

STAR Sales Tax Asset Receivable Corporation



**SALES TAX ASSET
RECEIVABLE CORPORATION**

A COMPONENT UNIT OF THE CITY OF NEW YORK

Financial Statements
(Together with Independent Auditors' Report)

June 30, 2020 and 2019

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

SALES TAX ASSET RECEIVABLE CORPORATION
(A Component Unit of The City of New York)

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

JUNE 30, 2020 AND 2019

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements as of and for the Years Ended June 30, 2020 and 2019:	
Government-wide Financial Statements	
Statements of Net Position (Deficit).....	10
Statements of Activities.....	11
Governmental Funds Financial Statements	
Governmental Funds Balance Sheets.....	12-13
Reconciliations of the Governmental Funds Balance Sheets to the Statements of Net Position (Deficit).....	14
Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances	15-16
Reconciliations of the Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances to the Statements of Activities	17
Notes to Financial Statements	18-24

INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors of the
Sales Tax Asset Receivable Corporation

We have audited the accompanying financial statements of the governmental activities of Sales Tax Asset Receivable Corporation ("STAR"), a component unit of The City of New York, as of and for the year ended June 30, 2020, which collectively comprise STAR's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Sales Tax Asset Receivable Corporation as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Sales Tax Asset Receivable Corporation as of and for the year ended June 30, 2019, were audited by other auditors whose report dated September 26, 2019 expressed an unmodified opinion on those statements.

Other Matters

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.



New York, NY
September 16, 2020

MARKS PANETH

ACCOUNTANTS & ADVISORS

SALES TAX ASSET RECEIVABLE CORPORATION

(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020 AND 2019

(Unaudited)

(Amounts in thousands, except as noted)

The following is a narrative overview and analysis of the financial activities of Sales Tax Asset Receivable Corporation ("STAR" or the "Corporation") as of June 30, 2020 and 2019 and for the years then ended. It should be read in conjunction with STAR's government-wide financial statements, governmental funds financial statements and the notes to the financial statements. The financial statements consist of four parts: (1) management's discussion and analysis (this section); (2) the government-wide financial statements; (3) the governmental funds financial statements; and (4) the notes to the financial statements.

The government-wide financial statements, which include the statements of net position (deficit) and the statements of activities, are presented to display information about the Corporation as a whole, in accordance with Governmental Accounting Standards Board ("GASB") standards. This is to provide the reader with a broad overview of STAR's finances. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

STAR's governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenue is recognized when it becomes susceptible to accrual; that is, when it becomes both measurable and available to finance expenditures in the current fiscal period. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable, which are recognized when due.

The reconciliations of the governmental funds balance sheets to the statements of net position (deficit) and the reconciliations of the governmental funds statements of revenues, expenditures and changes in fund balances to the statements of activities are presented to assist the reader in understanding the differences between the government-wide and governmental funds financial statements.

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

On November 4, 2004, STAR issued \$2.6 billion of bonds ("2005 Series A and B Bonds") to provide for the payment of principal and interest and redemption premium, if any, on all outstanding bonds of the Municipal Assistance Corporation For The City of New York ("MAC") and all outstanding bonds of The City of New York (the "City") held by MAC, and to reimburse the City for amounts retained by MAC for debt service between July 1, 2003, and such date of issuance. Principal and interest on the STAR bonds are paid from the \$170 million in annual payments required to be made by the New York State Local Government Assistance Corporation ("LGAC"), a public benefit corporation of the State of New York (the "State") pursuant to Section 3238-a of the New York State Public Authorities Law, which the City has irrevocably assigned to STAR. The payment of the outstanding MAC bonds resulted in the receipt by the City of tax revenues that would otherwise have been paid to MAC for the payment of debt service on MAC's bonds.

On October 15, 2014, STAR issued \$2 billion of refunding bonds ("2015 Series A Bonds") and released its debt service reserve which, along with the refunding bond proceeds, allowed STAR to refund all of its outstanding 2005 Series A and B Bonds and make a payment to the New York City Transitional Finance Authority ("NYC TFA") to defease a portion of its debt.

