SCA School Construction Authority

New York City School Construction Authority

A Component Unit of The City of New York

Financial Statements (Together with Independent Auditors' Report)

June 30, 2020 and 2019

MARKS PANETH

ACCOUNTANTS & ADVISORS

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

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

JUNE 30, 2020 AND 2019

CONTENTS

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

We have audited the accompanying financial statements of the governmental activities and governmental funds of the New York City School Construction Authority (the "Authority"), a component unit of The City of New York, as of and for the years ended June 30, 2020 and 2019, which collectively comprise the Authority'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 and governmental funds of the New York City School Construction Authority as of June 30, 2020 and 2019, and the respective changes in financial position 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 8, the schedule of changes in total OPEB liability and related ratios on page 33, the schedule of the Authority's proportionate share of the net pension liability on page 34, and the schedule of the Authority's contributions on page 35, 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
October 9, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

The following is a narrative overview and analysis of the financial activities of the New York City School Construction Authority (the "Authority") as of June 30, 2020 and 2019 and for the years then ended. It should be read in conjunction with the Authority's government-wide financial statements, governmental fund financial statements and the notes to the financial statements. The financial statements consist of four parts: (1) management's discussion and analysis (this section); (2) the government-wide financial statements; (3) the governmental fund financial statements; and (4) the notes to the financial statements.

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

The Authority's governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and assets are recognized when measurable and available to finance operations of the current period; expenditures and liabilities are recognized upon receipt of goods and services to the extent that they will be liquidated with expendable available resources.

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

OVERVIEW OF THE ORGANIZATION

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

The Authority's operations are funded by appropriations made by the City. All of the Authority's net position is the property of the City. Appropriations are based on a five-year capital plan.

Resource flows between the Authority and the City and the New York City Department of Education (the "DOE"), have been reported as revenues and expenses/expenditures in the Authority's financial statements. Management believes that this presentation is most useful for the intended users of these financial statements, although this treatment is most often used when presenting the activities of a discretely presented component unit. The presentation of these activities as a net fund transfer was deemed to provide less useful information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

RESULTS OF OPERATIONS

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. The pandemic continues to be a rapidly evolving situation. In light of the pandemic, the Authority "paused" its construction projects in fiscal year 2020 which impacted construction contracts awarded during fiscal year 2020, as well as construction projects in progress. However, the ultimate extent of the impact to the Authority's operations will depend on future developments which are highly uncertain due to the changing business environment, the duration of the pandemic, and unprecedented market volatility. Accordingly, the Authority cannot predict the extent to which its financial condition and results of operations will be affected.

For fiscal year 2020, the Authority awarded construction contracts for 14 new schools and additions with a construction value of $323.2 million and 265 capital improvement or renovation projects with a construction value of $147.4 million. The Authority completed 21 new schools and additions as of September 2020, which created 6,956 seat openings for the 2020/2021 school year.

For fiscal year 2019, the Authority awarded construction contracts for 30 new schools and additions with a construction value of $814.2 million and 544 capital improvement or renovation projects with a construction value of $1,526.7 million. The Authority completed 18 new schools and additions as of September 2019, which created 3,992 seat openings for the 2019/2020 school year.

The following chart summarizes the government-wide financial activities in the statements of activities of the Authority for the years ended June 30, 2020, 2019 and 2018 (amounts are in thousands):

	2020	2019	2018	Changes 2020 vs 2019	Changes 2019 vs 2018
Revenues					
Operating revenues from The City of New York	$ 2,448,242	$ 2,638,659	$ 2,338,908	$ (190,417)	$ 299,751
Operating revenues for DOE payments	340,992	224,717	179,080	116,275	45,637
Total Revenues	2,789,234	2,863,376	2,517,988	(74,142)	345,388
Expenses					
Pollution remediation costs	91,390	85,066	128,670	6,324	(43,604)
Transfer of completed contracts to the DOE	2,132,920	2,811,983	2,364,655	(679,063)	447,328
Pension and OPEB expense - net of payments capitalized	(2,337)	(3,025)	(10,778)	688	7,753
Operating transfers to the DOE	340,992	224,717	179,080	116,275	45,637
Total Expenses	2,562,965	3,118,741	2,661,627	(555,776)	457,114
Other revenues and expenses, net	4,508	6,493	2,280	(1,985)	4,213
Change in net position	230,777	(248,872)	(141,359)	479,649	(107,513)
Net position - beginning of the year	2,013,599	2,262,471	2,403,830	(248,872)	(141,359)
Net position - end of the year	$ 2,244,376	$ 2,013,599	$ 2,262,471	$ 230,777	$ (248,872)

The Authority's revenue consists entirely of capital appropriations made by the City for capital expenditures of the Authority for the fiscal year, including operating and administrative costs. Revenue in fiscal year 2020 was $2,789 million compared to fiscal year 2019 revenue of $2,863 million, a decrease of $74 million. The decrease is primarily driven by a decrease in the Authority's capital projects which have been temporarily paused as a result of the COVID-19 pandemic offset by an increase in DOE technology and equipment projects to enable remote learning.

