distributions to it while bonds remain outstanding.

The Trust entered into an agreement (the "Assignment Agreement") as of December 31, 2019 to transfer all of its rights and obligations to the New York City Tax Lien Trust 1998-2. In March 2020, the certificate of cancellation of the Trust was filed. In accordance with the Assignment Agreement, the New York City Tax Lien Trust 1998-2 will pay all the administrative expenses incurred after December 31, 2019 and any costs associated with the transfer.

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS

A summary of the Trust's assets, liabilities and net position and its activities as of and for the years ended June 30, 2020, 2019 and 2018 is as follows:

Summary of Net Position:

	2020	2019	2018
ASSETS:			
Current Assets			
Cash and cash equivalents	\$ -	\$ 28,503	\$ 375,562
Restricted investments	-	6,349,784	11,588,969
Current tax liens receivable	-	9,593,613	16,809,796
Total current assets	-	15,971,900	28,774,327
Noncurrent tax liens receivable, net of allowance	-	16,758,257	23,258,945
TOTAL ASSETS	\$ -	\$ 32,730,157	\$ 52,033,272

NYCTL 2017-A TRUST
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (CONTINUED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
LIABILITIES:			
Accounts payable and accrued liabilities	\$ -	\$ 671,182	\$ 2,522,995
Overages due to taxpayers	-	82,976	370,834
Bonds payable, net of discount	-	9,327,741	28,773,887
Residual liability due to Water Board	-	<u>7,203,905</u>	<u>6,690,982</u>
TOTAL LIABILITIES	<u>-</u>	<u>17,285,804</u>	<u>38,358,698</u>
TOTAL NET POSITION	<u>-</u>	<u>15,444,353</u>	<u>13,674,574</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ -</u>	<u>\$ 32,730,157</u>	<u>\$ 52,033,272</u>

Summary of Revenues, Expenses and Changes in Net Position:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
REVENUES:			
Tax liens received from the City of New York	\$ -	\$ -	\$ 26,572,899
Interest on tax liens	1,184,586	3,134,571	5,322,659
Other income	<u>54,051</u>	<u>141,856</u>	<u>125,250</u>
TOTAL REVENUES	<u>1,238,637</u>	<u>3,276,427</u>	<u>32,020,808</u>
EXPENSES:			
Distributions to the City	-	-	53,996,440
Administrative expenses	326,903	1,082,761	1,474,592
Change in allowance for doubtful accounts	-	(1,034,510)	1,979,477
Write-offs of uncollectible liens, net of recoveries	477,666	646,325	39,200
Bond interest expense	39,997	299,149	819,654
Cost of bond issuance	-	-	2,187,498
Change in residual liability due to Water Board	88,548	512,923	(6,398,569)
Transfer to New York City Tax Lien Trust 1998-2	<u>15,749,876</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>16,682,990</u>	<u>1,506,648</u>	<u>54,098,292</u>
NET CHANGE IN NET POSITION	<u>\$ (15,444,353)</u>	<u>\$ 1,769,779</u>	<u>\$ (22,077,484)</u>

During the year ended June 30, 2020 the Trust's total assets decreased by \$32,730,157, its liabilities decreased by \$17,285,804, and its net position decreased by \$15,444,353, primarily as a result of the transfer of its assets and liabilities to the New York City Tax Lien Trust 1998-2.

During the year ended June 30, 2019, the Trust's total assets decreased by \$19,303,115 resulting primarily from a decrease in restricted investments of \$5,239,185 and a decrease in net tax liens receivable of \$13,716,871. The decrease in tax liens receivable resulted primarily from a decrease in principal of \$14,652,073, offset by a decrease in the allowance for doubtful accounts recorded of \$1,034,510 and an increase in accrued interest of \$40,569. The \$21,072,894 decrease in the Trust's liabilities resulted primarily from a decrease in bonds payable net of discount of \$19,446,146, a decrease in accounts payable and accrued expenses of \$1,851,813, a decrease in overages due to taxpayers of \$287,858, offset by an increase in the residual liability due to the Water Board of \$512,923.

During the year ended June 30, 2020, prior to the transfer of assets and liabilities to the New York City Tax Lien Trust 1998-2, total revenue was \$1,238,637. Additions to net position were primarily due to additional tax liens receivable as a result of interest on tax liens receivable of \$1,184,586 and investment income of \$54,051. Total expenses of \$933,114 were primarily from administrative expenses of \$326,903, write off of uncollectible liens of \$477,666, and an addition to the residual liability due to the Water Board of \$88,548.

