NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND

A COMPONENT UNIT OF THE CITY OF NEW YORK

Financial Statements
(Together with Independent Auditors' Report)

June 30, 2019 and 2018

MARKS PANETH
ACCOUNTANTS & ADVISORS

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

JUNE 30, 2019 AND 2018

CONTENTS

Page

Independent Auditors' Report 1-2

Management's Discussion and Analysis (Unaudited) 3-11

Basic Financial Statements as of and for the Years Ended June 30, 2019 and 2018:

Government-wide Financial Statements

Statements of Net Position 12

Statements of Activities 13

Governmental Funds Financial Statements

Governmental Funds Balance Sheets 14-15

Reconciliations of the Governmental Funds Balance Sheets to the Statements of Net Position 16

Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances 17-18

Reconciliations of the Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances to the Statements of Activities 19

Notes to Financial Statements 20-39

Required Supplementary Information (Unaudited)

Schedule of the Fund's Proportionate Share of the Net Pension Liability 40

Schedule of Employer Contributions 41

Schedule of Changes in Total OPEB Liability and Related Ratios 42

Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
New York City Educational Construction Fund

We have audited the accompanying financial statements of the governmental activities of the New York City Educational Construction Fund (the "Fund"), a component unit of The City of New York, as of and for the years ended June 30, 2019 and 2018, which collectively comprise the Fund's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Fund as of June 30, 2019 and 2018, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, the schedule of the Fund's proportionate share of the net pension liability on page 40, the schedule of employer contributions on page 41 and the schedule of changes in total OPEB liability and related ratios on page 42, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

Marks Paneth LLP

New York, NY
September 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS

The following management's discussion and analysis ("MD&A") of the financial position and performance of the New York City Educational Construction Fund (the "Fund" or "ECF") is for the fiscal years ended June 30, 2019 and 2018. This MD&A is intended to serve as an introduction to the Fund's basic financial statements, which have the following components: (1) government-wide financial statements; (2) governmental funds financial statements; and (3) notes to the financial statements.

The MD&A is designed to focus on current activities, resulting changes, and currently known facts with respect to the Fund's financial position. It should be read in conjunction with the accompanying basic financial statements.

The government-wide financial statements use the economic resource measurement focus and accrual basis of accounting. These statements present information about the reporting government as a whole. The following two statements make up the government-wide financial statements:

- The statements of net position present information on all of the Fund's assets, liabilities and deferred outflows and inflows of resources. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Fund has improved or has deteriorated.

- The statements of activities present information showing how the Fund's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statements of activities for some items that will only result in cash inflows or outflows in future fiscal periods.

The governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. These statements are the governmental funds - balance sheets and the governmental funds - statements of revenues, expenditures and changes in fund balances. Revenue is recognized when it becomes both measurable and available to finance expenditures in the current fiscal year.

The governmental funds financial statements also include a reconciliation between the government-wide and governmental funds statements and the notes to the financial statements, which are an integral part of the financial statements and provide more detailed information to supplement the basic financial statements.

The Fund reports governmental activity using three funds: (1) a General Fund, (2) a Debt Service Fund and (3) a Capital Projects Fund.

OVERVIEW OF THE ORGANIZATION

The Fund was created as a New York State (the "State") public benefit corporation by Article 10 of the Education Law of the State. The Fund was established to develop combined occupancy structures, containing school and non-school portions and is authorized to issue bonds, notes or other obligations to finance those projects. For financial reporting purposes only, the Fund is considered a component unit of The City of New York (the "City").

FINANCIAL HIGHLIGHTS

The Fund's net position decreased by approximately $21.3 million during fiscal year 2019, following increases of $25 million and $12.9 million in fiscal years 2018 and 2017, respectively.

FINANCIAL HIGHLIGHTS (Continued)

In April 2019, the Fund made a distribution to the New York City Department of Education ("DOE") of $35 million, as requested by the New York City Mayor's Office of Management and Budget and approved by the Fund's Board of Trustees. Without the DOE distribution, the Fund's net position (revenues less expenses) would have shown an increase of $13.7 million for fiscal year 2019.

New York State Education Law, Section 462(2)(g), authorizes the Fund to make payments to the DOE for school purposes when there exists an excess of funds necessary for debt service on the outstanding bonds of the Fund.

In recent years, the Fund received one-time participation payments associated with the initial sale of condominium units at the 250 East 57th Street project. In connection with the sales from fiscal years 2019, 2018 and 2017, the Fund received participation payments of $1.6 million, $18.8 million and $10 million, respectively, from the developer, reported as additional rent. The developer has almost finished closing sales on the residential tower's condominium units, which began in March 2017, and thus future condominium participation payments for this project will be minimal.

In fiscal year 2019, the Fund's rental income and tax equivalency revenues from its existing properties grew from $27 million to $28 million.

Fiscal year 2019 general and administrative expenses included a $1.4 million reduction in other postemployment benefits ("OPEB") expense after a revision by the New York City Office of the Actuary in its estimation of the Fund's net OPEB liability (see Note 9).

In October 2018, the Fund refunded its 2007A bonds at favorable pricing levels, achieving net present value savings of about $6.9 million or 14.39%. The bond refunding transaction, issuing $40 million of 2018A bonds, had strong market interest with many bidders participating. As a result of the refunding, the Fund recognized a deferred inflow of resources of $2,364,649 for the deferred gain on refunding. This amount results from the difference in the carrying value of the refunded debt and the reacquisition price. This amount is deferred and amortized into interest expense over the shorter of the life of the refunded or refunding debt. For fiscal year 2019, the Fund's overall interest on bonds decreased by $0.8 million, due to lower interest rates from the refunding, as well as an overall reduction in principal outstanding.

In addition, the Fund was able to transfer investment agreements from the 2007A Debt Service and Debt Service Reserve Funds to the 2018A bonds. The Bank of America Merrill Lynch investment agreement was downsized to match the new 2018A debt service payments, and thus the Fund received a $506,500 termination payment which is reported as investment income in fiscal year 2019. The Fund's fiscal year 2019 investment income also increased due to higher U.S. Treasury bill yields than in prior years.

In September 2018, the New York City Council approved the ECF project at Khalil Gibran International Academy/80 Flatbush in Brooklyn, which will see the construction of a new Khalil Gibran High School and a new district K-5 school. An Article 78 legal proceeding was filed against the project in 2019, but the developer (Alloy LLC) and the plaintiffs reached a settlement that will allow the project to continue. The demolition of the townhouse portion was completed during the summer 2019, and ECF anticipates issuing bonds for the construction of the project in 2020.

The COOP Tech/ 321 East 96th Street project has been delayed by an Article 78 lawsuit. ECF prevailed with the Court denying the petition and dismissing the action in April 2019, but there is still an appeal period. The developer (Avalon Bay) continues to be committed to seeing the project through.

FINANCIAL HIGHLIGHTS (Continued)

Below is a summary of the total assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30:

Statements of Net Position as of June 30, ($ in Thousands):

	2019	2018	2017
ASSETS:			
Capital assets	$ 243,524	$ 251,602	$ 259,713
Other assets	100,177	126,003	95,912
Total assets	343,701	377,605	355,625
Deferred outflows of resources	54	163	99
LIABILITIES:			
Current liabilities	8,047	8,182	9,409
Long-term liabilities	219,401	231,728	236,540
Total liabilities	227,448	239,910	245,949
Deferred inflows of resources	6,521	6,728	3,652
NET POSITION:			
Net investment in capital assets	21,544	18,960	22,189
Restricted for capital projects	-	-	7,245
Restricted for debt service	35,053	34,162	24,938
Unrestricted	53,189	78,008	51,751
Total net position	$ 109,786	$ 131,130	$ 106,123

In fiscal year 2019, the Fund capitalized $569,796 of site evaluation and development costs, including legal expenses, associated with these two projects.

The net investment in capital assets component of net position increased from $19 million to $22 million in fiscal year 2019, because the Fund 's outstanding debt decreased after the refunding of the 2007A bonds and the annual principal payments on the 2010A and 2011A bonds (see Note 6).

Advanced rental receipts decreased by $2.4 million with fewer tenants having prepaid their rent and tax equivalency as of June 30, 2019, compared to the prior year.

