

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, 2021 (Ceased Operations)
and 2020**

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, 2021 AND 2020

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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 years ended June 30, 2021 and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Sales Tax Asset Receivable Corporation as of June 30, 2021 and 2020, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, STAR ceased operations on June 30, 2021 and is in the process of legally dissolving. Our opinion is not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 10 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 20, 2021

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, 2021 AND 2020

(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, 2021 and 2020 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, 2021 AND 2020

(Unaudited)

(Amounts in thousands, except as noted)

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

On April 19, 2021, the Governor of the State signed into law an amendment to Section 3238-a of the Public Authorities Law authorizing the Dormitory Authority of the State of New York ("DASNY") to issue one or more series of bonds to finance the legal defeasance or payment of all the outstanding bonds of STAR. Upon the legal defeasance of the bonds and a payment to STAR of \$46 million from LGAC, the law provided that LGAC would no longer be required to make the annual \$170 million payment to STAR. On June 23, 2021, DASNY deposited \$1.8 billion into an irrevocable escrow to defease all outstanding STAR bonds. In addition, STAR received the payment of \$46 million on June 29, 2021.

STAR transferred all remaining assets to the NYC TFA and ceased operations on June 30, 2021. As of that date, STAR had no assets or liabilities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

JUNE 30, 2021 AND 2020
(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, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021 v 2020</u> <u>Change</u>	<u>2020 v 2019</u> <u>Change</u>
Revenues:					
LGAC revenue	\$ 46,000	\$ 170,000	\$ 170,000	\$ (124,000)	\$ -
Proceeds from the Dormitory Authority of the State of New York	1,755,132	-	-	1,755,132	-
Investment and other income	58	1,861	1,538	(1,803)	323
Total revenues	<u>1,801,190</u>	<u>171,861</u>	<u>171,538</u>	<u>1,629,329</u>	<u>323</u>
Expenses:					
Payment to NYC Transitional Finance Authority	57,795	-	-	57,795	-
Bond interest	46,600	50,818	53,657	(4,218)	(2,839)
Loss on defeasance	10,008	-	-	10,008	-
General and administrative	380	325	309	55	16
Total expenses	<u>114,783</u>	<u>51,143</u>	<u>53,966</u>	<u>63,640</u>	<u>(2,823)</u>
Changes in net position (deficit)	1,686,407	120,718	117,572	1,565,689	3,146
Net position (deficit) - beginning 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>
Net position (deficit) - end of year	<u>\$ -</u>	<u>\$ (1,686,407)</u>	<u>\$ (1,807,125)</u>	<u>\$ 1,686,407</u>	<u>\$ 120,718</u>

STAR's revenues for fiscal year 2021 consisted of \$1.8 billion of DASNY proceeds in connection with the STAR defeasance as previously mentioned along with an additional \$46 million from LGAC.

Expenditures for fiscal year 2021 included a \$57.8 million payment to the NYC TFA in connection with the transferring of STAR's remaining assets and ceasing its operations.

Due to a cash defeasance in fiscal year 2021, an accounting loss on defeasance of \$10.0 million, which represents the difference between the carrying value of the defeased bonds and the amount paid (using current resources) to defease the bonds, was reported as a period expense (see Note 3).

In fiscal years 2020 and 2019 STAR's revenues 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, 2021 AND 2020
(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, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021 v 2020</u> <u>Change</u>	<u>2020 v 2019</u> <u>Change</u>
Assets:					
Non-capital	\$ -	\$ 180,519	\$ 177,426	\$ (180,519)	\$ 3,093
Total assets	<u>-</u>	<u>180,519</u>	<u>177,426</u>	<u>(180,519)</u>	<u>3,093</u>
Liabilities:					
Current liabilities	-	108,402	104,942	(108,402)	3,460
Long-term liabilities	-	1,716,238	1,834,302	(1,716,238)	(118,064)
Total liabilities	<u>-</u>	<u>1,824,640</u>	<u>1,939,244</u>	<u>(1,824,640)</u>	<u>(114,604)</u>
Deferred Inflows of Resources:	<u>-</u>	<u>42,286</u>	<u>45,307</u>	<u>(42,286)</u>	<u>(3,021)</u>
Net Position (deficit):					
Unrestricted (deficit)	<u>-</u>	<u>(1,686,407)</u>	<u>(1,807,125)</u>	<u>1,686,407</u>	<u>120,718</u>
Total net position (deficit)	<u>\$ -</u>	<u>\$ (1,686,407)</u>	<u>\$ (1,807,125)</u>	<u>\$ 1,686,407</u>	<u>\$ 120,718</u>

At June 30, 2021, STAR had no assets, deferred inflows of resources or liabilities due to the legal defeasance of its outstanding debt and the transfer of its remaining assets to the NYC TFA. STAR ceased operations, as previously discussed.

