

NYCTL 2019-A TRUST

FINANCIAL STATEMENTS

For the Year Ended June 30, 2021 and for the Period  
From July 2, 2019 (inception) to June 30, 2020

(With Independent Auditors' Report)

**NYCTL 2019-A Trust  
(A Blended Component Unit of the City of New York)**

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

**YEAR ENDED JUNE 30, 2021 AND  
FOR THE PERIOD FROM JULY 2, 2019 (INCEPTION) TO JUNE 30, 2020**

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## INDEPENDENT AUDITORS' REPORT

Wilmington Trust Company  
NYCTL 2019-A Trust:

We have audited the accompanying financial statements of the business-type activities of the NYCTL 2019-A Trust (the Trust), a blended component unit of the City of New York, as of and for the year ended June 30, 2021 and for the period from July 2, 2019 (inception) to June 30, 2020 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 2019-A Trust, as of June 30, 2021 and 2020 and the respective changes in financial position and its cash flows for the year ended June 30, 2021 and for the period from July 2, 2019 (inception) to June 30, 2020, 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 audit was 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 30, 2021, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Trust's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York  
September 30, 2021

**NYCTL 2019-A TRUST**  
**(A Blended Component Unit of the City of New York)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2021 AND 2020**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following is a narrative overview and analysis of the financial activities of NYCTL 2019-A Trust (the "Trust") for the year ended June 30, 2021 and the period from July 2, 2019 (inception) to June 30, 2020. It should be read in conjunction with the Trust's financial statements, and the accompanying notes to the financial statements.

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 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 July 2, 2019 (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.

**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS**

A summary of the Trust's assets, liabilities and net position as of June 30, 2021 and 2020, and its activities for the year ended June 30, 2021 and the period from July 2, 2019 (inception) to June 30, 2020 is as follows:

**Summary of Net Position**

|   | 2021                 | 2020                 |
|---|----------------------|----------------------|
| <b>ASSETS:</b>                                    |                      |                      |
| Current assets:                                   |                      |                      |
| Cash and cash equivalents                         | \$ 13,705            | \$ 19,499            |
| Restricted investments                            | 6,175,973            | 10,268,224           |
| Current tax liens receivable                      | 12,220,243           | 25,144,336           |
| Total current assets                              | 18,409,921           | 35,432,059           |
| Noncurrent tax liens receivable, net of allowance | 34,618,385           | 38,924,179           |
| <b>TOTAL ASSETS</b>                               | <b>\$ 53,028,306</b> | <b>\$ 74,356,238</b> |
| <b>LIABILITIES:</b>                               |                      |                      |
| Accounts payable and accrued liabilities          | \$ 1,140,006         | \$ 354,603           |
| Accrued bond interest payable                     | 89,385               | 183,686              |
| Overages due to taxpayers                         | 18,352               | 43                   |
| Bonds payable, net of discount                    | 24,487,949           | 50,323,353           |
| Residual liability due to Water Board             | 16,136,232           | 15,489,730           |
| <b>TOTAL LIABILITIES</b>                          | 41,871,924           | 66,351,415           |
| <b>TOTAL NET POSITION</b>                         | <b>11,156,382</b>    | <b>8,004,823</b>     |
| <b>TOTAL LIABILITIES AND NET POSITION</b>         | <b>\$ 53,028,306</b> | <b>\$ 74,356,238</b> |

**NYCTL 2019-A TRUST  
(A Blended Component Unit of the City of New York)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021 AND 2020**