Revenue in fiscal year 2019 was $2,863 million compared to fiscal year 2018 revenue of $2,518 million, an increase of $345 million. The increase is primarily driven by increased capital projects and technology and equipment enhancements performed by the DOE (refer to Note 8 of the financial statements).

The Authority's expenses in fiscal year 2020 were $2,563 million compared to $3,119 million in fiscal year 2019, a decrease of $556 million relating to a decrease in completed contracts transferred to the DOE.

Costs related to completed contracts transferred to the DOE decreased from $2,812 million in fiscal year 2019 to $2,133 in fiscal year 2020. All projects transferred were determined by the Authority's Construction Management Division to be substantially completed or occupied as of June 30, 2020. This transfer of completed contracts allowed for the capitalization of these contracts as fixed assets by the City in the current fiscal year.

The Authority has classified $91 million as expenses incurred for pollution remediation costs for fiscal year 2020. For fiscal year 2019, the Authority has classified $85 million as expenses incurred for pollution remediation costs (refer to Note 10 of the financial statements).

FINANCIAL HIGHLIGHTS

The following chart summarizes the government-wide financial net position reported in the statements of net position of the Authority as of June 30, 2020, 2019, and 2018 (amounts are in thousands):

	2020	2019	2018	Changes 2020 vs 2019	Changes 2019 vs 2018
Assets					
Cash and short-term investments	$ 197,927	$ 96,216	$ 104,252	$ 101,711	$ (8,036)
Due from The City of New York	455,122	586,512	500,044	(131,390)	86,468
Prepaid expenses and other assets	256,043	345,219	312,326	(89,176)	32,893
Securities held in lieu of cash retainage	10,516	11,141	14,006	(625)	(2,865)
Fixed assets, net	4,950	4,750	4,132	200	618
Construction in progress	2,260,409	1,846,442	2,141,998	413,967	(295,556)
Total Assets	3,184,967	2,890,280	3,076,758	294,687	(186,478)
Liabilities					
Current liabilities	773,915	703,852	639,302	70,063	64,550
Long-term liabilities	153,825	152,161	153,451	1,664	(1,290)
Total Liabilities	927,740	856,013	792,753	71,727	63,260
Deferred outflows of resources	22,456	24,210	13,870	(1,754)	10,340
Deferred inflows of resources	35,307	44,878	35,404	(9,571)	9,474
Net Position - Restricted	$ 2,244,376	$ 2,013,599	$ 2,262,471	$ 230,777	$ (248,872)

The assets of the Authority exceeded its liabilities ("net position") at the close of fiscal year 2020 and 2019 by $2,244 million and $2,014 million, respectively. The Authority's net position primarily represents the investment in capital assets for construction work performed at New York City public schools. These assets are not available for future spending.

Total government-wide assets from fiscal year 2019 to fiscal year 2020 increased by $295 million. The change in total assets in fiscal year 2020 is primarily driven by an increase in construction in progress due to a pause in construction projects offset by a decrease in receivables due from the City. From fiscal year 2018 to fiscal year 2019, total government-wide assets decreased by $186 million. This change in total assets in fiscal year 2019 is primarily due to an increase in completed projects transferred to the DOE offset by an increase in receivables due from the City and the Owner Controlled Insurance Program ("OCIP") collateral.

Cash and short-term investments in fiscal year 2020 increased by $102 million in comparison to fiscal year 2019 and decreased by $8 million in fiscal year 2019 in comparison to fiscal year 2018. The fluctuation in cash and short-term investments in fiscal year 2020 is primarily due to funding received totaling $100 million from the City relating to COVID-19 testing facilities and labs.

During fiscal years 2020 and 2019, the Authority held investments totaling $59 million and $50 million, respectively, in US Treasury securities recorded at fair market value. Investments are purchased in accordance with General Municipal Law Section Eleven.

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

The liabilities of the Authority increased by $72 million from fiscal year 2019 to fiscal year 2020. The increase in liabilities is principally due to funding received in advance for COVID-19 testing facilities and labs, retainage payable and OPEB and pension liabilities increases, offset by overall decrease in construction accruals.

The liabilities of the Authority from fiscal year 2018 to fiscal year 2019 increased by $63 million. The increase in liabilities is principally due to an increase in capital project expenditures.

Overall, the net position in the government-wide financials increased by $231 million from fiscal year 2019 to fiscal year 2020. As previously noted, this increase is attributed to an increase in construction in progress and a decrease in receivables due from the City as a result of the temporary pause to capital projects in fiscal year 2020. The net position in the government-wide financials decreased by $249 million from fiscal year 2018 to fiscal year 2019. The decrease in fiscal year 2019 is primarily due to an increase in completed projects transferred to the DOE.

