



**New York City
School Construction Authority**

A Component Unit of The City of New York

**Financial Statements
(Together with Independent Auditors' Report)**

June 30, 2022 and 2021



NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY
(A Component Unit of The City of New York)

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and capital projects fund of the New York City School Construction Authority (the "Authority"), a component unit of The City of New York, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and capital projects fund of the Authority as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Other Matters

The financial statements of the Authority as of and for the year ended June 30, 2021, were audited by another auditor whose report dated October 13, 2021, expressed unmodified opinions on those statements. As discussed in Note 3 to the financial statements, the Authority has adjusted its June 30, 2021 financial statements to retrospectively apply the change in accounting required by Governmental Accounting Standards Board Statement No. 87, *Leases*. The other auditors reported on the financial statements before the retrospective adjustment.

As part of our audit of the June 30, 2022 financial statements, we also audited the adjustments to the June 30, 2021 financial statements to retrospectively apply the change in accounting as described in Note 3. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the Authority's June 30, 2021 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2021 financial statements as a whole.



Emphasis of Matter

As discussed in Note 3 to the financial statements, the Authority has restated its financial statements as of and for the year ended June 30, 2021 during the current year to retroactively implement Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS we:

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

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



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the schedule of changes in total OPEB liability and related ratios on page 37, the schedule of the Authority's proportionate share of the net pension liability on page 38, and the schedule of the Authority's contributions on page 39 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Mayer Hoffman McCann CPAs

New York, NY
October 19, 2022

New York City School Construction Authority

Management's Discussion and Analysis

As of and for the Years Ended June 30, 2022 and 2021 (Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

The following is a narrative overview and analysis of the financial activities of the New York City School Construction Authority (the "Authority") as of June 30, 2022 and 2021 and for the years then ended. It should be read in conjunction with the Authority's government-wide financial statements, governmental fund 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 fund financial statements; and (4) the notes to the financial statements.

The government-wide financial statements, which include the statements of net position and the statements of activities, are presented to display information about the Authority as a whole, in accordance with Governmental Accounting Standards Board ("GASB") standards. This is to provide the reader with a broad overview of the Authority'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 cash flows.

The Authority's governmental fund financial statements are presented using the current financial resources measurement focus and 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 reconciliations of the governmental fund balance sheets to the statements of net position and reconciliations of the governmental fund statements of revenues, expenditures and changes in fund balance to the statements of activities are presented to assist the reader in understanding the differences between government-wide and governmental funds financial statements.

OVERVIEW OF THE ORGANIZATION

The Authority, a public benefit corporation reported as a 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 Chair 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 position is the property of the City. Appropriations are based on a five-year capital plan.

Resource flows between the Authority and the City and the New York City Department of Education (the "DOE"), have been reported as revenues and expenses/expenditures in the Authority's financial statements. 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 discretely presented component unit. The presentation of these activities as a net fund transfer was deemed to provide less useful information.

New York City School Construction Authority
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IMPLEMENTATION OF NEW LEASE STANDARD

In June 2017, GASB issued Statement No. 87, *Leases*, ("GASB 87"). The objective of GASB 87 is to improve accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract, establishing a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of GASB 87 were adopted in the current year. The adoption of GASB 87 had no effect on the beginning net position as reported for the year ended June 30, 2021 however requires the Authority's financial statements to be adjusted retrospectively for the earliest period presented. As such, certain balances reported as of, and for, the year ended June 30, 2021, have been restated to conform to the requirements of GASB 87 and the following line items have been restated:

Statement of Net Position:

	2021 (As Previously Reported)	Adjustment	2021 (Restated)
Lease assets, net	\$ -	\$ 4,170	\$ 4,170
Construction in progress	\$ 2,348,451	\$ (7,081)	\$ 2,341,370
Lease liabilities	\$ -	\$ (4,188)	\$ (4,188)
Net position - restricted	\$ 2,530,852	\$ (7,099)	\$ 2,523,753

Statement of Activities:

	2021 (As Previously Reported)	Adjustment	2021 (Restated)
Amortization expense	\$ -	\$ 7,046	\$ 7,046
Interest expense	\$ -	\$ 53	\$ 53

**Governmental Funds - Statement of Revenues, Expenditures
and Changes in Fund Balance - Capital Projects Fund**

	2021 (As Previously Reported)	Adjustment	2021 (Restated)
Capital projects	\$ 2,003,481	\$ (7,081)	\$ 1,996,400
Lease financing	\$ -	\$ 7,028	\$ 7,028
Lease interest	\$ -	\$ 53	\$ 53

GOVERNMENT-WIDE FINANCIAL STATEMENTS

RESULTS OF OPERATIONS

As a result of the pandemic, the Authority "paused" its construction projects in fiscal year 2020 which

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Management's Discussion and Analysis

As of and for the Years Ended June 30, 2022 and 2021 (Unaudited)

impacted construction contracts awarded during fiscal year 2020 and halted construction projects that were in progress. Approximately 660 projects were placed on pause in fiscal year 2020. Working in conjunction with the City, the Authority was authorized to restart all projects by the end of January 2021.

For fiscal year 2022, the Authority awarded construction contracts for 40 new schools and additions with a construction value of \$1,038.1 million and 404 capital improvement or renovation projects with a construction value of \$1,690.0 million. The Authority completed 35 new schools and additions as of September 2022, which created 8,863 seat openings for the 2022/2023 school year.

For fiscal year 2021, the Authority awarded construction contracts for 22 new schools and additions with a construction value of \$1,021.0 million and 453 capital improvement or renovation projects with a construction value of \$1,186.4 million. The Authority completed 11 new schools and additions as of September 2021, which created 3,773 seat openings for the 2021/2022 school year.

The following chart summarizes the government-wide financial activities in the statements of activities of the Authority for the years ended June 30, 2022, 2021 and 2020 (amounts are in thousands):

	2022	2021 (Restated)	2020	Changes 2022 vs 2021	Changes 2021 vs 2020
Revenues					
Operating revenues from The City of New York	\$ 2,887,549	\$ 2,289,371	\$ 2,448,242	\$ 598,178	\$ (158,871)
Operating revenues for DOE payments	306,336	207,582	340,992	98,754	(133,410)
Total Revenues	3,193,885	2,496,953	2,789,234	696,932	(292,281)
Expenses					
Pollution remediation costs	104,305	45,338	91,390	58,967	(46,052)
Transfer of completed contracts to the DOE	1,965,000	1,932,454	2,132,920	32,546	(200,466)
Lease amortization	9,743	7,046	-	2,697	7,046
Interest expense	453	53	-	400	53
Pension and OPEB expense - net of payments capitalized	(471)	(27,596)	(2,337)	27,125	(25,259)
Operating transfers to the DOE	306,336	207,582	340,992	98,754	(133,410)
Total Expenses	2,385,366	2,164,877	2,562,965	220,489	(398,088)
Other revenues and expenses, net	(16,968)	(52,699)	4,508	35,731	(57,207)
Change in net position	791,551	279,377	230,777	512,174	48,600
Net position - beginning of the year	2,523,753	2,244,376	2,013,599	279,377	230,777
Net position - end of the year	\$ 3,315,304	\$ 2,523,753	\$ 2,244,376	\$ 791,551	\$ 279,377

The Authority's revenue consists entirely of capital appropriations made by the City for capital expenditures for the fiscal year, including operating and administrative costs. Revenue in fiscal year 2022 was \$3,194 million compared to fiscal year 2021 revenue of \$2,497 million, an increase of \$697 million. Revenue in fiscal year 2021 was \$2,497 million compared to fiscal year 2020 revenue of \$2,789 million, a decrease of \$292 million.

In light of the coronavirus pandemic, in March 2020, the Authority's construction projects were temporarily paused. The pause in construction projects resulted in decreased capital spending in both fiscal years 2021 and 2020. During fiscal year 2021, construction projects restarted in phases, with the majority of capital project work commencing in the latter half of fiscal year 2021. As such, the return of construction projects resulted in increased capital spend in fiscal year 2022. Similarly, the DOE's capital projects were impacted by the pause and restart of capital projects in which their capital spend declined in fiscal year 2021 and exhibited increase in fiscal year 2022.