**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (CONTINUED)**

**Summary of Revenues, Expenses and Changes in Net Position:**

|  | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| <b>REVENUES:</b>                                     |                     |                     |
| Tax liens received from the City of New York         | \$ -                | \$ 89,434,214       |
| Interest on tax liens                                | 6,215,169           | 7,947,422           |
| Other income   | <u>3,155</u>        | <u>94,297</u>       |
| <b>TOTAL REVENUES</b>                                | <u>6,218,324</u>    | <u>97,475,933</u>   |
| <b>EXPENSES:</b>                                     |                     |                     |
| Distributions to the City of New York                | -                   | 68,222,692          |
| Increase in allowance for doubtful accounts          | 482,139             | 1,221,632           |
| Increase to residual liability due to Water Board    | 646,502             | 15,489,730          |
| Write-offs of uncollectible liens, net of recoveries | 30,550              | 32,260              |
| Administrative expense                               | 1,137,845           | 1,331,368           |
| Bond interest expense                                | 769,729             | 979,391             |
| Cost of bond issuance                                | <u>-</u>            | <u>2,194,037</u>    |
| <b>TOTAL EXPENSES</b>                                | <u>3,066,765</u>    | <u>89,471,110</u>   |
| <b>NET CHANGE IN NET POSITION</b>                    | <u>\$ 3,151,559</u> | <u>\$ 8,004,823</u> |

During the year ended June 30, 2021, the Trust's total assets decreased by \$21,327,932 resulting primarily from a decrease in restricted investments of \$4,092,251 and a decrease in net tax liens receivable of \$17,229,887. The decrease in tax liens receivable resulted primarily from a decrease in principal of \$20,534,511 and an increase in the allowance for doubtful accounts recorded of \$482,139, offset by an increase in accrued interest of \$2,003,738. The \$24,479,491 decrease in the Trust's liabilities resulted primarily from a decrease in bonds payable, net of discount of \$25,835,404 and a decrease in accrued bond interest payable of \$94,301, offset by an increase in the residual liability due to the Water Board of \$646,502, an increase in accounts payable and accrued liabilities of \$785,403, and an increase in overages due to taxpayers of \$18,309.

During the period from July 2, 2019 (inception) to June 30, 2020, the Trust's total assets increased by \$74,356,238 resulting primarily from an increase in net tax liens receivable of \$64,068,515, reflecting the Trust's commencement of operations during the period. The increase in tax liens receivable resulted primarily from tax liens received from the City of \$89,434,214, and related accrued interest of \$7,947,422, and receipts in satisfaction of liens and costs of \$32,091,489. The \$66,351,415 increase in the Trust's liabilities resulted primarily from an increase in bonds payable, net of discount, of \$50,323,353, an increase in the residual liability due to the Water Board of \$15,489,730, an increase in accounts payable and accrued liabilities of \$354,603, an increase in accrued bond interest payable of \$183,686 and an increase in overages due to taxpayers of \$43.

During the year ended June 30, 2021, total revenues were \$6,218,324 and consisted of interest on tax liens receivable of \$6,215,169, and investment income of \$3,155. Total expenses of \$3,066,765 resulted primarily from the an increase in residual liability due to the Water Board of \$646,502, an increase in allowance for doubtful accounts of \$482,139, write-off of uncollectible liens of \$30,550, administrative expenses of \$1,137,845, and bond interest expense of \$769,729.

**NYCTL 2019-A TRUST  
(A Blended Component Unit of the City of New York)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021 AND 2020**

**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (CONTINUED)**

During the period from July 2, 2019 (inception) to June 30, 2020, total revenues were \$97,475,933 and consisted of tax liens received from the City of \$89,434,214, interest on tax liens receivable of \$7,947,422, and investment income of \$94,297. Total expenses of \$89,471,110 resulted primarily from the distribution to the City of New York of \$68,222,692, the residual liability due to the Water Board of \$15,489,730, an increase in allowance for doubtful accounts of \$1,221,632, write-off of uncollectible liens of \$32,260, and administrative expenses of \$1,331,368. Other expenses include cost of bond issuance of \$2,194,037 and bond interest expense of \$979,391.

**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, 2032, the bonds will be repaid as funds are available from cash collections, generally quarterly. The expected maturity of the bonds is May 10, 2023.

**COVID-19:**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which spread throughout the United States. The Trust's operations were disrupted by COVID-19 during the year ended June 30, 2021. Dislocation of the courts because of the pandemic impacted the ability to do foreclosures in a timely manner. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Trust's operations will depend on future developments, which are uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, the Trust cannot predict the extent to which its financial condition and results of operations will be affected.