FUND FINANCIAL STATEMENTS

RESULTS OF OPERATIONS

The following chart summarizes the capital projects fund activities in the statements of revenues, expenditures and changes in fund balance of the Authority for the years ended June 30, 2020, 2019, and 2018 (amounts are in thousands):

	2020	2019	2018	Changes 2020 vs 2019	Changes 2019 vs 2018
Revenues					
Operating revenues from The City of New York	$ 2,448,687	$ 2,637,479	$ 2,330,319	$ (188,792)	$ 307,160
Operating revenues for DOE payments	340,992	224,717	179,080	116,275	45,637
Total Revenues	2,789,679	2,862,196	2,509,399	(72,517)	352,797
Expenditures					
Capital project expenditures	2,545,548	2,513,285	2,087,377	32,263	425,908
Fixed assets	1,985	2,580	2,280	(595)	300
Pollution remediation expenditures	93,619	85,378	100,123	8,241	(14,745)
Operating transfers to the DOE	340,992	224,717	179,080	116,275	45,637
Total Expenditures	2,982,144	2,825,960	2,368,860	156,184	457,100
Other revenues and expenses, net	4,508	6,493	2,280	(1,985)	4,213
Change in fund balance	(187,957)	42,729	142,819	(230,686)	(100,090)
Fund balance - beginning of the year	325,467	282,738	139,919	42,729	142,819
Fund balance - end of the year	$ 137,510	$ 325,467	$ 282,738	$ (187,957)	$ 42,729

Revenue in fiscal year 2020 was $2,790 million compared to fiscal year 2019 of $2,862 million, a decrease of $73 million. Revenue in fiscal year 2019 increased by $353 million, from $2,509 million in fiscal year 2018 to $2,862 million in fiscal year 2019. The fluctuation from 2019 to 2020 is primarily due to a decrease in capital expenditures offset by an increase in DOE technology and equipment expenditure. Refer to revenue discussion in the government-wide financial highlights on page 4 of the Management Discussion and Analysis.

The Authority's expenditures in fiscal year 2020 were $2,982 million compared to $2,826 million in fiscal year 2019, an increase of $156 million. In comparison to fiscal year 2019, the Authority's expenditures increased by $457 million from fiscal year 2018. As noted previously, in fiscal year 2020, there was an increase in the purchase of technology equipment by DOE for remote learning.

FINANCIAL HIGHLIGHTS

The following chart summarizes the capital projects fund balance sheets of the Authority as of June 30, 2020, 2019, and 2018 (amounts are in thousands):

Assets	2020	2019	2018	Changes 2020 vs 2019	Changes 2019 vs 2018
Cash and short-term investments	$ 197,927	$ 96,216	$ 104,252	$ 101,711	$ (8,036)
Due from The City of New York	446,939	576,743	491,456	(129,804)	85,287
Prepaid expenses and other assets	256,043	345,219	312,326	(89,176)	32,893
Securities held in lieu of cash retainage	10,516	11,141	14,006	(625)	(2,865)
Total Assets	911,425	1,029,319	922,040	(117,894)	107,279
Liabilities					
Current Liabilities	773,915	703,852	639,302	70,063	64,550
Total Liabilities	773,915	703,852	639,302	70,063	64,550
Fund balance	$ 137,510	$ 325,467	$ 282,738	$ (187,957)	$ 42,729

The assets of the Authority exceeded its liabilities at the close of fiscal year 2020 and 2019 by $138 million and $325 million, respectively.

Total assets from fiscal year 2019 to fiscal year 2020 decreased by $118 million. The decrease was driven by a decrease in capital projects and unfavorable OCIP claim valuation offset by funds received for COVID-19 testing facilities and labs. From fiscal year 2018 to fiscal year 2019, total assets increased by $107 million pertaining to increase in receivables from the City.

The liabilities of the Authority increased by $70 million from fiscal year 2019 to fiscal year 2020. The liabilities of the Authority from fiscal year 2018 to fiscal year 2019 increased by $65 million. The fluctuation within the liabilities is mainly attributed to funds received in advance for COVID-19 testing facilities and labs, retainage payable and offset by overall decrease in accruals in fiscal year 2020.

The Authority's capital projects fund balance decreased by $188 million from fiscal year 2019 to fiscal year 2020. As noted previously, the fluctuation is primarily due to pause in capital projects and unfavorable OCIP program actuarial claim valuation. The Authority's capital projects fund balance increased by $43 million from fiscal year 2018 to fiscal year 2019. The increase is primarily due to favorable actuarial claim valuations for the OCIP program and funds due from the City.