SALES TAX ASSET RECEIVABLE CORPORATION
(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

JUNE 30, 2020 AND 2019
(Unaudited)

(Amounts in thousands, except as noted)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS, continued

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020 v 2019</u> <u>Change</u>	<u>2019 v 2018</u> <u>Change</u>
Revenues:					
LGAC revenue	\$ 170,000	\$ 170,000	\$ 170,000	\$ -	\$ -
Investment income	1,861	1,538	452	323	1,086
Total revenues	<u>171,861</u>	<u>171,538</u>	<u>170,452</u>	<u>323</u>	<u>1,086</u>
Expenses:					
Bond interest	50,818	53,657	56,241	(2,839)	(2,584)
Other	325	309	249	16	60
Total expenses	<u>51,143</u>	<u>53,966</u>	<u>56,490</u>	<u>(2,823)</u>	<u>(2,524)</u>
Changes in net position (deficit)	120,718	117,572	113,962	3,146	3,610
Net position (deficit) - beginning of year	<u>(1,807,125)</u>	<u>(1,924,697)</u>	<u>(2,038,659)</u>	<u>117,572</u>	<u>113,962</u>
Net position (deficit) - end of year	<u>\$ (1,686,407)</u>	<u>\$ (1,807,125)</u>	<u>\$ (1,924,697)</u>	<u>\$ 120,718</u>	<u>\$ 117,572</u>

STAR's revenues for fiscal years 2020, 2019 and 2018 were composed of annual payments from LGAC and investment income. The variances in investment income each year were primarily attributable to the market conditions when investments were acquired.

Bond interest between fiscal years decreased as declining bond principal outstanding resulted in reduced bond interest costs each year.

SALES TAX ASSET RECEIVABLE CORPORATION
(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

JUNE 30, 2020 AND 2019
(Unaudited)

(Amounts in thousands, except as noted)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS, continued

The following summarizes STAR's assets, liabilities, deferred inflows of resources, and net position (deficit) as of June 30, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020 v 2019</u> <u>Change</u>	<u>2019 v 2018</u> <u>Change</u>
Assets:					
Non-capital	\$ 180,519	\$ 177,426	\$ 174,683	\$ 3,093	\$ 2,743
Total assets	<u>180,519</u>	<u>177,426</u>	<u>174,683</u>	<u>3,093</u>	<u>2,743</u>
Liabilities:					
Current liabilities	108,402	104,942	101,648	3,460	3,294
Long-term liabilities	1,716,238	1,834,302	1,949,405	(118,064)	(115,103)
Total liabilities	<u>1,824,640</u>	<u>1,939,244</u>	<u>2,051,053</u>	<u>(114,604)</u>	<u>(111,809)</u>
Deferred Inflows of Resources:	<u>42,286</u>	<u>45,307</u>	<u>48,327</u>	<u>(3,021)</u>	<u>(3,020)</u>
Net Position (deficit):					
Unrestricted (deficit)	<u>(1,686,407)</u>	<u>(1,807,125)</u>	<u>(1,924,697)</u>	<u>120,718</u>	<u>117,572</u>
Total net position (deficit)	<u>\$ (1,686,407)</u>	<u>\$ (1,807,125)</u>	<u>\$ (1,924,697)</u>	<u>\$ 120,718</u>	<u>\$ 117,572</u>

At June 30, 2020, 2019 and 2018, STAR's assets consisted primarily of cash equivalents and investments restricted for debt service payments.

STAR's liabilities are almost entirely composed of the bonds payable, unamortized original issue premium and accrued interest payable thereon and the decline each year resulted primarily from bond principal payments, as previously discussed.

Deferred inflows of resources resulted from the bond refunding transaction and represent the difference between removing the carrying amount of the 2005 Series A and B Bonds and recording the 2015 Series A Bonds transaction and declined each year as the amount is amortized over the life of the bonds.

SALES TAX ASSET RECEIVABLE CORPORATION
(A Component Unit of The City of New York)

MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

JUNE 30, 2020 AND 2019
(Unaudited)

(Amounts in thousands, except as noted)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STAR reports governmental activity using two funds: (1) a general fund (“GF”) and (2) a debt service fund (“DSF”).

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020 v 2019</u> <u>Change</u>	<u>2019 v 2018</u> <u>Change</u>
Revenues:					
LGAC revenue	\$ 380	\$ 110	\$ 130	\$ 270	\$ (20)
Investment income	3	10	6	(7)	4
Total revenues	<u>383</u>	<u>120</u>	<u>136</u>	<u>263</u>	<u>(16)</u>
Expenditures:					
General and administrative	325	309	249	16	60
Total expenditures	<u>325</u>	<u>309</u>	<u>249</u>	<u>16</u>	<u>60</u>
Net change in fund balances	58	(189)	(113)	247	(76)
Fund balances - beginning of year	<u>420</u>	<u>609</u>	<u>722</u>	<u>(189)</u>	<u>(113)</u>
Fund balances - end of year	<u>\$ 478</u>	<u>\$ 420</u>	<u>\$ 609</u>	<u>\$ 58</u>	<u>\$ (189)</u>

LGAC revenues fluctuate each year, as the amount deposited in the GF is based on projected general and administrative expenditures of the following year. Operating expenditures fluctuate each year as they are based on the allocated costs associated with management’s time spent on conducting STAR’s operations.

