

NYCTL 2021-A TRUST

FINANCIAL STATEMENTS

Year ended June 30, 2023 and for the Period
From December 8, 2021 (inception) to June 30, 2022

(With Independent Auditors' Report)

**NYCTL 2021-A Trust
(A Blended Component Unit of the City of New York)**

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

**YEAR ENDED JUNE 30, 2023 AND
FOR THE PERIOD FROM DECEMBER 8, 2021 (INCEPTION) TO JUNE 30, 2022**

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INDEPENDENT AUDITORS' REPORT

Wilmington Trust Company
NYCTL 2021-A Trust:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the NYCTL 2021-A Trust (the Trust), a blended component unit of the City of New York, as of June 30, 2023 and 2022, and for the year ended June 30, 2023 and for the period from December 8, 2021 (inception) to June 30, 2022, and the related notes to financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust, as of June 30, 2023 and 2022, and the changes in financial position, and cash flows for the year ended June 30, 2023 and for the period from December 8, 2021 (inception) to June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern within twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 19, 2023 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 solely 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 Trust's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
September 19, 2023

**NYCTL 2021-A TRUST
(A Blended Component Unit of the City of New York)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022**

OVERVIEW OF THE FINANCIAL STATEMENTS

The following is a narrative overview and analysis of the financial activities of NYCTL 2021-A Trust (the "Trust") for the year ended June 30, 2023 and the period from December 8, 2021 (inception) to June 30, 2022. 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 December 8, 2021 (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") 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 and its activities as of June 30, 2023 and 2022, and its activities for the year ended June 30, 2023 and the period from December 8, 2021 (inception) to June 30, 2022 is as follows:

Summary of Net Position

	<u>2023</u>	<u>2022</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 46,568	\$ 76,178
Restricted investments	6,826,745	12,033,802
Current tax liens receivable	17,521,191	35,078,733
Total current assets	24,394,504	47,188,713
Noncurrent tax liens receivable, net of allowance	32,010,017	56,332,136
TOTAL ASSETS	\$ 56,404,521	\$ 103,520,849
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 1,090,036	\$ 323,089
Accrued bond interest payable	72,084	254,427
Overages due to taxpayers	22,150	475
Bonds payable, net of discount	20,569,644	72,654,657
TOTAL LIABILITIES	21,753,914	73,232,648
TOTAL NET POSITION	34,650,607	30,288,201
TOTAL LIABILITIES AND NET POSITION	\$ 56,404,521	\$ 103,520,849

NYCTL 2021-A TRUST
(A Blended Component Unit of the City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (CONTINUED)

Summary of Revenues, Expenses and Changes in Net Position:

	2023	2022
REVENUES:		
Tax liens received from the City of New York	\$ -	\$ 111,080,980
Interest on tax liens	7,176,398	5,950,329
Other income	412,640	11,042
TOTAL REVENUES	7,589,038	117,042,351
EXPENSES:		
Distributions to the City of New York	-	83,387,018
Increase in allowance for doubtful accounts	584,291	322,954
Write-offs of uncollectible liens, net of recoveries	137,003	16,711
Administrative expense	1,597,203	807,348
Bond interest expense	908,135	657,565
Cost of bond issuance	-	1,562,554
TOTAL EXPENSES	3,226,632	86,754,150
NET CHANGE IN NET POSITION	\$ 4,362,406	\$ 30,288,201

During the year ended June 30, 2023, the Trust's total assets decreased by \$47,116,328 resulting primarily from a decrease in restricted investments of \$5,207,057, and a decrease in net tax liens receivable of \$41,879,661. The decrease in tax liens receivable resulted primarily from a decrease in principal of \$44,498,908 and an increase in the allowance for doubtful accounts recorded of \$584,291, offset by an increase in accrued interest of \$788,260, an increase in recoverable expenses of \$2,354,958, and an increase in capitalized cost of \$60,320. The \$51,478,734 decrease in the Trust's liabilities resulted primarily from a decrease in bonds payable, net of discount of \$52,085,013 and a decrease in accrued bond interest payable of \$182,343, offset by an increase in accounts payable and accrued liabilities of \$766,947, and an increase in overages due to taxpayers of \$21,675.

During the period from December 8, 2021 (inception) to June 30, 2022, the Trust's total assets increased by \$103,520,849 resulting primarily from an increase in net tax liens receivable of \$91,410,869, 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 \$111,080,980, and related accrued interest of \$5,950,329, and receipts in satisfaction of liens and costs of \$25,620,440. The \$73,232,648 increase in the Trust's liabilities resulted primarily from an increase in bonds payable, net of discount, of \$72,654,657, an increase in accounts payable and accrued liabilities of \$323,089, an increase in accrued bond interest payable of \$254,427, and an increase in overages due to taxpayers of \$475.