CONTACTING THE NYC SCHOOL CONSTRUCTION AUTHORITY'S MANAGEMENT

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

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2020 AND 2019 (in thousands)

	2020	2019
ASSETS:		
Cash	$ 138,492	$ 46,420
Short-term investments	59,435	49,796
Due from The City of New York	455,122	586,512
Prepaid expenses	37,356	60,429
Due from the Department of Education	24	1,088
Other assets	218,663	283,702
Securities in lieu of cash retainage	10,516	11,141
Fixed assets, net	4,950	4,750
Construction in progress, asset held for The City of New York	2,260,409	1,846,442
Total assets	3,184,967	2,890,280
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows from pensions and OPEB	22,456	24,210
Total deferred outflows of resources	22,456	24,210
Total assets and deferred outflows	$ 3,207,423	$ 2,914,490
LIABILITIES:		
Accounts payable and accrued expenses	$ 391,198	$ 463,991
Retainage payable	260,114	225,602
Unearned revenue	98,604	-
Pollution remediation payable	88,215	90,444
Pension liability	31,257	27,027
OPEB liability	26,170	24,921
Accrued annual leave obligation	8,696	5,994
Accrued sick leave obligation	5,246	4,499
Accrued claims and contingencies	18,240	13,535
Total liabilities	927,740	856,013
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows from pensions and OPEB	35,307	44,878
Total deferred inflows of resources	35,307	44,878
NET POSITION:		
Total net position - restricted	2,244,376	2,013,599
Total liabilities, deferred inflows of resources and net position	$ 3,207,423	$ 2,914,490

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

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (in thousands)

	2020	2019
REVENUES:		
Operating revenues from or due from The City of New York	$ 2,448,242	$ 2,638,659
Operating revenues for payments made on behalf of the Department of Education	340,992	224,717
Total revenues	2,789,234	2,863,376
EXPENSES:		
Pollution remediation costs	91,390	85,066
Transfer of completed contracts to the Department of Education	2,132,920	2,811,983
Pension expense, net of payments capitalized	(3,353)	(4,189)
OPEB expense, net of payments capitalized	1,016	1,164
Operating transfers on behalf of the Department of Education	340,992	224,717
Total expenses	2,562,965	3,118,741
Net revenues/(expenses)	226,269	(255,365)
Other revenues and expenses, net	4,508	6,493
Net change in net position	230,777	(248,872)
NET POSITION - beginning of year	2,013,599	2,262,471
NET POSITION - end of year	$ 2,244,376	$ 2,013,599

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

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY
GOVERNMENTAL FUND BALANCE SHEETS
AS OF JUNE 30, 2020 AND 2019 (in thousands)

	2020 Capital Projects Fund	2019 Capital Projects Fund
ASSETS:		
Cash	$ 138,492	$ 46,420
Short-term investments	59,435	49,796
Due from The City of New York	446,939	576,743
Prepaid expenses	37,356	60,429
Due from the Department of Education	24	1,088
Other assets	218,663	283,702
Securities in lieu of cash retainage	10,516	11,141
Total assets	$ 911,425	$ 1,029,319
LIABILITIES:		
Accounts payable and accrued expenses	$ 391,198	$ 463,991
Retainage payable	260,114	225,602
Unearned revenue	98,604	-
Accrued annual leave obligation	8,696	5,994
Accrued sick leave obligation	4,470	4,047
Accrued claims and contingencies	10,833	4,218
Total liabilities	773,915	703,852
FUND BALANCE:		
Nonspendable-prepaid expenses and other assets	71,356	91,429
Restricted for capital projects	66,154	234,038
Total fund balance	137,510	325,467
Total liabilities, deferred inflows of resources and fund balance	$ 911,425	$ 1,029,319

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

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY
GOVERNMENTAL FUND STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (in thousands)

	2020 Capital Projects Fund	2019 Capital Projects Fund
REVENUES:		
Operating revenues from or due from The City of New York	$ 2,448,687	$ 2,637,479
Operating revenues for payments made on behalf of the Department of Education	340,992	224,717
Total revenues	2,789,679	2,862,196
EXPENDITURES:		
Capital projects	2,545,548	2,513,285
Fixed assets	1,985	2,580
Pollution remediation cost	93,619	85,378
Operating transfers on behalf of the Department of Education	340,992	224,717
Total expenditures	2,982,144	2,825,960
Net (expenses)/revenues	(192,465)	36,236
Other revenues and expenses, net	4,508	6,493
Net change in fund balance	(187,957)	42,729
FUND BALANCE - beginning of year	325,467	282,738
FUND BALANCE - end of year	$ 137,510	$ 325,467

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

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY
RECONCILIATIONS OF THE GOVERNMENTAL FUND BALANCE SHEETS TO THE STATEMENTS OF NET POSITION
AS OF JUNE 30, 2020 AND 2019
(in thousands)

	2020	2019
Total fund balance - governmental funds	$ 137,510	$ 325,467
Amounts reported for governmental activities in the statements of net position are different because:		
Construction in progress assets are not financial resources and therefore are not reported in the funds	2,260,409	1,846,442
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	4,950	4,750
Other long-term assets which will be used to pay for future liabilities and accordingly are not reported in the funds	8,182	9,769
Deferred outflows/inflows of resources relating to the net pension and OPEB liabilities are not financial resources and therefore are not reported in the funds	(12,851)	(20,668)
Long-term liabilities not due and payable in the current period and accordingly are not reported in the funds. Those liabilities consist of:		
OPEB liability	(26,170)	(24,921)
Pollution remediation payable	(88,215)	(90,444)
Pension liability	(31,257)	(27,027)
Sick leave obligation	(775)	(452)
Contingent and other liabilities	(7,407)	(9,317)
Net position of governmental activities	$ 2,244,376	$ 2,013,599

