

NYC School Construction Authority

**Public Authorities
Accountability Act
Annual Report**

Fiscal Year 2013

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**New York City School
Construction Authority**
Financial Statements
June 30, 2013 and 2012

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June 30, 2013 and 2012

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Independent Auditor's Report

To Members of the Board of Trustees of
The New York City School Construction Authority:

We have audited the accompanying financial statements of the New York City School Construction Authority (the "Authority"), which comprise the Statements of Net Position and the related Statements of Activities as of June 30, 2013 and June 30, 2012 for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 our 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, we consider internal control relevant to the Company'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 Company'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 financial position of the New York City School Construction Authority at June 30, 2013 and June 30, 2012, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.



The management's discussion and analysis for the year ended June 30, 2013 on pages 2 through 4 is not a required part of the basic financial statements as of and for the year then ended but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

PricewaterhouseCoopers LLP

New York, NY
October 2, 2013

New York City School Construction Authority Management's Discussion and Analysis (Unaudited) June 30, 2013 and 2012

This section of the New York City School Construction Authority's (the "Authority") Annual Financial Report ("AFR") presents Management's Discussion and Analysis ("MD&A") of the Authority's financial performance during the fiscal years ended June 30, 2013 and 2012.

Overview of Financial Performance

In accordance with the requirements of Governmental Accounting Standards Board ("GASB") Standard No. 34 ("GASB 34"), the Authority presents herein its MD&A. The MD&A is intended to provide an overview and analysis of the Authority's financial activity and identify the factors contributing to changes in the Authority's financial position.

The Authority is in the fourth year of the five-year capital plan for the fiscal years 2010 through 2014. The total appropriation for this five-year capital plan is \$11.89 billion. In fiscal year 2013, the Authority committed over \$2,325 million in total contract obligations for school construction projects as compared to \$2,603 million in fiscal year 2012 a decrease of \$278 million. Contractual obligations made by the Authority during the fiscal year are based on the DoE's five year capital plan. The funding for the capital plan for each fiscal year is determined by The City's budgeting process. The Authority processed \$1,687 million in construction payments and payments related to general and administrative expenses during fiscal year 2013 as compared to \$1,787 million in fiscal year 2012. The largest portion of the Authority's assets is in construction in progress, which is eventually transferred to the Department of Education ("DoE") for capitalization once the project is completed.

In fiscal year 2012, the Authority committed over \$2,603 million in total contract obligations for school construction projects as compared to \$1,742 million in fiscal year 2011. The Authority processed approximately \$1,787 million in construction payments and payments related to general and administrative expenses during fiscal year 2012 as compared to \$1,863 million in fiscal year 2011.

The Authority has prepared and is responsible for the financial statements and related information included in this AFR. A system of internal controls is maintained to provide reasonable assurance that assets are safeguarded and that the financial records reflect only authorized transactions. Management believes that its system of internal control maintains an appropriate cost/benefit relationship.

Resource flows between the Authority (a blended component unit of the City of New York) and the City of New York and DoE, have been reported as revenues and expenses in the Statement of Activities. Management believes that this presentation is most useful for the intended users of these financial statements, although this treatment is most often used when presenting the activities of a discrete component. The presentation of these activities as a net fund transfer was deemed to provide less useful information.

Results of Operations

The Authority's revenue is entirely funded by capital appropriations made by The City of New York ("The City") for capital expenditures of the Authority for the fiscal year, including operating and administrative costs. Revenue in fiscal year 2013 was \$1,840 million compared to fiscal year 2012 of \$2,109 million a decrease of \$269 million.

For fiscal year 2013, the Authority awarded construction contracts for 13 new schools and additions with a construction value of \$448.7 million and 475 capital improvement or renovation projects with a construction value of \$739.7 million. The Authority completed 19 new schools and additions as of September 2013, which created 9,356 seat openings for the 2013/2014 school year.

New York City School Construction Authority Management's Discussion and Analysis (Unaudited) June 30, 2013 and 2012

For fiscal year 2012, the Authority awarded construction contracts for 24 new schools and additions with a construction value of \$812.5 million and 416 capital improvement or renovation projects with a construction value of \$619.1 million. The Authority completed 13 new schools and additions as of September 2012, which created 9,453 seat openings for the 2012/2013 school year.

Revenue in fiscal year 2012 compared to fiscal year 2011 was substantially unchanged.

The Authority's expenses in fiscal year 2013 were \$2,366 million compared to \$1,963 million in fiscal year 2012, an increase of \$403 million. This increase in expenses primarily resulted from an increase in completed contracts transferred to the DOE of \$427 million. Additionally in fiscal year 2013, the Authority incurred \$62 million of expenditures for the restoration of schools damaged by Hurricane Sandy. The amount of these expenditures determined to be noncapital eligible was \$39 million and were accounted for as a pass through on the Statement of Net Position for payments made on behalf of the DOE. The Authority is working with FEMA to be reimbursed for expenditures incurred due to damage caused by Hurricane Sandy to NYC Public Schools.

Completed contracts transferred to the DoE increased from \$1,668 million in fiscal year 2012 to \$2,095 million in fiscal year 2013. All projects transferred were determined by the Authority's Project Management Division to be substantially completed or occupied as of June 30, 2013. This transfer of completed contracts allowed for the capitalization of these contracts as fixed assets by the City in the current fiscal year.

The Authority's expenses decreased \$871 million from fiscal year 2011 to fiscal year 2012. This decrease resulted from a decrease in the value of completed contracts transferred to the DoE for capitalization as fixed assets.

Financial Highlights

The City of New York implemented GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" ("GASB No. 63") beginning in fiscal year 2012. The implementation of GASB 63 resulted in a report change in the Authority's financial statements from a "Statement of Net Assets" to a "Statement of Net Position."

The Authority's net position in the Government-wide financials decreased by \$495 million from fiscal year 2012 to fiscal year 2013. The decrease was primarily due to the decrease in construction in-progress of \$407 million from fiscal year 2012 to fiscal year 2013 due to lower volume of construction expenditures.

Total Government-wide assets from fiscal year 2012 to fiscal year 2013 decreased by \$458 million. This decrease in total assets in fiscal year 2013 was primarily due to an increase in completed contracts transferred to the DOE for capitalization as fixed assets reducing construction in progress. From fiscal year 2011 to fiscal year 2012, total Government-wide assets increased by \$59 million. The increase in total assets in fiscal year 2012 was principally due an increase in construction in progress offset by a decrease in the receivable Due from The City of New York for accrued expenditures.

The Authority's net position in the Government-wide financials increased by \$175 million from fiscal year 2011 to fiscal year 2012. This increase in net assets is principally due to an increase in construction in progress and a decrease in total liabilities.

The assets of the Authority exceeded its liabilities at the close of fiscal year 2013 and 2012 by \$2,172 million and \$2,667 million, respectively. The Authority's net position primarily represents the investment in capital assets for construction work performed at New York City public schools. These assets are not available for future spending.

**New York City School Construction Authority
Management's Discussion and Analysis (Unaudited)
June 30, 2013 and 2012**

Cash and Temporary Investments from fiscal year 2012 to fiscal year 2013 was substantially unchanged. Cash is secured through JP Morgan Chase with the Federal Reserve of Boston and invested in U.S. Treasury Notes. The cash is held temporarily by the Authority for capital project expenditures.

Cash and Temporary Investments increased by \$27 million from fiscal year 2011 to fiscal year 2012. The increase is principally due to contributions received from Partnership Agreements between the Authority, the Lower Manhattan Development Corp. and the New Settlement Community Campus Corp for the construction of public schools.

The Liabilities of the Authority from fiscal year 2012 to fiscal year 2013 was substantially unchanged.

Liabilities decreased \$115 million from fiscal year 2011 to fiscal year 2012, as a result of a lower volume of construction expenditures in fiscal year 2012.

GASB No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", requires that pollution remediation costs be accounted within The City's financial statements as expense items. For the fiscal year 2013, the Authority has classified \$127 million as expenditures incurred for pollution remediation costs. For the fiscal year 2012, the Authority classified \$88 million as expenditures incurred for pollution remediation costs (Note 10 to the Financial Statements).

Reconciliation of Net Position and Change in Net Position

The change in "fund balance/ net position" is calculated based on the change from prior year between assets and liabilities of the Authority. The change in "net position" is supported by the net change reported in the Statement of Activities for the Government-wide financials. Amounts reported by the Authority as expenses in the statement of activities are based on transfers between the Authority and the DoE and pollution remediation expenditures. The transfers to the DoE represent the costs incurred for completed contracts, pass through expenses, lead paint abatement and skilled trades.