SALES TAX ASSET RECEIVABLE CORPORATION
(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

JUNE 30, 2020 AND 2019
(Unaudited)

(Amounts in thousands, except as noted)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENTAL FUNDS FINANCIAL STATEMENTS, continued

The following summarizes the changes in the fund balances of STAR's DSF for the years ended June 30, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020 v 2019</u> <u>Change</u>	<u>2019 v 2018</u> <u>Change</u>
Revenues:					
LGAC revenue	\$ 169,620	\$ 169,890	\$ 169,870	\$ (270)	\$ 20
Investment income	1,858	1,528	446	330	1,082
Total revenues	<u>171,478</u>	<u>171,418</u>	<u>170,316</u>	<u>60</u>	<u>1,102</u>
Expenditures:					
Bond interest	80,789	84,982	88,774	(4,193)	(3,792)
Principal amount of bonds retired	87,650	83,505	79,755	4,145	3,750
Total expenditures	<u>168,439</u>	<u>168,487</u>	<u>168,529</u>	<u>(48)</u>	<u>(42)</u>
Net change in fund balances	3,039	2,931	1,787	108	1,144
Fund balances - beginning of year	<u>176,993</u>	<u>174,062</u>	<u>172,275</u>	<u>2,931</u>	<u>1,787</u>
Fund balances - end of year	<u>\$ 180,032</u>	<u>\$ 176,993</u>	<u>\$ 174,062</u>	<u>\$ 3,039</u>	<u>\$ 2,931</u>

The revenues of STAR's DSF for fiscal years 2020, 2019 and 2018 were primarily composed of the annual LGAC revenue, which fluctuates only by the amount of LGAC revenue deposited into the GF for STAR's operating and administrative expenditures. The variances of investment income each year were primarily attributable to market value and interest rate fluctuations on investments.

Bond interest expenditures were lower each year because the declining amount of bond principal outstanding resulted in reduced bond interest cost each year. Principal payments on bonds fluctuate each year as the amounts are based on a fixed maturity schedule.

SALES TAX ASSET RECEIVABLE CORPORATION
(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

JUNE 30, 2020 AND 2019
(Unaudited)

(Amounts in thousands, except as noted)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENTAL FUNDS FINANCIAL STATEMENTS, continued

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020 v 2019</u> <u>Change</u>	<u>2019 v 2018</u> <u>Change</u>
Assets:					
Cash equivalents	\$ 487	\$ 432	\$ 620	\$ 55	\$ (188)
Interest receivable	-	1	1	(1)	-
Total assets	<u>\$ 487</u>	<u>\$ 433</u>	<u>\$ 621</u>	<u>\$ 54</u>	<u>\$ (188)</u>
Liabilities:					
Accounts payable	\$ 9	\$ 13	\$ 12	\$ (4)	\$ 1
Total liabilities	<u>9</u>	<u>13</u>	<u>12</u>	<u>(4)</u>	<u>1</u>
Fund Balances:					
Unassigned	<u>478</u>	<u>420</u>	<u>609</u>	<u>58</u>	<u>(189)</u>
Total fund balances	<u>478</u>	<u>420</u>	<u>609</u>	<u>58</u>	<u>(189)</u>
Total liabilities and fund balances	<u>\$ 487</u>	<u>\$ 433</u>	<u>\$ 621</u>	<u>\$ 54</u>	<u>\$ (188)</u>