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

NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY
RECONCILIATIONS OF THE GOVERNMENTAL FUND STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (in thousands)

	2020	2019
Net change in fund balance - governmental funds	$ (187,957)	$ 42,729
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds financial statements report capital outlays for costs incurred for construction projects as expenditures. However, in the government-wide financial statements, the cost of these assets are capitalized and expensed when transferred to the City.	426,448	(281,516)
Governmental funds financial statements report capital outlays as expenditures. However, in the statement of activities, the cost is allocated over the estimated useful lives and reported as depreciation expense.	1,985	2,580
Governmental funds financial statements report pollution remediation expenditures upon receipt of goods and services. However in government-wide financial statements expenses are incurred when expected outlays is reasonably estimable.	2,230	311
Net pension expense	(10,913)	(11,811)
Net OPEB expense	(1,016)	(1,165)
Change in net position - governmental activities	$ 230,777	$ (248,872)

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

1. ORGANIZATION

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

The Authority's operations are funded by appropriations made by the City. All the Authority's net position is the property of the City. Appropriations are based on a five-year capital plan. The City's appropriation for the five-year capital plan for the fiscal years 2020 through 2024 is $17.6 billion and for fiscal years 2015 through 2019 was $16.6 billion.

The Authority also carries out certain projects funded through the City Council and Borough Presidents, pursuant to the City Charter. Appropriations of $240,037 and $230,019 were made in fiscal 2020 and 2019, respectively, by the City Council and Borough Presidents for this purpose.

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

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Authority's business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, the Authority is currently unable to fully determine the extent of COVID-19's impact in future periods. The Authority's performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. The Authority continues to monitor evolving economic and general business conditions and the actual and potential impacts on its financial position and results.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

The governmental fund financial statements of the Authority are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available to finance operations of the current period; expenditures and liabilities are recognized upon receipt of goods and services to the extent that they will be liquidated with expendable available resources. Based upon the nature of the operations of the Authority, only a capital projects fund is reported, as all transactions relate to expenditures and resources obtained for the acquisition, construction or improvement of capital facilities.

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

Resource flows between the Authority and DOE are reported as revenues and expenses/expenditures in the financial statements. Management believes that this presentation is most useful for the intended users of these financial statements, although this treatment is most often used when presenting the activities of a discrete component unit. The presentation of these activities as a net fund transfer was deemed to provide less useful information.

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

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

Fixed Assets
Fixed assets used by the Authority are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets applying the half-year convention. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related life of the lease. Upon the disposition of fixed assets, the cost of the asset disposed, and the related accumulated depreciation are removed from the accounts, with any resulting gain or loss included in the statement of activities for the period. Fixed assets and leasehold improvements are accounted for and reported in the government-wide financial statements. Refer to Note 6.

Construction in Progress
Construction in progress is stated at cost and includes such costs as site acquisition, wrap-up insurance, initial outfitting construction contract costs, construction management fees, architecture and engineering fees, and administrative costs of the Authority. These assets are transferred to the DOE upon substantial completion of capacity construction projects or upon incurrence of the cost of capital improvement or renovation construction projects. Refer to Note 7.

Pollution Remediation Obligations
Expenditures for pollution remediation costs are recorded in the fund financial statements in the period in which such expenditures are paid from current financial resources. Pollution remediation obligations which are payable in future subsequent years are recorded as a liability in the government-wide financial statements. Refer to Note 10.

Super-storm Sandy Expenditures
The Authority incurred expenditures of $22,806 and $38,353 in fiscal years 2020 and 2019 related to the restoration of New York City public schools damaged during Super-storm Sandy. The Federal

Emergency Management Agency ("FEMA") has reimbursed, for Super-storm Sandy damages, approximately $434 million and $348 million as of June 30, 2020 and 2019, respectively.

Pensions and Other Postemployment Benefits
The Authority provides defined benefit pension plans ("pension") and other postemployment benefit ("OPEB") plans to substantially all its employees and eligible retirees. Pension and OPEB plans are actuarially evaluated, involving various assumptions. A liability is recognized for the net pension or OPEB liability, measured as the portion of the actuarial present value of projected benefit payments attributed to past periods of employee service, net of the plan's fiduciary net position. A pension or OPEB expense is recognized for the change in net pension or OPEB liability. Changes in assumption or experience that are not recognized in expense are reported as deferred outflows of resources or deferred inflows of resources. For pension plans, the pension liability, expense, deferred outflow of resources and deferred inflow of resources are recognized by the Authority for its proportionate share of the collective pension amounts within the plan, measured based on each employer's contribution to the total contributions to the plans. Refer to Note 11.