New York City School Construction Authority

Management's Discussion and Analysis

As of and for the Years Ended June 30, 2022 and 2021 (Unaudited)

The Authority's expenses in fiscal year 2022 were \$2,385 million compared to \$2,165 million in fiscal year 2021, an increase of \$220 million. The increase relates to the restart of capital projects paused in fiscal year 2020 resulting in increased transfer of completed contracts to the DOE, pollution remediation costs and capital project spend by the DOE.

Costs related to completed contracts transferred to the DOE increased from \$1,932 million in fiscal year 2021 to \$1,965 million in fiscal year 2022. All projects transferred were determined by the Authority's Construction Management Division to be substantially completed or occupied as of April 30, 2022. 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 has classified \$104 million as expenses incurred for pollution remediation costs for fiscal year 2022. For fiscal year 2021, the Authority has classified \$45 million as expenses incurred for pollution remediation costs (refer to Note 12 of the financial statements). The increase in pollution remediation costs reflect the restart of capital projects paused during the pandemic.

FINANCIAL HIGHLIGHTS

The following chart summarizes the government-wide financial net position reported in the statements of net position of the Authority as of June 30, 2022, 2021, and 2020 (amounts are in thousands):

	2022	2021 (Restated)	2020	Changes 2022 vs 2021	Changes 2021 vs 2020
Assets					
Cash and short-term investments	\$ 135,853	\$ 162,420	\$ 197,927	\$ (26,567)	\$ (35,507)
Due from The City of New York	709,240	556,995	455,122	152,245	101,873
Prepaid expenses and other assets	375,165	432,139	256,043	(56,974)	176,096
Securities held in lieu of cash retainage	6,815	10,029	10,516	(3,214)	(487)
Fixed assets, net	10,321	9,720	4,950	601	4,770
Lease assets, net	41,186	4,170	-	37,016	4,170
Construction in progress	3,123,821	2,341,370	2,260,409	782,451	80,961
Total Assets	4,402,401	3,516,843	3,184,967	885,558	331,876
Liabilities					
Current liabilities	900,230	794,596	773,915	105,634	20,681
Long-term liabilities	188,908	127,899	153,825	61,009	(25,926)
Total Liabilities	1,089,138	922,495	927,740	166,643	(5,245)
Deferred outflows of resources	18,904	20,592	22,456	(1,688)	(1,864)
Deferred inflows of resources	16,863	91,187	35,307	(74,324)	55,880
Net Position - Restricted	\$ 3,315,304	\$ 2,523,753	\$ 2,244,376	\$ 791,551	\$ 279,377

The assets of the Authority exceeded its liabilities ("net position") at the close of fiscal year 2022 and 2021 by \$3,315 million and \$2,524 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.

Total government-wide assets from fiscal year 2021 to fiscal year 2022 increased by \$886 million. The change in total assets in fiscal year 2022 is primarily driven by an increase in receivables due from the City relating to construction payable accruals and increase in construction projects in progress. From fiscal year 2020 to fiscal year 2021, total government-wide assets increased by \$332 million. This change in total assets in fiscal year 2021 is primarily due to the increase in the collateral prepayment relating to the Owner Controlled Insurance Program ("OCIP"), receivables due from the City, and construction projects in progress.

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Cash and short-term investments in fiscal year 2022 decreased by \$27 million in comparison to fiscal year 2021, and decreased by \$36 million in fiscal year 2021 in comparison to fiscal year 2020. The fluctuation in cash and short-term investments in fiscal year 2022 is due to increased disbursements on construction projects and expenditures for the COVID-19 testing facilities and labs as projects recommenced during fiscal year 2021.

During fiscal years 2022 and 2021, the Authority held investments totaling \$20 million and \$45 million, respectively, in US Treasury securities recorded at fair market value. Investments are purchased in accordance with General Municipal Law Section Eleven.

Cash is secured through JP Morgan Chase and collateralized in U.S. Treasury Notes and various government sponsored entities, such as the Federal Home Loan Association and the Federal National Mortgage Association, by JP Morgan Chase. The cash is held temporarily by the Authority for capital project expenditures.

The liabilities of the Authority increased by \$167 million from fiscal year 2021 to fiscal year 2022. The increase in liabilities is principally due to an increase in construction project expenditures, recognition of the long term operating lease and pension liabilities.

The liabilities of the Authority from fiscal year 2020 to fiscal year 2021 decreased by \$5 million. The decrease in liabilities is principally driven by an increase in construction accruals, recognition of future lease payments, offset by a decrease in pension liability due to favorable valuation of the pension plan assets.

Overall, the net position in the government-wide financials increased by \$792 million from fiscal year 2021 to fiscal year 2022. As previously noted, the net increase is attributed to construction projects in progress. The net position in the government-wide financials increased by \$279 million from fiscal year 2020 to fiscal year 2021. The increase in fiscal year 2021 is primarily due to an increase in receivables due from the City, increase in collateral prepayment for the OCIP program and favorable pension plan asset valuation.

New York City School Construction Authority
Management's Discussion and Analysis
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FUND FINANCIAL STATEMENTS

RESULTS OF OPERATIONS

The following chart summarizes the capital projects fund activities in the statements of revenues, expenditures and changes in fund balance of the Authority for the years ended June 30, 2022, 2021, and 2020 (amounts are in thousands):

	2022	2021 (Restated)	2020	Changes 2022 vs 2021	Changes 2021 vs 2020
Revenues					
Operating revenues from The City of New York	\$ 2,879,075	\$ 2,274,814	\$ 2,448,687	\$ 604,261	\$ (173,873)
Operating revenues for DOE payments	306,336	207,582	340,992	98,754	(133,410)
Total Revenues	3,185,411	2,482,396	2,789,679	703,015	(307,283)
Expenditures					
Capital project expenditures	2,734,848	1,996,400	2,545,548	738,448	(549,148)
Fixed assets	4,732	7,228	1,985	(2,496)	5,243
Lease financing	8,924	7,028	-	1,896	7,028
Lease interest	453	53	-	400	53
Pollution remediation expenditures	92,150	65,216	93,619	26,934	(28,403)
Operating transfers to the DOE	306,336	207,582	340,992	98,754	(133,410)
Total Expenditures	3,147,443	2,283,507	2,982,144	863,936	(698,637)
Other revenues and expenses, net	(16,968)	(52,699)	4,508	35,731	(57,207)
Change in fund balance	21,000	146,190	(187,957)	(125,190)	334,147
Fund balance - beginning of the year	283,700	137,510	325,467	146,190	(187,957)
Fund balance - end of the year	\$ 304,700	\$ 283,700	\$ 137,510	\$ 21,000	\$ 146,190

Revenue in fiscal year 2022 was \$3,185 million compared to fiscal year 2021 of \$2,482 million, an increase of \$703 million. Revenue in fiscal year 2021 decreased by \$307 million from \$2,789 million in fiscal year 2020 to \$2,482 million in fiscal year 2021. The fluctuation from 2021 to 2022 is primarily due to commencement of capital projects, paused in fiscal year 2021 and authorized to restart by the end of January 2021, which resulted in an increase to capital expenditures.

The Authority's expenditures in fiscal year 2022 were \$3,147 million compared to \$2,283 million in fiscal year 2021, an increase of \$864 million. In comparison to fiscal year 2021, the Authority's expenditures decreased by \$699 million from fiscal year 2020. The pause in construction projects in fiscal year 2020 attributed to deceased capital expenditures for the Authority and DOE.

New York City School Construction Authority

Management's Discussion and Analysis

As of and for the Years Ended June 30, 2022 and 2021 (Unaudited)

FINANCIAL HIGHLIGHTS

The following chart summarizes the capital projects fund balance sheets of the Authority as of June 30, 2022, 2021, and 2020 (amounts are in thousands):

				Changes	Changes
Assets	2022	2021	2020	2022 vs 2021	2021 vs 2020
Cash and short-term investments	\$ 135,853	\$ 162,420	\$ 197,927	\$ (26,567)	\$ (35,507)
Due from The City of New York	677,314	533,543	446,939	143,771	86,604
Prepaid expenses and other assets	375,165	370,147	256,043	5,018	114,104
Securities held in lieu of cash retainage	6,815	10,029	10,516	(3,214)	(487)
Total Assets	1,195,147	1,076,139	911,425	119,008	164,714
Liabilities					
Current Liabilities	890,447	792,439	773,915	98,008	18,524
Total Liabilities	890,447	792,439	773,915	98,008	18,524
Fund balance	\$ 304,700	\$ 283,700	\$ 137,510	\$ 21,000	\$ 146,190

The assets of the Authority exceeded its liabilities at the close of fiscal year 2022 and 2021 by \$305 million and \$284 million, respectively.