FINANCIAL HIGHLIGHTS (Continued)

Below is a summary of the revenues, expenses and changes in net position for the years ended June 30:

Statements of Activities for the Years Ended June 30, ($ in Thousands):

	2019	2018	2017
Operating Revenues:			
Rental income and tax equivalency payments	$ 28,024	$ 26,968	$ 23,298
Additional rent	1,603	18,760	10,021
Investment and other revenues	3,569	1,263	1,105
Total revenues	33,196	46,991	34,424
Operating Expenses:			
General and administrative expenses	8,123	10,053	9,400
Interest	11,068	11,931	12,097
Bond issuance costs	349	-	-
Total operating expenses	19,540	21,984	21,497
Operating income	13,656	25,007	12,927
Non-Operating Expenses:			
Distribution to DOE	35,000	-	-
Total non-operating expenses	35,000	-	-
Change in net position	(21,344)	25,007	12,927
Net position, beginning of year	131,130	106,123	93,196
Net position, end of year	$ 109,786	$ 131,130	$ 106,123

FINANCIAL HIGHLIGHTS (Continued)

Below is a summary of the General Fund total assets, liabilities, deferred inflows of resources and fund balances as of June 30:

Balance Sheets - General Fund as of June 30, ($ in Thousands):

	2019	2018	2017
ASSETS:			
Cash and cash equivalents	$ 7,255	$ 8,851	$ 10,443
Investments	50,871	74,546	27,555
Additional rent receivable	-	1,711	10,021
Other assets	165	162	1,485
Total assets	58,291	85,270	49,504
LIABILITIES:			
Accrued expenses and other liabilities	79	34	1,380
DEFERRED INFLOWS OF RESOURCES:			
Advance rental receipts	4,114	6,541	3,610
FUND BALANCES:			
Nonspendable	165	150	151
Unassigned	53,933	78,545	44,363
Total fund balances	$ 54,098	$ 78,695	$ 44,514

In fiscal year 2019, the General Fund balance decreased because of the previously mentioned distribution to the DOE. The Governmental Funds Balance Sheets differ from the Statements of Net Position, for example, by excluding school property and long-term liabilities. See page 16 for the reconciliation of the Governmental Funds Balance Sheets to the Statements of Net Position.

FINANCIAL HIGHLIGHTS (Continued)

Below is a summary of the changes in the General Fund balances for the years ended June 30:

Statements of Revenues, Expenditures and Changes in Fund Balances - General Fund for the Years Ended June 30, ($ in Thousands):

	2019	2018	2017
Revenues:			
Rental income and tax equivalency payments	$ 28,025	$ 26,968	$ 23,298
Additional rent	1,603	18,760	10,021
Investment and other income (loss)	1,887	(27)	142
Total revenues	31,515	45,701	33,461
Expenditures:			
General and administrative	1,999	2,188	2,622
Distribution to DOE	35,000	-	-
Total expenditures	36,999	2,188	2,622
Other Financing Sources (Uses):			
Repayments on developer loan receivable	-	3,895	-
Interfund transfers	(19,113)	(13,227)	(15,877)
	(19,113)	(9,332)	(15,877)
Change in fund balances	(24,597)	34,181	14,962
Fund balances, beginning of year	78,695	44,514	29,552
Fund balances, end of year	$ 54,098	$ 78,695	$ 44,514

Below is a summary of the Debt Service Fund total assets and fund balances as of June 30:

Balance Sheets - Debt Service Fund as of June 30, ($ in Thousands):

	2019	2018	2017
ASSETS:			
Restricted investments	$ 38,103	$ 37,405	$ 32,909
Total assets	38,103	37,405	32,909
FUND BALANCES:			
Restricted	38,103	37,405	32,909
Total fund balances	$ 38,103	$ 37,405	$ 32,909

In fiscal year 2019, the debt service fund balances increased slightly to ensure adequate coverage of upcoming debt service payments after the DOE distribution.

FINANCIAL HIGHLIGHTS (Continued)

Below is a summary of the changes in the Debt Service Fund balances for the years ended June 30:

Statements of Revenues, Expenditures and Changes in Fund Balances - Debt Service Fund for the Years Ended June 30, ($ in Thousands):

	2019	2018	2017
Revenues:			
Investment and other income	$ 1,791	$ 894	$ 822
Total revenues	1,791	894	822
Expenditures:			
Bond principal payments	4,835	4,680	4,525
Interest expense	11,986	12,176	12,327
Bond issuance costs	349	-	-
Total expenditures	17,170	16,856	16,852
Other Financing Sources (Uses):			
Principal paid on refunding bonds	(48,360)	-	-
Refunding bond proceeds	40,350	-	-
Premium on refunding bonds	4,974	-	-
Interfund transfers	19,113	20,458	18,262
	16,077	20,458	18,262
Change in fund balances	698	4,496	2,232
Fund balances, beginning of year	37,405	32,909	30,677
Fund balances, end of year	$ 38,103	$ 37,405	$ 32,909

Below is a summary of the Capital Projects Fund total assets, liabilities and fund balances as of June 30:

Balance Sheets - Capital Projects Fund as of June 30, ($ in Thousands):

	2019	2018	2017
ASSETS:			
Restricted investments	$ -	$ -	$ 7,252
Total assets	-	-	7,252
LIABILITIES:			
Accrued expenses and other liabilities	-	-	6
Total liabilities	-	-	6
FUND BALANCES:			
Restricted	-	-	7,246
Total fund balances	$ -	$ -	$ 7,246

FINANCIAL HIGHLIGHTS (Continued)

Below is a summary of the changes in the Capital Projects Fund balances for the years ended June 30:

Statements of Revenues, Expenditures and Changes in Fund Balances - Capital Projects Fund for the Years Ended June 30, ($ in Thousands):

	2019	2018	2017
Revenues:			
Investment and other income	$ -	$ 10	$ 5
Total revenues	-	10	5
Expenditures:			
Capital project expenses	-	24	33
Total expenditures	-	24	33
Other Financing Sources (Uses):			
Interfund transfers	-	(7,232)	(2,385)
	-	(7,232)	(2,385)
Change in fund balances	-	(7,246)	(2,413)
Fund balances, beginning of year	-	7,246	9,659
Fund balances, end of year	$ -	$ -	$ 7,246

As of April 2018, the Fund closed its 250 East 57th Street construction account, after the project (including the residential portion) was completed, leaving $7 million in remaining funds. Approximately $4.5 million of the remaining funds contributed toward future debt service payments on the Fund's 2011A bonds. The Fund had issued its 2010 and 2011 bonds to pay for construction of the PS 59/HSAD school associated with this project. As allowed by the bond resolution, approximately $2.5 million of the remaining funds were applied toward the 2007A refunding transaction, thus reducing the amount of new 2018A bonds that needed to be issued.

Other Selected Financial Information for the Years Ended June 30,

	2019	2018	2017
Ratio of revenues to:			
General and administrative expenses	4.09	4.67	3.66
General and administrative expenses, excluding depreciation and OPEB expense	21.98	30.34	22.59
Total assets	0.10	0.12	0.10
Debt related ratios:			
Debt coverage ratio	1.88	2.70	1.95

Ratios relating to operating revenues, as well as debt coverage, decreased due to reduction in additional rent from the 57th Street condominium sales participation.

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND COMPLETED PROJECTS

PS 126	175 West 166th Street	Bronx
Murry Bergtraum HS[1]	411 Pearl Street	Manhattan
Early Childhood Center	577 East 139th Street	Bronx
PS 169	110 East 88th Street	Manhattan
Early Childhood Center	234 Herkimer Street	Brooklyn
PS 99 Annex	82-37 Kew Gardens Road	Queens
Norman Thomas HS[2]	111 East 33rd Street	Manhattan
PS 205	2475 and 2375 Southern Boulevard	Bronx
American Sign Language and English School (J47) Annex	225 East 23rd Street	Manhattan
Terence D. Tolbert Campus	625 West 133rd Street	Manhattan
PS 124	40 Division Street	Manhattan
Park West Campus HS	525 West 50th Street	Manhattan
PS 89/IS 289	201 Warren Street	Manhattan
PS 267	213 East 63rd Street	Manhattan
MS 114	331 East 91st Street	Manhattan
PS 59/HS of Art and Design	250 East 57th Street	Manhattan

ECONOMIC FACTORS AND FUTURE RESULTS

ECF Developments in Process

80 Flatbush/362 Schermerhorn/Khalil Gibran. ECF and Alloy LLC plan to begin construction of the new Khalil Gibran International Academy and new k-5 school in 2020. The demolition of the townhouse portion was completed during the summer 2019, and abatement/demolition of the remaining portions of the block will continue through the fall and winter months. We currently anticipate completion/opening of the new school in 2022.

COOP Tech/321 East 96th Street. As mentioned, the COOP Tech project has been delayed by the Article 78 lawsuit appeal. The Parks Department will repave the existing portion of the playground that was in use by the Metropolitan Transportation Authority. DOE will add striping so that neighboring schools may utilize the space until demolition begins.

In fiscal year 2020, the Fund expects rental and tax equivalency revenues to continue to grow. The Fund expects an increase to fiscal year 2020 expenses from 2019 levels, which includes the reduction in OPEB expense determined by the NYC Office of the Actuary.

Contact Information

This financial report is designed to provide a general overview of the New York City Educational Construction Fund's finances. Questions concerning any data provided in this report or request for additional information should be directed to Cynthia Wong, Director of Finance, New York City Educational Construction Fund, 30-30 Thomson Avenue, 6th Floor, Long Island City, New York 11101.

[1] Non-school portion is no longer Fund property.
[2] Non-school portion is no longer Fund property.