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

Deferred inflows of resources resulted from the bond refunding transaction and represents the difference between removing the carrying amount of the 2005 Series A and B Bonds and recording the 2015 Series A Bonds transaction, and declines 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, 2021 AND 2020
(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, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021 v 2020</u> <u>Change</u>	<u>2020 v 2019</u> <u>Change</u>
Revenues:					
LGAC revenue	\$ 46,000	\$ 380	\$ 110	\$ 45,620	\$ 270
Other revenue	3	-	-	3	-
Investment income	-	3	10	(3)	(7)
Total revenues	<u>46,003</u>	<u>383</u>	<u>120</u>	<u>45,620</u>	<u>263</u>
Expenditures:					
Payment to NYC Transitional Finance Authority	57,795	-	-	57,795	-
General and administrative	380	325	309	55	16
Total expenditures	<u>58,175</u>	<u>325</u>	<u>309</u>	<u>57,850</u>	<u>16</u>
Other financing sources	<u>11,694</u>	-	-	11,694	-
Net change in fund balances	(478)	58	(189)	(536)	247
Fund balances - beginning of year	<u>478</u>	<u>420</u>	<u>609</u>	<u>58</u>	<u>(189)</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ 478</u>	<u>\$ 420</u>	<u>\$ (478)</u>	<u>\$ 58</u>

Pursuant to the legislation described above, STAR received \$46 million from LGAC. Expenditures in fiscal year 2021 mainly consisted of \$57.8 million paid to the NYC TFA, as previously discussed. Other financing sources represents the transfer of \$11.7 million from the DSF and used to pay the NYC TFA, as previously discussed.

LGAC revenues deposited in the GF in fiscal years 2020 and 2019 fluctuated each year, as the amount deposited in the GF was based on projected general and administrative expenditures of the following year. Operating expenditures fluctuated each year as they were 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, 2021 AND 2020
(Unaudited)

(Amounts in thousands, except as noted)

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

The following summarizes the changes in the fund balances of STAR's DSF for the years ended June 30, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021 v 2020</u> <u>Change</u>	<u>2020 v 2019</u> <u>Change</u>
Revenues:					
LGAC revenue	\$ -	\$ 169,620	\$ 169,890	\$ (169,620)	\$ (270)
Proceeds from the Dormitory Authority of the State of New York	1,755,132	-	-	1,755,132	-
Investment income	55	1,858	1,528	(1,803)	330
Total revenues	<u>1,755,187</u>	<u>171,478</u>	<u>171,418</u>	<u>1,583,709</u>	<u>60</u>
Expenditures:					
Bond interest	76,383	80,789	84,982	(4,406)	(4,193)
Defeasance escrow	1,755,132	-	-	1,755,132	-
Principal amount of bonds retired	92,010	87,650	83,505	4,360	4,145
Total expenditures	<u>1,923,525</u>	<u>168,439</u>	<u>168,487</u>	<u>1,755,086</u>	<u>(48)</u>
Other financing (uses)	<u>(11,694)</u>	<u>-</u>	<u>-</u>	<u>(11,694)</u>	<u>-</u>
Net change in fund balances	(180,032)	3,039	2,931	(183,071)	108
Fund balances - beginning of year	<u>180,032</u>	<u>176,993</u>	<u>174,062</u>	<u>3,039</u>	<u>2,931</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ 180,032</u>	<u>\$ 176,993</u>	<u>\$ (180,032)</u>	<u>\$ 3,039</u>

Pursuant to the legislation described above, STAR received \$1.8 billion from DASNY which provided for the defeasance of all of STAR's outstanding bonds in fiscal year 2021. Expenditures in fiscal year 2021 mainly consisted of \$1.8 billion paid to a defeasance escrow, as previously discussed.

Other financing (uses) in fiscal year 2021 represented the transfer of \$11.7 million of the remaining balance to the GF to pay the NYC TFA, as previous discussed.

The revenues of STAR's DSF for fiscal years 2020 and 2019 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, which fluctuated each year, 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, 2021 AND 2020
(Unaudited)

(Amounts in thousands, except as noted)

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

The following summarizes the GF assets, liabilities and fund balances as of June 30, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021 v 2020</u> <u>Change</u>	<u>2020 v 2019</u> <u>Change</u>
Assets:					
Cash equivalents	\$ -	\$ 487	\$ 432	\$ (487)	\$ 55
Interest receivable	-	-	1	-	(1)
Total assets	<u>\$ -</u>	<u>\$ 487</u>	<u>\$ 433</u>	<u>\$ (487)</u>	<u>\$ 54</u>
Liabilities:					
Accounts payable	\$ -	\$ 9	\$ 13	\$ (9)	\$ (4)
Total liabilities	<u>-</u>	<u>9</u>	<u>13</u>	<u>(9)</u>	<u>(4)</u>
Fund Balances:					
Unassigned	-	478	420	(478)	58
Total fund balances	<u>-</u>	<u>478</u>	<u>420</u>	<u>(478)</u>	<u>58</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 487</u>	<u>\$ 433</u>	<u>\$ (487)</u>	<u>\$ 54</u>

The GF had no assets or liabilities at June 30, 2021 as STAR ceased operations, as previously discussed.