**NYCTL 2017-A TRUST
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (CONTINUED)

During the year ended June 30, 2019, total revenues were \$3,276,427 and consisted of interest on tax liens received of \$3,134,571, and investment income of \$141,856. Total expenses of \$1,506,648 resulted primarily from administrative expenses of \$1,082,761, write-offs of uncollectible liens of \$646,325, addition to residual liability due to the Water Board of \$512,923, offset by a decrease in allowance for doubtful accounts of \$1,034,510.

Long-Term Debt Activity:

The Trust issued debt to fund its purchase of certain tax liens from the City, as well as to fund required reserve accounts and pay costs of issuance. Debt repayments will be made solely from cash collections received as a result of payments of tax liens or from proceeds from real estate owned as a result of foreclosure on properties with unpaid tax liens. While the bonds issued have a stated maturity date of November 10, 2030, the bonds will be repaid as funds are available from cash collections, generally quarterly. The bonds were fully repaid as of November 12, 2019.

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NYCTL 2017-A TRUST
(A Blended Component Unit of the City of New York)

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2020 AND 2019

	2020	2019
ASSETS:		
Current assets		
Cash and cash equivalents	\$ -	\$ 28,503
Restricted investments	-	6,349,784
Tax liens receivable:		
Principal	-	7,507,988
Accrued interest	-	2,085,625
Net tax liens receivable	-	9,593,613
Total current assets	-	15,971,900
Noncurrent assets		
Tax liens receivable:		
Principal	-	14,226,851
Accrued interest	-	1,208,883
Accrued capitalized costs	-	116,282
Recoverable expenses	-	2,206,634
Less: allowance for uncollectible accounts	-	(1,000,393)
Total noncurrent assets	-	16,758,257
TOTAL ASSETS	\$ -	\$ 32,730,157
LIABILITIES:		
Current liabilities		
Accounts payable and accrued liabilities	\$ -	\$ 642,108
Accrued bond interest payable	-	29,074
Overages due to taxpayers	-	82,976
Bonds payable:		
Class A	-	9,328,445
Discount on bonds payable	-	(704)
Bonds payable, net of discount	-	9,327,741
Residual liability due to Water Board	-	7,203,905
Total current liabilities	-	17,285,804
NET POSITION:		
Restricted by contractual agreements	-	6,349,784
Unrestricted	-	9,094,569
Total net position	-	15,444,353
TOTAL LIABILITIES AND NET POSITION	\$ -	\$ 32,730,157

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES:		
Interest on tax liens	\$ 1,184,586	\$ 3,134,571
TOTAL OPERATING REVENUES	<u>1,184,586</u>	<u>3,134,571</u>
OPERATING EXPENSES:		
Increase (decrease) in allowance for doubtful accounts	-	(1,034,510)
Addition to residual liability due to Water Board	88,548	512,923
Write-offs of uncollectible liens, net of recoveries	477,666	646,325
Trust administrative expenses		
Servicer fees	191,563	695,587
Trustee fees	35,333	98,000
Financial advisor/management fees	49,968	138,099
Lien and other expenses	<u>50,039</u>	<u>151,075</u>
Total administrative expenses	<u>326,903</u>	<u>1,082,761</u>
Bond interest expense	<u>39,997</u>	<u>299,149</u>
TOTAL OPERATING EXPENSES	<u>933,114</u>	<u>1,506,648</u>
OPERATING INCOME	<u>251,472</u>	<u>1,627,923</u>
NONOPERATING REVENUES:		
Other income - investment income	54,051	141,856
Transfer to New York City Tax Lien Trust 1998-2	<u>(15,749,876)</u>	<u>-</u>
TOTAL NONOPERATING REVENUES	<u>(15,695,825)</u>	<u>141,856</u>
CHANGE IN NET POSITION	(15,444,353)	1,769,779
Net Position - Beginning of Year	<u>15,444,353</u>	<u>13,674,574</u>
NET POSITION - END OF YEAR	<u>\$ -</u>	<u>\$ 15,444,353</u>