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**NYCTL 2019-A TRUST**  
**(A Blended Component Unit of the City of New York)**

**STATEMENTS OF NET POSITION**  
**AS OF JUNE 30, 2021 AND 2020**

|  | <b>2021</b>   | <b>2020</b>   |
|--|---------------|---------------|
| <b>ASSETS:</b>                             |               |               |
| <b>Current assets</b>                      |               |               |
| Cash and cash equivalents                  | \$ 13,705     | \$ 19,499     |
| Restricted investments                     | 6,175,973     | 10,268,224    |
| Tax liens receivable:                      |               |               |
| Principal                                  | 10,371,071    | 23,192,281    |
| Accrued interest                           | 1,849,172     | 1,952,055     |
| Net tax liens receivable                   | 12,220,243    | 25,144,336    |
| <b>Total current assets</b>                | 18,409,921    | 35,432,059    |
| <b>Noncurrent assets</b>                   |               |               |
| Tax liens receivable:                      |               |               |
| Principal                                  | 29,009,629    | 36,722,930    |
| Accrued interest                           | 5,275,334     | 3,168,713     |
| Recoverable expenses                       | 2,037,193     | 254,168       |
| Less: allowance for uncollectible accounts | (1,703,771)   | (1,221,632)   |
| <b>Total noncurrent assets</b>             | 34,618,385    | 38,924,179    |
| <b>TOTAL ASSETS</b>                        | \$ 53,028,306 | \$ 74,356,238 |
| <b>LIABILITIES:</b>                        |               |               |
| <b>Current liabilities</b>                 |               |               |
| Accounts payable and accrued liabilities   | \$ 1,140,006  | \$ 354,603    |
| Accrued bond interest payable              | 89,385        | 183,686       |
| Overages due to taxpayers                  | 18,352        | 43            |
| Bonds payable:                             |               |               |
| Class A                                    | 24,489,011    | 50,324,946    |
| Discount on bonds payable                  | (1,062)       | (1,593)       |
| Bonds payable, net of discount             | 24,487,949    | 50,323,353    |
| Residual liability due to Water Board      | 16,136,232    | 15,489,730    |
| <b>Total current liabilities</b>           | 41,871,924    | 66,351,415    |
| <b>NET POSITION:</b>                       |               |               |
| Restricted by contractual agreements       | 6,175,973     | 10,268,224    |
| Unrestricted                               | 4,980,409     | (2,263,401)   |
| <b>Total net position</b>                  | 11,156,382    | 8,004,823     |
| <b>TOTAL LIABILITIES AND NET POSITION</b>  | \$ 53,028,306 | \$ 74,356,238 |

See accompanying notes to financial statements.



**NYCTL 2019-A TRUST**  
**(A Blended Component Unit of the City of New York)**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2021 AND FOR THE**  
**PERIOD FROM JULY 2, 2019 (INCEPTION) TO JUNE 30, 2020**

|  | <b>2021</b>          | <b>2020</b>         |
|--|----------------------|---------------------|
| <b>OPERATING REVENUES:</b>                           |                      |                     |
| Tax liens received from the City of New York         | \$ -                 | \$ 89,434,214       |
| Interest on tax liens                                | 6,215,169            | 7,947,422           |
| <b>TOTAL OPERATING REVENUES</b>                      | <b>6,215,169</b>     | <b>97,381,636</b>   |
| <b>OPERATING EXPENSES:</b>                           |                      |                     |
| Distributions to the City of New York                | -                    | 68,222,692          |
| Increase in allowance for doubtful accounts          | 482,139              | 1,221,632           |
| Increase to residual liability due to Water Board    | 646,502              | 15,489,730          |
| Write-offs of uncollectible liens, net of recoveries | 30,550               | 32,260              |
| Trust administrative expenses                        |                      |                     |
| Servicer fees  | 840,742              | 974,652             |
| Trustee fees   | 98,000               | 62,667              |
| Financial advisor/management fees                    | 77,183               | 129,572             |
| Lien and other expenses                              | 121,920              | 164,477             |
| Total administrative expenses                        | 1,137,845            | 1,331,368           |
| Bond interest expense                                | 769,729              | 979,391             |
| Costs of bond issuance                               | -                    | 2,194,037           |
| <b>TOTAL OPERATING EXPENSES</b>                      | <b>3,066,765</b>     | <b>89,471,110</b>   |
| <b>OPERATING INCOME</b>                              | <b>3,148,404</b>     | <b>7,910,526</b>    |
| <b>NONOPERATING REVENUES:</b>                        |                      |                     |
| Other income - investment income                     | 3,155                | 94,297              |
| <b>TOTAL NONOPERATING REVENUES</b>                   | <b>3,155</b>         | <b>94,297</b>       |
| <b>NET CHANGE IN NET POSITION</b>                    | <b>3,151,559</b>     | <b>8,004,823</b>    |
| <b>Net Position - Beginning of Year/Period</b>       | <b>8,004,823</b>     | <b>-</b>            |
| <b>NET POSITION - END OF YEAR/PERIOD</b>             | <b>\$ 11,156,382</b> | <b>\$ 8,004,823</b> |