Total assets from fiscal year 2021 to fiscal year 2022 increased by \$119 million. The increase pertained to an increase in receivables from the City offset by a decrease in cash as a result of increased capital project expenditures. From fiscal year 2020 to fiscal year 2021, total assets increased by \$165 million pertaining to an increase in receivables due from the City and OCIP program collateral prepayment. The increase is offset by expenditures relating to the COVID-19 testing facilities and labs.

The liabilities of the Authority increased by \$98 million from fiscal year 2021 to fiscal year 2022. The liabilities of the Authority from fiscal year 2020 to fiscal year 2021 increased by \$19 million. The fluctuation within the liabilities is mainly attributed to overall increase in expenditures in fiscal year 2022.

The Authority's capital projects fund balance increased by \$21 million from fiscal year 2021 to fiscal year 2022. As noted previously, the fluctuation is primarily due to increased capital project expenditures as projects have resumed from the pause resulting in increased cash outflow, liability and receivable from the City. The Authority's capital projects fund balance increased by \$146 million from fiscal year 2020 to fiscal year 2021. The fluctuation is primarily due to increased collateral prepayment for the OCIP program and an increase in funds due from the City.

CONTACTING THE NYC SCHOOL CONSTRUCTION AUTHORITY'S MANAGEMENT

This financial report is designed to provide citizens, taxpayers, investors, creditors, and other entities with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives. Requests for additional financial information or inquiries should be addressed to the NYC School Construction Authority's Finance Dept., 30-30 Thomson Avenue, Long Island City, NY 11101.

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2022 AND 2021 (in thousands)

	2022	2021 (Restated)
ASSETS:		
Cash	\$ 115,982	\$ 117,422
Short-term investments	19,871	44,998
Due from The City of New York	709,240	556,995
Prepaid expenses	126,048	116,132
Pension asset	-	61,992
Due from the Department of Education	35	35
Other assets	249,082	253,980
Securities in lieu of cash retainage	6,815	10,029
Fixed assets, net	10,321	9,720
Lease assets, net	41,186	4,170
Construction in progress, asset held for The City of New York	3,123,821	2,341,370
Total assets	<u>4,402,401</u>	<u>3,516,843</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows from pensions and OPEB	18,904	20,592
Total deferred outflows of resources	<u>18,904</u>	<u>20,592</u>
Total assets and deferred outflows	<u><u>\$ 4,421,305</u></u>	<u><u>\$ 3,537,435</u></u>
LIABILITIES:		
Accounts payable and accrued expenses	\$ 556,271	\$ 456,433
Retainage payable	270,270	252,532
Unearned revenue	40,837	60,108
Pollution remediation payable	93,865	76,674
Lease liabilities	42,023	4,188
Pension liability	23,590	6,515
OPEB liability	20,663	27,564
Accrued annual leave obligation	8,182	9,603
Accrued sick leave obligation	7,912	5,959
Accrued claims and contingencies	25,525	22,919
Total liabilities	<u>1,089,138</u>	<u>922,495</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows from pensions and OPEB	16,863	91,187
Total deferred inflows of resources	<u>16,863</u>	<u>91,187</u>
NET POSITION:		
Total net position - restricted	<u>3,315,304</u>	<u>2,523,753</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 4,421,305</u></u>	<u><u>\$ 3,537,435</u></u>

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

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (in thousands)

	<u>2022</u>	<u>2021</u> (Restated)
REVENUES:		
Operating revenues from or due from The City of New York	\$ 2,887,549	\$ 2,289,371
Operating revenues for payments made on behalf of the Department of Education	306,336	207,582
Total revenues	<u>3,193,885</u>	<u>2,496,953</u>
EXPENSES:		
Pollution remediation costs	104,305	45,338
Transfer of completed contracts to the Department of Education	1,965,000	1,932,454
Lease amortization	9,743	7,046
Interest expense	453	53
Pension expense, net of payments capitalized	(404)	(28,696)
OPEB expense, net of payments capitalized	(67)	1,100
Operating transfers on behalf of the Department of Education	306,336	207,582
Total expenses	<u>2,385,366</u>	<u>2,164,877</u>
Net revenues/(expenses)	808,519	332,076
Other revenues and expenses, net	<u>(16,968)</u>	<u>(52,699)</u>
Net change in net position	791,551	279,377
NET POSITION - beginning of year	<u>2,523,753</u>	<u>2,244,376</u>
NET POSITION - end of year	<u><u>\$ 3,315,304</u></u>	<u><u>\$ 2,523,753</u></u>

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

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY
GOVERNMENTAL FUND BALANCE SHEETS
AS OF JUNE 30, 2022 AND 2021 (in thousands)

	2022	2021
	Capital	Capital
	Projects Fund	Projects Fund
ASSETS:		
Cash	\$ 115,982	\$ 117,422
Short-term investments	19,871	44,998
Due from The City of New York	677,314	533,543
Prepaid expenses	126,048	116,132
Due from the Department of Education	35	35
Other assets	249,082	253,980
Securities in lieu of cash retainage	6,815	10,029
	<u>1,195,147</u>	<u>1,076,139</u>
Total assets	<u>\$ 1,195,147</u>	<u>\$ 1,076,139</u>
LIABILITIES:		
Accounts payable and accrued expenses	\$ 569,646	\$ 464,770
Retainage payable	270,270	252,532
Unearned revenue	40,837	60,108
Accrued annual leave obligation	8,182	9,603
Accrued sick leave obligation	1,187	4,850
Accrued claims and contingencies	325	576
	<u>890,447</u>	<u>792,439</u>
Total liabilities	<u>890,447</u>	<u>792,439</u>
FUND BALANCE:		
Nonspendable-prepaid expenses and other assets	166,048	156,132
Restricted for capital projects	138,652	127,568
Total fund balance	<u>304,700</u>	<u>283,700</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,195,147</u>	<u>\$ 1,076,139</u>

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

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY
GOVERNMENTAL FUND STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (in thousands)

	2022	2021
	Capital	Capital Projects
	Projects Fund	Fund
	(Restated)	
REVENUES:		
Operating revenues from or due from The City of New York	\$ 2,879,075	\$ 2,274,814
Operating revenues for payments made on behalf of the Department of Education	306,336	207,582
Total revenues	<u>3,185,411</u>	<u>2,482,396</u>
EXPENDITURES:		
Capital projects	2,734,848	1,996,400
Fixed assets	4,732	7,228
Lease financing	8,924	7,028
Lease interest	453	53
Pollution remediation cost	92,150	65,216
Operating transfers on behalf of the Department of Education	306,336	207,582
Total expenditures	<u>3,147,443</u>	<u>2,283,507</u>
Net (expenses)/revenues	37,968	198,889
Other revenues and expenses, net	<u>(16,968)</u>	<u>(52,699)</u>
Net change in fund balance	21,000	146,190
FUND BALANCE - beginning of year	<u>283,700</u>	<u>137,510</u>
FUND BALANCE - end of year	<u><u>\$ 304,700</u></u>	<u><u>\$ 283,700</u></u>

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

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY
RECONCILIATIONS OF THE GOVERNMENTAL FUND BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION
AS OF JUNE 30, 2022 AND 2021
(in thousands)

	<u>2022</u>	<u>2021</u> <u>(Restated)</u>
Total fund balance - governmental funds	\$ 304,700	\$ 283,700
Amounts reported for governmental activities in the statements of net position are different because:		
Construction in progress assets are not financial resources and therefore are not reported in the funds	3,123,821	2,341,370
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	10,321	9,720
Lease assets used in governmental activities are not financial resources and therefore are not reported in the funds	41,186	4,170
Other long-term assets which will be used to pay for future liabilities and accordingly are not reported in the funds	31,928	23,452
Deferred outflows/inflows of resources relating to the net pension and OPEB liabilities are not financial resources and therefore are not reported in the funds	2,041	(70,595)
Long-term liabilities not due and payable in the current period and accordingly are not reported in the funds. Those liabilities consist of:		
OPEB liability	(20,663)	(27,564)
Pollution remediation payable	(80,492)	(68,337)
Pension liability	(23,590)	55,477
Lease liability	(42,023)	(4,188)
Sick leave obligation	(6,725)	(1,109)
Contingent and other liabilities	(25,200)	(22,343)
Net position of governmental activities	<u>\$ 3,315,304</u>	<u>\$ 2,523,753</u>