The Authority has no infrastructure assets and no debt issued to fund activities.

Contacting the NYC School Construction Authority's Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives. Additional financial information request should be addressed to the NYC School Construction Authority's Comptroller's Office, 30-30 Thomson Avenue, Long Island City, NY 11101.

New York City School Construction Authority
Statements of Net Position
June 30, 2013 and 2012

	2013			2012		
	Capital Project Fund	Adjustments (Note 1)	Government Wide	Capital Project Fund	Adjustments (Note 1)	Government Wide
<i>(in thousands)</i>						
Assets						
Cash	\$ 30,646		\$ 30,646	\$ 37,117		\$ 37,117
Temporary investments	39,966		39,966	35,000		35,000
Due from the City of New York	348,862	33,238	382,100	450,973	32,325	483,298
Prepaid expenses and other assets	42,353		42,353	27,609		27,609
Due from DoE	38,849		38,849			
Other assets	21,798		21,798	21,716		21,716
Securities in lieu of cash retainage	8,137		8,137	9,755		9,755
Fixed assets, net		3,666	3,666		4,069	4,069
Construction in progress, assets held for City of New York		2,248,425	2,248,425		2,654,915	2,654,915
Total assets	<u>\$ 530,611</u>	<u>\$ 2,285,329</u>	<u>\$ 2,815,940</u>	<u>\$ 582,170</u>	<u>\$ 2,691,309</u>	<u>\$ 3,273,479</u>
Liabilities						
Accounts payable and accrued liabilities	\$ 371,442	\$ 26,570	\$ 398,012	\$ 348,214	\$ 25,726	\$ 373,940
Retainage payable	134,622		134,622	146,918		146,918
Pollution remediation payable		99,658	99,658		74,167	74,167
Accrued annual leave obligation	5,187		5,187	5,157		5,157
Accrued sick leave obligation	4,168		4,168	4,099		4,099
Accrued claims and contingencies	2,500		2,500	2,500		2,500
Total liabilities	<u>511,251</u>	<u>132,886</u>	<u>644,147</u>	<u>500,289</u>	<u>106,492</u>	<u>606,781</u>
Fund Balances/Net Position						
Total fund balances - Restricted	<u>19,360</u>	<u>2,152,433</u>	<u>2,171,793</u>	<u>81,881</u>	<u>2,584,817</u>	<u>2,666,698</u>
Total net position	<u>\$ 530,611</u>	<u>\$ 2,285,329</u>	<u>\$ 2,171,793</u>	<u>\$ 582,170</u>	<u>\$ 2,691,309</u>	<u>\$ 2,666,698</u>
Total liabilities and fund balances						

The accompanying notes are an integral part of these financial statements.

New York City School Construction Authority
Statements of Activities
Years Ended June 30, 2013 and 2012

	2013			2012		
	Capital Project Fund	Adjustments (Note 1)	Government Wide	Capital Project Fund	Adjustments (Note 1)	Government Wide
Revenues						
Operating revenues from or due from the City of New York	\$ 1,696,080	\$ -	\$ 1,696,080	\$ 1,902,106	\$ -	\$ 1,902,106
Operating revenues for payments made on behalf of DOE	144,081	-	144,081	207,130	-	207,130
Total revenues	1,840,161	-	1,840,161	2,109,236	-	2,109,236
Expenditures/expenses						
Capital projects	1,686,866	(1,686,866)	-	1,786,849	(1,786,849)	-
Fixed assets	1,768	(1,768)	-	1,685	(1,685)	-
Pollution remediation costs (GASB 49)	101,648	25,491	127,139	121,456	(33,098)	88,358
Transfer of completed contracts to the Department of Education		2,095,527	2,095,527		1,667,987	1,667,987
Operating transfers on behalf of the Department of Education	144,081		144,081	207,130		207,130
Total expenses	1,934,363	432,384	2,366,747	2,117,120	(153,645)	1,963,475
Net revenues/(expenses)	(94,202)	(432,384)	(526,586)	(7,884)	153,645	145,761
Other revenues and expenses, net	31,681	-	31,681	28,810	-	28,810
Excess/(deficit) of revenues over expenses	(62,521)	(432,384)	(494,905)	20,926	153,645	174,571
Fund balances/net position						
Beginning of year net position	81,881	2,584,817	2,666,698	60,955	2,431,172	2,492,127
End of year	\$ 19,360	\$ 2,152,433	\$ 2,171,793	\$ 81,881	\$ 2,584,817	\$ 2,666,698

The accompanying notes are an integral part of these financial statements.

New York City School Construction Authority

Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

1. Description of the Entity

The New York City School Construction Authority (the "Authority"), a public benefit corporation and blended component unit of The City of New York (The "City"), was created by the State of New York Legislature in December, 1988. The Authority's responsibilities as defined in the enabling legislation are the design, construction, reconstruction, improvement, rehabilitation and repair of New York City public schools. The Authority's capital projects include: new construction; building additions; major modernization and rehabilitation; construction, reconstruction or renovation of athletic fields, playgrounds and pools; and system replacements, including electrical, plumbing, elevators, roofs, security devices and system installation. The Authority is governed by a three member Board of Trustees. The Mayor of the City appointed the School's Chancellor, to serve as the Chairman of the Board of Trustees, and the other two trustees.

The Authority's operations are funded by appropriations made by The City. All of the Authority's net assets are the property of The City. Appropriations are based on a five-year capital plan, developed by the New York City Department of Education (the "DoE"). The City's appropriation for the five-year capital plan for the fiscal years 2010 through 2014 is \$11.89 billion.

The Authority carries out certain projects funded by the City Council and Borough Presidents, pursuant to the City Charter. Appropriations of \$119,396 and \$119,557 were made in fiscal 2013 and 2012, respectively, by the City Council and Borough Presidents for this purpose.

As the Authority represents a pass-through entity, in existence for the sole purpose of construction of capital projects, all costs incurred are capitalized into construction in progress. Upon completion of construction in progress projects, the assets are transferred to the DoE.

2. Summary of Significant Accounting Policies

Basis of Accounting

In accordance with Generally Accepted Accounting Principles for governmental entities, the financial statements of the Authority are organized on the basis of individual funds and account groups which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

Based upon the nature of the operations of the Authority, only a capital projects fund is utilized (a Governmental Fund Type), as all transactions relate to expenditures and resources obtained for the acquisition, construction or improvement of capital facilities. Amounts reflected in the adjustment column of the financial statements of the Authority represent the operational accounts of the Authority and combined with the funds held in the Capital Project Fund form the overall Government-wide Financials.

The fund financial statements of the Authority are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and assets are recognized when measurable and available to finance operations of the current period; expenditures and liabilities are recognized upon receipt of goods and services to the extent that they will be liquidated with expendable available resources. The Capital Project Fund of the Authority has no long-term assets. Certain long-term liabilities, such as annual leave, sick leave, and claims, are not accrued in the fund financial statements.

New York City School Construction Authority
Notes to Financial Statements
June 30, 2013 and 2012

(in thousands)

The Government-wide financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred, including long-term liabilities such as annual leave, sick leave and claims.

Resource flows between the Authority (a blended component unit of the City of New York) and the City of New York and DoE, have been reported as revenues and expenses in the Statement of Net Position. Management believes that this presentation is most useful for the intended users of these financial statements, although this treatment is most often used when presenting the activities of a discreet component. The presentation of these activities as a net fund transfer was deemed to provide less useful information.

Fiscal Years

The Authority's fiscal year ends on June 30 of each year. Fiscal years are designated in the notes to the financial statements by the calendar year in which the fiscal year ends ("fiscal 2013" and "fiscal 2012").

Budget Versus Actual Revenues and Expenditures

Appropriations are made by The City for capital expenditures of the Authority, including operating and administrative costs. Such appropriations are based on the DoE five-year capital plan. Budgeted commitments and expenditures generally span more than one year and thus do not provide a meaningful basis for comparison of annual expenditures to budgeted amounts.

Due from The City of New York

Due from The City of New York represents amounts expended by the Authority for construction projects pursuant to appropriations made by the City. This amount is related to liabilities, net of certain assets, that have been incurred by the Authority for construction activities prior to June 30, 2013.