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents (Notes 2C and 3)	$ 7,254,689	$ 8,850,958
Investments (Notes 2D and 3)	50,870,865	74,545,560
Restricted investments (Notes 2D, 2E and 3)	38,103,022	37,404,765
Additional rent receivable (Note 4)	-	1,711,147
Prepaid expenses and other current assets	165,573	150,171
Interest receivable on investments	548,136	669,812
Interest subsidy receivable (Note 6)	236,452	241,551
Site evaluation and development costs (Note 2F)	2,998,612	2,428,816
Capital assets: school buildings, net of accumulated depreciation (Notes 2G and 5)	243,523,507	251,601,815
TOTAL ASSETS	343,700,856	377,604,595
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension (Notes 2L, 2N and 8)	54,492	136,344
Deferred outflows - other postemployment benefits (Notes 2M, 2N and 9)	-	26,549
TOTAL DEFERRED OUTFLOWS OF RESOURCES	54,492	162,893
LIABILITIES		
Accrued interest on revenue bonds (Note 6)	3,050,068	3,242,412
Accrued expenses and other liabilities (Note 2J)		
Due within one year	157,734	94,097
Other postemployment benefits liability (Notes 2M and 9)	2,150,915	3,879,030
Net pension liability (Notes 2L and 8)	110,313	51,877
Revenue bonds, net of unamortized bond discount/premium (Notes 2I and 6)		
Due within one year	4,840,000	4,845,000
Due in more than one year	217,139,346	227,797,143
TOTAL LIABILITIES	227,448,376	239,909,559
DEFERRED INFLOWS OF RESOURCES		
Advance rental and tax equivalency receipts (Notes 2K and 2N)	4,113,701	6,540,709
Deferred gain on refunding (Notes 2N and 6)	2,161,999	-
Deferred inflows - pension (Notes 2L, 2N and 8)	59,418	187,561
Deferred inflows - other postemployment benefits (Notes 2M, 2N and 9)	185,424	-
TOTAL DEFERRED INFLOWS OF RESOURCES	6,520,542	6,728,270
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET POSITION (Notes 2O and 7)		
Net investment in capital assets	21,544,161	18,959,672
Restricted for:		
Debt service	35,052,954	34,162,353
Unrestricted	53,189,315	78,007,634
TOTAL NET POSITION	$ 109,786,430	$ 131,129,659

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

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING REVENUES:		
Rental income and tax equivalency payments, net of refunds (Note 2K)	$ 28,024,704	$ 26,967,965
Additional rent (Note 4)	1,603,453	18,759,956
Investment income	3,568,637	1,182,524
Interest on developer note receivable (Note 2F)	-	80,419
TOTAL OPERATING REVENUES	33,196,794	46,990,864
OPERATING EXPENSES:		
General and administrative expenses, including depreciation expense of $8,078,308 and $8,134,620, respectively	8,123,120	10,053,158
Interest on bonds (Note 7)	11,067,471	11,931,307
Bond issuance costs (Note 2H)	349,432	-
TOTAL OPERATING EXPENSES	19,540,023	21,984,465
OPERATING INCOME	13,656,771	25,006,399
NON-OPERATING EXPENSES:		
Distribution to New York City Department of Education (Note 13)	35,000,000	-
TOTAL NON-OPERATING EXPENSES	35,000,000	-
CHANGE IN TOTAL NET POSITION	(21,343,229)	25,006,399
NET POSITION - BEGINNING OF YEAR	131,129,659	106,123,260
NET POSITION - END OF YEAR	$ 109,786,430	$ 131,129,659

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
GOVERNMENTAL FUNDS - BALANCE SHEET
JUNE 30, 2019

	General	Debt Service	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	$ 7,254,689	$ -	$ 7,254,689
Investments	50,870,865	-	50,870,865
Restricted investments	-	38,103,022	38,103,022
Prepaid expenses and other current assets	165,573	-	165,573
TOTAL ASSETS	$ 58,291,127	$ 38,103,022	$ 96,394,149
LIABILITIES:			
Accrued expenses and other liabilities	$ 79,256	$ -	$ 79,256
TOTAL LIABILITIES	79,256	-	79,256
DEFERRED INFLOWS OF RESOURCES:			
Advance rental receipts	4,113,701	-	4,113,701
TOTAL DEFERRED INFLOWS OF RESOURCES	4,113,701	-	4,113,701
FUND BALANCES (Note 2O)**:**			
Nonspendable	165,573	-	165,573
Restricted	-	38,103,022	38,103,022
Unassigned	53,932,597	-	53,932,597
TOTAL FUND BALANCES	54,098,170	38,103,022	92,201,192
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 58,291,127	$ 38,103,022	$ 96,394,149

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

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
GOVERNMENTAL FUNDS - BALANCE SHEET
JUNE 30, 2018

	General	Debt Service	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	$ 8,850,958	$ -	$ 8,850,958
Investments	74,545,560	-	74,545,560
Restricted investments	-	37,404,765	37,404,765
Additional rent receivable	1,711,147	-	1,711,147
Prepaid expenses and other current assets	150,171	-	150,171
Interest receivable on investments	12,026	-	12,026
TOTAL ASSETS	$ 85,269,862	$ 37,404,765	$ 122,674,627
LIABILITIES:			
Accrued expenses and other liabilities	$ 33,847	$ -	$ 33,847
TOTAL LIABILITIES	33,847	-	33,847
DEFERRED INFLOWS OF RESOURCES:			
Advance rental receipts	6,540,709	-	6,540,709
TOTAL DEFERRED INFLOWS OF RESOURCES	6,540,709	-	6,540,709
FUND BALANCES (Note 2O)**:**			
Nonspendable	150,171	-	150,171
Restricted	-	37,404,765	37,404,765
Unassigned	78,545,135	-	78,545,135
TOTAL FUND BALANCES	78,695,306	37,404,765	116,100,071
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 85,269,862	$ 37,404,765	$ 122,674,627

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

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019	**2018**
Total fund balances - governmental funds	$ 92,201,192	$ 116,100,071
Amounts reported for governmental activities in the statements of net position are different because:		
School property and related costs used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.	243,523,507	251,601,815
Bond premiums/discounts are reported as other financing sources in the governmental funds financial statements. However, in the statements of net position, bond premiums/discounts are reported as a component of bonds payable and amortized over the lives of the related debt.	(3,624,346)	(1,442,143)
Assets that are not measurable or will not become available to finance expenditures in the current period are not reported in the governmental funds financial statements. These assets include:		
Interest receivable on investments	548,136	657,786
Interest subsidy receivable	236,452	241,551
Site evaluation and development costs	2,998,612	2,428,816
Long-term liabilities are not due and payable in the current period from currently available financial resources and are therefore not reported in the governmental funds financial statements. These liabilities include:		
Revenue bonds	(218,355,000)	(231,200,000)
Accrued interest on revenue bonds	(3,050,068)	(3,242,412)
Accrued vacation and sick pay	(78,478)	(60,250)
Net pension liability	(110,313)	(51,877)
Other postemployment benefits liability	(2,150,915)	(3,879,030)
Governmental funds do not report the effect of gains or losses on refunding bonds and deferred outflows/inflows related to pensions and other postemployment benefits as these amounts are deferred and amortized in the statements of activities.		
Pension	(4,926)	(51,217)
Other postemployment benefits	(185,424)	26,549
Gain on refunding	(2,161,999)	-
Net position of governmental activities	$ 109,786,430	$ 131,129,659

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

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES:				
Rental income and tax equivalency payments, net of refunds	$ 28,024,704	$ -	$ -	$ 28,024,704
Additional rent	1,603,453	-	-	1,603,453
Investment income	1,886,659	-	1,791,628	3,678,287
TOTAL REVENUES	31,514,816	-	1,791,628	33,306,444
EXPENDITURES:				
General and administrative	1,999,158	-	-	1,999,158
Capital project expenses	-	-	-	-
Bond principal payments	-	-	4,835,000	4,835,000
Interest expense	-	-	11,986,100	11,986,100
Bond issuance costs	-		349,432	349,432
Distribution to the New York City Department of Education	35,000,000	-	-	35,000,000
TOTAL EXPENDITURES	36,999,158	-	17,170,532	54,169,690
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,484,342)	-	(15,378,904)	(20,863,246)
OTHER FINANCING SOURCES (USES):				
Principal paid on refunding bonds	-	-	(48,360,000)	(48,360,000)
Refunding bond proceeds	-	-	40,350,000	40,350,000
Premium on refunding bonds	-	-	4,974,367	4,974,367
Interfund transfers	(19,112,794)	-	19,112,794	-
TOTAL OTHER FINANCING SOURCES (USES)	(19,112,794)	-	16,077,161	(3,035,633)
NET CHANGE IN FUND BALANCES	(24,597,136)	-	698,257	(23,898,879)
FUND BALANCES - BEGINNING OF YEAR	78,695,306	-	37,404,765	116,100,071
FUND BALANCES - END OF YEAR	$ 54,098,170	$ -	$ 38,103,022	$ 92,201,192