Short-term Investments
The Authority invests in obligations in accordance with Section 11 of the General Municipal Law.

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

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

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

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

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

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

Annual and Sick Leave
The Authority's full-time employees are entitled to annual and sick leave benefits. Annual leave is limited to one year's worth of accrued benefits with any excess at the end of the calendar year paid out to the employees. Sick leave is eligible for payout upon separation to employees with at least ten years of service.

Annual and sick leave earned are recorded as an expenditure in the governmental fund financial statements when it is payable from current financial resources. The estimated value of vacation and sick leave earned by employees, which may be used in subsequent years or paid upon separation, is recorded as a liability in the government-wide financial statements.

Unearned Revenue
During the year ended June 30, 2020, the Authority received $100 million from the City for COVID-19 projects. The Authority recognizes this funding as revenue upon incurrence of eligible project costs. Total costs for the year ended June 30, 2020 amounted to $1,396, which is recognized within other revenues and expenses, net in the accompanying statements of activities as well as in the accompanying governmental fund statements of revenues, expenditures and changes in fund balance. Funds received in advance of incurring eligible project costs were recognized as unearned revenue of $98,604 in the accompanying statements of net position and in the accompanying governmental fund balance sheets.

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Significant assumptions and estimates relate to the determination of accrued expenses, pensions, OPEB, insurance, and pollution remediation obligations. Actual results could differ from those estimates.

Reclassifications
Certain line items in the 2019 financial statements have been reclassified to conform to the 2020 financial statement presentation.

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

- In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (“GASB 84”). The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB 84 are effective for fiscal years beginning after December 15, 2018. The adoption of GASB 84 did not have an impact on the Authority’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. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. GASB 87 is effective for reporting periods beginning after June 15, 2021. The Authority has not completed the process of evaluating GASB 87 but does not expect it to have a significant impact on the Authority’s financial statements.

- GASB Statement No. 91, *Conduit Debt Obligations* (“GASB 91”) is effective for reporting periods beginning after December 15, 2020. Conduit debt obligations are the debt instruments issued by state and local governments to provide financing for a third party, which is primarily liable for repaying the debt instrument. GASB 91 updates Interpretation No. 2 “Disclosure of Conduit Debt Obligations”, which allowed for variations with the option for government issuers to either recognize conduit debt obligations as their own debt or to disclose them. GASB 91 addresses variation in practice by clarifying exactly what a conduit debt obligation is and eliminating the option for government issuers to recognize conduit debt obligations, thereby providing a single method of reporting. GASB 91 is not expected to have an impact on the Authority's financial statements.

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

- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* ("GASB 93"). GASB 93 addresses those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate ("IBOR") – most notably, the London Interbank Offered Rate ("LIBOR") resulting from global reference rate reform. LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements for GASB 93 are effective for reporting periods beginning after June 15, 2020. GASB 93 is not expected to have an impact on the Authority's financial statements.

- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* ("GASB 94"). GASB 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements ("PPPs"). The requirements for GASB 94 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. GASB 94 is not expected to have an impact on the Authority's financial statements.

- In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* ("GASB 95"). GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users (governments). The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Authority has not completed the process of evaluating GASB 96 but does not expect it to have a significant impact on the Authority's financial statements.

- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* ("GASB 97"). The objectives of GASB 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Authority has not completed the process of evaluating GASB 97 but does not expect it to have an impact on the Authority's financial statements.

AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (amounts in thousands, except as noted)

3. CASH

The Authority maintains cash accounts with a bank which are covered by Federal Deposit Insurance Corporation ("FDIC") insurance up to the maximum allowed by law. At June 30, 2020 and 2019, uninsured cash balances totaled $268,356 and $47,912, respectively. Cash accounts are secured through collateral invested by JP Morgan Chase in Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and U.S. Treasury Bond/Notes. All securities held by the custodian as collateral are registered and are held in the Authority's name.

Additionally, the Authority maintains a zero-balance checking account, which is funded by the City. As checks are presented at the bank, funds are transferred from the City into the zero-balance account. Negative book balances, representing checks issued but not yet presented for payment, have been classified as accounts payable in the accompanying financial statements and the aggregated amounts are $126,782 and $27,342 as of June 30, 2020 and 2019, respectively.