Fixed Assets and Construction in Progress

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets applying the half-year convention. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related life of the lease. Upon the disposition of fixed assets, the cost of the asset disposed and the related accumulated depreciation are removed from the accounts, with any resulting gain or loss included in the statement of activities for the period.

Construction in progress includes such costs as site acquisition, wrap-up insurance, initial outfitting construction contract costs, construction management fees, architecture and engineering fees, administrative costs of the Authority, and certain allocated DoE costs including salaries, related fringe benefits and overhead costs.

Pollution Remediation Costs

Pollution remediation costs are expensed in accordance with the provision of GASB Statement No. 49 "Accounting and Financial Reporting for Pollution Remediation Obligations" ("GASB No. 49"). Refer to Note 10.

New York City School Construction Authority
Notes to Financial Statements
June 30, 2013 and 2012

(in thousands)

Hurricane Sandy Expenditures

The Authority incurred expenditures of \$62,511 in fiscal year 2013 related to the restoration of NYC Public Schools damaged during Hurricane Sandy. It was determined that \$38,849 of these expenditures were noncapital eligible. The Authority is working with FEMA to obtain reimbursement of expenditures incurred due to Hurricane Sandy damage.

The Authority revised its June 30, 2013 Statement of Activities to correct an error in the presentation of the \$38,849 of non-capital expenditures as it was determined that these costs were the expense of the DOE and should be recorded as a pass-through on the Statement of Net Position. As a result revenue of \$1,879,010 and expense of \$2,405,596 were each reduced by \$38,849 to \$1,840,161 and \$2,366,747, respectively. In addition, assets of \$2,777,091 and liabilities of \$605,298 were each increased \$38,849 to reflect the receivable from the DOE for reimbursement of such cost and a payable to the City of New York for repayment of the previously reimbursed amount.

Statement of Net Position

The City of New York implemented GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" ("GASB No. 63") beginning in fiscal year 2012. The Statement specifies that the statement of net position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Statement 63 specifies that the statement of net position should report the residual amount as net position rather than net assets in the financial statements.

Annual and Sick Leave

The Authority's full time employees are entitled to annual and sick leave benefits. Annual and sick leave are recorded as expenses in the period in which they are earned. Upon retirement or termination, employees with at least ten years of service will be paid one half of their accrued sick leave balance. No pay out will be made to those employees with less than ten years of service.

Annual leave is limited to one year's worth of accrued benefits with any excess at the end of the calendar year paid out to the employees. All employees are required to take annual leave. If circumstances preclude an employee from taking annual leave, the excess at the end of the year is paid out.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. The most significant assumptions and estimates relate to the determination of accrued expenses and the useful lives of assets. Actual results could differ from those estimates.

New York City School Construction Authority
Notes to Financial Statements
June 30, 2013 and 2012

(in thousands)

3. Cash

The Authority maintains cash accounts with a bank which are covered by FDIC insurance up to the maximum allowed by law. At June 30, 2013 and 2012 uninsured cash balances total \$30,396 and \$36,867, respectively. Cash accounts are secured through JP Morgan Chase with the Federal Reserve of Boston and invested in U.S. Treasury Notes.

Additionally, the Authority maintains a zero balance checking account, which is funded by The City. As checks are presented at the bank, funds are transferred from The City into the zero balance account. Negative book balances, representing checks issued but not yet presented for payment, have been classified as accounts payable in the accompanying financial statements and the aggregated amounts are \$37,113 and \$53,098 as of June 30, 2013 and 2012, respectively.

4. Temporary Investments

The Authority, in accordance with section eleven of the general municipal law, invests money on deposit not required for immediate expenditure in US Treasury Bills.

In accordance with GASB Statement No. 40, "Deposit and Investment Risk Disclosure," the Authority categorizes its investments to give an indication of the level of risk assumed by the Authority at year end. The three categories of levels of credit risk are: (1) insured or registered, or securities held by the Authority or its agent in the Authority's name, (2) uninsured and unregistered with securities held by a party other than the Authority or its agent, but in the Authority's name and (3) uninsured and unregistered securities held by a party other than the Authority or its agent, but not in the Authority's name. Pursuant to Section 1741.3 of the Enabling Act, the Authority invests in obligations in accordance with Section 11 of the General Municipal Law. These investments qualify under the first category of credit risk. The Authority's investments are recorded at fair market value. Cost plus accrued interest ("Amortized Cost") approximates the investments' fair market value. Investments are held in the Authority's name by a fiduciary institution.

Investments consist of the following:

	Amortized Cost	Fair Market Value
As of June 30, 2013		
US Treasury Bills, 0.09%, due on April 26, 2014	\$ 39,962	\$ 39,966
	<u>\$ 39,962</u>	<u>\$ 39,966</u>
	Amortized Cost	Fair Market Value
As of June 30, 2012		
US Treasury Bills, 0.16%, due on March 3, 2013	\$ 34,961	\$ 35,000
	<u>\$ 34,961</u>	<u>\$ 35,000</u>

New York City School Construction Authority
Notes to Financial Statements
June 30, 2013 and 2012

(in thousands)

5. Securities in Lieu of Cash Retainage and Retainage Payable

The Authority permits contractors to substitute marketable securities in lieu of cash retainage. These securities are maintained by a custodian on behalf of and in the name of the Authority. These investments qualify under the first category of credit risk.

Retainage payable consists of the following:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Securities retainage payable	\$ 8,137	\$ 9,755
Cash retainage withheld	<u>126,485</u>	<u>137,163</u>
Total retainage payable	<u>\$ 134,622</u>	<u>\$ 146,918</u>

The fair market value of the securities retained payable is \$10,269 and \$12,375 in fiscal 2013 and 2012, respectively.

6. Fixed Assets

Fixed assets consist of the following:

Asset Category	Estimated Useful Lives	Fixed Assets at June 30, 2012	Additions	Dispositions	Fixed Assets at June 30, 2013
Computer hardware/equipments	3	\$ 17,567	\$ 473	\$ -	\$ 18,040
Computer software	3	6,388	524		6,912
Leasehold improvements	12	10,435	116		10,551
Furniture and fixtures	5-7	5,184			5,184
Automobiles	5	4,476	480		4,956
Office equipment	3-5	<u>1,867</u>	<u>175</u>		<u>2,042</u>
		45,917	1,768	-	47,685
Less: Accumulated depreciation		<u>(41,848)</u>	<u>(2,171)</u>		<u>(44,019)</u>
Fixed assets, net		<u>\$ 4,069</u>	<u>\$ (403)</u>	<u>\$ -</u>	<u>\$ 3,668</u>

Depreciation capitalized into construction in progress totaled \$2,171 and \$3,896 for fiscal 2013 and 2012, respectively.

New York City School Construction Authority
Notes to Financial Statements
June 30, 2013 and 2012

(in thousands)

7. Construction in Progress

Expenditures for construction in progress for fiscal 2013 and 2012 include:

	2013	2012
Outside construction costs	\$ 1,556,826	\$ 1,657,006
Authority payroll and related fringe benefits	89,523	93,971
Authority general and administrative costs	42,689	39,768
Total expenditures	1,689,038	1,790,745
Construction in progress - beginning of year	2,654,915	2,532,157
Total before transfer to DoE during the year	4,343,953	4,322,902
Costs transferred to the DoE during the year	(2,095,527)	(1,667,987)
Construction in progress - end of year	\$ 2,248,426	\$ 2,654,915

During fiscal 2013, the Authority transferred \$2,095,527 to the DoE representing costs associated with substantially completed contracts and administrative costs. In addition, the DoE capitalized \$28,474 during fiscal 2013 for work performed by the Capital Task Force, a division of the DoE. This resulted in the DoE additions to fixed assets for the fiscal 2013 of \$2,124,001. During fiscal 2012, the Authority transferred \$1,667,987 to the DoE representing costs associated with substantially completed contracts and administrative costs. In addition, the DoE capitalized \$28,474 during fiscal 2012 for work performed by the Capital Task Force. This resulted in the DoE additions to fixed assets for the fiscal 2012 of \$1,696,461.

8. Transactions with the Department of Education and Operating Transfers

In addition to construction and renovation of school facilities, the Authority makes payments for certain asset purchases made by the DoE. The titles for such purchases are transferred directly to the DoE. For the years ended June 30, 2013 and 2012, pass-through purchases totaled \$133,071 and \$161,410, respectively, and have been recorded as "Operating transfers on behalf of the DoE". Included in these amounts are expenditures for technology enhancements, leasehold alterations and reconstruction.