**NYCTL 2019-A TRUST**  
**(A Blended Component Unit of the City of New York)**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2021 AND FOR THE**  
**PERIOD FROM JULY 2, 2019 (INCEPTION) TO JUNE 30, 2020**

|   | <b>2021</b>          | <b>2020</b>            |
|---|----------------------|------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                      |                        |
| Cash receipts from:   |                      |                        |
| Cash collections  | \$ 24,715,392        | \$ 32,313,397          |
| Overages due to taxpayers   | 18,309               | 43                     |
| Total cash receipts from operating activities   | 24,733,701           | 32,313,440             |
| Cash payments for:  |                      |                        |
| Distributions to the City of New York   | -                    | (68,222,692)           |
| Bond issuance and interest costs  | (762,336)            | (3,168,159)            |
| Other services  | (2,229,768)          | (1,047,247)            |
| Total cash payments for operating activities  | (2,992,104)          | (72,438,098)           |
| <b>Net Cash Provided by (Used in) Operating Activities</b>  | <b>21,741,597</b>    | <b>(40,124,658)</b>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>   |                      |                        |
| Bond issued   | -                    | 74,230,000             |
| Bond retired  | (25,835,935)         | (23,905,054)           |
| Bond discount   | (6,862)              | (6,862)                |
| <b>Net Cash (Used in) Provided by Noncapital Financing Activities</b>                             | <b>(25,842,797)</b>  | <b>50,318,084</b>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                      |                        |
| Purchase of investments   | (30,226,218)         | (45,785,137)           |
| Sale of investments   | 34,318,469           | 35,516,913             |
| Interest received on investments  | 3,155                | 94,297                 |
| <b>Net Cash Provided by (Used in) Investing Activities</b>  | <b>4,095,406</b>     | <b>(10,173,927)</b>    |
| <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>                                       | <b>(5,794)</b>       | <b>19,499</b>          |
| Cash and cash equivalents - beginning of period   | 19,499               | -                      |
| <b>CASH AND CASH EQUIVALENTS—END OF PERIOD</b>  | <b>\$ 13,705</b>     | <b>\$ 19,499</b>       |
| <b>RECONCILIATION OF OPERATING SURPLUS TO CASH FLOWS FROM OPERATING ACTIVITIES:</b>               |                      |                        |
| Operating income  | \$ 3,148,404         | \$ 7,910,526           |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: |                      |                        |
| Increase in allowance for doubtful accounts   | 482,139              | 1,221,632              |
| Write-offs of uncollectible liens   | 30,550               | 32,260                 |
| Amortization  | 7,393                | 5,269                  |
| Tax liens receivable  | 16,717,198           | (65,322,407)           |
| Accounts payable and accrued liabilities  | 785,403              | 354,603                |
| Overages due to taxpayers   | 18,309               | 43                     |
| Bonds interest payable  | (94,301)             | 183,686                |
| Due to Water Board  | 646,502              | 15,489,730             |
| <b>Net Cash Provided by (Used in) Operating Activities</b>  | <b>\$ 21,741,597</b> | <b>\$ (40,124,658)</b> |

See accompanying notes to financial statements.

**NYCTL 2019-A TRUST**  
**(A Blended Component Unit of the City of New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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

NYCTL 2019-A Trust (the "Trust") is a Delaware statutory trust formed on July 2, 2019. The Trust is governed by a Declaration and Agreement of Trust dated July 2, 2019 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 Trusts (see Note 2E).