4. SHORT-TERM INVESTMENTS

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

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
U.S. Treasury Bills	$ -	$ -	$ 34,379	$ 34,825
U.S. Treasury Notes	58,792	59,435	14,817	14,971
Total U.S. Treasury Securities	$ 58,792	$ 59,435	$ 49,196	$ 49,796

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

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

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

5. SECURITIES IN LIEU OF CASH RETAINAGE AND RETAINAGE PAYABLE

Securities in Lieu of Cash Retainage – The Authority permits contractors to substitute marketable securities in lieu of cash retainage. Permitted securities include (a) bonds or notes of the State of New York or the United States of America; or (b) bonds of any political subdivision in the State of New York, with a par and market value at least equal to the contract cash retainage amount requested for withdrawal. These securities in lieu of cash retainage are maintained by a custodian on behalf of, and in the name of the Authority and are recorded by the Authority at an amount equal to the requested cash retainage withdrawal amount. A corresponding offset is recorded within the retainage payable account. Total securities in lieu of cash retainage totaled $10,516 and $11,141 as of June 30, 2020 and 2019, respectively. The fair value of these securities was $12,044 and $12,918 as of June 30, 2020 and 2019, respectively.

AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (amounts in thousands, except as noted)

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

Retainage payable consisted of the following as of June 30:

	2020	2019
Securities retainage payable	$ 10,516	$ 11,141
Cash retainage withheld	249,598	214,461
Total retainage payable	$ 260,114	$ 225,602

6. FIXED ASSETS

The changes in fixed assets used by the Authority for the year ended June 30, 2020 were as follows:

Asset Category	Estimated Useful Lives	Fixed Assets 6/30/2019	Additions	Dispositions	Fixed Assets 6/30/2020
Computer Hardware/Equipment	3	$ 23,236	$ 467	$ (15,321)	$ 8,382
Computer Software	3	8,932	606	-	9,538
Leasehold Improvements	12	11,964	-	-	11,964
Furniture & Fixtures	5-7	5,184	-	-	5,184
Automobiles	5	4,469	799	(50)	5,218
Office Equipment	3-5	3,349	113	(1,923)	1,539
Total Cost		57,134	1,985	(17,294)	41,825
Less:					
Accumulated Depreciation and amortization		(52,384)	(1,758)	17,267	(36,875)
Fixed Assets, net		$ 4,750	$ 227	$ (27)	$ 4,950

AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (amounts in thousands, except as noted)

The changes in fixed assets used by the Authority for the year ended June 30, 2019 were as follows:

Asset Category	Estimated Useful Lives	Fixed Assets 6/30/2018	Additions	Dispositions	Fixed Assets 6/30/2019
Computer Hardware/Equipment	3	$ 22,629	$ 607	$ -	$ 23,236
Computer Software	3	8,814	118	-	8,932
Leasehold Improvements	12	10,829	1,135	-	11,964
Furniture & Fixtures	5-7	5,184	-	-	5,184
Automobiles	5	6,915	561	(3,007)	4,469
Office Equipment	3-5	3,190	159	-	3,349
Total Cost		57,561	2,580	(3,007)	57,134
Less:					
Accumulated Depreciation and amortization		(53,429)	(1,953)	2,998	(52,384)
Fixed Assets, net		$ 4,132	$ 627	$ (9)	$ 4,750

Depreciation totaled $1,758 and $1,953 for fiscal 2020 and 2019, respectively.

7. CONSTRUCTION IN PROGRESS

Expenses for construction in progress for fiscal 2020 and 2019 included:

	2020	2019
Outside construction costs	$2,352,580	$2,330,980
Authority payroll and related fringe benefits	143,016	130,295
Authority general and administrative costs	51,291	55,152
Total Expenses	2,546,887	2,516,427
Construction in progress - beginning of year	1,846,442	2,141,998
Total before transfer to DoE during the year	4,393,329	4,658,425
Costs transferred to the DoE during the year	(2,132,920)	(2,811,983)
Construction in progress - end of year	$2,260,409	$1,846,442

The Authority transferred to the DOE costs associated with construction and administrative costs totaling $2,132,920 and $2,811,983 for fiscal 2020 and 2019, respectively. The DOE capitalized $145,304 and $857,838 during fiscal years 2020 and 2019, respectively, for work performed by the Division of Infrastructure and Information Technology and Capital Task Force, components of the DOE. This resulted in the DOE additions to fixed assets for fiscal 2020 and 2019 of $2,278,224 and $3,669,821, respectively.

8. TRANSACTIONS WITH THE DEPARTMENT OF EDUCATION AND OPERATING TRANSFERS

In addition to construction and renovation of school facilities, the Authority makes payments for certain asset purchases made by the DOE. The title for such purchases is transferred directly to the DOE. For the years ended June 30, 2020 and 2019, pass-through purchases totaled $249,939 and $138,490, respectively, and have been included in operating transfers on behalf of the DOE in the accompanying statements of activities and governmental fund statements of revenues, expenditures and changes in fund balances. Included in these amounts are expenditures for technology enhancements, leasehold alterations and reconstruction.

AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (amounts in thousands, except as noted)

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

	2020	2019
Skilled trades, minor capital projects	$ 83,500	$ 78,089
Lead Paint Abatement	2,500	2,500
DoE Admin Staff	5,053	5,638
	$ 91,053	$ 86,227

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

9. COMMITMENTS AND CONTINGENCIES

Rent

The Authority executed a lease modification agreement effective October 2011 for office space. This lease agreement expires in 2021 with an option for an extension through September 30, 2026. Rental expense totaled $6,978 and $6,950 in fiscal 2020 and 2019, respectively.