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

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY
RECONCILIATIONS OF THE GOVERNMENTAL FUND STATEMENTS OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (in thousands)

	<u>2022</u>	<u>2021</u> (Restated)
Net change in fund balance - governmental funds	\$ 21,000	\$ 146,190
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds financial statements report capital outlays for costs incurred for construction projects as expenditures. However, in the government-wide financial statements, the cost of these assets are capitalized and expensed when transferred to the City.	790,428	92,446
Governmental funds financial statements report capital outlays as expenditures. However, in the statement of activities, the cost is allocated over the estimated useful lives and reported as depreciation expense.	4,732	7,228
Governmental funds financial statements report pollution remediation expenditures upon receipt of goods and services. However in government-wide financial statements expenses are incurred when expected outlays is reasonably estimable.	(12,155)	19,879
Governmental funds financial statements report lease expenditures upon payment. However, in government-wide financial statements the future cost of the leased asset is capitalized and amortized over the estimated term of the leased asset.	(819)	(17)
Net pension expense	(11,702)	14,751
Net OPEB expense	67	(1,100)
Change in net position - governmental activities	<u>\$ 791,551</u>	<u>\$ 279,377</u>

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

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (amounts in thousands, except as noted)

1. ORGANIZATION

The New York City School Construction Authority (the “Authority”), a public benefit corporation reported as a 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 Chair of the Board of Trustees, and the other two trustees.

The Authority’s operations are funded by appropriations made by the City. All the Authority’s net position is the property of the City. Appropriations are based on a five-year capital plan. The City’s appropriation for the five-year capital plan for the fiscal years 2020 through 2024 is \$19.7 billion.

The Authority also carries out certain projects funded through the City Council and Borough Presidents, pursuant to the City Charter. Appropriations of \$255,016 and \$201,137 were made in fiscal 2022 and 2021, respectively, by the City Council and Borough Presidents for this purpose.

As the Authority is 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

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), as prescribed by the Governmental Accounting Standards Board (“GASB”).

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 sick leave, pensions, other postemployment benefits, and claims.

The governmental fund financial statements of the Authority are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues 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. Based upon the nature of the operations of the Authority, only a capital projects fund is reported, as all transactions relate to expenditures and resources obtained for the acquisition, construction or improvement of capital facilities.

Fund balances are classified as either: 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned in accordance with GASB standards. Fund balances that cannot be spent because they are not in spendable form are defined as nonspendable.

Resource flows between the Authority and DOE are reported as revenues and expenses/expenditures in the financial statements. 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

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (amounts in thousands, except as noted)

activities of a discrete component unit. The presentation of these activities as a net fund transfer was deemed to provide less useful information.

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 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 represents amounts expended by the Authority for construction projects pursuant to appropriations made by the City, but not yet paid to the Authority. This amount is related to liabilities, net of certain assets that have been incurred by the Authority for construction activities prior to the fiscal year end.

Fixed Assets

Fixed assets used by the Authority 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. Fixed assets and leasehold improvements are accounted for and reported in the government-wide financial statements. Refer to Note 7.

Leases

In fiscal year 2022, the Authority adopted GASB 87, *Leases*. As a result of the implementation of GASB 87, *Leases*, the Authority recorded a right of use lease assets ("lease assets") and lease liabilities for the obligations of the operating lease. Lease liabilities are measured at the present value of payments expected to be made during the lease terms discounted using the incremental borrowing rate associated with each lease. Lease liabilities are reduced as payments are made and an interest on the liability is recognized as an outflow of resources. Lease assets are measured at an amount equal to the initial measurement of the related lease liabilities plus any lease payments made to the lessor at or before the lease term, and ancillary charges necessary to place the lease into service. Lease assets are amortized on a straight line basis over the life of the related lease. Modifications to leases subsequent to the initial measurement will require remeasurement of the lease liability and an adjustment to the lease assets for the difference between the remeasured liability and the liability prior to the modification. Refer to Note 8.

Construction in Progress

Construction in progress is stated at cost and includes such costs as site acquisition, wrap-up insurance, initial outfitting construction contract costs, construction management fees, architecture and engineering fees, and administrative costs of the Authority. These assets are transferred to the DOE upon substantial completion of capacity construction projects or upon incurrence of the cost of capital improvement or renovation construction projects. Refer to Note 9.

Pollution Remediation Obligations

Expenditures for pollution remediation costs are recorded in the fund financial statements in the period in which such expenditures are paid from current financial resources. Pollution remediation obligations which are payable in future subsequent years are recorded as a liability in the government-wide financial statements. Refer to Note 12.

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (amounts in thousands, except as noted)

Super-storm Sandy Expenditures

The Authority incurred expenditures of \$9,423 and \$21,501 in fiscal years 2022 and 2021 related to the restoration of New York City public schools damaged during Super-storm Sandy. The Federal Emergency Management Agency ("FEMA") has reimbursed, for Super-storm Sandy damages, approximately \$504 million and \$493 million as of June 30, 2022 and 2021, respectively.

Pensions and Other Postemployment Benefits

The Authority provides defined benefit pension plans ("pension") and other postemployment benefit ("OPEB") plans to substantially all its employees and eligible retirees. Pension and OPEB plans are actuarially evaluated, involving various assumptions. A liability is recognized for the net pension or OPEB liability, measured as the portion of the actuarial present value of projected benefit payments attributed to past periods of employee service, net of the plan's fiduciary net position. A pension or OPEB expense is recognized for the change in net pension or OPEB liability. Changes in assumption or experience that are not recognized in expense are reported as deferred outflows of resources or deferred inflows of resources. For pension plans, the pension liability, expense, deferred outflow of resources and deferred inflow of resources are recognized by the Authority for its proportionate share of the collective pension amounts within the plan, measured based on each employer's contribution to the total contributions to the plans. Refer to Note 13.

Short-term Investments

The Authority invests in obligations in accordance with Section 11 of the General Municipal Law.

The Authority records its investments at fair value. Fair value measurement is based on a three-level hierarchy valuation technique. The hierarchy is based on the inputs used to measure the fair value of the asset with the highest priority given to quote prices in an active market for identical assets (Level 1) and lowest priority to unobservable inputs (Level 3).

The three valuation techniques used to measure fair value are defined as follows:

Level 1 – inputs are based on unadjusted quoted prices for identical assets or liabilities in an active market (examples include active exchange markets, brokered markets, money market mutual funds).

Level 2 – inputs that are observable for the asset or liability, either directly or indirectly and include: (a) quoted prices for similar assets in active markets; (b) quoted prices for identical or similar assets in markets that are not active; (c) inputs other than quoted prices that are observable such as credit spreads, interest rates and yield curves; and (d) market-corroborated inputs.

Level 3 – inputs are based on unobservable inputs such as management's own assumptions.

Securities held by the Authority are categorized as Level 1 inputs.

Annual and Sick Leave

The Authority's full-time employees are entitled to annual and sick leave benefits. 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. Sick leave is eligible for payout upon separation to employees with at least ten years of service.

Annual and sick leave earned are recorded as an expenditure in the governmental fund financial statements when it is payable from current financial resources. The estimated value of vacation and

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (amounts in thousands, except as noted)

sick leave earned by employees, which may be used in subsequent years or paid upon separation, is recorded as a liability in the government-wide financial statements.

Unearned Revenue

During fiscal years 2021 and 2020, the Authority received funds from the City for COVID-19 related projects in the amount of \$15.4 million and \$100 million, respectively. The Authority recognizes the funding as revenue upon incurrence of eligible project costs. Total costs for the years ended June 30, 2022 and 2021 amounted to \$19,271 and \$53,899, respectively. The balance is recognized within other revenues and expenses, net in the accompanying government-wide statements of activities and the accompanying governmental fund statements of revenues, expenditures and changes in fund balance. Funds received in advance of incurring eligible project costs were recognized as unearned revenue. As of June 30, 2022 and 2021, unearned revenue totaled \$40,837 and \$60,108, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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. Significant assumptions and estimates relate to the determination of accrued expenses, pensions, OPEB, insurance, and pollution remediation obligations. Actual results could differ from those estimates.