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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from:		
Cash collections	\$ 5,551,908	\$ 16,983,468
Total cash receipts from operating activities	<u>5,551,908</u>	<u>16,983,468</u>
Cash payments for:		
Bond issuance and interest costs	(69,071)	(359,405)
Other services	<u>(304,617)</u>	<u>(2,905,665)</u>
Total cash payments for operating activities	<u>(373,688)</u>	<u>(3,265,070)</u>
Net Cash Provided by Operating Activities	<u>5,178,220</u>	<u>13,718,398</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Bond retired	(9,328,445)	(19,446,498)
Transfer to New York City Tax Lien Trust 1998-2	<u>(2,282,113)</u>	<u>-</u>
Net Cash Used in Noncapital Financing Activities	<u>(11,610,558)</u>	<u>(19,446,498)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(8,186,348)	(24,666,286)
Sale of investments	14,536,132	29,905,471
Interest received on investments	<u>54,051</u>	<u>141,856</u>
Net Cash Provided by Investing Activities	<u>6,403,835</u>	<u>5,381,041</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(28,503)	(347,059)
Cash and cash equivalents - beginning of year	<u>28,503</u>	<u>375,562</u>
CASH AND CASH EQUIVALENTS—END OF YEAR	<u>\$ -</u>	<u>\$ 28,503</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 251,472	\$ 1,627,923
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in allowance for doubtful accounts	-	(1,034,510)
Write-offs of uncollectible liens	477,666	646,325
Amortization	704	352
Tax liens receivable	4,738,991	14,105,056
Accounts payable	(314,146)	(1,791,205)
Overages due to taxpayers	(35,941)	(287,858)
Accrued bond interest payable	(29,074)	(60,608)
Due to (from) Water Board	<u>88,548</u>	<u>512,923</u>
Net Cash Provided by Operating Activities	<u>\$ 5,178,220</u>	<u>\$ 13,718,398</u>

NYCTL 2017-A TRUST
(A Blended Component Unit of the City of New York)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

NYCTL 2017-A Trust (the “Trust”) is a Delaware statutory trust formed on April 26, 2017. The Trust is governed by a Declaration and Agreement of Trust dated April 26, 2017 between the City of New York (the “City”) and the Wilmington Trust Company of Wilmington, Delaware (the “Owner Trustee”). Tax lien sales are authorized by Chapter 3 of Title 11 of the Administrative Code of the City. In accordance with a purchase and sale agreement between the Trust and the City, the Trust was created to acquire certain tax liens (Note 5) from the City in exchange for the proceeds from bonds issued by the Trust, net of reserves funded by bond proceeds and bond issuance costs.

The Trust’s intended purpose is the collection of delinquent tax and utility receivables, including appropriate interest, fees and service charges, and the eventual distribution of net proceeds back to the originating City fund. Accordingly, the Trust is not intended to function as an independent business.

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. As a governmental activity, the Trust reports its activities in business-type financial statements.

The financial statements of the Trust, which include the statements of net position, statements of revenues, expenses and changes in net position, and the statements of cash flows and the notes to the financial statements, are presented to display information about the reporting entity as a whole, in accordance with Governmental Accounting Standards Board (“GASB”) standards. The 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.

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted where resources are constrained for debt service or redemption in accordance with the bond indenture. The balance is classified as unrestricted.

When both restricted and unrestricted resources are available for use for a specific purpose, it is the Trust’s policy to use restricted resources first, then unrestricted resources as they are needed.

- B. Cash equivalents include short-term investments with maturities of three months or less at the date of acquisition.
- C. The Trust records tax liens receivable based on the amounts that are receivable for real estate taxes, water rents, sewer surcharges, and other charges. Interest that accrues on the outstanding balances as well as certain other costs, such as public notices that can be recovered from the taxpayer as part of the tax lien balance are capitalized. The Trust establishes an allowance for doubtful accounts by comparing tax lien receivable balances with the estimated fair value of the properties subject to the liens as provided by the City. The Trust also considers certain factors related to specific properties, such as environmental issues and where other tax liens have legal priority over the Trust’s tax liens, in determining the adequacy of its allowance for doubtful accounts.

NYCTL 2017-A TRUST
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. Bond discounts are amortized over the life of the related debt in proportion to the debt that is repaid each year. Amortization of bond discounts is recorded as a component of bond interest expense. Bond issuance costs are expensed in the year the bonds are issued (see Note 6).
- E. The City and the Water Board have agreed to share in the distributions and residual assets of the Trust in accordance with the fixed percentages as of the first purchase of tax liens of 70.2% and 29.8%, respectively. After the purchase of tax liens (see Note 5), the percentages to the City and the Water Board were adjusted to 77.5% and 22.5%, respectively. As the City is the sole beneficiary of the net position of the Trust, the amounts that would be due to the Water Board under this agreement are recorded as a general long-term liability for financial reporting purposes.
- F. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Trust's management to make estimates and assumptions in determining the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of additions and deductions in fiduciary net position during the reporting period. Actual results could differ from those estimates.
- G. The Trust distinguishes operating revenues and expenses from nonoperating items in the preparation of its financial statements. The principal operating revenues include tax liens received from the City and interest on tax liens. Major operating expenses include additions to the residual liability due to the Water Board.