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

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES:				
Rental income and tax equivalency payments, net of refunds	$ 26,967,965	$ -	$ -	$ 26,967,965
Additional rent	18,759,956	-	-	18,759,956
Investment income (loss)	(107,269)	10,195	893,759	796,685
Interest on developer note receivable	80,419	-	-	80,419
TOTAL REVENUES	45,701,071	10,195	893,759	46,605,025
EXPENDITURES:				
General and administrative	2,188,122	-	-	2,188,122
Capital project expenses	-	23,830	-	23,830
Bond principal payments	-	-	4,680,000	4,680,000
Interest expense	-	-	12,176,423	12,176,423
TOTAL EXPENDITURES	2,188,122	23,830	16,856,423	19,068,375
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	43,512,949	(13,635)	(15,962,664)	27,536,650
OTHER FINANCING SOURCES (USES):				
Repayments on developer loan receivable	3,894,794	-	-	3,894,794
Interfund transfers	(13,226,526)	(7,231,970)	20,458,496	-
TOTAL OTHER FINANCING SOURCES (USES)	(9,331,732)	(7,231,970)	20,458,496	3,894,794
NET CHANGE IN FUND BALANCES	34,181,217	(7,245,605)	4,495,832	31,431,444
FUND BALANCES - BEGINNING OF YEAR	44,514,089	7,245,605	32,908,933	84,668,627
FUND BALANCES - END OF YEAR	$ 78,695,306	$ -	$ 37,404,765	$ 116,100,071

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

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
RECONCILIATIONS OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Net changes in fund balances - governmental funds	$ (23,898,879)	$ 31,431,444
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Capital outlays	-	23,830
Site evaluation and development costs	569,796	594,159
Depreciation expense	(8,078,308)	(8,134,620)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and and amortized in the statements of activities (except the effects of debt issuance costs). This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds from the issuance of bonds	(40,350,000)	-
Premium on refunding bonds	(4,974,367)	-
Principal paid on refunding bonds	48,360,000	-
Principal payments of bonds	4,835,000	4,680,000
Bond premium/discount	528,734	201,468
Gain on refunding	202,650	-
Repayments of the developer loan receivable are reported as other financing sources in the governmental funds financial statements, but the repayments reduce the asset in the statements of net position.	-	(3,894,794)
Investment and interest income	(109,650)	385,848
Some net expenses reported in the statements of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.		
Interest	187,245	43,640
Pension	(12,145)	(4,903)
Other postemployment benefits	1,516,142	(310,666)
Other	(119,447)	(9,007)
Change in net position of governmental activities	$ (21,343,229)	$ 25,006,399

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The New York City Educational Construction Fund (the "Fund") was created in 1967 as a New York State (the "State") public benefit corporation by Article 10 of the Education Law of the State. The Fund was established to develop combined occupancy structures, containing school and non-school portions and is authorized to issue bonds, notes or other obligations to finance those projects. Although legally separate from the City, the Fund is a component unit of The City of New York (the "City") and is included in the City's financial statements as a blended component unit in accordance with Governmental Accounting Standards Board ("GASB") standards.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting*

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

The Fund's governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal year. Revenues are generally considered available if expected to be received within 60 days after the fiscal year-end. Expenditures are recognized when the related liability is incurred, except for principal and interest on long-term debt and estimated arbitrage rebate liability, which are recognized when due.

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

B. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include depreciable lives of school buildings, other postemployment healthcare benefit ("OPEB") obligations and contingencies. Actual results could differ from those estimates.

C. *Cash and Cash Equivalents*

Cash and cash equivalents consist of money market funds as well as highly liquid debt investments with a maturity of three months or less from date of purchase. Cash equivalents are normally held to maturity and are carried at cost plus accrued interest. The Fund's policy is to invest idle cash balances (see Note 3 for details).

D. *Investments*

Investments are generally limited to: obligations of government sponsored agencies, U.S. Treasury obligations or repurchase agreements collateralized by U.S. Treasury obligations or other government or government sponsored agencies in accordance with the terms of the Fund's Revenue Bond Resolution and the Fund's Policy on Investments. Short-term investments are reported at cost plus accrued interest, which approximates fair value due to the short maturities of these instruments. Long-term investments are reported at fair value.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ***Restricted Assets***

Restricted assets represent cash and investments maintained in accordance with bond resolutions for the purpose of funding certain debt service payments and construction spending.

F. ***Site Evaluation and Development Costs***

The Fund capitalizes site evaluation and development costs. When the Fund determines that a project is not feasible, all related costs are charged to operations. When the Fund commences construction, all related costs are added to the cost of construction.

G. ***School Property and Related Costs***

Buildings are carried at depreciated cost. Depreciation expense is calculated using the straight-line method based upon the estimated useful lives of the buildings, which are between 45 and 75 years.

Maintenance and repairs of school property are charged to expense in the period incurred.

H. ***Bond Issuance Costs***

Bond issuance costs are recognized as costs in the period incurred.

I. ***Unamortized Bond Premium/Discount***

Bond premiums and discounts are being amortized over the life of the bonds using the effective-interest method.

J. ***Compensated Absences***

Compensated absences for the Fund represent both vacation and sick pay earned by employees. Compensated absences are based on an employee’s length of employment and are earned ratably during the span of employment. Upon termination, employees are paid for up to four years of accrued vacation depending upon their length of service and are paid for half of their accrued sick leave up to a maximum of 200 days. Accordingly, the maximum sick leave payment at termination is for 100 days.

Amounts of accumulated compensated absences that are not expected to be liquidated with expendable available financial resources are maintained separately and represent a reconciling item between the governmental fund financial statements and government-wide financial statements.

K. ***Rental and Tax Equivalency Payments***

Rental income and tax equivalency payments are recognized as earned in accordance with the contractual terms of the lease to which they relate. Advance rental receipts consist of advance rental and tax equivalency payments for the non-school portion of the projects. Such amounts are reported as deferred inflows of resources in the statements of net position and in the governmental funds balance sheets.

L. ***Net Pension Liability***

The net pension liability represents the Fund’s proportionate share of the net pension liability of the New York State and Local Employees’ Retirement System (“ERS”). Pension liability, expense, deferred outflows of resources and deferred inflows of resources are recognized by the Fund for its proportionate share of the collective amounts within the ERS plan, measured based on an allocation methodology (see Note 8).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. ***Other Postemployment Benefits***

The Fund provides health insurance coverage for retired employees and their spouses and eligible dependents. All of the Fund's employees become eligible for these benefits when they reach normal retirement age while working for the Fund. Health care benefits are provided through an insurance company. See Note 9 for additional information on OPEB.

N. ***Deferred Outflows and Inflows of Resources***

In addition to assets, the statements of net position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of net position and governmental funds – balances sheets report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

As of June 30, 2019, the Fund reported deferred inflows of resources of $2,161,999 for a deferred gain on refunding bonds in the statement of net position. This amount results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt (see Note 6).

As of June 30, 2019 and 2018, the Fund has also reported deferred inflows of resources of $4,113,701 and $6,540,709, respectively, for advance rental and tax equivalency payments for the non-school portion of the projects. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

The Fund has also reported deferred outflows of resources and deferred inflows of resources in relation to its pension and OPEB obligations. These amounts are detailed in the discussion of the pension OPEB benefit plans in Notes 8 and 9.

O. ***Net Position/Fund Balances***

The Fund's net position is reported in the statements of net position in the following categories:

- Net investment in capital assets
- Restricted for:
    - Capital projects
    - Debt service
- Unrestricted

Net investment in capital assets includes capital assets net of accumulated depreciation and liabilities for related revenue bonds.

Restricted net position includes net position restricted for capital projects and debt service. Capital project funds can only be used for specific capital purposes.

Unrestricted net position includes all net position not classified as either net investment in capital assets or restricted net position.

The Fund uses three governmental funds for reporting its activities. The following accounts and funds have been established in accordance with the Fund's Revenue Bond Resolution:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund: The General Fund is the principal operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund: The Capital Projects Fund was established to pay bond issuance and project costs. Separate accounts may be established within the Fund for each project.

Debt Service Fund: The Debt Service Fund consists mainly of two accounts for each debt issuance (Series 2007A, 2010A and 2011A). Amounts on deposit in the Debt Service Account are used for the payment of debt service on the Fund's bonds. The Debt Service Reserve Fund is required to maintain a balance equal to the maximum annual debt service on the bonds.

As of June 30, 2019 and 2018, the balances in the debt service reserve accounts totaled $19,577,157 and $19,893,730, respectively, to meet the required minimum.

The Debt Service Fund is funded by specific proceeds from the Revenue Bonds, Series 2007A, 2010A, 2011A and 2018A. There is one account for each bond established in the Debt Service Reserve Fund. All revenues are deposited in the operating account. Revenues are required to be disbursed in accordance with the priority set forth in the Series Bond Resolutions.

Fund balances are classified as either: 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned in accordance with GASB standards.

The Fund reported the fund balances in its governmental funds balance sheets in the following categories: nonspendable, restricted and unassigned.

Nonspendable includes amounts that cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. This includes fund balances related to prepaid expenses.

Restricted includes amounts that can be spent only for a specific purpose stipulated by a bond resolution. Restricted balances are restricted for capital spending and debt service.

Unassigned includes the residual classification of the general fund and includes all spendable amounts not contained in other classifications.