Recent Accounting Pronouncements

As a component unit of the City, the Authority implements new GASB standards in the same fiscal year as they are implemented by the City. The following are standards adopted by the Authority in the current year and standards which may impact the Authority in future years.

- In June 2017, GASB issued Statement No. 87, *Leases* ("GASB 87"). The objective of GASB 87 is to improve accounting and financial reporting for leases by governments. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 is effective for reporting periods beginning after June 15, 2021. The Authority adopted GASB 87 in the current year with retrospective application to the earliest financial statement presentation. Refer to Note 3 for details on the adoption and implementation of GASB 87.
- GASB Statement No. 91, *Conduit Debt Obligations* ("GASB 91") originally effective for reporting periods beginning after December 15, 2020, was postponed to reporting periods beginning after December 15, 2021. Conduit debt obligations are the debt instruments issued by state and local governments to provide financing for a third party, which is primarily liable for repaying the debt instrument. GASB 91 updates Interpretation No. 2 "Disclosure of Conduit Debt Obligations", which allowed for variations with the option for government issuers to either recognize conduit debt obligations as their own debt or to disclose them. GASB 91 addresses variation in practice by clarifying exactly what a conduit debt obligation is and eliminating the option for government issuers to recognize conduit debt obligations, thereby providing a single method of reporting. GASB 91 is not expected to have an impact on the Authority's financial statements.
- In January 2020, GASB issued Statement No. 92, *Omnibus 2020* ("GASB 92"). GASB 92 enhances the comparability in accounting and financial reporting as well as improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements for GASB

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (amounts in thousands, except as noted)

92 has been postponed for reporting periods beginning after June 15, 2020 to June 15, 2021. The adoption of GASB 92 did not have an impact on the Authority's financial statements.

- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* ("GASB 93"). GASB 93 addresses those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate ("IBOR") – most notably, the London Interbank Offered Rate ("LIBOR") resulting from global reference rate reform. LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements for GASB 93, originally effective for reporting periods beginning after June 15, 2020, has been postponed for one year. The adoption of GASB 93 did not have an impact on the Authority's financial statements.
- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* ("GASB 94"). GASB 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements ("PPPs"). Per GASB 94, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The requirements for GASB 94 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. GASB 94 is not expected to have an impact on the Authority's financial statements.
- In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* ("GASB 95"). GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.
- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users (governments). The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Authority has not completed the process of evaluating GASB 96's impact on its financial statements.
- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84 and a Supersession of GASB Statement No. 32*, ("GASB 97"). The objectives of GASB 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (amounts in thousands, except as noted)

GASB 97 is effective for fiscal years beginning after June 15, 2021. The adoption of GASB 97 did not have an impact on the Authority's financial statements.

- In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report* ("GASB 98"). GASB 98 establishes the new term *annual comprehensive financial report* and acronym ACFR to replace the current instance of *comprehensive annual financial report* and its acronym in the generally accepted accounting principles for state and local governments. GASB 98 is effective for fiscal years ending after December 15, 2021 and will not have an impact on the Authority's financial statements.
- In April 2022, GASB issued Statement No. 99, *Omnibus 2022* ("GASB 99"). GASB 99 enhances comparability in accounting and financial reporting as well as improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements for GASB 99 has is effective for fiscal years beginning after June 15, 2022. GASB 99 is not expected to have an impact on the Authority's financial statements.
- In April 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62* ("GASB 100"). GASB 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements for GASB 100 is effective for fiscal years beginning after June 15, 2023.
- In June 2022, GASB issued Statement No. 101, *Compensated Absences* ("GASB 101"). GASB 101 provides for a unified model for recognition and measurement of compensated balances as well as amends certain previously required disclosures. The requirement for GASB 101 is effective for fiscal years beginning December 15, 2023. The Authority has not completed the process of evaluating the impact of GASB 101 on its financial statements.

3. RESTATEMENT

In fiscal year 2022 the Authority adopted GASB 87, *Leases*. The adoption of GASB 87 had no effect on the beginning net position as reported for the year ended June 30, 2021 but required the recognition of the following components as of July 1, 2020 (the adoption date):

Lease asset, net	\$ 11,216
Lease liabilities	<u>(11,216)</u>
Effect on July 1, 2020 net position	<u>\$ -</u>

The implementation of GASB 87 also required prior year comparative information to be adjusted retrospectively for the earliest period presented. As such, certain balances reported as of and for the

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (amounts in thousands, except as noted)

year ended June 30, 2021 have been restated to conform with the requirements of GASB 87. The impact of the restatement and the related lines is summarized below:

Line items restated in the statements of net position

	As of June 30, 2021	Adjustment	As of June 30, 2021 (Restated)
Lease assets, net	\$ -	\$ 4,170	\$ 4,170
Construction in progress, asset held for The City of New York	2,348,451	(7,081)	2,341,370
Total assets and deferred outflows	3,540,346	(2,911)	3,537,435
Lease liabilities	-	4,188	4,188
Total liabilities	918,307	4,188	922,495
Total net position - restricted	2,530,852	(7,099)	2,523,753
Total liabilities, deferred inflows of resources and net position	3,540,346	(2,911)	3,537,435

Line items restated in the statements of activities

	Fiscal year ended June 30, 2021	Adjustment	Fiscal year ended June 30, 2021 (Restated)
Lease amortization	\$ -	\$ 7,046	\$ 7,046
Interest expense	-	53	53
Total expenses	2,157,778	7,099	2,164,877
Net revenues/(expenses)	339,175	(7,099)	332,076
Net change in net position	286,476	(7,099)	279,377
Net position - end of year	2,530,852	(7,099)	2,523,753

Line items restated in the governmental fund statements of revenues, expenditures and changes in fund balance

	Fiscal year ended June 30, 2021	Adjustment	Fiscal year ended June 30, 2021 (Restated)
Capital projects	\$ 2,003,481	\$ (7,081)	\$ 1,996,400
Lease financing	-	7,028	7,028
Lease interest	-	53	53
Total expenditures	2,283,507	-	2,283,507

Line items restated in the reconciliations of the governmental fund balance sheets to the statements of net position

	Fiscal year ended June 30, 2021	Adjustment	Fiscal year ended June 30, 2021 (Restated)
Construction in progress assets are not financial resources and therefore are not reported in the funds	\$ 2,348,451	\$ (7,081)	\$ 2,341,370
Lease assets used in governmental activities are not financial resources and therefore are not reported in the funds	-	4,170	4,170
Long-term liabilities not due and payable in the current period and accordingly are not reported in the Lease liability	-	(4,188)	(4,188)

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 (amounts in thousands, except as noted)

4. CASH

The Authority maintains cash accounts with a bank which are covered by Federal Deposit Insurance Corporation ("FDIC") insurance up to the maximum allowed by law. At June 30, 2022 and 2021, uninsured cash balances totaled \$116,509 and \$117,421, respectively. Cash accounts are secured through collateral invested by JP Morgan Chase in Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and U.S. Treasury Bond/Notes. All securities held by the custodian as collateral are registered and are held in the Authority's name.

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 \$87,223 and \$62,608 as of June 30, 2022 and 2021, respectively.

5. SHORT-TERM INVESTMENTS

The Authority's investments consisted of the following at June 30:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
U.S. Treasury Bills	\$ 19,887	\$ 19,871	\$ 44,985	\$ 44,998
Total U.S. Treasury Securities	\$ 19,887	\$ 19,871	\$ 44,985	\$ 44,998

The Authority's investments consisted of U.S. Treasury bills and notes with maturities not more than one year. The investments are recorded at fair value. U.S. Treasury Bills and Notes are valued using quoted market prices, as such, these securities are categorized as Level 1 of the fair value hierarchy.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment maturities are not more than one year.

Credit Risk: Credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. U.S. Treasury securities are obligations of the U.S. government and are not considered to have credit risk exposure.

6. SECURITIES IN LIEU OF CASH RETAINAGE AND RETAINAGE PAYABLE

Securities in Lieu of Cash Retainage – The Authority permits contractors to substitute marketable securities in lieu of cash retainage. Permitted securities include (a) bonds or notes of the State of New York or the United States of America; or (b) bonds of any political subdivision in the State of New York, with a par and market value at least equal to the contract cash retainage amount requested for withdrawal. These securities in lieu of cash retainage are maintained by a custodian on behalf of, and in the name of the Authority and are recorded by the Authority at an amount equal to the requested cash retainage withdrawal amount. A corresponding offset is recorded within the retainage payable account. Total securities in lieu of cash retainage totaled \$6,815 and \$10,029 as of June 30, 2022 and

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2021, respectively. The fair value of these securities was \$7,569 and \$11,321, as of June 30, 2022 and 2021, respectively.