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The financial statements of the Trust, which include the statement of net position, statement of revenues, expenses, and change in net position, and the statement of cash flows, are presented to display information about the reporting entity as a whole, in accordance with 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 date of acquisition.

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

**NYCTL 2019-A TRUST**  
**(A Blended Component Unit of the City of New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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 83.1% and 16.9% respectively. As the City is the sole beneficiary of the net position of the Trust, the amounts that would be due to the Water Board under this agreement are recorded as a general long-term liability for financial reporting purposes.
- F. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Trust's management to make estimates and assumptions in determining the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of additions and deductions in fiduciary net position during the reporting period. Actual results could differ from those estimates.
- 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 a residual liability due to the Water Board.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The Trust's cash and cash equivalents consist of cash in demand deposit accounts and money market funds. As of June 30, 2021, total cash and cash equivalents were \$13,705, of which \$0 was in excess of Federal Deposit Insurance Corporation coverage. As of June 30, 2020, total cash and cash equivalents were \$19,499, of which \$0 was in excess of Federal Deposit Insurance Corporation coverage.

**NOTE 4 – RESTRICTED INVESTMENTS**

The Trust has limited its investments to those eligible investments specified in its agreement with its paying agent and investment custodian, which is The Bank of New York 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 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 order or 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 amounts of \$3,400,000, this fund is used to pay lien administration expense and the base fee to the tax lien servicers to the extent amounts of deposit in the Bond Account are insufficient for such purpose. The Working Capital Reserve Fund is replenished from the Bond Account.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 4 – RESTRICTED INVESTMENTS (Continued)**

As of June 30, 2021 and 2020, the amounts held in each of these funds were as follows:

|                              | <b>2021</b>  | <b>2020</b>   |  |
|------------------------------|--------------|---------------|--|
| Bond Account                 | \$ 2,625,663 | \$ 6,649,095  |  |
| Interest Reserve             | 309,325      | 406,552       |  |
| Working Capital Reserve Fund | 3,240,985    | 3,212,577     |  |
| Total Restricted Investments | \$ 6,175,973 | \$ 10,268,224 |  |

All of the funds were invested in various short-term investment funds. As of June 30, 2021 and 2020, the short-term investment funds were invested in Invesco Government & Agency Portfolio, a money market portfolio that carries a rating of AAAM by Standard & Poor's and Aaa-mf by Moody's Investors Services Inc.

**Risk Disclosure**

**Interest Rate Risk** – Interest rate risk is the risk that the government 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 of collateral securities that are in possession of an outside party. The Trust's investment balance of \$6,175,973 were in Invesco Government & Agency Portfolio.

**Concentration of Credit Risk** – Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer.

**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 7% 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.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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, 2021, 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, maintaining custody of certain documents, and collection activities on its tax liens.

The Trust may be unable to recover the amount of certain tax liens, including accumulated interest and capitalized expenses, when the value of the related property is less than the amount of the tax lien, where other tax liens have legal priority over the Trust’s tax liens, or where the court awards a reduced expense amount. The Trust has recorded an allowance for uncollectible tax liens of \$1,703,771 as of June 30, 2021 and \$1,221,632 as of June 30, 2020.

The changes in the tax liens receivable for the period from July 2, 2019 (inception) to June 30, 2021 were as follows:

|   | <u>Gross tax lien<br/>receivable balance</u> |
|---|--|
| Balance as of July 2, 2019 (inception)                    | \$ -   |
| Add: Tax liens received from the City of New York         | 89,434,214                                   |
| Accrued legal expenses                                    | 32,254                                       |
| Accrued recoverable costs                                 | 221,914                                      |
| Accrued interest on outstanding lien                      | 7,947,422                                    |
| Less: Cash collections in satisfaction of liens and costs | (32,313,397)                                 |
| Write-offs of uncollectible lien and defective liens      | <u>(32,260)</u>                              |
| Balance as of June 30, 2020                               | 65,290,147                                   |
| Accrued legal expenses                                    | 377,526                                      |
| Accrued recoverable costs                                 | 1,405,499                                    |
| Accrued interest on outstanding lien                      | 6,215,169                                    |
| Less: Cash collections in satisfaction of liens and costs | (24,715,392)                                 |
| Write-offs of uncollectible lien and defective liens      | <u>(30,550)</u>                              |
| Balance as of June 30, 2021                               | <u>\$ 48,542,399</u>                         |

**NOTE 6 – BONDS PAYABLE**

On October 15, 2019, the Trust issued Tax Lien Collateralized Bonds, Series 2019-A for the principal amount of \$74,230,000.