At June 30, 2020 and 2019, assets totaled approximately \$487 thousand and \$433 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, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021 v 2020</u> <u>Change</u>	<u>2020 v 2019</u> <u>Change</u>
Assets:					
Cash equivalents and investments	\$ -	\$ 180,032	\$ 176,988	\$ (180,032)	\$ 3,044
Interest receivable	-	-	5	-	(5)
Total assets	<u>\$ -</u>	<u>\$ 180,032</u>	<u>\$ 176,993</u>	<u>\$ (180,032)</u>	<u>\$ 3,039</u>
Fund Balances:					
Restricted for debt service	\$ -	\$ 180,032	\$ 176,993	\$ (180,032)	\$ 3,039
Total fund balances	<u>-</u>	<u>180,032</u>	<u>176,993</u>	<u>(180,032)</u>	<u>3,039</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 180,032</u>	<u>\$ 176,993</u>	<u>\$ (180,032)</u>	<u>\$ 3,039</u>

SALES TAX ASSET RECEIVABLE CORPORATION

(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

JUNE 30, 2021 AND 2020

(Unaudited)

(Amounts in thousands, except as noted)

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

The DSF had no assets or liabilities at June 30, 2021, as STAR ceased operations, as previously discussed.

At June 30, 2020 and 2019, 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, 2021 AND 2020**

(Amounts in thousands)

	<u>2021</u>	<u>2020</u>
ASSETS:		
Unrestricted cash equivalents	\$ -	\$ 487
Restricted cash equivalents	-	180,032
Total assets	<u>-</u>	<u>180,519</u>
LIABILITIES:		
Accounts payable	-	9
Accrued interest payable	-	16,383
Bonds payable:		
Portion due within one year	-	92,010
Portion due after one year	-	1,716,238
Total liabilities	<u>-</u>	<u>1,824,640</u>
DEFERRED INFLOWS OF RESOURCES:		
Unamortized deferred refunding costs	-	42,286
Total deferred inflows of resources	<u>-</u>	<u>42,286</u>
NET POSITION (DEFICIT):		
Unrestricted (deficit)	-	(1,686,407)
Total net position (deficit)	<u>\$ -</u>	<u>\$ (1,686,407)</u>

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, 2021 AND 2020

(Amounts in thousands)

	2021	2020
REVENUES:		
New York State Local Government Assistance Corporation Revenue	\$ 46,000	\$ 170,000
Proceeds from the Dormitory Authority of the State of New York	1,755,132	-
Investment income	55	1,861
Other revenue	3	-
Total revenues	1,801,190	171,861
EXPENSES:		
Payment to NYC Transitional Finance Authority	57,795	-
Bond interest	46,600	50,818
Loss on defeasance	10,008	-
General and administrative	380	325
Total expenses	114,783	51,143
Change in net position (deficit)	1,686,407	120,718
NET POSITION (DEFICIT) - beginning of year	(1,686,407)	(1,807,125)
NET POSITION (DEFICIT) - end of year	\$ -	\$ (1,686,407)

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, 2021

(Amounts in thousands)

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

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

JUNE 30, 2021 AND 2020

(Amounts in thousands)

	<u>2021</u>	<u>2020</u>
Total fund balances - governmental funds	\$ -	\$ 180,510
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)
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)
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)
Accrued bond interest payable	-	(16,383)
Net position (deficit) of governmental activities	<u>\$ -</u>	<u>\$ (1,686,407)</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, 2021**