Retainage Payable – Retainage payable represents a portion of contractual payments withheld by the Authority which will be released upon substantial completion of the construction project in agreed upon amounts between the contractor and construction management.

Retainage payable consisted of the following as of June 30:

	2022	2021
Securities retainage payable	\$ 6,815	\$ 10,029
Cash retainage withheld	263,455	242,503
Total retainage payable	<u>\$ 270,270</u>	<u>\$ 252,532</u>

7. FIXED ASSETS

The changes in fixed assets used by the Authority for the year ended June 30, 2022 were as follows:

Asset Category	Estimated Useful Lives	Fixed Assets 6/30/2021	Additions	Dispositions	Fixed Assets 6/30/2022
Computer Hardware/Equipment	3	\$ 8,457	\$ 429	\$ -	\$ 8,886
Computer Software	3	16,485	2,574	-	19,059
Leasehold Improvements	5	11,968	489	-	12,457
Furniture & Fixtures	5-7	5,184	208	-	5,392
Automobiles	5	5,218	933	(416)	5,735
Office Equipment	3-5	1,408	99	-	1,507
Total Cost		48,720	4,732	(416)	53,036
Less:					
Accumulated Depreciation and Amortization		(39,000)	(4,096)	381	(42,715)
Fixed Assets, net		<u>\$ 9,720</u>	<u>\$ 636</u>	<u>\$ (35)</u>	<u>\$ 10,321</u>

The changes in fixed assets used by the Authority for the year ended June 30, 2021 were as follows:

Asset Category	Estimated Useful Lives	Fixed Assets 6/30/2020	Additions	Dispositions	Fixed Assets 6/30/2021
Computer Hardware/Equipment	3	\$ 8,382	\$ 262	\$ (187)	\$ 8,457
Computer Software	3	9,538	6,947	-	16,485
Leasehold Improvements	12	11,964	4	-	11,968
Furniture & Fixtures	5-7	5,184	-	-	5,184
Automobiles	5	5,218	-	-	5,218
Office Equipment	3-5	1,539	15	(146)	1,408
Total Cost		41,825	7,228	(333)	48,720
Less:					
Accumulated Depreciation and Amortization		(36,875)	(2,452)	327	(39,000)
Fixed Assets, net		<u>\$ 4,950</u>	<u>\$ 4,776</u>	<u>\$ (6)</u>	<u>\$ 9,720</u>

Depreciation totaled \$4,096, and \$2,452 for fiscal 2022 and 2021, respectively.

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8. LEASE

The Authority entered into agreements to lease buildings which qualify as other than short term leases under GASB 87. The first lease commenced in May 2016 with monthly payments of \$45 and an interest rate of 1.11%. The second lease commenced in October 2016 with monthly payments of \$545 for five years. On October 2021, the Authority executed a lease modification which extended the lease for five years with monthly payments of \$800 and an interest rate of 0.97%.

As a result of the leases, the Authority recorded lease assets for the right to use the building premise. These assets are amortized on a straight line basis over the term of the related leases.

The lease assets activity for the year ended June 30, 2022 were as follows:

Lease assets	Lease assets 6/30/2021	Increases	Decreases	Lease assets 6/30/2022
Leased buildings	\$ 11,216	\$ 46,760	\$ -	\$ 57,976
Less:				
Accumulated amortization	(7,046)	(9,744)	-	(16,790)
Lease assets, net	\$ 4,170	\$ 37,016	\$ -	\$ 41,186

The lease assets activity for the year ended June 30, 2021 were as follows:

Lease assets	Lease assets 6/30/2020	Increases	Decreases	Lease assets 6/30/2021
Leased buildings	\$ -	\$ 11,216	\$ -	\$ 11,216
Less:				
Accumulated amortization	-	(7,046)	-	(7,046)
Lease assets, net	\$ -	\$ 4,170	\$ -	\$ 4,170

As the lease agreements qualify as other than short term leases, the agreements therefore have been recorded at the present value of the future lease payments, payable during the remaining term of the lease. As of June 30, 2022, the principal and interest of the future lease payments are as follows:

Fiscal year ending	Principal	Interest	Total payment
2023	\$ 9,784	\$ 358	\$ 10,142
2024	9,880	262	10,142
2025	9,977	165	10,142
2026	9,984	68	10,052
2027	2,398	2	2,400
Total	\$ 42,023	\$ 855	\$ 42,878

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9. CONSTRUCTION IN PROGRESS

Expenses for construction in progress for fiscal 2022 and 2021 included:

	2022	2021 (Restated)
Outside construction costs	\$ 2,562,193	\$ 1,822,782
Authority payroll and related fringe benefits	143,679	140,994
Authority general and administrative costs	41,579	49,639
Total Expenses	2,747,451	2,013,415
Construction in progress - beginning of year	2,341,370	2,260,409
Total before transfer to DoE during the year	5,088,821	4,273,824
Costs transferred to the DoE during the year	(1,965,000)	(1,932,454)
Construction in progress - end of year	<u>\$ 3,123,821</u>	<u>\$ 2,341,370</u>

The Authority transferred to the DOE costs associated with construction and administrative costs totaling \$1,965,000 and \$1,932,454 for fiscal 2022 and 2021, respectively. The DOE capitalized \$298,028 and \$333,670 during fiscal years 2022 and 2021, respectively, for work performed by the Division of Infrastructure and Information Technology and Capital Task Force, components of the DOE. This resulted in the DOE additions to fixed assets for fiscal 2022 and 2021 of \$2,263,028 and \$2,266,124 respectively.

10. 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 title for such purchases is transferred directly to the DOE. For the years ended June 30, 2022 and 2021, pass-through purchases totaled \$235,861 and \$168,341 respectively, and have been included in operating transfers on behalf of the DOE in the accompanying statements of activities and governmental fund statements of revenues, expenditures and changes in fund balances. 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 for the years ended June 30:

	2022	2021
Skilled trades, minor capital projects	\$ 64,993	\$ 32,191
Lead Paint Abatement	332	2,491
DoE Admin Staff	5,150	4,559
	<u>\$ 70,475</u>	<u>\$ 39,241</u>

Such costs are also included in operating transfers on behalf of the DOE in the accompanying statements of activities and governmental fund statements of revenues, expenditures and changes in fund balances.

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11. COMMITMENTS AND CONTINGENCIES

Purchase Commitments

Purchase orders, contracts and other commitments at June 30, 2022 and 2021 totaled \$3,259 million and \$2,816 million, respectively, and represent the difference between the value of construction-related contracts and the amount incurred through the end of the year.

Insurance

The Authority provides General Liability ("GL") and Worker's Compensation ("WC") insurance coverage through the Owner Controlled Insurance Program ("OCIP") to its contractors and sub-contractors working on construction projects for the Authority. An actuarial valuation of the OCIP claims are performed annually to assess the claim liability of the GL and WC coverage.

The Authority's current OCIP program insurance contract is provided by ACE Insurance Company ("ACE") and covers from April 1, 2020 through March 31, 2023. The annual insurance premium for the program was \$179 million for fiscal years 2022 and 2021, respectively. The Authority recorded a net estimated receivable of \$193,083 and \$199,682 as of June 30, 2022 and 2021, respectively, based on the actuarial assessment of OCIP loss activity for the respective periods. The estimated net receivable is comprised of receivables of \$201,098, and \$211,682 for fiscal 2022 and 2021, respectively, which are included in other assets, and liabilities of \$8,014 and \$12,000 for fiscal 2022 and 2021, respectively, which are included in accounts payable and accrued expenses.

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, an accrued liability is recorded in the financial statements. The Authority, with the assistance of the City's Corporation Counsel, has estimated and recorded a liability of \$25,525 and \$22,919 at June 30, 2022 and 2021, respectively.

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 possible settlements.

12. POLLUTION REMEDIATION OBLIGATIONS

A pollution remediation obligation ("PRO") may arise as a result of: (1) violation of pollution-related laws or regulations, (2) danger to the public as a result of existing pollution condition, (3) designation as a responsible party in a lawsuit for pollution remediation, and/or (4) voluntary or legal commitment to commence remediation. Pollution remediation costs are identified as asbestos abatement, lead paint abatement, and soil contamination remediation project work performed at New York City public schools.