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.

The following is a summary of changes in the principal amounts of the Trust’s Tax Lien Collateralized Bonds, Series 2019-A for the year ended June 30, 2021 and the period ended June 30, 2020:

|         | Balance at<br>July 2, 2019<br>(Inception) | Issued               | Retired              | Balance at<br>June 30,<br>2020 | Retired              | Balance at<br>June 30,<br>2021 |
|---------|---|----------------------|----------------------|--------------------------------|----------------------|--------------------------------|
| Class A | <u>\$ -</u>                               | <u>\$ 74,230,000</u> | <u>\$ 23,906,647</u> | <u>\$ 50,323,353</u>           | <u>\$ 25,835,404</u> | <u>\$ 24,487,949</u>           |

**NYCTL 2019-A TRUST**  
**(A Blended Component Unit of the City of New York)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 6 – BONDS PAYABLE (Continued)**

The stated maturity of the bonds is November 10, 2032. However, the final payment of the bonds could occur earlier than the stated maturity date. The expected maturity is May 10, 2023. Collections on tax liens are used to pay accrued interest on the Class A bonds and then principal on the bonds. The timing of the repayment of the principal amount of the bonds and all accrued interest is entirely dependent upon the redemption of the tax liens or the liquidation of any real estate owned resulting from foreclosure.

The interest rate on the bonds is fixed at 2.19%. The closing date of the bonds was October 15, 2019. Interest expense has been recorded in the amount of \$769,729 and \$979,391 for the fiscal year ended June 30, 2021 and the period ended June 30, 2020, respectively. Bond issuance costs were \$0 and \$2,194,037 for the fiscal year ended June 30, 2021 and the period ended June 30, 2020, respectively, and were expensed in the period of the bond issuance.

**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.

As of June 30, 2021 and 2020, the trusts investments amount to \$6,175,973 and \$10,268,224, respectively. The Trust's investment in Invesco Government & Agency Portfolio is stated at net asset value (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.

**NOTE 9 – CONTINGENCY**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which spread throughout the United States. The Trust's operations were disrupted by COVID-19 during the year ended June 30, 2021. Dislocation of the courts because of the pandemic impacted the ability to do foreclosures in a timely manner. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Trust's operations will depend on future developments, which are uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, the Trust cannot predict the extent to which its financial condition and results of operations will be affected.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 10 – SUBSEQUENT EVENTS**

The Trust has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements except as indicated below.



**NYCTL 2019-A TRUST  
(A Blended Component Unit of the City of New York)**

**SUPPLEMENTAL SCHEDULE  
SCHEDULE 1 - CHANGES IN RESIDUAL LIABILITY DUE TO WATER BOARD  
FOR THE YEAR ENDED JUNE 30, 2021 AND FOR THE  
PERIOD FROM JULY 2, 2019 (INCEPTION) TO JUNE 30, 2020**

|   | <b>Residual Liability<br/>Due to Water Board</b> |
|---|--|
| Beginning balance at July 2, 2019 (Inception) | \$ -   |
| Tax liens received from the City of New York  | 15,114,382                                       |
| Net change in net position                    | <u>375,348</u>                                   |
| Ending balance at June 30, 2020               | 15,489,730                                       |
| Tax liens received from the City of New York  | -  |
| Net change in net position                    | 646,502  |
| Distributions                                 | <u>-</u>   |
| Ending balance at June 30, 2021               | <u>\$ 16,136,232</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 2019-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 2019-A Trust (the Trust), a blended component unit of the City of New York, as of and for the year ended June 30, 2021 and for the period from July 2, 2019 (inception) to June 30, 2020, 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 30, 2021.

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 30, 2021