(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	\$ 46,000	\$ -	\$ 46,000
Proceeds from the Dormitory Authority of the State of New York	-	1,755,132	1,755,132
Investment income	-	55	55
Other revenue	3	-	3
	<u>46,003</u>	<u>1,755,187</u>	<u>1,801,190</u>
EXPENDITURES:			
Payment to NYC Transitional Finance Authority	57,795	-	57,795
Bond interest	-	76,383	76,383
Defeasance Escrow	-	1,755,132	1,755,132
Principal amount of bonds retired	-	92,010	92,010
General and administrative	380	-	380
	<u>58,175</u>	<u>1,923,525</u>	<u>1,981,700</u>
OTHER FINANCING SOURCES:			
Transfers in (out)	<u>11,694</u>	<u>(11,694)</u>	<u>-</u>
Total other financing sources	<u>11,694</u>	<u>(11,694)</u>	<u>-</u>
Net change in fund balances	(478)	(180,032)	(180,510)
FUND BALANCES - beginning of year	<u>478</u>	<u>180,032</u>	<u>180,510</u>
FUND BALANCES - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 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
	<u>383</u>	<u>171,478</u>	<u>171,861</u>
Total revenues			
EXPENDITURES:			
Bond interest	-	80,789	80,789
Principal amount of bonds retired	-	87,650	87,650
General and administrative	325	-	325
	<u>325</u>	<u>168,439</u>	<u>168,764</u>
Total expenditures			
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)

**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, 2021 AND 2020

(Amounts in thousands)

	<u>2021</u>	<u>2020</u>
Net change in fund balances - total governmental funds	\$ (180,510)	\$ 3,097
Payment (including defeasance) 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).	1,847,142	87,650
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.	3,020	3,021
Payments to defease bonds prior to maturity are reported as expenditures in the governmental funds financial statements. However, in the statements of net position (deficit), only the difference between the carrying value of the defeased bonds and the amount paid to defease the bonds are reported as period revenues or expenses.	(10,008)	-
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.	24,587	26,054
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.	2,176	896
Change in net position (deficit) - governmental activities	<u>\$ 1,686,407</u>	<u>\$ 120,718</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

(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.

On April 19, 2021, the Governor of the State signed into law an amendment to Section 3238-a of the Public Authorities Law authorizing the Dormitory Authority of the State of New York (“DASNY”) to issue one or more series of bonds to finance the legal defeasance or payment of all the outstanding bonds of the STAR. Upon the legal defeasance of the bonds and a payment to STAR of \$46 million from LGAC, the law provided that LGAC would no longer be required to make the annual \$170 million payment to STAR. On June 23, 2021, DASNY deposited \$1.8 billion into an irrevocable escrow to defease outstanding STAR bonds. In addition, STAR received the payment of \$46 million from LGAC on June 29, 2021.

STAR transferred all remaining assets to the NYC TFA and ceased operations on June 30, 2021. As of that date, STAR had no assets or liabilities.

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.

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

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2021 AND 2020

(Amounts in thousands, except as noted)

(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.

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 generally 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.

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

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2021 AND 2020

(Amounts in thousands, except as noted)

(2) Summary of Significant Accounting Policies, continued

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, 2021 and 2020 were \$0 and \$175 million, respectively, which were net of accumulated amortization of \$351 million and \$176 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.

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. As STAR has ceased operations any current or future GASB standards requiring implementation is not applicable to STAR.

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

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2021 AND 2020

(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 \$0 was outstanding as of June 30, 2021.

On June 23, 2021, DASNY deposited \$1.8 billion into an irrevocable escrow for the payment of the principal and interest to accrue on \$1.5 billion of outstanding STAR 2015 Series A Bonds.

A summary of changes in outstanding bonds during the year ended June 30, 2021 is as follows:

	Balance 6/30/2020	Bonds Issued	Bonds Retired & Defeased	Balance 6/30/2021
2015 Series A	\$ 1,633,590	\$ -	\$ 1,633,590	\$ -
Total before premium	1,633,590	-	1,633,590	-
Premium	174,658			-
Total Bonds Payable and Premium	<u>\$ 1,808,248</u>			<u>\$ -</u>
Due within one year	<u>\$ 92,010</u>			<u>\$ -</u>

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

	Balance 6/30/2019	Bonds Issued	Bonds Retired	Balance 6/30/2020
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>

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

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2021 AND 2020

(Amounts in thousands, except as noted)

(4) Cash and Cash Equivalents

As of June 30, 2021 and 2020, 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:

	2021	2020
Cash Equivalents (see Note 5)	\$ -	\$ 180,519
Total Cash and Cash Equivalents	\$ -	\$ 180,519

(5) Investments

STAR's investments consisted of the following at June 30, 2021 and 2020:

	2021	2020
Unrestricted:		
Money Market Funds	\$ -	\$ 487
Total Unrestricted	-	487
Restricted for Debt Service and Debt Retirement:		
Money Market Funds	-	180,032
Total Restricted	-	180,032
Total investments including cash equivalents	-	180,519
Less: amounts reported as cash equivalents (see Note 4)	-	(180,519)
Total Investments	\$ -	\$ -

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 and are 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.

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

NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2021 AND 2020

(Amounts in thousands, except as noted)

(5) Investments, continued

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 invested in money market funds were rated Aaa-mf by Moody's and AAAm by Standard & Poor's ("S&P").

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.