For the fiscal years 2022 and 2021, the Authority has classified \$104,305 and \$45,338, respectively, as expenses incurred and \$93,865 and \$76,674, respectively, as liabilities for known PROs. The PRO liability is based on the current value of outlays expected to be incurred and currently obligated to perform. Actual future outlays will differ from the estimated amounts due to such factors as changes in scope of work or techniques for remediation measures and/or when additional information about existing pollution conditions becomes known. The Authority does not anticipate recovering any of these costs from other parties or agencies.

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13. PENSION PLANS, DEFERRED COMPENSATION PLAN AND OTHER POSTEMPLOYMENT 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 Employees' Retirement System ("NYCERS").

Contributions to the pension plans are made by the Authority and the employees. Contributions paid or accrued by the Authority under these plans totaled \$12,106 and \$13,945 for fiscal years 2022 and 2021, 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.

The Authority's share of the pension liability of the BERS Plan represented 3.7 and 4.9 percent of the total net pension liability as of June 30, 2022 and 2021, respectively. The Authority has recorded net pension liability of \$4.7 million as of June 30, 2022 and a net pension asset of \$62.0 million as of June 30, 2021.

The Authority's share of the pension liability of the NYCERS Plan represented less than one percent of the total net pension liability as of June 30, 2022 and 2021. The Authority has recorded a net pension liability of \$18.9 million and \$6.5 million as of June 30, 2022 and 2021, respectively.

For fiscal year 2022, the results of the collective net pension liability are based upon an actuarial valuation date of June 30, 2021 and a measurement date of June 30, 2022. Updated procedures were used to roll forward the total pension liability to the measurement date.

The post-retirement mortality rates were based on the tables adopted by The City of New York Office of the Actuary and each plan's Board of Trustees during fiscal year 2019 based primarily on the experience review of each system and the application of Mortality Improved Scale MP-2020 published by the Society of the Actuaries. The probabilities of mortality for retirees differ depending upon whether they are receiving service retirement benefits or disability retirement benefits.

All other actuarial assumptions and methods used to value the BERS and NYCERS Plan (collectively, the "Plan") are unchanged from those used in the prior valuation.

Actuarial assumptions used in determining employer contributions were as follows:

Rate of return on investments	7.0% per annum, net of investment expenses.
Salary increases	3% per annum merit and promotion increase plus assumed General Wage Increases.

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COLAs

Auto COLA - 1.5% per annum.
Escalation - 2.5% per annum.

Pursuant to Section 96 of the New York City Charter, studies of the actuarial assumptions used to value liabilities of the five actuarially funded New York City Retirement Systems ("NYCRS") are conducted every two years.

Bolton, Inc. is currently retained to perform the studies of the actuarial assumptions. The most recent of these studies included experience through June 30, 2017.

Expected Rate of Return on Investments

The long-term expected rate of return on the Plans' investments was determined using a Building-Block Method in which best-estimate ranges of expected real rates of return (expected returns, net of Plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class included in Plan's target asset allocation as of the June 30, 2022 measurement date are summarized in the following table:

Asset Class	BERS		NYCERS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
<u>Public Markets:</u>				
U.S. Public Market Equities	31.00%	6.60%	27.00%	7.00%
Developed Public Market Equities	10.00%	7.00%	12.00%	7.20%
Emerging Public Market Equities	6.00%	8.60%	5.00%	9.00%
Fixed Income	27.00%	1.40%	30.50%	2.50%
<u>Private Markets (Alternative Investments):</u>				
Private Equity	9.00%	10.50%	8.00%	11.30%
Private Real Estate	8.00%	6.80%	7.50%	6.70%
Infrastructure	4.00%	5.60%	4.00%	6.00%
Private Credit/ Opportunistic Fixed Income	5.00%	5.50%	6.00%	7.40%
Total	100.00%		100.00%	

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2022 and June 30, 2021, respectively, was 7.0% percent per annum. The projection of cash flows used to determine the discount rate assumed that each participating employer would contribute the actuarially determined contributions each year. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity Analysis

The following presents the net pension liability of each plan, calculated as of the measurement date of June 30, 2022, using the discount rate of 7.0% per annum (the "Current Rate").

The table shows what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (i.e., 6.0% per annum) or 1-percentage-point-higher (i.e., 8.0% per annum) than the current rate.

SENSITIVITY ANALYSIS			
NET PENSION LIABILITY (ASSET) AS OF JUNE 30, 2022			
	1% Decrease (6%)	Current Rate (7%)	1% Increase (8%)
NYCERS	\$ 30,129	\$ 18,933	\$ 9,476
BERS	31,345	4,657	(17,842)
Total	\$ 61,474	\$ 23,590	\$ (8,366)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2022 and 2021, the Authority recognized net pension expense as follows:

	BERS		NYCERS	
	2022	2021	2022	2021
Pension Expense	\$ 9,193	\$ (17,369)	\$ 4,232	\$ 1,440
Contributions, Capitalized	(9,822)	(8,945)	(4,007)	(3,822)
Net Pension Expense	\$ (629)	\$ (26,314)	\$ 225	\$ (2,382)

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At June 30, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	BERS		NYCERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
2021				
Differences between expected and actual experience	\$ 5,245	\$ 3,967	\$ 1,672	\$ 754
Net difference between projected and actual earnings on pension plan investments	-	64,048	-	9,561
Change of assumptions	-	7,617	6	808
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,247	482	7,145	403
Total 2021	\$ 8,492	\$ 76,114	\$ 8,823	\$ 11,526
2022				
Differences between expected and actual experience	\$ 2,784	\$ 2,781	\$ 1,642	\$ 416
Net difference between projected and actual earnings on pension plan investments	3,068	-	3,460	-
Change of assumptions	-	3,839	3	606
Changes in proportion and differences between employer contributions and proportionate share of contributions	(278)	(701)	5,823	416
Total 2022	\$ 5,574	\$ 5,919	\$ 10,928	\$ 1,438

The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual earnings on Plan investments, are amortized over the weighted average remaining service life of all Plan members, beginning the year in which the deferred amount occurs. The annual difference between the projected and actual earnings on Plan investments is amortized over a five-year closed period beginning the year in which the difference occurs.

The net number of deferred outflows of resources and deferred inflows of resources reported as of June 30, 2022 that will be recognized in pension expense is as follows:

Years ending June 30,	BERS	NYCERS
2023	\$ (2,185)	\$ 1,072
2024	(1,468)	1,710
2025	(861)	233
2026	4,243	6,295
2027	(74)	151
Thereafter	-	29

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Separately issued financial statements for BERS, which includes financial statement information for the BERS QPP plan can be obtained from BERS management at 65 Court Street, Brooklyn, NY 11201 or at www.nycbers.org.

Separately issued financial statements for NYCERS, which includes financial statement information for the NYCERS plan can be obtained from NYCERS management at 335 Adams Street, Brooklyn, NY 11201 or at www.nycers.org.

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.

Other Postemployment Benefits

General Information about the OPEB Plan

Plan Description – The Authority provides certain health and related benefits to eligible retirees of the Authority, which are known as other postemployment benefits ("OPEB"). OPEB is provided under the New York City Health Benefit Program ("Program"), which is a single employer defined benefit healthcare plan administered by New York City Office of Labor Relations ("OLR"). No assets are accumulated in a trust that meets the criteria under GASB 75.

Benefits Provided – The Authority's policy is to follow the eligibility criteria applicable to retirees of the City and to provide benefits substantially the same as those provided to City retirees and eligible beneficiaries/dependents. OPEB benefits include health insurance, Medicare Part B premium reimbursements, and employee welfare fund contributions.

Employees Covered by Benefit Terms – As of the June 30, 2022 actuarial valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	356
Inactive employees entitled to but not yet receiving benefit payments	39
Active employees	803
Total	<u>1,198</u>

Total OPEB Liability

The Authority's OPEB liability was \$20,663, and \$27,564 as of June 30, 2022 and June 30, 2021, respectively. The liability was measured as of June 30, 2022, with an actuarial valuation date as of June 30, 2021. Updated procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs – Significant actuarial assumptions and other inputs used in determining the total OPEB liability as of June 30, 2022 were as follows:

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Inflation	2.50%
Salary increases	3.00%, including inflation
Healthcare cost trend rate	3.50%, Welfare fund
	5.00%, Medicare Part B
	4.90% - 4.50%, Medicare plans
Discount rate	4.09%

The discount rate was based on the S&P Municipal Bond 20-year High Grade Index yield.