The GF assets at June 30, 2020, 2019 and 2018 totaled approximately \$487 thousand, \$433 thousand, and \$621 thousand, respectively. They were composed mainly of unrestricted cash equivalents used to pay administrative and operating expenditures and the variances were based on resources needed to pay projected expenditures.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020 v 2019</u> <u>Change</u>	<u>2019 v 2018</u> <u>Change</u>
Assets:					
Cash equivalents and investments	\$ 180,032	\$ 176,988	\$ 174,057	\$ 3,044	\$ 2,931
Interest receivable	-	5	5	(5)	-
Total assets	<u>\$ 180,032</u>	<u>\$ 176,993</u>	<u>\$ 174,062</u>	<u>\$ 3,039</u>	<u>\$ 2,931</u>
Fund Balances:					
Restricted for debt service	<u>\$ 180,032</u>	<u>\$ 176,993</u>	<u>\$ 174,062</u>	<u>\$ 3,039</u>	<u>\$ 2,931</u>
Total fund balances	<u>180,032</u>	<u>176,993</u>	<u>174,062</u>	<u>3,039</u>	<u>2,931</u>
Total liabilities and fund balances	<u>\$ 180,032</u>	<u>\$ 176,993</u>	<u>\$ 174,062</u>	<u>\$ 3,039</u>	<u>\$ 2,931</u>

SALES TAX ASSET RECEIVABLE CORPORATION

(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

JUNE 30, 2020 AND 2019

(Unaudited)

(Amounts in thousands, except as noted)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENTAL FUNDS FINANCIAL STATEMENTS, continued

At June 30, 2020, 2019 and 2018, STAR's DSF assets consisted of cash equivalents and investments restricted for debt service payments. The restricted resources held for debt service at each year-end reflect the amount of bond principal and interest due during the subsequent fiscal year.

This financial report is designed to provide a general overview of STAR's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to Investor Relations, Sales Tax Asset Receivable Corporation, 255 Greenwich Street, New York, NY 10007.

SALES TAX ASSET RECEIVABLE CORPORATION
(A Component Unit of The City of New York)

STATEMENTS OF NET POSITION (DEFICIT)

JUNE 30, 2020 AND 2019

(Amounts in thousands)

	2020	2019
ASSETS:		
Unrestricted cash equivalents	\$ 487	\$ 432
Restricted cash equivalents	180,032	1,392
Restricted investments	-	175,596
Interest receivable	-	6
	180,519	177,426
LIABILITIES:		
Accounts payable	9	13
Accrued interest payable	16,383	17,279
Bonds payable:		
Portion due within one year	92,010	87,650
Portion due after one year	1,716,238	1,834,302
	1,824,640	1,939,244
DEFERRED INFLOWS OF RESOURCES:		
Unamortized deferred refunding costs	42,286	45,307
	42,286	45,307
NET POSITION (DEFICIT):		
Unrestricted (deficit)	(1,686,407)	(1,807,125)
	\$ (1,686,407)	\$ (1,807,125)

See accompanying notes to financial statements.

SALES TAX ASSET RECEIVABLE CORPORATION

(A Component Unit of The City of New York)

STATEMENTS OF ACTIVITIES**YEARS ENDED JUNE 30, 2020 AND 2019**

(Amounts in thousands)

	<u>2020</u>	<u>2019</u>
REVENUES:		
New York State Local Government Assistance Corporation Revenue	\$ 170,000	\$ 170,000
Investment income	1,861	1,538
Total revenues	<u>171,861</u>	<u>171,538</u>
EXPENSES:		
Bond interest	50,818	53,657
General and administrative	325	309
Total expenses	<u>51,143</u>	<u>53,966</u>
Change in net position (deficit)	120,718	117,572
NET POSITION (DEFICIT) - beginning of year	(1,807,125)	(1,924,697)
NET POSITION (DEFICIT) - end of year	<u>\$ (1,686,407)</u>	<u>\$ (1,807,125)</u>

See accompanying notes to financial statements.

SALES TAX ASSET RECEIVABLE CORPORATION
(A Component Unit of The City of New York)

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2020

(Amounts in thousands)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Unrestricted cash equivalents	\$ 487	\$ -	\$ 487
Restricted cash equivalents	-	180,032	180,032
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 487</u>	<u>\$ 180,032</u>	<u>\$ 180,519</u>
LIABILITIES:			
Accounts payable	\$ 9	\$ -	\$ 9
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>9</u>	<u>-</u>	<u>9</u>
FUND BALANCES:			
Restricted for debt service	-	180,032	180,032
Unassigned	478	-	478
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>478</u>	<u>180,032</u>	<u>180,510</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 487</u>	<u>\$ 180,032</u>	<u>\$ 180,519</u>

See accompanying notes to financial statements.