During the year ended June 30, 2023, total revenues were \$7,589,038 and consisted of interest on tax liens receivable of \$7,176,398, and investment income of \$412,640. Total expenses of \$3,226,632 resulted primarily from an increase in allowance for doubtful accounts of \$584,291, write-off of uncollectible liens of \$137,003, and administrative expenses of \$1,597,203. Other expenses include bond interest expense of \$908,135.

During the period from December 8, 2021 (inception) to June 30, 2022, total revenues were \$117,042,351 and consisted of tax liens received from the City of \$111,080,980, interest on tax liens receivable of \$5,950,329, and investment income of \$11,042. Total expenses of \$86,754,150 resulted primarily from the distribution to the City of New York of \$83,387,018, an increase in allowance for doubtful accounts of \$322,954, write-off of uncollectible liens of \$16,711, and administrative expenses of \$807,348. Other expenses include cost of bond issuance of \$1,562,554 and bond interest expense of \$657,565.

**NYCTL 2021-A TRUST
(A Blended Component Unit of the City of New York)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022**

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, 2034, the bonds will be repaid as funds are available from cash collections, generally quarterly. The expected maturity of the bonds is May 12, 2025.

NYCTL 2021-A TRUST
(A Blended Component Unit of the City of New York)

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2023 AND 2022

	2023	2022
ASSETS:		
Current assets		
Cash and cash equivalents	\$ 46,568	\$ 76,178
Restricted investments	6,826,745	12,033,802
Tax liens receivable:		
Principal	15,064,789	32,427,070
Accrued interest	2,456,402	2,651,663
Net tax liens receivable	17,521,191	35,078,733
Total current assets	24,394,504	47,188,713
Noncurrent assets		
Tax liens receivable:		
Principal	27,330,377	54,467,004
Accrued interest	3,171,607	2,188,086
Accrued capitalized costs	60,320	-
Recoverable expenses	2,354,958	-
Less: allowance for uncollectible accounts	(907,245)	(322,954)
Total noncurrent assets	32,010,017	56,332,136
TOTAL ASSETS	\$ 56,404,521	\$ 103,520,849
LIABILITIES:		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,090,036	\$ 323,089
Accrued bond interest payable	72,084	254,427
Overages due to taxpayers	22,150	475
Bonds payable:		
Class A	20,595,456	72,693,375
Discount on bonds payable	(25,812)	(38,718)
Bonds payable, net of discount	20,569,644	72,654,657
Total current liabilities	21,753,914	73,232,648
NET POSITION:		
Restricted by contractual agreements	6,826,745	12,033,802
Unrestricted	27,823,862	18,254,399
Total net position	34,650,607	30,288,201
TOTAL LIABILITIES AND NET POSITION	\$ 56,404,521	\$ 103,520,849

See accompanying notes to financial statements.

NYCTL 2021-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, 2023 AND FOR THE
PERIOD FROM DECEMBER 8, 2021 (INCEPTION) TO JUNE 30, 2022

	2023	2022
OPERATING REVENUES:		
Tax liens received from the City of New York	\$ -	\$ 111,080,980
Interest on tax liens	7,176,398	5,950,329
TOTAL OPERATING REVENUES	7,176,398	117,031,309
OPERATING EXPENSES:		
Distributions to the City of New York	-	83,387,018
Increase in allowance for doubtful accounts	584,291	322,954
Write-offs of uncollectible liens, net of recoveries	137,003	16,711
Trust administrative expenses		
Servicer fees	1,322,436	723,265
Trustee fees	125,395	47,084
Financial advisor/management fees	66,508	8,167
Lien and other expenses	82,864	28,832
Total administrative expenses	1,597,203	807,348
Bond interest expense	908,135	657,565
Costs of bond issuance	-	1,562,554
TOTAL OPERATING EXPENSES	3,226,632	86,754,150
OPERATING INCOME	3,949,766	30,277,159
NONOPERATING REVENUES:		
Other income - investment income	412,640	11,042
NET CHANGE IN NET POSITION	4,362,406	30,288,201
Net Position - Beginning of Period	30,288,201	-
NET POSITION - END OF PERIOD	\$ 34,650,607	\$ 30,288,201

See accompanying notes to financial statements.

NYCTL 2021-A TRUST
(A Blended Component Unit of the City of New York)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023 AND FOR THE
PERIOD FROM DECEMBER 8, 2021 (INCEPTION) TO JUNE 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from:		
Cash collections	\$ 50,689,723	\$ 25,280,775
Overages due to taxpayers	21,675	475
Total cash receipts from operating activities	50,711,398	25,281,250
Cash payments for:		
Distributions to the City of New York	-	(83,387,018)
Bond issuance and interest costs	(895,229)	(2,258,837)
Other services	(3,367,557)	(229,832)
Total cash payments for operating activities	(4,262,786)	(85,875,687)
Net Cash Provided by (Used in) Operating Activities	46,448,612	(60,594,437)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Bond issued	-	88,864,000
Bond retired	(52,097,919)	(16,170,625)
Net Cash (Used in) Provided by Noncapital Financing Activities	(52,097,919)	72,693,375
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(58,995,958)	(29,566,259)
Sale of investments	64,203,015	17,532,457
Interest received on investments	412,640	11,042
Net Cash Provided by (Used in) Investing Activities	5,619,697	(12,022,760)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(29,610)	76,178
Cash and cash equivalents - beginning of period	76,178	-
CASH AND CASH EQUIVALENTS—END OF PERIOD	\$ 46,568	\$ 76,178
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 3,949,766	\$ 30,277,159
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Increase in allowance for doubtful accounts	584,291	322,954
Write-offs of uncollectible liens	137,003	16,711
Amortization	12,906	(38,718)
Tax liens receivable	41,158,367	(91,750,534)
Accounts payable and accrued liabilities	766,947	323,089
Overages due to taxpayers	21,675	475
Accrued Bond interest payable	(182,343)	254,427
Net Cash Provided by (Used in) Operating Activities	\$ 46,448,612	\$ (60,594,437)