DoE contractors performed minor capital projects on behalf of the Authority, as shown below:

	June 30,	
	2013	2012
Skilled trades, minor capital projects	\$ 4,044	\$ 36,593
Lead paint abatement	1,132	1,819
DOE admin staff	5,834	7,308
	\$ 11,010	\$ 45,720

Such costs are also included in "Operating transfers on behalf of the DoE."

New York City School Construction Authority
Notes to Financial Statements
June 30, 2013 and 2012

(in thousands)

9. Commitments and Contingencies

Rent

The Authority executed a lease modification agreement effective October 2011 for office space. This lease agreement expires in 2021 with an option for an extension through September 30, 2026. This lease contains scheduled rent escalation clauses which, for the purposes of the Fund financial statements are charged/credited to rent expense on a straight-line basis over the related term of the lease agreement. On a Government-wide basis such charges are capitalized into construction in progress.

Years Ending June 30,	Amount
2014	\$ 5,891
2015	5,891
2016	5,891
2017	6,375
2018	6,539
2019	6,538
2020	6,539
2021	6,539
2022	1,635
	<u>\$ 51,838</u>

Rent expense, in the Fund financial statements, totaled \$6,333 and \$5,140 in fiscal 2013 and fiscal 2012, respectively.

Purchase Orders

Purchase orders, contracts and other commitments at June 30, 2013 and 2012 totaled \$3,131 and \$2,784, respectively, and represent the difference between the value of construction-related contracts and the amount incurred through the end of the year. At June 30 of each fiscal year, the City had encumbered funds to meet these obligations.

Insurance

On January 1, 2003, the Authority entered into a contract with Liberty Mutual to provide General Liability (GL) and Worker's Compensation (WC) insurance coverage for the Owner Controlled Insurance Program ("OCIP"). The insurance policies covered all contractors and sub-contractors working on construction projects for the Authority from January 1, 2003 through December 31, 2004. This policy coverage was in the form of a large deductible program for GL and a retrospectively rated program for WC. The Authority has recorded an estimated receivable for the policy years 2003 through 2004 of \$19,835 and \$17,235 as of June 30, 2013 and 2012, respectively, based on the insurance contract's terms and conditions and an actuarial assessment of OCIP loss activity. This increase is due to a reduction in anticipated losses for the 2003 and 2004 program.

The current Authority contract for the Owner Controlled Insurance Program is provided by Liberty Mutual. The insurance coverage period is from January 1, 2008 through December 31, 2013.

New York City School Construction Authority
Notes to Financial Statements
June 30, 2013 and 2012

(in thousands)

Legal

In the normal course of its operations, the Authority has received notices of claims alleging amounts due related to contracts, financial loss, including loss through condemnation, and personal injuries sustained by individuals. After giving effect to available insurance coverage related to such claims, expenses, if any, are recorded in accordance with the GASB No. 10, "Accounting and Financial Reporting for Risk Financing and related insurance issues". The Authority, with the assistance of The City's Corporation Counsel, has estimated and recorded the liability of \$2,500 at June 30, 2013 and 2012.

From time to time the Authority is involved in various litigations, claims and assessments. The Authority records those claims which are believed to be probable of settlement based upon the best estimate of such settlements. Disclosure is made for those claims considered to be reasonably possible of settlement along with the range of such possible settlements.

10. Accounting and Financial Reporting for Pollution Remediation Obligations

GASB No. 49 identifies the accounting and financial reporting requirements for pollution remediation obligations. GASB No. 49 specifies that costs incurred for the remediation of pollution, except for in certain circumstances, may not be afforded capital treatment for accounting purposes. Pollution remediation obligations are those obligations which are or will be incurred to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. GASB No. 49 requires that the Authority report actual remediation costs or expenditures incurred. Pollution remediation costs are identified as asbestos abatement, lead paint abatement, and soil contamination remediation project work performed at NYC Public Schools. For the fiscal year 2013, the Authority has classified \$127,139 as expenditures incurred for pollution remediation costs. For the fiscal year 2012, the Authority classified \$88,358 as expenditures incurred for pollution remediation costs. The Authority does not anticipate recovering any of these costs from other parties or agencies.

	2013	2012
Beginning of year as of 7/1	\$ 74,167	\$ 107,265
Pollution remediation costs	27,481	14,191
Less open obligations paid	(74,167)	(107,265)
Ending balances as of 6/30	<u>99,658</u>	<u>74,167</u>
Total Expenditures	<u>\$ 127,139</u>	<u>\$ 88,358</u>

11. GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

The fund balances reported by the Authority in the financial statements are considered restricted under the definition in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definition", for the purpose of capital improvements to NYC Public Schools in accordance with our enabling legislation.

New York City School Construction Authority
Notes to Financial Statements
June 30, 2013 and 2012

(in thousands)

12. Pension Plans, Deferred Compensation Plan and Other Post-Employment Benefits

Pension Plans

Substantially all of the Authority's employees have the option to participate in the New York City Board of Education Retirement System-Qualified Pension Plan ("BERS"), a cost sharing multiple employer defined benefit pension plan. Additionally, certain employees who were previously employed by The City may continue to participate in certain other retirement plans including those of the New York City Employee Retirement System and the Teachers' Retirement System of The City ("System").

Contributions to the pension plans are made by the Authority and the employees. Contributions paid or accrued by the Authority under these plans totaled \$10,696 and \$10,998 for fiscal year 2013 and 2012, respectively. The Authority's contributions are actuarially determined at rates that are designed to accumulate sufficient assets to pay benefits when due. Member contributions are determined by law and vary by plan. The retirement plans provide pension benefits to retired employees based on salary and length of service. In addition, the pension systems may provide for cost-of-living and other supplemental benefits to qualified retirees and beneficiaries. In the event of disability during employment, participants are entitled to retirement allowances based on satisfaction of certain service requirements and other provisions. The plans also provide death benefits.

Information regarding actuarial data including vested and unvested benefits, assets to fund such benefits, amortization of unfunded actuarial accrued liability, significant actuarial assumptions, date of actuarial valuation, significant changes in the System or other retirement plans or the effect of any such changes and accounting and reporting policies of the System of other retirement plans are not presented herein as BERS and other retirement plans are administered through agencies of The City. Information about these plans is included in the financial statements of The City or the DoE. Copies of plan reports may be obtained from The City or the plan's administrative agency.

The Authority's obligation associated with the Pension Plans is limited to its contributions to The City.

Deferred Compensation Plan

The employees of the Authority are eligible to participate in a deferred compensation plan administered by The City, in accordance with Internal Revenue Code Section 457 (the "Plan"). The Plan is available to all Authority employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable hardship. The City complied with the Internal Revenue Code 457 subsection (g) by establishing a fully funded trust account for employees (including those of the Authority), effective January 1, 1999. Consequently, all assets held under the Plan are restricted to the exclusive use of plan participants and their beneficiaries and are no longer subject to the claims of The City's general creditors.

New York City School Construction Authority
Notes to Financial Statements
June 30, 2013 and 2012

(in thousands)

Other Post-Employment Benefits

Subject to the provisions of The City's retirement system, the Authority provides other post-employment benefits through various welfare funds that cover retirees for various healthcare benefits not provided through the basic coverage. Welfare fund benefits may include, but are not limited to, prescription drug coverage and vision and dental coverage. The Authority has recorded net obligations of \$26,570 and \$25,726 with respect to its post-employment welfare fund benefits as of June 30, 2013 and 2012, respectively.

13. Subsequent Events

The Authority has performed an evaluation of subsequent events through October 2, 2013, the date the financial statements were available for issuance.

www.pwc.com

*New York City
School
Construction
Authority*

January 10, 2014

Report to
Management

pwc



January 10, 2014

Members of the Audit Advisory Committee
of the New York City School Construction Authority:

In planning and performing our audit of the financial statements of The New York City School Construction Authority (the "Authority") as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

AU 325, *Communicating Internal Control Related Matters Identified in an Audit*, of the AICPA Professional Standards includes the following definitions of a deficiency, a significant deficiency and a material weakness:

Deficiency—a deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Significant Deficiency—a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Material Weakness—a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

As agreed in our engagement letter, we are providing you with a report of all deficiencies, operational, business and other observations.

If you would like any further information or would like to discuss any of the matters raised, please contact David Mandelbaum, (646) 471-6040.