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. ***Recent Accounting Pronouncements***

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

- In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, ("GASB 84"). The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB 84 are effective for fiscal years beginning after December 15, 2018. The Fund has not completed the process of evaluating GASB 84 but does not expect it to have an impact on the Fund's financial statements, as it does not enter into fiduciary activities.

- In June 2017, GASB issued Statement No. 87, *Leases*, ("GASB 87"). The objective of GASB 87 is to improve accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for fiscal years beginning after December 15, 2019. The Fund has not completed the process of evaluating GASB 87's impact on its financial statements.

- In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* ("GASB 88"). The objective of GASB 88 is to improve consistency in the information that is disclosed in notes to government financial statements related to debt by defining debt for the purpose of note disclosure and establish additional note disclosure requirements related to debt obligations of governments, including direct borrowing and direct placements. The requirements of GASB 88 are effective for fiscal years beginning after June 15, 2018. The adoption of GASB 88 did not have a significant impact on the Fund's financial statements.

- In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* ("GASB 89"). The objectives of GASB 89 are to enhance the relevance and comparability of information about capital assets and cost of borrowing for a reporting period and to simplify accounting for certain interest costs by requiring interest costs incurred before the end of a construction period to be recognized as an expense/expenditure in governmental fund and government-wide financial statements. The requirements of GASB 89 are effective for fiscal years beginning after December 15, 2019. The Fund has not completed the process of evaluating GASB 89's impact on its financial statements.

- In September 2018, GASB issued Statement No. 90, *Majority Equity Interests*, ("GASB 90"). GASB 90 clarifies the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. The requirements of GASB 90 are effective for reporting periods beginning after December 15, 2018. The Fund has not completed the process of evaluating GASB 90 but does not expect it to have an impact on the Fund's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- In May 2019, GASB Issued Statement No. 91, *Conduit Debt Obligations* ("GASB 91"). GASB 91 is effective for reporting periods beginning after December 15, 2020. Conduit debt obligations are 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 Fund's financial statements.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Fund invests monies held in any funds or accounts not required for immediate use or disbursement. Such funds are invested in obligations of the State or the United States government or obligations the principal of and interest on which are guaranteed by the City, the State or the United States government or obligations of agencies or instrumentalities of the United States government which may from time to time be legally purchased by savings banks of the State as investments of funds belonging to them or in their control.

The Fund maintains cash balances at several banks. Accounts at each bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At June 30, 2019 and 2018, uninsured bank balances of approximately $3,100,000 and $2,200,000, respectively, were collateralized with securities held by several banks in the Fund's name.

The Fund's total cash, cash equivalents and investments at June 30, 2019 and 2018 were $96,228,576 ($58,125,554 unrestricted and $38,103,022 restricted) and $120,801,283 ($83,396,518 unrestricted and $37,404,765 restricted), respectively. Investments consisted primarily of U.S. treasury bills and notes and U.S. government agency securities.

Cash, cash equivalents and investments were as follows as of June 30:

	2019	2018
Insured	$ 100,797	$ 88,484
Collateralized:		
Bank of NY Investment Surplus	50,870,865	74,545,560
Chase Investment Administrative	2,283,180	1,564,859
Bank of NY - Cash Surplus	1,541	2,549,311
Bank of NY - Operating Account	3,899,049	3,886,317
Bank of NY Debt Service 2007A	-	4,562,040
Bank of NY Debt Service Reserve 2007A	-	5,612,336
Bank of NY Debt Service 2010A	4,941,098	1,477,826
Bank of NY Debt Service Reserve 2010A	3,759,145	4,367,000
Bank of NY Debt Service 2011A	10,539,314	11,471,169
Bank of NY Debt Service Reserve 2011A	10,201,219	9,914,394
Bank of NY Debt Service 2018A	3,045,453	-
Bank of NY Debt Service Reserve 2018A	5,616,793	-
Chase Investment 96th Street	970,122	761,987
Total Deposits	$ 96,228,576	$ 120,801,283

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk – Deposits/Investments. Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government entity may be unable to recover deposits or recover collateral securities that are in possession of an outside agency. All deposits/investments are registered and are held by the Fund's agent in the Fund's name.

Credit Risk. New York State Education Law authorizes the Fund to invest in obligations of the U.S. Treasury and federal agencies along with municipal obligations, commercial or finance company paper, repurchase obligations, securities bearing interest or sold at a discount that are issued by domestic corporations, and units of taxable money market funds rated in the highest rating category by Standard & Poor's and Moody's, and investment agreements or guaranteed investment contracts with a financial institution, corporation, registered broker/dealer or domestic commercial bank whose senior long-term debt obligations are rated in one of the two highest long-term rating categories by at least two rating services.

Concentration of Credit Risk. The Fund places no limit on the amount invested in any one issuer. As of June 30, 2019 and 2018, all investments were in obligations of the U.S. Treasury and federal agencies.

Interest Rate Risk. The Fund manages its exposure to declines in fair values of its investment portfolio due to increases in interest rates by limiting the weighted average maturity of its non-restricted investments to less than one year. As of June 30, 2019 and 2018, all non-restricted investment maturities were less than one year, except for a U.S. Treasury note held at June 30, 2019 and 2018 which matures in March 2021.

Information about the carrying values and fair values of restricted investments by type of investment as of June 30, 2019 and 2018 was as follows:

	June 30, 2019		June 30, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
U.S. Government securities	$ 37,206,151	$ 37,471,755	$ 34,721,573	$ 34,921,016
U.S. Government agency obligations	894,198	915,990	2,677,740	2,744,210
Cash	2,673	2,673	5,452	5,462
Total restricted investments	$ 38,103,022	$ 38,390,418	$ 37,404,765	$ 37,670,688

The Fund categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Fund had the following recurring fair value measurements as of June 30, 2019 and 2018:

- U.S. Treasury notes of approximately $10.1 million and $9.9 million, respectively, were valued using quoted market prices (Level 1 inputs).

NOTE 4 – ADDITIONAL RENT

Under the terms of the lease for the non-school portion of its 57th Street project the Fund is to receive a percentage of the gross sales price, above a threshold price per square foot, for any units sold by the developer, sponsor or tenant to third parties in arm's-length transfers. The Fund's income from those sales was $1,603,453 and $18,759,956 for the years ended June 30, 2019 and 2018, respectively, and is reported as additional rent in the accompanying financial statements. As of June 30, 2019 and 2018, additional rent receivable amounted to $0 and $1,711,147, respectively, and such amounts were collected in full subsequent to the fiscal year-end.

NOTE 5 – SCHOOL BUILDINGS

The City conveyed land to the Fund at no cost for the development of seventeen schools. The land for fourteen schools is being used for combined schools and housing units and the land for two schools is being used for combined schools and commercial buildings. One building was sold in 2012. All of the schools are completed, in use, and classified as school buildings. Of the seventeen schools, seven were financed by the 1972 Series A Revenue Bonds, which have been defeased; eight were financed by the 1989 Series A Revenue Bonds, which were refunded with the 1994 Series Revenue Bonds (1994 Bonds); one was financed by the 2007A Series Revenue Bonds, which were refunded with the 2018A Series Bonds; and one was financed by the 2010A and 2011A Series Revenue Bonds. The 2005A Series Bonds, which have been defeased, were used to refinance the 1994 and 1996 Series Revenue Bonds.

The school's portion of these locations has been leased by the Fund to the City for a period of 30 or 40 years. The leases expire on various dates between 2017 and 2052. In the event that the Fund's revenues from the non-school portion of the properties are not sufficient to pay the debt service requirements of the bonds, then the school leases provide for payments from the City sufficient to support payment of an allocable portion of the debt service requirements of the bonds. The Fund has derived sufficient revenue from the non-school portion, combined with investment income, to meet the debt service requirements of the bonds. Accordingly, the City has not been required to make payments under the school leases.

The Fund has agreed to re-convey to the City, the land and improvements relating to assets classified as school property financed by the bonds without consideration at various dates pursuant to the lease agreements with the City.

A summary of the changes in school buildings is as follows for the years ended June 30:

	June 30, 2018	Additions	June 30, 2019
School buildings, at cost	$ 400,732,577	$ -	$ 400,732,577
Less: accumulated depreciation	149,130,762	8,078,308	157,209,070
School buildings, net	$ 251,601,815	$ (8,078,308)	$ 243,523,507

	June 30, 2017	Additions	June 30, 2018
School buildings, at cost	$ 400,708,747	$ 23,830	$ 400,732,577
Less: accumulated depreciation	140,996,142	8,134,620	149,130,762
School buildings, net	$ 259,712,605	$ (8,110,790)	$ 251,601,815

Depreciation expense for the years ended June 30, 2019 and 2018 was $8,078,308 and $8,134,620, respectively.