**NYCTL 2021-A TRUST
(A Blended Component Unit of the City of New York)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

NYCTL 2021-A Trust (the “Trust”) is a Delaware statutory trust formed on December 8, 2021. The Trust is governed by a Declaration and Agreement of Trust dated December 8, 2021 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.

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, 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 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 2021-A TRUST
(A Blended Component Unit of the City of New York)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. Bond discounts are amortized on the straight-line method and 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 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.
- F. 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 distributions to the City of New York.

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, 2023, total cash and cash equivalents were \$46,568, of which \$0 was in excess of Federal Deposit Insurance Corporation ("FDIC") coverage. As of June 30, 2022, total cash and cash equivalents were \$76,178, of which \$0 was in excess of FDIC 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 amount 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.

**NYCTL 2021-A TRUST
(A Blended Component Unit of the City of New York)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 4 – RESTRICTED INVESTMENTS (Continued)

As of June 30, 2023 and 2022, the amounts held in each of these funds were as follows:

	2023	2022
Bond Account	\$ 3,407,554	\$ 8,167,072
Interest Reserve	315,687	466,936
Working Capital Reserve Fund	3,103,504	3,399,794
Total Restricted Investments	\$ 6,826,745	\$ 12,033,802

All of the funds were invested in various short-term investment funds.

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. As of June 30, 2023 and 2022 the Trust’s investment balances of \$6,826,745 and \$12,033,802, respectively, were in the 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 5% 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 2021-A TRUST
(A Blended Component Unit of the City of New York)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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, 2023 and 2022, 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 \$907,245 as of June 30, 2023 and \$322,954 as of June 30, 2022 .

The changes in the tax liens receivable for the period from December 8, 2021 (inception) to June 30, 2023 were as follows:

	<u>Gross tax lien receivable balance</u>
Balance as of December 8, 2021 (inception)	\$ -
Add: Tax liens received from the City of New York	111,080,980
Accrued interest on outstanding lien	5,950,329
Less: Cash collections in satisfaction of liens and costs	(25,280,775)
Write-offs of uncollectible lien and defective liens	<u>(16,711)</u>
Balance as of June 30, 2022	91,733,823
Accrued interest on outstanding lien	7,176,398
Accrued legal expenses	395,684
Accrued recoverable costs	1,959,274
Less: Cash collections in satisfaction of liens and costs	(50,689,723)
Write-offs of uncollectible lien and defective liens	<u>(137,003)</u>
Balance as of June 30, 2023	<u>\$ 50,438,453</u>

NOTE 6 – BONDS PAYABLE

On February 15, 2022, the Trust issued Tax Lien Collateralized Bonds, Series 2021-A for the principal amount of \$88,864,000.

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.

**NYCTL 2021-A TRUST
(A Blended Component Unit of the City of New York)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 2021-A for the year ended June 30, 2023 and the period ended June 30, 2022:

	Balance at December 3, 2021 (Inception)	Issued	Retired	Discount on Bonds Payable	Balance at June 30, 2022	Retired	Amortization of Discount	Balance at June 30, 2023
Class A	\$ -	\$ 88,864,000	\$ (16,170,625)	\$ (38,718)	\$ 72,654,657	\$ (52,097,919)	\$ 12,906	\$ 20,569,644

The stated maturity of the bonds is November 10, 2034. However, the final payment of the bonds could occur earlier than the stated maturity date. The expected maturity is May 12, 2025. 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 2.10%. The closing date of the bonds was February 15, 2022. Interest expense has been recorded in the amount of \$908,135 and \$657,565 for the fiscal year ended June 30, 2023 and the period ended June 30, 2022, respectively. Bond issuance costs were \$0 and \$1,562,554 for the fiscal year ended June 30, 2023 and the period ended June 30, 2022, 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 accounting principles generally accepted in the United States of America. 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, 2023 and 2022, the trusts investments amount to \$6,826,745 and \$12,033,802. The Trust's investments are 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.

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 2021-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 2021-A Trust (the Trust), a blended component unit of the City of New York, as of as of June 30, 2023 and for the year then ended, and the related notes to financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated September 19, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 19, 2023