SALES TAX ASSET RECEIVABLE CORPORATION
(A Component Unit of The City of New York)

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2019

(Amounts in thousands)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Unrestricted cash equivalents	\$ 432	\$ -	\$ 432
Restricted cash equivalents	-	1,392	1,392
Restricted investments	-	175,596	175,596
Interest receivable	1	5	6
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 433</u>	<u>\$ 176,993</u>	<u>\$ 177,426</u>
LIABILITIES:			
Accounts payable	\$ 13	\$ -	\$ 13
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>13</u>	<u>-</u>	<u>13</u>
FUND BALANCES:			
Restricted for debt service	-	176,993	176,993
Unassigned	420	-	420
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>420</u>	<u>176,993</u>	<u>177,413</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 433</u>	<u>\$ 176,993</u>	<u>\$ 177,426</u>

See accompanying notes to financial statements.

SALES TAX ASSET RECEIVABLE CORPORATION
(A Component Unit of The City of New York)

**RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION (DEFICIT)**

JUNE 30, 2020 AND 2019

(Amounts in thousands)

	2020	2019
Total fund balances - governmental funds	\$ 180,510	\$ 177,413
Amounts reported in the statements of net position (deficit) are different because:		
Bond premiums are reported as other financing sources in the governmental funds financial statements when received. However, in the statements of net position (deficit), bond premiums are reported as a component of bonds payable and amortized over the life of the bonds.	(174,658)	(200,712)
Costs of bond refundings are reported as expenditures in governmental funds financial statements. However, in the statements of net position (deficit), those costs and the related gain or loss are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt.	(42,286)	(45,307)
Some liabilities are not due and payable from currently available financial resources at year end and are therefore not reported in the governmental fund financial statements, but are reported in the statements of net position (deficit). Those liabilities consist of:		
Bonds payable	(1,633,590)	(1,721,240)
Accrued bond interest payable	(16,383)	(17,279)
Net position (deficit) of governmental activities	\$ (1,686,407)	\$ (1,807,125)

See accompanying notes to financial statements.

SALES TAX ASSET RECEIVABLE CORPORATION

(A Component Unit of The City of New York)

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES****FOR THE YEAR ENDED JUNE 30, 2020**

(Amounts in thousands)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
New York State Local Government Assistance			
Corporation Revenue	\$ 380	\$ 169,620	\$ 170,000
Investment income	3	1,858	1,861
Total revenues	<u>383</u>	<u>171,478</u>	<u>171,861</u>
EXPENDITURES:			
Bond interest	-	80,789	80,789
Principal amount of bonds retired	-	87,650	87,650
General and administrative	325	-	325
Total expenditures	<u>325</u>	<u>168,439</u>	<u>168,764</u>
Net change in fund balances	58	3,039	3,097
FUND BALANCES - beginning of year	<u>420</u>	<u>176,993</u>	<u>177,413</u>
FUND BALANCES - end of year	<u>\$ 478</u>	<u>\$ 180,032</u>	<u>\$ 180,510</u>

See accompanying notes to financial statements.

SALES TAX ASSET RECEIVABLE CORPORATION

(A Component Unit of The City of New York)

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES****FOR THE YEAR ENDED JUNE 30, 2019**

(Amounts in thousands)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
New York State Local Government Assistance			
Corporation Revenue	\$ 110	\$ 169,890	\$ 170,000
Investment income	10	1,528	1,538
	<u>120</u>	<u>171,418</u>	<u>171,538</u>
Total revenues			
EXPENDITURES:			
Bond interest	-	84,982	84,982
Principal amount of bonds retired	-	83,505	83,505
General and administrative	309	-	309
	<u>309</u>	<u>168,487</u>	<u>168,796</u>
Total expenditures			
Net change in fund balances	(189)	2,931	2,742
FUND BALANCES - beginning of year	<u>609</u>	<u>174,062</u>	<u>174,671</u>
FUND BALANCES - end of year	<u>\$ 420</u>	<u>\$ 176,993</u>	<u>\$ 177,413</u>

See accompanying notes to financial statements.

SALES TAX ASSET RECEIVABLE CORPORATION
(A Component Unit of The City of New York)

**RECONCILIATIONS OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENTS OF ACTIVITIES**

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

(Amounts in thousands)

	2020	2019
Net change in fund balances - total governmental funds	\$ 3,097	\$ 2,742
Payment of bond principal is an expenditure in the governmental funds financial statements; however, the payment reduces bonds payable in the statements of net position (deficit).	87,650	83,505
Governmental funds financial statements report deferred costs of bond refundings as expenditures. However, in the statements of activities, the deferred costs of bond refundings are amortized over the shorter of the life of the bonds refunded or the life of the bonds issued to refund the bonds.	3,021	3,020
Governmental funds financial statements report bond premiums as other financing sources upon issuance. However, in the statements of activities, premiums are amortized and recognized as an offset of interest expense over the life of the related bonds.	26,054	27,452
Interest expense is reported in the statements of activities on the accrual basis. However, interest is reported as an expenditure in governmental funds financial statements when the payment is due.	896	853
Change in net position (deficit) - governmental activities	\$ 120,718	\$ 117,572

See accompanying notes to financial statements.