NOTE 6 – REVENUE BONDS

On January 18, 2007, the Fund issued the 2007A Bond ("2007A Bonds") series in the amount of $51,340,000 to finance the construction of MS 114 located at 1765 1st Avenue, New York, New York. The 2007A Bonds were issued pursuant to the New York City Educational Construction Fund Act, which is Article 10 of the New York State Education Law, as amended (the "Act") and pursuant to the Fund's Revenue Bond Resolution adopted by the Fund on December 20, 2004 (the "Resolution"),and to the Fund's Revenue Bond resolution adopted by the Fund on December 8, 2006, for the purposes of (i) financing the costs of constructing the school portion of a combined occupancy structure; (ii) funding the Debt Service Reserve Fund; and (iii) paying the Costs of Issuance of the 2007A Bonds, all as described herein.

NOTE 6 – REVENUE BONDS (Continued)

On April 28, 2010, the Fund issued the 2010A Bond ("2010A Bonds") series in the amount of $53,810,000 to finance phase 1 of the construction of PS 59/HS of Art and Design located at 250 East 57th Street, New York, New York. The 2010A Bonds were issued pursuant to the Act and the Resolution, and to the Fund's Revenue Bond resolution adopted by the Fund on February 26, 2010, for the purpose of (i) financing the costs of constructing the school portion of a combined occupancy structure; (ii) funding the Debt Service Reserve Fund; and (iii) paying the Costs of Issuance of the 2010A Bonds, all as described herein.

The 2010A Bonds were issued as "Build America Bonds" and the Fund elected to receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the bonds. The payments from the United States Treasury were reduced by budget sequestration cuts ranging from 6.2% to 8.7% from 2013 through 2019. For 2020, the sequestration rate reduction will be 5.9%.

On January 25, 2011, the Fund issued the 2011A Bond ("2011A Bonds") series in the amount of $137,525,000 to finance phase 2 of the construction of 250 East 57th Street. The 2011A Bonds were issued pursuant to the Act and the Resolution, and to the Fund's Revenue Bond resolution adopted by the Fund on December 23, 2010 for the purpose of; (i) financing the costs of constructing the school portion of a combined occupancy structure; (ii) funding the Debt Service Reserve Fund; and (iii) paying the costs of issuance of the 2011A Bonds, all as described herein.

On October 25, 2018, the Fund issued the Revenue Bonds 2018, Series A ("2018A Bonds") in the amount of $40,350,000, the proceeds of which were used to refund the 2007A Bonds, originally issued in the aggregate principal amount of $51,340,000. The 2018A Bonds bear interest from 4.00% to 5.00% with annual maturities from April 1, 2019 through April 2037. This refunding was undertaken to reduce total debt service payments over the next nineteen (19) years by $10,421,217 and resulted in an economic gain (difference between the present value of the debt service on the 2007A Bonds and the 2018A Bonds) of $6,961,584.

As a result of the refunding, the Fund recognized a deferred inflow of resources of $2,364,649 for the deferred gain on refunding. This amount results from the difference in the carrying value of the refunded debt and the reacquisition price. This amount is deferred and amortized into interest expense over the shorter of the life of the refunded or refunding debt.

The Fund's Bond indentures include provisions that in the event of a payment default, or of any other of the covenants, conditions, agreements or provisions contained in the bond resolutions, the trustee may, upon the written request of the bondholders of not less than 25% in principal amount of the outstanding bonds, shall, by a notice in writing to the Fund, declare the principal of and interest on all of the outstanding bonds to be due and payable. At the expiration of 30 days after such notice is given, such principal and interest shall become and be immediately due and payable.

NOTE 6 – REVENUE BONDS (Continued)

The following is a summary of changes in bonds payable for the year ended June 30, 2019:

	June 30, 2018	Additions	Deletions	June 30, 2019
Revenue Bonds 2007A issued January 18, 2007 (3.75% to 5%) maturity dates 2009 to 2037. Payments due April and October.	$ 48,360,000	$ -	$ 48,360,000	$ -
Revenue Bonds 2010A issued April 28, 2010 (4.5% to 6.2%) maturity dates 2017 to 2040. Payments due April and October.	50,895,000	-	1,525,000	49,370,000
Revenue Bonds 2011A issued January 25, 2011 (3.25% to 6.5%) maturity dates 2017 to 2041. Payments due April and October.	131,945,000	-	2,940,000	129,005,000
Revenue Bonds 2018A issued October 25, 2018 (4.00% to 5.00%) maturity dates 2019 to 2037. Payments due April and October.	-	40,350,000	370,000	39,980,000
	231,200,000	40,350,000	53,195,000	218,355,000
Less/add: unamortized bond (discount) premium	1,442,143	4,974,367	2,792,164	3,624,346
	232,642,143	45,324,367	55,987,164	221,979,346
Less: current portion	(4,845,000)	-	(5,000)	(4,840,000)
Long-term portion	$ 227,797,143	$ 45,324,367	$ 55,982,164	$ 217,139,346

NOTE 6 – REVENUE BONDS (Continued)

The following is a summary of changes in bonds payable for the year ended June 30, 2018:

	June 30, 2017	Additions	Deletions	June 30, 2018
Revenue Bonds 2007A issued January 18, 2007 (3.75% to 5%) maturity dates 2009 to 2037. Payments due April and October.	$ 48,725,000	$ -	$ 365,000	$ 48,360,000
Revenue Bonds 2010A issued April 28, 2010 (4.5% to 6.2%) maturity dates 2017 to 2040. Payments due April and October.	52,375,000	-	1,480,000	50,895,000
Revenue Bonds 2011A issued January 25, 2011 (3.25% to 6.5%) maturity dates 2017 to 2041. Payments due April and October.	134,780,000	-	2,835,000	131,945,000
	235,880,000	-	4,680,000	231,200,000
Less/add: unamortized bond (discount) premium	1,643,611	-	201,468	1,442,143
	237,523,611	-	4,881,468	232,642,143
Less: current portion	(4,680,000)	(165,000)	-	(4,845,000)
Long-term portion	$ 232,843,611	$ (165,000)	$ 4,881,468	$ 227,797,143

As of June 30, 2019 and 2018 the Fund recorded accrued interest on revenue bonds of $3,050,068 and $3,242,412 representing interest for the periods from April 1 to June 30, 2019 and 2018 due to be paid in October 2019 and 2018, respectively.

Debt service requirements on bond indebtedness at June 30, 2019 were as follows:

	2010A Bonds			2011A Bonds		
Fiscal Years	Principal	Interest	Total	Principal	Interest	Total
2020	$ 1,575,000	$ 2,880,928	$ 4,455,928	$ 3,060,000	$ 7,478,394	$ 10,538,394
2021	1,630,000	2,802,178	4,432,178	3,185,000	7,352,169	10,537,169
2022	1,685,000	2,719,048	4,404,048	3,325,000	7,212,825	10,537,825
2023	1,745,000	2,633,955	4,378,955	3,540,000	6,996,700	10,536,700
2024	1,805,000	2,544,960	4,349,960	3,770,000	6,766,600	10,536,600
2025-2029	10,135,000	11,168,575	21,303,575	22,550,000	30,143,275	52,693,275
2030-2034	12,350,000	7,970,560	20,320,560	30,220,000	22,471,575	52,691,575
2035-2039	15,055,000	3,919,980	18,974,980	39,965,000	12,725,038	52,690,038
2040-2041	3,390,000	210,180	3,600,180	19,390,000	1,687,913	21,077,913
	$ 49,370,000	$ 36,850,364	$ 86,220,364	$ 129,005,000	$ 102,834,489	$ 231,839,489

NOTE 6 – REVENUE BONDS (Continued)

	2018A Bonds			Total		
Fiscal Years	Principal	Interest	Total	Principal	Interest	Total
2020	$ 205,000	$ 1,840,950	$ 2,045,950	$ 4,840,000	$ 12,200,272	$ 17,040,272
2021	215,000	1,832,750	2,047,750	5,030,000	11,987,097	17,017,097
2022	220,000	1,824,150	2,044,150	5,230,000	11,756,023	16,986,023
2023	1,925,000	1,815,350	3,740,350	7,210,000	11,446,005	18,656,005
2024	2,000,000	1,738,350	3,738,350	7,575,000	11,049,910	18,624,910
2025-2029	11,240,000	7,427,550	18,667,550	43,925,000	48,739,400	92,664,400
2030-2034	13,995,000	4,712,750	18,707,750	56,565,000	35,154,885	91,719,885
2035-2039	10,180,000	1,034,250	11,214,250	65,200,000	17,679,268	82,879,268
2040-2041	-	-	-	22,780,000	1,898,093	24,678,093
	$ 39,980,000	$ 22,226,100	$ 62,206,100	$ 218,355,000	$ 161,910,953	$ 380,265,953

NOTE 7 – NET POSITION

The Fund's net position consisted of the following as of June 30:

	2019	2018
Invested in capital assets, net of related debt		
School property, net	$ 243,523,507	$ 251,601,815
Less: Revenue bonds payable, net	(221,979,346)	(232,642,143)
Invested in capital assets, net of related debt	$ 21,544,161	$ 18,959,672
Restricted for debt service		
Restricted assets	$ 38,103,022	$ 37,404,765
Less: Current liabilities paid from debt service funds:		
Accrued interest on revenue bonds	(3,050,068)	(3,242,412)
	$ 35,052,954	$ 34,162,353

NOTE 8 – PENSION PLAN

PLAN DESCRIPTION

The Fund participates in the ERS (see Note 2L). This is a cost-sharing, multiple-employer defined benefit pension plan. ERS provides retirement benefits as well as death and disability benefits. The net position of the ERS is held in the New York State Common Retirement Fund, which was established to hold all net assets and record changes in plan net position. The Comptroller of the State of New York serves as the trustee of the New York State Common Retirement Fund and is the administrative head of the ERS. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The ERS provides retirement benefits as well as death and disability benefits. ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

NOTE 8 – PENSION PLAN (Continued)

BENEFITS

The benefits employees will receive are governed by the NYSRSSL. Employees are placed in tiers depending on when they last became members. The benefits in all tiers are 1.67% of the final average salary for each year of service if members retire with less than 20 years. If members retire with more than 20 years of service, the percentages vary according to the tier they are in. The minimum service requirements and minimum age requirement vary according to the tier the employee is in.