NOTE 3 – CASH AND CASH EQUIVALENTS AND CONCENTRATION OF CREDIT RISK

The Trust's cash and cash equivalents consist of cash in demand deposit accounts and money market funds. As of June 30, 2019, total cash and cash equivalents were \$28,503, of which \$0 was in excess of FDIC coverage. As of June 30, 2020, the Trust had no cash and cash equivalents as a result of the transfer of assets to the New York City Tax Lien Trust 1998-2 on December 31, 2019 (see Note 9).

NOTE 4 – RESTRICTED INVESTMENTS

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

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

- 1) Bond Account – an account established by the paying agent, which receives daily transfers from lockbox accounts to which payments received from property owners on tax liens are deposited. The paying agent uses this account to make principal and interest payments on the bonds, as well as payments for other expenses of the Trust, in the order of priority specified in the bond indenture.
- 2) Interest Reserve Fund – initially funded out of the proceeds from the sale of bonds, this fund maintains an amount equal to six months of interest on outstanding bonds and is to be used solely to pay interest on the bonds in the event there are insufficient funds in the Bond Account for these interest payments. The Interest Reserve Fund is replenished from the Bond Account.
- 3) Working Capital Reserve Fund – initially funded out of proceeds from the sale of bonds in the amount of \$3,400,000, this fund is used to pay lien administration expenses and the base fee to the tax lien servicers to the extent amounts on deposit in the Bond Account are insufficient for such purpose. The Working Capital Reserve Fund is replenished from the Bond Account.

**NYCTL 2017-A TRUST
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 4 – RESTRICTED INVESTMENTS (Continued)

As of June 30, 2020 and 2019, the amounts held in each of these funds were as follows:

	2020	2019
Working Capital Reserve Fund	\$ -	\$ 2,878,270
Interest Reserve	-	117,169
Bond Account	-	3,354,345
Total Restricted Investments	\$ -	\$ 6,349,784

All of the restricted funds were invested in various short-term investment funds. During the fiscal year ended June 30, 2019, the short-term investment funds were in Dreyfus Government Cash Management Institutional Shares, a money market portfolio that carries a rating of AAAM by Standard & Poors and Aaa-mf by Moody's Investor Services Inc. As of June 30, 2020, the Trust had no restricted investments as a result of the transfer of assets to the New York City Tax Lien Trust 1998-2 on December 31, 2019 (see Note 9).

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the investment will incur losses in fair value caused by changing interest rates. The Trust does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the Trust does not invest in any long-term investment obligations.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Trust does not have a formal credit risk policy other than restrictions to obligations allowable under the General Municipal Law of the State of New York.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of investments or collateral securities that are in possession of an outside party.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of an investment to a single issuer. As of June 30, 2019, the Trust held all its investments held in one banking institution, Dreyfus Government Cash Management Institutional Shares. As of June 30, 2020, the Trust had no restricted investments as a result of the transfer of assets to the New York City Tax Lien Trust 1998-2 on December 31, 2019.

NOTE 5 – TAX LIENS RECEIVABLE

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

Subsequent to the purchase of the tax liens by the Trust, the tax liens accrue interest at the annual rate of 6% or 18% depending on the underlying assessed value of the properties to which the liens are attached, compounded daily. In addition, certain costs incurred by the Trust are eligible to be capitalized as part of the tax lien balance. Special rules for calculating tax lien amounts apply to bankruptcy tax liens.

NYCTL 2017-A TRUST
(A Blended Component Unit of the City of New York)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 – TAX LIENS RECEIVABLE (Continued)

The Trust has the right to foreclose and take title to properties for which related tax lien collection efforts are unsuccessful. Such properties are referred to as real estate owned (“REO”). As of June 30, 2020 and 2019, the Trust did not have title to any properties.

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

The Trust may be unable to recover the amount of certain tax liens, including accumulated interest and capitalized expenses, when the value of the related property is less than the amount of the tax lien, where other tax liens have legal priority over the Trust’s tax liens, or where the court awards a reduced expense amount. The Trust has not recorded an allowance for uncollectible tax liens as of June 30, 2020 and recorded \$1,000,393 as of June 30, 2019.