Very truly yours,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP, 300 Madison Avenue, New York, NY 10017
T: (646) 471 3000, F: (646) 471 8320, www.pwc.com/us

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I. Control Deficiencies

1. Proper participant data included in the census data files

Observation:

As a result of work performed over the census data related to the Post Retirement Welfare Benefits Plan there was a discrepancy noted in the number of retirees receiving benefits included within the actuarial report utilized to calculate the pension liability and the data maintained by the Authority's HR. The actuarial report includes 207 retirees receiving benefits while the Authority's HR has 176 retirees. In addition, it was also identified that there were 659 active participants included in the Authority's HR listing as opposed to 636 on the Actuarial report.

The engagement team assessed the potential impact to the liability by re-performing the actuarial calculation utilizing the actuarial census data and then by using the Authority's HR data and noted that the difference was approximately \$1m and deemed immaterial.

Implication:

Incorrect census data used in the actuarial valuation has an impact to the pension liability. As mentioned above, the impact in FY 2013 was approximately \$1M. However if the situation continues and/or increases it may result in a more material misstatement of the Authority's financial statements.

Recommendation:

We recommend the Authority works directly with the Office of the Actuary during FY 2014 to identify and correct the discrepancies to ensure the participant data utilized in the actuarial valuation agrees to the data maintained by the Authority's Human Resource department.

Management's Response - 2013:

Management agrees with this recommendation. The Authority has reached out to the Office of the Actuary requesting a meeting with the Authority and the Office of Labor Relations to resolve these discrepancies in FY'14. This meeting is scheduled to take place in early January 2014.

2. Timely review of the Financial Statements

Observation:

After issuance of our audit report dated September 13, 2013, Authority Management submitted (on September 16th) the financial statements to the NYC Comptroller's Office for purposes of review and consolidation within the NYC financial statements. Upon review and during consolidation, it was identified that the non-capital expenses in the amount of \$38M related to Hurricane Sandy expenditures was appearing on both the Authority's and DoE's books, both components of NYC. As a result the NYC Comptroller's Office advised the Authority to reverse the initial accounting of the activity (reduce the expense and associated revenue reimbursement recorded) and to record it as a Receivable from the DOE for reimbursement of funds paid on their behalf. As a result, the Authority's financial statements were reissued on October 2, 2013.

Implication:

The process of finalizing and issuing the Authority's financial statements prior to review by the NYC Comptroller's office has led to and can lead to in the future identification of

adjustments and/or errors in the financial statements via the consolidation process performed at the NYC Comptroller's office. These adjustments would need to be evaluated for materiality, including the nature of correcting the financial statements which can lead to restatements of the Authority's financial statements.

Recommendation:

We recommend the Authority submits the financial statements to the NYC Comptroller's office for review prior to final issuance of the financial statements. This will ensure a timely review to help avoid a similar matter from reoccurring in future years.

Management's Response - 2013:

Management agrees with this recommendation. A letter was issued on October 2, 2013 to the NYC Comptroller's Office. In the letter the Authority stated that in conjunction with PricewaterhouseCoopers LLC, the Authority has decided that going forward a final "draft" copy of the financial statements will be distributed to the Comptroller's Office on the required due date in compliance with Directive 22. Once the financial statements have been reviewed and accepted by the Comptroller's Office, a final pdf version including the signed audited opinion letter will be distributed by the Authority.

Information Technology Observations

1. Enhance security controls within Contract Management 13 (CM-13) and Oracle Applications 11i

Observation:

The access for CM-13 users is not reviewed periodically to ensure that access remains appropriate.

For Oracle Applications 11i management requested review of users' access, however the review was incomplete as one business group, Architecture & Engineering, did not respond to the request for the review of users belonging to their business group.

Implication:

The lack of a timely and effective recertification increases the risk of inappropriate access to systems and data. Through time a user's access to the system may no longer be valid due to change in roles or separation from service. Moreover, the periodic review of users can ensure that there is no segregation of duties conflicts. This CM-13 observation recurred from last year.

Recommendation:

NYCSCA should consider implementing a formal periodic review and recertification of CM-13 users' access. The recertification process should include a review of the following elements:

- Analysis of access rights to ensure duties are properly segregated
- All user IDs are uniquely assigned to one individual. If generic IDs are used, individual accountability should be maintained.
- All users IDs belong to a current employee.

For this review, management should ensure that there are set timelines for the reviews, require positive confirmation from each business owner, and retain formal documentation for

each review, including the initial user ID listing, evidence of the business owners' response, and corrective action taken as a result of the review.

Management Response - 2012:

Management agrees that periodic review of CM13 access is necessary and prudent, including: whether a person's duties require access to CM13 or Oracle, the rights assigned that person are appropriate for their position, and that access to any system required 'generic' IDs be narrowly restricted and traced back to a responsible party.

By end of FY2013, management will scope reports and procedures listing security template (level of system access) for all active users by function. Additionally, management will consider methods for reporting and accepting feedback for project-level access and presented to affected parties for their concurrence. The reports and procedures will be developed together to balance the competing requirements for access review and control with the limited resources assigned to the primary mission of the SCA.

Management Response - 2013:

On 04/13/2013 IT management completed scoping the effort to create reports and procedures listing security templates for all active users by function and enable those with rights to review and re-authorize active users. Additionally, we reviewed how to report and accept feedback for project-level access and presented to CM and AE management. From this effort, IT management has drafted a security and access policy for CM13 which includes guidelines and a reporting tool to query level of access by user, by project, by district, by borough and by contractor and or A&E consultant. This policy is in the final stages of review by SCA Senior Management. Once the policy is approved, IT in conjunction with Senior Management, will implement the procedure to identify all users and user access within CM13 and attest on an annual basis that all user security is appropriate for all users.

This will be completed by end of calendar year 2013.

2. Enhance monitoring controls of privilege users within CM-13

Observation:

There is no logging and monitoring of system administrator activities in Expedition.

Implication:

Without the proper logging and reviewing of system administrator activities, there is a risk that access of changes to the systems and/or data are not authorized.

Recommendation:

Management should configure CM-13 to capture and log selected system administrator activities based on criticality and risk assessments. These logs should be periodically reviewed to detect any unusual or irregular activities. If the CM-13 application is unable to support the monitoring of activities, management should consider upgrading the application or finding a new contract management solution to meet business needs.

Management Response:

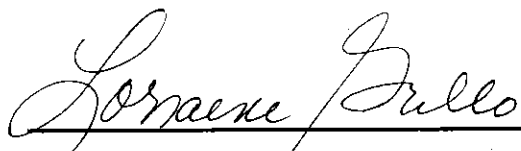
The logging capability in the CM13 system tracks all users and every action performed in the system. Unfortunately, this logging function has a major impact on system performance and is not recommended by Oracle for an installation of our size. This feature can only be enabled

for all users or no users. SCA IT has submitted an enhancement request to Oracle, requesting this feature be enabled for selected users (i.e. system administrators). Oracle has not responded whether this is feasible or when it may be done.

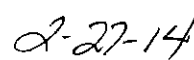
In the meantime, SCA IT is creating new templates to reduce the number of administrators in the system by at least half. Currently there are 15 system administrator ids and we expect to reduce it to 7 user id's.

Public Authorities Accountability Act Officer's Certification

I, Lorraine Grillo, President and CEO, and I, Marianne Egri, Vice President of Finance & Information Technology, to the best of our knowledge and beliefs, make the following certifications regarding the financial reports included in the New York City School Construction Authority's Public Accountability Act Annual Report: (a) the information provided therein is accurate, correct, and does not contain any untrue statement of material fact; (b) does not omit any material fact which, if omitted, would cause the financial statements to be misleading in light of the circumstances under which such statements are made; and (c) fairly presents in all material respects the financial condition and results of operations of the Authority as, of, and for, the year ended June 30, 2013.



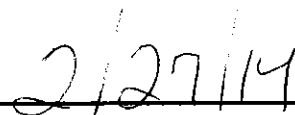
Lorraine Grillo, President & CEO



Date



Marianne Egri, Vice President of Finance & Information Technology



Date

FY2013 Projects and Key Accomplishments

Design and Construction Accomplishments

As of June 30, 2013, the SCA had 466 projects worth \$2.5 billion in construction. There were 494 projects in scope and design with an estimated construction value of \$1.2 billion. In FY 2013, the SCA awarded 13 contracts for new schools and additions valued at \$449 million. The SCA also awarded 475 projects for Capital Improvement totaling \$740 million. Total capital commitments in FY 2013 exceeded \$2.3 billion.