Annual cost of living adjustments are provided to pensioners after waiting periods defined in the plan. The adjustments are a percentage of the annual retirement benefit as computed on a base benefit amount not to exceed $18,000 of the annual retirement benefit. The cost of living percentage is 50% of the Consumer Price Index but not less than 1% or more than 3%.

Ordinary disability benefits are usually one third of salary and are provided to eligible members after ten years or, in some cases, five years of service. Accidental disability benefits are either 75% of salary with an offset for any workers' compensation benefits received or the ordinary disability benefit with the year of service eligibility requirement dropped, depending on the tier. Death benefits are payable upon the death, before retirement, of a member who meets the eligibility requirements as set forth by law. The benefit is generally three times the member's annual salary.

CONTRIBUTIONS

The ERS is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% depending on salary levels for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS's fiscal year ending March 31.

The actual contributions were equal to the actuarially required amounts. The required contributions to the ERS for the fiscal years ended June 30, 2019 and 2018 were $52,582 and $53,039, respectively. The total pension expense for the fiscal years ended June 30, 2019 and 2018 was $64,771 and $57,385, respectively.

ACTUARIAL ASSUMPTIONS

The total pension liability for the March 31, 2019 and 2018 valuation dates were determined by using actuarial valuations as of April 1, 2018 and 2017, with update procedures used to roll forward the total pension liability to March 31, 2019 and 2018. The actuarial valuations used the following actuarial assumptions:

	April 1, 2018	April 1, 2017
Inflation	2.5%	2.5%
Salary increases	4.2%	3.8%
Investment rate of return (net of investment expense, including inflation)	7.0%	7.0%
Cost of living adjustments	1.3%	1.3%

Annuitant mortality rates for the April 1, 2018 and 2017 valuations were based on the April 1, 2010 through March 31, 2015 ERS experience with adjustments for mortality improvements using the Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period from April 1, 2010 through March 31, 2015.

NOTE 8 – PENSION PLAN (Continued)

SENSITIVITY OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY DUE TO CHANGES IN THE DISCOUNT RATE

The following presents the employer's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the employer's proportionate share of net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate as of June 30, 2019:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Employer's proportionate share of net pension liability (asset)	$ 482,306	$ 110,313	$ (202,188)

The following presents the employer's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the employer's proportionate share of net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate as of June 30, 2018:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Employer's proportionate share of net pension liability (asset)	$ 392,517	$ 51,877	$ (236,290)

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Balances of deferred outflows of resources were as follows at June 30:

	2019	2018
Differences between expected and actual experience	$ 21,723	$ 18,503
Changes of assumptions	27,728	34,399
Net difference between projected and actual investment earnings on pension plan investments	-	75,348
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,096	6,192
Employer contributions subsequent to the measurement date	1,945	1,902
	$ 54,492	$ 136,344

NOTE 8 – PENSION PLAN (Continued)

Balances of deferred inflows of resources were as follows at June 30:

	2019	2018
Differences between expected and actual experience	$ 7,405	$ 15,290
Net difference between projected and actual investment earnings on pension plan investments	28,312	148,729
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,701	23,542
	$ 59,418	$ 187,561

The amounts of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows for each of the years ending June 30:

2020	$ 19,323
2021	(30,055)
2022	(6,831)
2023	12,637

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term term expected rate of return by weighting the expected future 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 for the March 31, 2019 and 2018 actuarial valuations are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36 %	4.55 %
International Equity	14	6.35
Private Equity	10	7.50
Real Estate	10	5.55
Absolute Return Strategies	2	3.75
Opportunistic Portfolio	3	5.68
Real Assets	3	5.29
Bonds and Mortgages	17	1.31
Cash	1	(0.25)
Inflation Indexed Bonds	4	1.25
	100 %	

The real rate of return is net of the long-term inflation assumption of 2.50%.

NOTE 8 – PENSION PLAN (Continued)

The discount rates used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, ERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The components of the collective net pension liability of ERS were as follows as of the measurement dates ended March 31:

	2019	2018
Total pension liability	$ 189,803,429	$ 183,400,590
Fiduciary net position	(182,718,124)	(180,173,145)
Employers' net pension liability	$ 7,085,305	$ 3,227,445
ERS fiduciary net position as a percentage of total pension liability	96.27%	98.24%

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

PLAN DESCRIPTION

The Fund's defined benefit post-employment healthcare plan (the "Plan") which is provided under the New York State Health Insurance Program (the "NYSHIP"), provides medical and dental insurance benefits to eligible employees, retirees and their dependents. As of both June 30, 2019 and 2018, three active employees, one deferred retiree and five retirees were eligible to receive benefits under the Plan. NYSHIP is administered by the Department of Civil Service of the State of New York. According to the Department of Civil Service, NYSHIP is a cost sharing multiple-employer healthcare plan that is not administered as a trust or trust equivalent and is therefore treated as an agent multiple-employer plan for purposes of analysis of postemployment benefit costs. The Fund has the authority to establish and amend benefit provisions of the Plan. NYSHIP issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to The Department of Civil Service, The State Campus, Albany, New York 12239.

FUNDING POLICY

The combined contribution requirements of Plan members and the Fund are established and may be amended by the Department of Civil Service. The Fund determines the portion of contributions required by retirees, subject to maximum limits established by the Department of Civil Service. The Fund currently provides coverage under the Plan at no cost to its retired members.

At this time, there is no New York State statute providing local governments with the requisite authority for establishing another postemployment benefits trust; therefore, the benefits are funded on a pay-as-you-go basis. No assets are accumulated for payment of OPEB benefits. The total OPEB expense represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess).

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

ANNUAL OTHER POSTEMPLOYMENT BENEFITS COST AND NET OBLIGATION

For the years ended June 30, 2019 and 2018, the Fund's OPEB expense was $(1,464,779) and $369,123, respectively, and the Fund made $51,363 and $58,457, respectively, in pay-as-you-go employer contributions.

ACTUARIAL METHODS AND ASSUMPTIONS

An actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided as of the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The OPEB liability as of June 30, 2019 was determined by using an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total OPEB liability to June 30, 2019. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry Age Normal cost method, level percent of pay calculated on an individual basis.
Discount rate	2.79% - Since the OPEB plan is not pre-funded, the discount rate was obtained by discounting future benefit payments funded on a pay-as-you-go basis at the Municipal Bond 20-year Index Rate.
Salary increases	3.00% per annum which includes an inflation rate of 2.50% and a general wage increase rate of 0.50%.
General inflation	2.50% assumed long-term inflation.
Mortality	MP-2015 applied on a generational basis.
Healthcare cost trend	Annual healthcare cost trend rate for medical coverage of 6.25 percent initially, reduced by decrements to a rate of 4.5 percent after 8 years.

The OPEB liability as of June 30, 2018 was determined by using an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total OPEB liability to June 30, 2018. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry Age Normal cost method, level percent of pay calculated on an individual basis.
Discount rate	2.98% - Since the OPEB plan is not pre-funded, the discount rate was obtained by discounting future benefit payments funded on a pay-as-you-go basis at the Municipal Bond 20-year Index Rate.
Salary increases	3.00% per annum which includes an inflation rate of 2.50% and a general wage increase rate of 0.50%.
General inflation	2.50% assumed long-term inflation.
Mortality	MP-2015 applied on a generational basis.
Healthcare cost trend	Annual healthcare cost trend rate for medical coverage of 6.25 percent initially, reduced by decrements to a rate of 4.5 percent after 8 years.