SALES TAX ASSET RECEIVABLE CORPORATION
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(Amounts in thousands, except as noted)

(1) Organization

Sales Tax Asset Receivable Corporation (“STAR” or the “Corporation”) is a special purpose, bankruptcy remote, local development corporation organized under the Not-For-Profit Corporation Law of the State of New York (the “State”). STAR is an instrumentality of, but separate and apart from, The City of New York (the “City”). STAR is governed by a Board of Directors elected by its six Members, all of whom are officials of the City. STAR’s Certificate of Incorporation requires the vote of an independent director as a condition to taking certain actions; the independent director would be appointed by the Mayor of the City prior to any such actions. Although legally separate from the City, STAR is a financing instrumentality of the City and, accordingly, is included in the City’s financial statements as a blended component unit in accordance with Governmental Accounting Standards Board (“GASB”) standards.

Section 3238-a of the New York State Public Authorities Law (“Law”), which terminates on July 1, 2034, requires that \$170 million be paid annually by The New York State Local Government Assistance Corporation (“LGAC”) to the City or its assignee. Pursuant to the Assignment and Agreement (the “Assignment”) between the City and STAR, the City irrevocably assigned to STAR all rights and interest in all amounts payable to the City under the Law.

In consideration for this assignment, STAR used the proceeds of its November 4, 2004 bond issue (“2005 Series A and B”) to provide for the payment of the principal and interest and redemption premium, if any, on all outstanding bonds of the Municipal Assistance Corporation For The City of New York (“MAC”) and to reimburse the City for amounts retained by MAC for debt service between July 1, 2003 and such date of issuance. The payment of the outstanding MAC bonds resulted in the receipt by the City of tax revenues that would otherwise have been paid to MAC for the payment of debt service on MAC’s bonds.

On October 15, 2014, STAR issued \$2 billion of bonds (“2015 Series A Bonds”) and released the debt service reserve which, along with the proceeds, allowed STAR to refund all of its outstanding 2005 Series A and B bonds and make a payment to the New York City Transitional Finance Authority (“NYC TFA”) to defease a portion of its debt.

STAR does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which STAR pays a management and overhead fee based on its allocated share of personnel and overhead costs.

(2) Summary of Significant Accounting Policies

The government-wide financial statements of STAR, which include the statements of net position (deficit) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with GASB standards. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

STAR’s governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenue is recognized when it becomes susceptible to accrual; that is, when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenue is generally considered available if expected to be received within one year after period end. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable, which is recognized when due.

SALES TAX ASSET RECEIVABLE CORPORATION
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2020 AND 2019

(Amounts in thousands, except as noted)

(2) Summary of Significant Accounting Policies, continued

STAR uses two governmental funds for reporting its activities: a debt service fund ("DSF"), and a general fund ("GF"). The DSF is used to account for the accumulation of resources for payment of principal and interest on debt and the GF is used to account for all financial resources and activities not accounted for in the DSF, which are STAR's administrative and operating expenditures.

Fund balances of the governmental funds are classified as either: 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned.

Fund balance that cannot be spent because it is not in spendable form is defined as nonspendable. Resources constrained for debt service or redemption in accordance with STAR's Trust Indenture, dated October 1, 2004, as amended and restated as of October 1, 2014 (the "Indenture") are classified as restricted on the statements of net position (deficit) and the governmental funds balance sheets.

The Board of Directors of STAR ("Board") constitutes STAR's highest level of decision-making authority. If and when resolutions are adopted by the Board that constrain fund balances for a specific purpose, such resources are accounted for and reported as committed for such purpose; unless and until a subsequent resolution altering the commitment is adopted by the Board.

Fund balances which are constrained for use for a specific purpose based on the direction of any officer of STAR who is duly authorized under STAR's bond indenture to direct the movement of such funds are accounted for and reported as assigned for such purpose unless and until a subsequent authorized action by the same, or another duly authorized officer, or by the Board, is taken which removes or changes the assignment.

Resources that are not constrained are reported as unassigned in the governmental funds balance sheets and unrestricted in the statements of net position (deficit).