Mortality rates reflects the application of the Mortality Improvement Scale MP-2020 published by the Society of Actuaries in October 2020.

Changes in the Total OPEB Liability

	Total OPEB Liability	
	2022	2021
Balance at June 30,	\$ 27,564	\$ 26,170
Changes for the year:		
Service cost	1,579	1,481
Interest	626	725
Differences between expected and actual experience	(1,757)	(370)
Changes in assumptions	(6,529)	346
Benefit payments	(820)	(788)
Net changes	(6,901)	1,394
Balance at June 30,	\$ 20,663	\$ 27,564

Changes of assumptions and other inputs reflect a change in discount rate from 2.18 percent in 2021 to 4.09 percent in 2022.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
Total OPEB Liability	\$ 23,536	\$ 20,663	\$ 18,252

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 23,195	\$ 27,564	\$ 33,236

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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2022 and 2021, the Authority recognized net OPEB expense of \$(67), and \$1,100, respectively, as follows:

	2022	2021
OPEB Expense	\$ 753	\$ 1,888
Contributions, Capitalized	(820)	(788)
Net OPEB Expense	<u>\$ (67)</u>	<u>\$ 1,100</u>

At June 30, 2022, the Authority reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,748	\$ 2,171
Changes of assumptions	654	7,335
Total	<u>\$ 2,402</u>	<u>\$ 9,506</u>

At June 30, 2021, the Authority reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,430	\$ 904
Changes of assumptions	847	2,643
Total	<u>\$ 3,277</u>	<u>\$ 3,547</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30:	Amount
2023	\$ (1,080)
2024	(1,036)
2025	(1,203)
2026	(1,175)
2027	(1,143)
Thereafter	(1,467)

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

New York City School Construction Authority
Required Supplementary Information (Unaudited)
Schedule of Changes in Total OPEB Liability and Related Ratios
As of and For the Years Ended June 30,
(amounts in thousands, except as noted)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB Liability							
Service Cost	\$ 1,579	\$ 1,481	\$ 1,358	\$ 1,363	\$ 1,226	\$ 1,050	\$ 1,282
Interest Cost	626	725	723	742	716	615	611
Changes of Assumptions	(6,529)	346	489	(3,224)	508	(3,259)	-
Differences between Expected and Actual Experience	(1,757)	(370)	(572)	2,836	1,943	(762)	(32)
Benefit Payments	(820)	(788)	(749)	(637)	(567)	(549)	(477)
Net Change in Total OPEB Liability	<u>(6,901)</u>	<u>1,394</u>	<u>1,249</u>	<u>1,080</u>	<u>3,826</u>	<u>(2,905)</u>	<u>1,384</u>
Total OPEB Liability - Beginning	<u>27,564</u>	<u>26,170</u>	<u>24,921</u>	<u>23,841</u>	<u>20,015</u>	<u>22,920</u>	<u>21,536</u>
Total OPEB Liability - Ending	<u><u>\$ 20,663</u></u>	<u><u>\$ 27,564</u></u>	<u><u>\$ 26,170</u></u>	<u><u>\$ 24,921</u></u>	<u><u>\$ 23,841</u></u>	<u><u>\$ 20,015</u></u>	<u><u>\$ 22,920</u></u>
 Covered Employee Payroll	 \$ 91,466	 \$ 90,540	 \$ 85,313	 \$ 80,059	 \$ 73,177	 \$ 68,027	 \$ 60,766
Net OPEB Liability as a Percentage of Covered Employee Payroll	22.6%	30.4%	30.7%	31.1%	32.6%	29.4%	37.7%

Notes to Schedule:

This schedule is intended to present the 10 most current fiscal years of data. However, only seven fiscal years of data are available with the adoption of GASB 75 in fiscal year 2017.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB No.75.

Changes of assumptions

Changes of assumptions reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Percentage</u>
2022	4.09%
2021	2.18%
2020	2.66%
2019	2.79%
2018	2.98%
2017	3.13%
2016	2.17%

**New York City School Construction Authority
Required Supplementary Information (Unaudited)
Schedule of the Authority's Proportionate Share of the
Net Pension Liability
June 30, (amounts in thousands, except as noted)**

Schedule of The Authority's Proportionate Share of the Net Pension Liability (BERS)

For the Fiscal Year Ended	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
The Authority's proportion of the net pension liability	4%	5%	5%	4%	4%	5%	3%	4%	4%	4%
The Authority's proportionate share of the net pension liability (assets)	\$ 4,657	\$ (61,992)	\$ 12,619	\$ 11,889	\$ 21,429	\$ 45,616	\$ 44,002	\$ 43,135	\$ 36,523	\$ 53,003
The Authority's covered payroll	\$ 84,702	\$ 81,314	\$ 79,382	\$ 72,835	\$ 68,351	\$ 65,124	\$ 58,500	\$ 34,406	\$ 40,673	\$ 40,063
The Authority's proportionate share of the net pension liability (asset) as a percentage of covered payroll	5.50%	-76.24%	15.90%	16.32%	31.35%	70.04%	75.22%	125.37%	89.80%	118.65%
Plan fiduciary net position as a percentage of the total pension liability	97.93%	121.96%	94.92%	94.79%	90.31%	80.80%	71.17%	75.77%	78.34%	66.85%

Schedule of The Authority's Proportionate Share of the Net Pension Liability (NYCERS)

For the Fiscal Year Ended	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
The Authority's proportion of the net pension liability	0.105%	0.088%	0.088%	0.082%	0.050%	0.040%	0.055%	0.047%	0.048%	0.048%
The Authority's proportionate share of the net pension liability (assets)	\$ 18,933	\$ 6,515	\$ 18,638	\$ 15,138	\$ 8,835	\$ 8,317	\$ 13,363	\$ 9,582	\$ 8,649	\$ 11,075
The Authority's covered payroll	\$ 9,913	\$ 9,178	\$ 9,011	\$ 8,352	\$ 7,822	\$ 7,104	\$ 6,871	\$ 6,705	\$ 6,657	\$ 6,939
The Authority's proportionate share of the net pension liability (asset) as a percentage of covered payroll	190.99%	70.98%	206.84%	181.25%	112.95%	117.07%	194.48%	142.91%	129.92%	180.22%
Plan fiduciary net position as a percentage of the total pension liability	81.28%	93.14%	76.93%	78.83%	78.79%	74.80%	69.57%	73.39%	75.32%	67.18%

New York City School Construction Authority
Required Supplementary Information (Unaudited)
Schedule of the Authority's Contributions
Years Ended June 30, (amounts in thousands, except as noted)

Schedule of Employers Contributions (in thousands) for BERS

Fiscal Year Ended June 30	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution	\$9,822	\$8,945	\$11,720	\$ 11,689	\$ 13,619	\$ 13,502	\$ 8,440	\$ 8,803	\$ 8,645	\$ 7,850
Contribution in relation to the Actuarially Determined Contribution	\$8,179	\$10,042	\$10,970	\$ 12,985	\$ 13,194	\$ 13,836	\$ 8,440	\$ 8,803	\$ 8,645	\$ 7,850
Contribution Deficiency (Excess)	\$ 1,643	\$ (1,097)	\$750	\$ (1,296)	\$ 425	\$ (334)	\$ -	\$ -	\$ -	\$ -
Contribution as a percentage of Covered Payroll	11.60%	11.00%	14.76%	16.05%	19.93%	20.73%	14.43%	25.59%	21.25%	19.59%

Schedule of Employers Contributions (in thousands) for NYCERS

Fiscal Year Ended June 30	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution	\$4,007	\$3,822	\$3,296	\$3,018	\$ 1,682	\$1,321	\$1,851	\$1,675	\$1,504	\$1,462
Contribution in relation to the Actuarially Determined Contribution	\$3,927	\$3,902	\$3,296	\$3,018	\$ 1,682	\$1,321	\$1,851	\$1,675	\$1,504	\$1,462
Contribution Deficiency (Excess)	\$ 80	\$ (80)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution as a percentage of Covered Payroll	40.42%	41.64%	36.58%	36.14%	21.50%	18.60%	26.94%	24.98%	22.59%	21.07%