The actuarial valuations assumed that no assets will be set aside by the Fund to pre-fund its retiree medical liabilities.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

SENSITIVITY OF NET OPEB LIABILITY TO CHANGES IN HEALTHCARE COST TREND RATE AND DISCOUNT RATE

The following shows how net OPEB liability at June 30, 2019 would change based on changes in the discount rate and healthcare cost trend rate:

	1% Decrease	Current Rate	1% Increase
Discount rate	$ 2,581,909	$ 2,150,915	$ 1,820,074
Healthcare cost trend rate	1,743,701	2,150,915	2,709,284

The following shows how net OPEB liability at June 30, 2018 would change based on changes in the discount rate and healthcare cost trend rate:

	1% Decrease	Current Rate	1% Increase
Discount rate	$ 5,348,840	$ 3,879,030	$ 2,931,784
Healthcare cost trend rate	2,721,122	3,879,030	5,637,725

CHANGES IN NET OPEB LIABILITY AND ADDITIONAL INFORMATION

The following shows the changes in the net OPEB liability during the years ended June 30:

	2019	2018
Net OPEB liability - beginning of year	$ 3,879,030	$ 3,541,815
Changes in net OPEB liability:		
Service cost	77,208	78,627
Interest	117,136	113,500
Differences between expected and actual experience	(1,824,770)	37,345
Changes in assumptions	(46,326)	166,200
Benefit payments	(51,363)	(58,457)
Net OPEB liability - end of year	$ 2,150,915	$ 3,879,030

Changes in assumptions were primarily changes in the discount rate. The Fund is required to use a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). Discount rates of 2.79% and 2.98% were applied to June 30, 2019 and 2018, respectively.

Balances of deferred outflows/inflows of resources related to OPEB were as follows at June 30, 2019:

	Outflows	Inflows
Differences between expected and actual experience	$ -	$ 180,833
Changes of assumptions	-	4,591
	$ -	$ 185,424

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Balances of deferred outflows/inflows of resources related to OPEB were as follows at June 30, 2018:

	Outflows	Inflows
Differences between expected and actual experience	$ 4,871	$ -
Changes of assumptions	21,678	-
	$ 26,549	$ -

The amounts of deferred outflows/inflows of resources related to OPEB as of June 30, 2019 and 2018 will be recognized in pension expense during the years ended June 30, 2020 and 2019, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. ***Tax Equivalency Adjustments***

Individual tenants may receive tax equivalency adjustments as a result of filing for assessment reductions with the City. Additionally, residences may receive shelter rent adjustments. The result of these adjustments, if any, cannot be estimated until settlement is made and, accordingly, no provisions can be made.

B. ***Rent***

The Fund occupies, rent free, office space located in a building owned by the City. The fair market value of the rent is not considered material and therefore rent expense has not been recorded for the years ended June 30, 2019 and 2018, respectively.

C. ***Litigation***

The Fund experiences routine litigation and claims incidental to the construction of its projects, the conduct of its affairs and the ownership of its properties. Such litigation is being defended either by insurance companies on behalf of the Fund or other counsel retained by the Fund. As of June 30, 2019, the probable recoveries and the estimated costs and expenses of the defense of such litigation will, in the opinion of the Fund, be entirely within the Fund's applicable insurance policy limits (subject to applicable deductibles) and, accordingly, will not have a material adverse effect on the Fund's operations or financial condition.

At June 30, 2019, the Fund does not anticipate incurring losses in excess of its available insurance coverage.

NOTE 11 – ARBITRAGE REBATE PROGRAM

In accordance with the Internal Revenue Code of 1986, as amended, the Fund is required to pay the United States Treasury certain amounts related to the Fund's tax-exempt bond issues. The estimated amount of non-purpose arbitrage payable represents the excess of amounts earned on "taxable" investments over the interest cost of the tax-exempt borrowing, plus income attributable to the excess. Rebate payments are due 60 days after April 28, 2020 for the 2010A Bonds, 60 days after January 25, 2021 for the 2011A Bonds and 60 days after October 25, 2023 for the 2018A Bonds. At both June 30, 2019 and 2018, the estimated liability for non-purpose interest arbitrage rebate was $0 for each bond series.

NOTE 12 – TAX ABATEMENT

By setting aside at least 20% of its units as affordable, the Fund's tenant at 331 East 91st Street applied for a 421(a) tax abatement, which was approved by the New York City Department of Finance starting in fiscal year 2012. During the years ended June 30, 2019 and 2018, actual taxes for the property would have been $2,186,052 and $2,136,092, respectively, with the 421(a) abatement. In accordance with the lease, the tenant pays tax equivalency to the Fund that is the greater of (a) the minimum payment set forth in the lease schedule, or (b) what the actual taxes would have been with the abatement. During the years ended June 30, 2019 and 2018, total tax equivalency paid for 331 East 91st Street was $3,020,907 and $2,983,437, respectively, which is greater than or equal to the abated amount.

NOTE 13 – DISTRIBUTION TO NEW YORK CITY DEPARTMENT OF EDUCATION

In April 2019, the Fund made a distribution to the New York City Department of Education ("DOE") of $35 million, as requested by the New York City Mayor's Office of Management and Budget and approved by the Fund's Board. New York State Education Law, Section 462(2)(g), authorizes the Fund to make payments to the DOE for school purposes when there exists an excess of funds necessary for debt service on the outstanding bonds of the Fund.

NOTE 14 – RECLASSIFICATIONS

Certain line items in the June 30, 2018 financial statements have been reclassified to conform to the June 30, 2019 financial statement presentation.

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF THE FUND'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30,

New York State and Local Employees' Retirement System

	2019	2018	2017	2016
The Fund's proportion of the net pension liability (asset)	0.00155690%	0.00160740%	0.00165020%	0.00207120%
The Fund's proportionate share of the net pension liability (asset)	$ 110,313	$ 51,877	$ 155,053	$ 332,440
The Fund's covered employee payroll	$ 287,333	$ 277,315	$ 273,033	$ 261,656
The Fund's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	38.39%	18.71%	56.79%	127.05%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.68%

NOTES TO THE SCHEDULE:

(1) This schedule is intended to present the 10 most current fiscal years of data. However, information for fiscal year 2015 and prior years is not available prior to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30,

New York State and Local Retirement System

	2019	2018	2017	2016
The Fund's actuarially determined contribution (2)	$ 52,582	$ 53,039	$ 64,406	$ 88,712
The Fund's contribution in relation to the actuarially determined contribution (3)	52,582	53,039	64,406	88,712
The Fund's contribution deficiency (excess)	$ -	$ -	$ -	$ -
The Fund's covered employee payroll (4)	$ 288,993	$ 277,315	$ 273,033	$ 261,656
The Fund's contribution as a percentage of covered employee payroll	18.19%	19.13%	23.59%	33.90%

NOTES TO THE SCHEDULE:

(1) This schedule is intended to present the 10 most current fiscal years of data. However, information for fiscal year 2015 and prior years is not available prior to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* .

(2) The actuarially determined contribution includes normal costs, adjustments made to record the reconciliation of projected salary to actual salary and other adjustments.

(3) The contributions in relation to the actuarially determined contribution reflects the actual payments made during the fiscal year.

(4) In accordance with GASB Statement No. 82, *Pension Issues* , which was adopted by the Fund in fiscal year 2016, covered payroll is defined as the payroll on which contributions to a pension plan are based. Prior to the issuance of GASB Statement No. 82, the GASB required presentation of covered employee payroll, which is defined as the payroll of employees that are provided with pensions through the pension plan.

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED JUNE 30,

	2019	2018	2017	2016
Total OPEB liability - beginning of year (2)	$ 3,879,030	$ 3,541,815	$ 1,747,963	$ 1,953,942
Changes in total OPEB liability:				
Service cost	77,208	78,627	76,223	92,498
Interest	117,136	113,500	108,370	54,890
Differences between expected and actual experience	(1,824,770)	37,345	2,178,629	20,054
Changes in assumptions (3)	(46,326)	166,200	(509,720)	(311,118)
Benefit payments	(51,363)	(58,457)	(59,650)	(62,303)
Net change in total OPEB liability	(1,728,115)	337,215	1,793,852	(205,979)
Total OPEB liability - end of year (2)	$ 2,150,915	$ 3,879,030	$ 3,541,815	$ 1,747,963
Covered employee payroll (4)	$ -	$ -	$ -	$ 483,451
Total OPEB liability as a percentage of covered employee payroll (4)	-	-	-	362%

NOTES TO THE SCHEDULE:

(1) This schedule is intended to present the 10 most current fiscal years of data. However, information for fiscal year 2015 and prior years is not available prior to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* .

(2) No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

(3) Changes in assumptions were primarily changes in the discount rate. The Fund is required to use a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). Discount rates were as follows for the years ended June 30:

2019	2018	2017	2016
2.79%	2.98%	3.13%	2.71%

(4) As per GASB Statement No. 85 which was adopted by the Fund in fiscal year 2017, the definition of covered payroll is the “payroll on which contributions to the OPEB plan are based.” However, “if contributions to the OPEB plan are not based on a measure of pay, no measure of payroll should be presented.” The Fund funds OPEB benefits on a pay-as-you-go basis and contributions are not based on payroll. Payments are only made to the OPEB plan as benefit payments are made to the retirees (or their spouses or dependents). Therefore, the Fund has omitted the disclosure of covered payroll in the above schedule for fiscal years 2017 and subsequent years.

(5) The Fund funds OPEB benefits on a pay-as-you-go basis and contributions are not actuarially determined. Therefore, the required supplementary information related to actuarially determined contributions for the 10 most current fiscal years is not applicable.