When both restricted and unrestricted resources are available for use for a specific purpose, it is STAR's policy to use restricted resources first then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use for a specific purpose, it is STAR's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

Investments are reported at fair value as of the reporting date.

Bond premiums are capitalized and amortized over the life of the related debt using the effective interest method in the government-wide financial statements. The amounts of unamortized bond premium at June 30, 2020 and 2019 were \$175 million and \$201 million, respectively, which were net of accumulated amortization of \$176 million and \$150 million, respectively.

Bond issuance costs are recognized as an expense/expenditure in the period incurred on both government-wide and governmental funds financial statements.

The governmental funds financial statements recognize bond premiums and discounts during the period of the related bond issuance. The face amount of debt issued is reported as another financing source, as is the premium on debt issued. Principal payments are reported as expenditures in the period made.

Deferred bond refunding costs represent the accounting gain or loss incurred on a refunding of outstanding bonds and are reported as a deferred inflows of resources on the government-wide financial statements. The deferred bond refunding costs are amortized over the shorter of the remaining life of the old debt or the life of the new debt. In the debt service funds, costs of the bond refunding are reported as expenditures when incurred

SALES TAX ASSET RECEIVABLE CORPORATION
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2020 AND 2019

(Amounts in thousands, except as noted)

(2) Summary of Significant Accounting Policies, continued

Interest expense is recognized as incurred on the accrual basis in the government-wide financial statements. Interest expenditures are recognized when due in the governmental funds financial statements.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires STAR's management to make estimates and assumptions in determining the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

As a component unit of the City, STAR implements new GASB standards in the same fiscal year as they are implemented by the City. The following are discussions of the standards requiring implementation in the current year and standards that may affect STAR in future years:

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

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*, ("GASB 90"). GASB 90 clarifies the accounting and financial reporting requirements for a state and local government's majority equity interest in an organization that remains legally separate after acquisition. The requirements of GASB 90 are effective for fiscal years beginning after December 15, 2018. The adoption of GASB 90 did not have an impact on STAR's financial statements, as it has not made such acquisitions.

- In January 2020, GASB issued Statement No. 92, *Omnibus 2020*, ("GASB 92"). GASB 92 enhances the comparability in accounting and financial reporting as well as improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements for GASB 92 are effective for reporting periods beginning after June 15, 2020. STAR has not completed the process of evaluating GASB 92 but does not expect it to have an impact on STAR's financial statements.

SALES TAX ASSET RECEIVABLE CORPORATION
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2020 AND 2019

(Amounts in thousands, except as noted)

(2) Summary of Significant Accounting Policies, continued

- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, (“GASB 93”). GASB 93 addresses those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (“IBOR”) – most notably, the London Interbank Offered Rate (“LIBOR”) resulting from global reference rate reform. LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements for GASB 93 are effective for reporting periods beginning after June 15, 2020. STAR has not completed the process of evaluating GASB 93 but does not expect it to have an impact on STAR’s financial statements.
- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, (“GASB 94”). GASB 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (“PPPs”). The requirements for GASB 94 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. STAR has not completed the process of evaluating GASB 94 but does not expect it to have an impact on STAR’s financial statements as it does not enter into PPPs.
- In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, (“GASB 95”). GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.
- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, (“GASB 96”). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users (governments). The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. STAR has not completed the process of evaluating GASB 96 but does not expect it to have an impact on STAR’s financial statements as it does not enter into SBITAs.
- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (“GASB 97”). The objective of GASB 97 are to 1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. STAR has not completed the process of evaluating GASB 97 but does not expect it to have an impact on STAR’s financial statements.

SALES TAX ASSET RECEIVABLE CORPORATION
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2020 AND 2019

(Amounts in thousands, except as noted)

(3) Bonds Payable

In connection with the assignment to STAR of the City's right to an interest in the LGAC revenue to STAR, the Corporation issued \$2.0 billion of refunding bonds, of which \$1.6 billion was outstanding as of June 30, 2020. Outstanding bonds are: 1) payable from the annual \$170 million payment required to be made by LGAC (from payments by the State of New York, subject to appropriation), 2) secured with pledged collateral consisting of all money and securities deposited in all funds established pursuant to the Indenture, subject to the priority of application of such money and securities as specified in the Indenture and 3) bear interest at fixed rates ranging from 3% to 5%.