Among the major projects completed in FY 2013 (September, 2012 and September, 2013 school openings) are:

- Art & Design HS, Manhattan, 2,160 seats (\$147,627,178)
- HS 585, Queens, 1,119 seats (\$70,250,000)
- HS @ Spring Creek, Brooklyn, 1,202 seats (\$72,847,565)
- Middle College HS, Queens, 820 seats (\$27,927,000)
- New Settlement MS/HS, Bronx, 1,087 seats (\$83,300,000)
- PS 160 Addition, Brooklyn, 410 seats (\$38,772,000)
- PS 29 Addition, Queens, 232 seats (\$20,180,000)
- PS 310, Brooklyn, 367 seats (\$26,400,000)
- PS 264, Brooklyn, 476 seats (\$39,814,903)
- PS/IS 277, Queens, 665 seats (\$47,100,000)
- The Highbridge Green School, Bronx, 391 seats (\$33,670,000)
- Hunters Point Campus, Queens, 1,071 seats (\$61,098,000)
- PS 133, Brooklyn, 935 seats (\$66,224,000)
- PS 281, Manhattan, 640 seats (\$47,580,000)
- PS 330, Queens, 420 seats (\$35,235,000)
- PS 51, Manhattan, 640 seats (\$54,730,000)
- PS 87 Addition, Queens, 140 seats (\$21,110,000)
- PS/IS 30, Brooklyn, 708 seats (\$51,133,300)
- PS/IS 48, Staten Island, 844 seats (\$53,450,000)
- PS/IS 78, Queens, 578 seats (\$47,820,000)
- The Community Health Academy of the Heights, Manhattan, 572 seats (\$43,728,000)
- The Dominic Castore Educational Complex, Bronx, 379 seats (\$31,927,000)

Major projects awarded in FY 2013 and currently under construction include:

- IS 814, Manhattan, 572 seats
- IS/HS 404, Queens, 1,071 seats
- IS 285, Bronx, 391 seats
- PS 287, Queens, 420 seats
- PS 331, Brooklyn, 708 seats
- PS 71, Staten Island, 844 seats

- PS 292, Bronx, 379 seats
- PS/IS 281, Manhattan, 640 seats
- PS/IS 312, Queens, 578 seats
- IS 311, Queens, 785 seats
- PS 320, Queens, 472 seats
- PS 339, Queens, 472 seats
- PS 343, Queens, 712 seats
- PS 35 Addition, Queens, 352 seats
- PS 892, Queens, 379 seats
- PS 96 addition, Bronx, 408 seats
- PS/IS 338, Brooklyn, 757 seats
- IS 611, Brooklyn, 333 seats
- PS 11, Queens, 856 seats
- PS 163, Queens, 376 seats
- PS 176, Queens, 372 seats
- PS 199 Annex, Queens, 372 seats
- PS 311, Bronx, 284 seats
- PS 314, Bronx, 294 seats
- PS 317, Bronx, 379 seats
- PS 50, Queens, 396 seats
- PS 56, Bronx, 428 seats
- PS 768, Brooklyn, 256 seats
- PS 92, Queens, 312 seats
- PS/IS 298, Queens, 796 seats
- PS/IS 338, Brooklyn, 757 seats
- PS/IS 511, Brooklyn, 640 seats

Capital Plan Accomplishments

In General

- Continued to streamline business operations of the Industrial & Environmental Hygiene Department and developed new policies and operating guidelines
- Continued review and assessment of the Change Order Unit and its operations
- Increased competition among top-tier firms
- Continued aggressive outreach to M/W/LBE community
- Continued to implement Project Labor Agreement (PLA)
- Continued to develop and implement Green Design Standards
- Improved SCA internal operating efficiencies
- Continued to revise SCA design standards
- Commenced a program to replace old fluorescent light fixtures in approximately 750 school buildings by December, 2016

FY 2010 – 2014 Capital Plan Priorities

- Address capacity need on a neighborhood basis
- Ensure the stability of out existing facilities
- Continue instructional enhancement program
- Allocate limited resources effectively

Other Accomplishments

Enhanced Operational Efficiencies

- Improved prequalification process
- Improved payment performance
- Improved change order and close-out
- Developed electronic consultant evaluation system
- Developed internet site that is more transparent and easier to navigate

Strategic Initiatives

Development of a new centralized training function; a refined costing system for capital planning; improved transparency and increased communication with stakeholders; development of a space planning system; conversion of the Expedition System to the CM-13 construction management system and initiation of the Project Tracking System for increased project control and ease of access to applicable information.

Labor Law Compliance

An electronic certified payroll reporting system for contractors was developed and implemented.

Real Property Disposal Bulk Load Worksheet
Version 1.6

Real Property

In accordance with Public Authorities Law, please provide information on the following:

Any real property of the authority having an estimated fair market value in excess of \$15,000 that the authority either acquired or disposed of during the reporting period.

Columns whose names contain "-" are required and must have values for each record to be loaded. Do not enter blank lines, as a blank line (a line with no information) will be regarded as the end of the file. Do not enter commas, letters or \$ signs in numeric fields.

This worksheet must be saved as type "csv" in order to be uploaded to PARIS. Select "Save As" from the "File" menu above and select "CSV (comma delimited)" as the file type.

Note: Most cells have some level of validation, however, validation in Excel only functions when you actually type data in the cell. It is recommended that you selectively check validation, in rows that you have copied data into.

Property Address

Lease Data (if applicable)

* Address Line 1	* City	* State	* Postal Code	* Country	* Property Description	* Estimated Fair Market Value	** How was FNV determined?	* Transaction Type	If Other, Explain	* Transaction Date	Purchase/Sale Price	Market Rate	Lease Rate	Lease Period (Months)	* Was the real property acquisition/disposal transaction competitively bid?*
590 Avenue of the Americas	New York	NY	10011	USA	Mixed Use	5900243.00	Other	Acquisition	Negotiated Condominium Purchase	4/16/2013	5900243.00				
8 Spruce Street	New York	NY	10038	USA	Residential Building	82671700.00	Other	Acquisition	Negotiated Condominium Purchase	12/4/2012	82671700.00				
14 Turner Place	Brooklyn	NY	11218	USA	Residential Building	730000.00	Appraisal	Acquisition		10/14/2012	825000.00				
18 Turner Place	Brooklyn	NY	11218	USA	Residential Building	675000.00	Appraisal	Acquisition		10/14/2012	700000.00				
13 Hinckley Place	Brooklyn	NY	11218	USA	Residential Building	375000.00	Appraisal	Acquisition		10/14/2012	353607.52				
21 Hinckley Place	Brooklyn	NY	11219	USA	Residential Building	385000.00	Appraisal	Acquisition		10/14/2012	385000.00				
33 Hinckley Place	Brooklyn	NY	11218	USA	Vacant Lot/Undeveloped Land	385000.00	Appraisal	Acquisition		10/14/2012	385000.00				
97-36 43rd Avenue	Jackson Heights	NY	11372	USA	Residential Building	1000500.00	Appraisal	Acquisition		2/11/2013	920000.00				
360 Seneca Avenue	Corona	NY	11368	USA	Commercial Building	4500000.00	Appraisal	Acquisition		11/13/2012	5750000.00				
57-02/04 39th Avenue, 57-08/12 39th Avenue & 39-02 58th Avenue	Ridgewood	NY	11385	USA	Commercial Building	7000000.00	Appraisal	Acquisition		12/10/2012	7000000.00				
38-12/14/16 56th Street	Woodside	NY	11377	USA	Commercial Building	3500000.00	Appraisal	Acquisition		9/13/2012	5350000.00				
199-02 112th Avenue	Woodside	NY	11377	USA	Residential Building	2230000.00	Appraisal	Acquisition		9/13/2012	2000000.00				
81-01 37th Avenue	St. Albans	NY	11412	USA	Commercial Building	6900000.00	Appraisal	Acquisition		8/28/2012	6800000.00				
48-25 37th Street	Jackson Heights	NY	11372	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	7/18/2012		25.00	33.85	180	N
34-12 96th Street	Long Island City	NY	11101	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	10/15/2012		20.50	25.50	12	N
450 St. Marks Avenue	Long Island City	NY	11106	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	11/15/2012		30.00	28.25	198	N
50 Broadway	Staten Island	NY	10301	USA	Office Building		Other	Acquisition	Market Rental Analysis	12/17/2012		22.75	21.00	120	N
27-35 Jackson Avenue	New York	NY	10004	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	12/21/2012		45.00	31.37	120	N
1455 Herkimer Street	Long Island City	NY	11101	USA	Office Building		Other	Acquisition	Market Rental Analysis	11/15/2013		22.50	21.25	180	N
1884 White Plains Road	Brooklyn	NY	11233	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	1/15/2013		17.00	14.38	120	N
7301 15th Avenue	Bronx	NY	10462	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	2/25/2013		19.60	16.00	240	N
1455 Webster Avenue	Brooklyn	NY	11228	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	3/12/2013		21.00	20.50	240	N
890 Broadway	Bronx	NY	10466	USA	Mixed Use		Other	Acquisition	Market Rental Analysis	3/19/2013		20.00	20.00	52	N
211 8th Street	New York	NY	10003	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	4/18/2013		40.00	28.05	120	N
1145 Martin Luther King, Jr. Blvd.	Brooklyn	NY	11215	USA	Commercial Building		Other	Acquisition	Market Rental Analysis	5/3/2013		21.50	25.50	240	N
	Bronx	NY	10452	USA	Vacant Lot/Undeveloped Land		Other	Acquisition	Market Rental Analysis	5/13/2013		0.00	0.00	720	N