The changes in the tax liens receivable for the period from June 30, 2018 to June 30, 2020 were as follows:

		<u>Gross tax lien receivable balance</u>
Balance as of June 30, 2018	\$	42,103,644
Add: Accrued interest on outstanding lien		3,134,571
Accrued legal expenses		344,785
Less: Cash collections in satisfaction of liens and costs		(16,983,468)
Recoverable costs in satisfaction of liens and costs		(600,944)
Write-offs of uncollectible lien and defective liens		<u>(646,325)</u>
Balance as of June 30, 2019		27,352,263
Add: Accrued interest on outstanding lien		1,184,586
Less: Cash collections in satisfaction of liens and costs		(5,551,908)
Recoverable costs in satisfaction of liens and costs		(371,669)
Write-offs of uncollectible lien and defective liens		(477,666)
Transfer to New York City Tax Lien Trust 1998-2		<u>(22,135,606)</u>
Balance as of June 30, 2020	\$	<u>-</u>

NOTE 6 – BONDS PAYABLE

On August 3, 2017, the Trust issued Tax Lien Collateralized Bonds, Series 2017-A for the principal amount of \$68,017,000.

The Trust’s Indenture includes events of default, certain of which (relating to failure to pay debt service, insolvency, material misrepresentations) could result in acceleration of tax lien trust bonds if so directed by Indenture Trustee or the Holders of Bonds representing more than 50% of the Aggregate Current Principal Amount of the Outstanding Bonds.

The tax liens purchased by the Trust are secured by the assessed value of the properties to which the liens are attached. The Trust has the right to foreclose and take title to properties for which related tax lien collection efforts are unsuccessful. The Trust may be unable to recover the amount of certain tax liens when the value of the attached property is less than the amount of the tax lien, where other tax liens have legal priority over the Trust’s tax liens, or where the court awards a reduced expense amount.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 – BONDS PAYABLE (Continued)

The following is a summary of changes in the principal amounts of the Trust's Tax Lien Collateralized Bonds, Series 2017-A for the years ended June 30:

	Balance at June 30, 2018	Retired	Balance at June 30, 2019	Retired	Balance at June 30, 2020
Class A	\$ 28,774,943	\$ 19,446,498	\$ 9,328,445	\$ 9,328,445	\$ -

The stated maturity of the bonds is November 10, 2030. However, the bonds were fully repaid as of November 12, 2019. Collections on tax liens were used to pay accrued interest on the Class A bonds and then principal on the bonds. The timing of the repayment of the principal amount of the bonds and all accrued interest was entirely dependent upon the redemption of the tax liens or the liquidation of any real estate owned resulting from foreclosure.

The interest rate on the bonds is fixed at 1.87%. The closing date of the sale of the bonds was August 3, 2017. No additional bonds were issued during the fiscal years ended June 30, 2020 and 2019. Interest expense has been recorded for the fiscal years ended June 30, 2020 and 2019 of \$39,997 and \$299,149, respectively.

NOTE 7 – FAIR VALUE HIERARCHY

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Trust's investment in Dreyfus Government Cash Management Institutional Shares as of June 30, 2019 is valued based on various market and industry inputs (Level 2 inputs).

NOTE 8 – LITIGATION

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

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 – ASSIGNMENT AND ASSUMPTION AGREEMENT

The Trust entered into an agreement (the "Assignment Agreement") as of December 31, 2019 to transfer all of its rights and obligations to the New York City Tax Lien Trust 1998-2. In March 2020, the certificate of cancellation of the Trust was filed. In accordance with the Assignment Agreement, the New York City Tax Lien Trust 1998-2 will pay all the administrative expenses incurred after December 31, 2019 and any costs associated with the transfer. A summary of the assets and liabilities transferred on December 31, 2019 is as follows:

ASSETS:

Cash	\$ 28,581
Restricted investments	2,253,532
Tax liens receivable, net of allowance	<u>21,135,213</u>
	<u>\$ 23,417,326</u>

LIABILITIES:

Accounts payable and accrued liabilities	\$ 327,962
Overages due to taxpayers	47,035
Residual liability due to Water Board	<u>7,292,453</u>
	<u>7,667,450</u>

TOTAL NET POSITION	<u>15,749,876</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 23,417,326</u>

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(A Blended Component Unit of the City of New York)

SUPPLEMENTAL SCHEDULE
SCHEDULE 1 - CHANGES IN RESIDUAL LIABILITY DUE TO WATER BOARD
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Residual Liability Due to Water Board
Ending balance at June 30, 2018	\$ 6,690,982
Net change in net position	<u>512,923</u>
Ending balance at June 30, 2019	<u>7,203,905</u>
Net change in net position	88,548
Distributions	<u>(7,292,453)</u>
Ending balance at June 30, 2020	<u><u>\$ -</u></u>

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

Wilmington Trust Company
NYCTL 2017-A Trust:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States financial statements of the business-type activities of the NYCTL 2017-A Trust (the Trust), a blended component unit of the City of New York, as of June 30, 2020 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated September 25, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York
September 25, 2020