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

	Balance 6/30/2019	Year Ended June 30, 2020		Balance 6/30/2020
		Bonds Issued	Bonds Retired	
2015 Series A	\$ 1,721,240	\$ -	\$ 87,650	\$ 1,633,590
Total before premium	1,721,240	-	87,650	1,633,590
Premium	200,712			174,658
Total Bonds Payable and Premium	<u>\$ 1,921,952</u>			<u>\$ 1,808,248</u>
Due within one year	<u>\$ 87,650</u>			<u>\$ 92,010</u>

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

	Balance 6/30/2018	Year Ended June 30, 2019		Balance 6/30/2019
		Bonds Issued	Bonds Retired	
2015 Series A	\$ 1,804,745	\$ -	\$ 83,505	\$ 1,721,240
Total before premium	1,804,745	-	83,505	1,721,240
Premium	228,165			200,712
Total Bonds Payable and Premium	<u>\$ 2,032,910</u>			<u>\$ 1,921,952</u>
Due within one year	<u>\$ 83,505</u>			<u>\$ 87,650</u>

SALES TAX ASSET RECEIVABLE CORPORATION
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2020 AND 2019

(Amounts in thousands, except as noted)

(3) Bonds Payable, continued

Certain events of default under the Indenture, which are related to the failure or inability to pay debt service, permit a majority of bondholders to declare the principal and interest on outstanding bonds to become payable on 30 days written notice.

Debt service requirements, including principal and interest, at June 30, 2020, are as follows:

<u>Year ended June 30:</u>	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2021	\$	92,010	\$	76,383	\$ 168,393
2022		96,595		71,750	168,345
2023		101,335		66,962	168,297
2024		106,225		62,018	168,243
2025		111,475		56,717	168,192
2026 to 2030		647,880		192,233	840,113
2031 to 2034		478,070		32,808	510,878
Totals	<u>\$</u>	<u>1,633,590</u>	<u>\$</u>	<u>558,871</u>	<u>\$ 2,192,461</u>

(4) Cash and Cash Equivalents

As of June 30, 2020 and 2019, STAR did not have any cash deposits on hand. Cash equivalents were comprised of Money Market Funds which were partially restricted for debt service (see Note 5). STAR's cash equivalents consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Cash Equivalents (see Note 5)	<u>\$ 180,519</u>	<u>\$ 1,824</u>
Total Cash and Cash Equivalents	<u>\$ 180,519</u>	<u>\$ 1,824</u>

SALES TAX ASSET RECEIVABLE CORPORATION
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2020 AND 2019

(Amounts in thousands, except as noted)

(5) Investments

STAR's investments consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Unrestricted:		
Money Market Funds	\$ 487	\$ 432
Total Unrestricted	<u>487</u>	<u>432</u>
Restricted for Debt Service and Debt Retirement:		
Money Market Funds	180,032	1,392
U.S. Treasury Note (maturing within one year)	-	175,596
Total Restricted	<u>180,032</u>	<u>176,988</u>
Total investments including cash equivalents	180,519	177,420
Less: amounts reported as cash equivalents (see Note 4)	<u>(180,519)</u>	<u>(1,824)</u>
Total Investments	<u>\$ -</u>	<u>\$ 175,596</u>

STAR categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the 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. STAR held Money Market Funds as of June 30, 2020; U.S. Treasury investment and Money Market Funds as of June 30, 2019; and are all valued based on various market and industry inputs (Level 2 inputs).

Each account of STAR is held pursuant to the Indenture and may be invested in securities or categories of investments that are specifically enumerated as permitted investments for such account pursuant to the Indenture. STAR values those investments at fair value as of the statement of net position (deficit) date.

Custodial Credit Risk – Is the risk that, in the event of the failure of the custodian, STAR may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments are held by STAR's agent in STAR's name.

Credit Risk – All investments held by STAR at June 30, 2020 and 2019 invested in money market funds were rated Aaa-mf by Moody's and AAAM by Standard & Poor's ("S&P"), as well as a United States Treasury note, which was rated AAA by Moody's, AA+ by S&P, and AAA by Fitch.

Interest Rate Risk – STAR's investments are subject to minimal risk of fair value decline attributable to changes in market interest rates because such investments have very short maturities.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of STAR's investment in a single issuer (5% or more). STAR's investment policy places no limit on the amount STAR may invest in any one issuer of eligible government obligations as defined in the Indenture. As of June 30, 2020, 100% of STAR's investments were in the Money Market Funds. As of June 30, 2019, 99% of STAR's investments were in U.S. Treasury Securities and 1% in Money Market Funds.