Note: either Organization or Last Name/First Name an

* Does the Seller/Purchaser/Tenant have, or had within the last two years, a personal or professional relationship with a Board member or senior management of the authority?

Explain why a competitive bid process was not used for acquiring/disposing of the property.	Seller/Purchaser/Tenant/Organization	* Address Line 1	* City	State	* Postal Code	* Country	* Does the Seller/Purchaser/Tenant have, or had within the last two years, a personal or professional relationship with a Board member or senior management of the authority?
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	New York Founding Charitable Corp.	590 Avenue of the Americas	New York	NY	10011	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	F.C. Beakman Associates	One Metrotech Center	Brooklyn	NY	11201	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Abraham Safav	14 Turner Place	Brooklyn	NY	11218	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Cherry Hargrove & Aaron Hargrove	18 Turner Place	Brooklyn	NY	11218	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Emporium Management Corp.	71-63 Austin Street	Forest Hills	NY	11375	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Emporium Management Corp.	71-63 Austin Street	Forest Hills	NY	11375	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	The July 14, 1993 Herbert B. Michaelson Living Trust	801 West End Avenue - Apt 1A	New York	NY	10025	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	W & R Associates	97-36 43rd Avenue	Corona	NY	11368	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Roman Catholic Church of St. Alloysius	383 Onderdonk Avenue	Ridgewood	NY	11385	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Expert Realty, LLC	57-08 39th Avenue	Woodside	NY	11377	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Great Metropolitan Realty, LLC	57-08 39th Avenue	Woodside	NY	11377	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Police Athletic League	34 12 East 12th Street	New York	NY	10003	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	St. Raphael's Roman Catholic Church	240 Middle Neck Road	Sands Point	NY	11050	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	34-12 36th Avenue LLC	35-20 Greenpoint Avenue	Long Island City	NY	11101	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Rosenholz Realty, LLC	34-12 36th Avenue	Long Island City	NY	11108	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	50 Broadway Realty Corp.	8816 Forks Road, #201	Raleigh	NC	27616	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Fullon Center, LLC	50 Broadway	New York	NY	10004	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Roman Catholic Church of St. Dominic's	27-35 Jackson Ave, LLC	Long Island City	NY	11101	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Good Shepherd Services	185 Marcy Avenue	Brooklyn	NY	11211	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Ballet Tech Foundation, Inc.	7201 Morris Avenue	Bronx	NY	10462	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	Roman Catholic Church of St. Thomas Aquinas	305 Seventh Avenue-9th Floor	New York	NY	10001	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.	New York City Housing Authority	890 Broadway	New York	NY	10003	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.		249 9th Street	Brooklyn	NY	11215	USA	N
Acquisition not legally governed by the competitive process. Properties are acquired in districts where seat need is demonstrated.		250 Broadway	New York	NY	10007	USA	N

Code of Business Ethics

Ethics Guidance for Working Partners of the New York City School Construction Authority

Introduction

The New York City School Construction Authority (the "Authority"), a public-benefit corporation, requires its members, officers and employees, as well as the contractors, consultants and vendors with whom the Authority interacts -- its Working Partners -- to adhere to the highest ethical standards.

The Authority is governed by Chapter 68 of the New York City Charter ("Conflicts of Interest"). The Authority also requires that all of its members, officers and employees perform their official duties consistent with the requirements of the New York State Public Officers Law, and other applicable laws, rules, and regulations, and comply with the Authority's own internal policies.

The Authority encourages and supports a fair, open and honest business relationship with its Working Partners based on quality, service, price, and business integrity. The Authority believes that this objective can be achieved only if the Authority's employees and its Working Partners adhere to a high standard of ethical business practices.

Conduct of Authority Members, Officers and Employees

Authority employees are required to conduct business with our Working Partners in a fair and professional manner. Chapter 68 provides the legal framework governing the conduct of Authority employees. The Authority also has its own internal Code of Ethics to which the members of the Authority must adhere.

Ethics Programs

In addition to considering technical competence and financial capability, the Authority assesses the corporate integrity of its Working Partners through its prequalification process. Contractors seeking to do business with the Authority must first successfully be screened through this prequalification in order to be able to participate in bidding on Authority contracts and projects.

The Authority encourages its Working Partners to advance and support ethical business conduct and practices among their respective directors, officers and employees, preferably through the adoption of corporate ethics awareness training programs and written codes of conduct, copies of which are available through the Authority.

To promote ethical business practices, our Working Partners are expected to:

- Furnish all goods, materials and services to the Authority as contractually required and specified;
- Submit complete and accurate documents to the Authority as required;
- Refrain from seeking, soliciting, demanding or accepting from the Authority any information, whether verbal, written or in electronic form, that gives them an unfair advantage over a competitor;
- Refrain from engaging in any activity or course of conduct that restricts open and fair competition on Authority-related projects and transactions;
- Refrain from engaging in any activity or course of conduct with Authority employees or its agents that constitutes a conflict of interest, in fact or in appearance;
- Refrain from offering any gifts, gratuities or anything of value to Authority employees in excess of \$1.00
- Refrain from engaging in any other conduct that violates Chapter 68, or any other laws, regulations, or Authority policies; and
- Report to the Authority any activity by an Authority employee or Working Partner that appears to violate Charter 68 or any other laws, regulations, or Authority policies.

No Gifts to Authority Employees

Section 73(5) of the Public Officers Law expressly prohibits any firm or its agents, either doing or seeking to do business with the Authority, from directly or indirectly offering or giving any gift having more than a nominal value to an Authority employee under circumstances in which it:

- could be reasonably inferred the gift was intended to influence the employee in the performance of his or her official duties, or
- could reasonably be expected to influence the employee in the performance of his or her official duties, or
- was intended as a reward for the employee's official action.

Such prohibited gifts include, in addition to cash, a service, a loan, travel, lodging, meals, refreshments, entertainment, a discount, forbearance or a promise.

Because gifts from Working Partners can *per se* be inferred to be intended to influence or reward official action, gifts of greater than nominal value would be prohibited by Section 73(5). *See also Chapter 68 Section 2604(b)(5).*

Although Authority employees are governed by the New York State Public Officers Law and the Chapter 68 of the New York City Charter, the Authority has adopted a stricter standard in its own internal policy, prohibiting an Authority employee from accepting anything of value in excess of one dollar (\$1.00) from any individual or entity seeking to do business with the Authority. Our Working Partners should not offer to Authority

employees gifts of *any* value, and Authority employees are obligated to immediately report any such violation. Violations of the gift provisions may be grounds for contract termination and/or referral for civil action or criminal prosecution.

Employing Relatives of Authority Employees

Although Working Partners may employ relatives of Authority employees, the Authority must be made aware of such circumstances as soon as possible, preferably in writing, to ensure a conflict of interest situation does not arise. The Authority reserves the right to request that its Working Partners modify the work assignment of an Authority employee's relative where a conflict of interest, or the appearance thereof, is deemed to exist. Under no circumstances should an Authority employee have an involvement in the solicitation for or hiring of a relative by a Working Partner.

Hiring of Authority Employees by a Working Partner

Our Working Partners may hire former Authority employees; however, Chapter 68 prohibits the former employee from appearing before the Authority for a period of one (1) year following the employee's separation from Authority service. In addition, former Authority employees are subject to a "lifetime bar" which prevents them from working on or receiving compensation for services regarding any transaction in which they participated in a personal and substantial manner or which was under their active consideration during their tenure with the Authority.

Questions

Questions relating to these guidelines should be directed to the Authority's Executive Vice President & General Counsel at (718) 472-8220.

When in doubt, please seek guidance.

Assessment of the Effectiveness of Internal Control Structures and Procedures

1. **Describe the review process used by the Authority during FY13 to assure that internal controls were evaluated regularly**
 - Departments complete self-evaluations based upon internal training and instruction. Departments identify key functions, potential risks, related controls, and recommended policy changes as appropriate.
 - The SCA continuously assesses its risk management policies and procedures.
 - The SCA continuously updates and improves its project and financial tracking systems.
 - The SCA's Information Technology department continues to create and enhance its web site and computer operations to increase the information base to staff, contractors, and consultants,
 - The SCA's Internal Auditor performs internal audits of business operations and programs.
 - The financial statement audits are conducted by the SCA's independent certified public accounting firm which includes a review of major internal accounting controls.

2. **List all high-risk activities and indicate which were evaluated during FY13**
 - The SCA reviewed its internal financial and accounting controls which were also evaluated by the SCA's internal auditor and independent certified public accountants as part of the audit of the SCA's financial statements. The internal auditors performed audits of the SCA's accounting, project management, capital planning process, bid and award procedures, change order review, approval and payment processes, and audits of other programmatic activities based on perceived risk. In addition, the SCA prepares a Fraud Prevention Assessment each year that is submitted to the New York City Department of Investigation for its review. The SCA is also preparing an updated Disaster Recovery/Business Continuity Plan.

3. **Identify the significant deficiencies revealed through the FY13 review process. Outline the actions taken or planned to eliminate the deficiencies. Highlight the most important internal control improvements made during the fiscal year.**
- Although no significant deficiencies were identified during FY13, Fraud Prevention Assessment highlighted areas of potential concern and set forth the improvements that had been made, including:
 1. The SCA now requires both in-house and on-line ethics training programs for all full-time and contingent staff;
 2. The SCA has hired an independent consultant to comprehensively review the internal process for both submitting, negotiating, and approving change orders and the dispute resolution process;
 3. An audit of the electronic prevailing wage compliance system revealed flaws in the system originally implemented. The SCA and its outside system programmer are working to correct the flaws and enhance security of the prevailing wage compliance system;
 4. The failure of some contractors to adhere to contract specifications and/or improperly substitute inferior products or materials has compelled the SCA's Architecture & Engineering Department to issue written notice to all of its technical staff and consultants;
 5. Contract bid and award certification that contractor is not under criminal investigation or charged with crimes: and
 6. The upgrade of security at the SCA's headquarters.
4. **Describe the monitoring system installed by the SCA to verify that corrective actions are taken. Discuss the extent to which electronic data processing systems are used to track steps taken to reinforce internal controls.**
- The SCA's Director of Internal Audit tracks the implementation of recommendations that have been accepted by management and reports to the Executive Vice President & General Counsel and the Audit Advisory Committee. This report sets forth dates by which recommendations must be implemented, and any delay in doing so and the reasons therefore.

5. Summarize specific actions the SCA has taken to install a compliance testing program.

- Formal compliance testing of internal controls is performed during internal audits within various departments. Controls are also reviewed through management's oversight of SCA business functions and operations. In addition, the SCA's actions are subject to audit by its outside auditor.

6. Discuss the methods used in FY13 to provide internal control education and training to keep the SCA staff aware of the needs for internal controls.

- Training sessions by each department are periodically conducted to highlight the nature and types of potential risks and the identification of internal controls in place. The involvement of SCA staff in the internal audit process serves as a reminder of the need to assess continually the adequacy of internal controls and compliance with them.

7. Describe measures to sustain the effectiveness of the internal control program during FY13. Include information on reorganizations and other revisions in the program to enhance operations.

- The recommendations contained in the internal audits of the SCA's operations and construction program assure the sustained effectiveness of the SCA's internal control efforts. The SCA maintains a continuous process to draft and revise policies and operational guidelines to insure that audit recommendations are implemented.

8. For those agencies required by BPRM Item B-350 to have an internal audit function, demonstrate how that function complies with requirements of the Internal Control Act and professional IA standards.

- Although it is not required by law to do so, the SCA maintains an internal control function. Cheryl Hood-Francis is the Director of Internal Audit and reports to the Audit Advisory Committee and administratively to the SCA's Executive Vice President & General Counsel. Prior to her current position, Ms. Hood-Francis was the Director of Capital Planning for the New York City Department of Education.

The IA function is independent from the processing of transactions and other management activities that would impair its objectivity. Each of the members of the Audit Advisory Committee is independent of and has no employment relationship with the SCA. All controls and procedures recommended by the internal auditor must be implemented by the senior manager in the organization responsible for the specific issues addressed in a particular internal audit.

The IA department develops and follows a risk-based audit plan. When audits are conducted, internal controls are evaluated, weaknesses are identified, and recommendations for corrective action are made. The internal audit staff maintains adequate work papers and conducts repeat audits as appropriate for significant matters, functions, and processes.

A description of how the IA function ensures that it does not compromise its independence if it is also responsible for other functions (i.e., internal control, information security or other duties

- The IA function is independent from the processing of transactions and other management activities that would impair the independence of the IA Department and the Audit Advisory Committee. Further, any recommended controls and control enhancements are the responsibility of the managers in the organization that are responsible for the related functions. Those managers must implement the appropriate procedures and controls for all audit recommendations that are made.

A demonstration of how the IA function conducts its operations in accordance with professional IA standards by responding to the following questions:

- a. Does the IA function develop and follow a risk based audit plan? Yes
 - b. When audits are conducted, are internal controls evaluated, weaknesses identified and recommendations made to correct those weaknesses? Yes
 - c. Does the IA function maintain adequate work papers? Yes
 - d. Does the IA function conduct follow-up audits? Yes, for significant where follow-up prior to a subsequent cycle is appropriate.
9. **Outline the specific actions taken to implement recommendations included in the Internal Control Task Force report, “*The New York State Internal Control Act Implementation Guide: Strengthening Compliance with the Act and Standards.*”**
- See responses above. In addition, Internal Audit is conducting a self-assessment and customer satisfaction survey to assure that its services are in compliance with SCA internal control policies and procedures.

Internal Control Certification

Authority Name:

New York City School Construction Authority

President & CEO:

Lorraine Grillo

Authority Address:

30-30 Thomson Avenue, Long Island City, NY 11101

Telephone Number:

(718) 472-8000

Internal Control Officer:

Cheryl Hood-Francis

Address:

30-30 Thomson Avenue, Long Island City, NY 11101

Telephone Number:

(718) 472-8320

Email address of Internal Control Officer:

choodfrancis@nycsca.org

I hereby certify that the New York City School Construction Authority ("Authority") has complied with the following provisions regarding its internal controls:

- A. Establish and maintain guidelines for a system of internal controls for the Authority. Internal control guidelines communicate the management and programmatic objectives of the Authority to its employees and provide the methods and procedures used to assess the effectiveness of the Authority's internal controls in supporting these objectives.
- B. Establish and maintain a system of internal controls and a program of internal control review for the Authority. The program of internal control review shall be a structured, continuing and well-documented system designed to identify internal control weaknesses, identify actions that are needed to correct these weaknesses, monitor the implementation of necessary corrective actions and periodically assess the adequacy of the Authority's internal controls.

- C. Make available to each officer and employee of the Authority a clear and concise statement of the generally applicable management policies and standards with which the officer or employee of the Authority shall be expected to comply. Such statements shall emphasize the importance of effective internal controls to the Authority and the responsibility of each officer and employee for effective internal controls.
 - D. Designate an internal control officer, who shall report to the head of the Authority or her designee within the executive office, to implement and review the internal control responsibilities established pursuant to this Item.
 - E. Implement education and training efforts to ensure that officers and employees within the Authority have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques.
 - F. Periodically evaluate the effectiveness of the internal audit function.
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Lorraine Grillo
President & CEO

February 2014