The following is a schedule of future minimum rental payments required under operating leases having initial or remaining non-cancelable lease terms in excess of one year:

Years ending June 30,	Amount
2021	$ 6,539
2022	1,634
	$ 8,173

Purchase Commitments

Purchase orders, contracts and other commitments at June 30, 2020 and 2019 totaled $3,810 million and $5,297 million, respectively, and represent the difference between the value of construction-related contracts and the amount incurred through the end of the year.

Insurance

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

The Authority entered into a contract with Liberty Mutual on January 1, 2003 to provide GL and WC insurance coverage for the OCIP. The insurance policies covered from January 1, 2003 through December 31, 2004. This policy coverage was in the form of a large deductible program for GL and a retrospectively rated program for WC. In fiscal year 2019, based on the insurance contract’s terms and conditions and an actuarial assessment of OCIP loss activity, the Authority recorded an estimated payable of $466 as of June 30, 2019 for the policy years 2003 through 2004. There was no liability as of June 30, 2020 for the policy years 2003 through 2004.

The Authority's OCIP program insurance contract for the coverage period from January 1, 2014 through December 31, 2019 was provided by ACE Insurance Company ("ACE"). The policy was extended through March 31, 2020 and renewed with ACE for the program coverage period from April 1, 2020 through March 31, 2023. The annual insurance premium for the program, including the extension of the policy, was $171 million and $111 million for 2020 and 2019, respectively. The Authority recorded a net estimated receivable of $169,785 and $239,692 as of June 30, 2020 and 2019, respectively, based on the actuarial assessment of OCIP loss activity for the respective periods. The estimated net receivable is comprised of receivables of $179,785 and $247,892 for fiscal 2020 and 2019, respectively, which are included in other assets, and liabilities of $10,000 and $8,200 for fiscal 2020 and 2019, respectively, which are included in accounts payable and accrued expenses.

Legal
In the normal course of its operations, the Authority has received notices of claims alleging amounts due related to contracts, financial loss, including loss through condemnation, and personal injuries sustained by individuals. After giving effect to available insurance coverage related to such claims, an accrued liability is recorded in the government-wide financial statements. The Authority, with the assistance of the City's Corporation Counsel, has estimated and recorded a liability of $18,240 and $13,535 at June 30, 2020 and 2019, respectively.

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

10. POLLUTION REMEDIATION OBLIGATIONS

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

For the fiscal years 2020 and 2019 the Authority has classified $91,390 and $85,066, respectively, as expenses incurred and $88,215 and $90,444, respectively, as liabilities for known PROs. The PRO liability is based on the current value of outlays expected to be incurred and currently obligated to perform. Actual future outlays will differ from the estimated amounts due to such factors as changes in scope of work or techniques for remediation measures and/or when additional information about existing pollution conditions becomes known. The Authority does not anticipate recovering any of these costs from other parties or agencies.

11. PENSION PLANS, DEFERRED COMPENSATION PLAN AND OTHER POST-EMPLOYMENT BENEFITS

Pension Plans

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

AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (amounts in thousands, except as noted)

Contributions to the pension plans are made by the Authority and the employees. Contributions paid or accrued by the Authority under these plans totaled $14,266 and $16,033 for fiscal years 2020 and 2019, respectively. The Authority's contributions are actuarially determined at rates that are designed to accumulate sufficient assets to pay benefits when due. Member contributions are determined by law and vary by plan. The retirement plans provide pension benefits to retired employees based on salary and length of service. In addition, the pension systems may provide for cost-of-living and other supplemental benefits to qualified retirees and beneficiaries. In the event of disability during employment, participants are entitled to retirement allowances based on satisfaction of certain service requirements and other provisions. The plans also provide death benefits.

The Authority's share of the pension liability of the BERS Plan represented 4.5 percent of the total net pension liability as of June 30, 2020 and 2019. The Authority has recorded a net pension liability of $12.6 million and $11.9 million as of June 30, 2020 and 2019, respectively.

The Authority's share of the pension liability of the NYCERS Plan represented less than one percent of the total net pension liability as of June 30, 2020 and 2019. The Authority has recorded a net pension liability of $18.6 million and $15.1 million as of June 30, 2020 and 2019, respectively.

For fiscal year 2020, the results of the collective net pension liability are based upon an actuarial valuation date of June 30, 2019 and a measurement date of June 30, 2020. Updated procedures were used to roll forward the total pension liability to the measurement date.

The post-retirement mortality rates were based on the tables adopted by The City of New York Office of the Actuary and each plan's Board of Trustees during fiscal year 2019 based primarily on the experience review of each system and the application of Mortality Improved Scale MP-2018 published by the Society of the Actuaries in October 2018. The probabilities of mortality for retirees differ depending upon whether they are receiving service retirement benefits or disability retirement benefits.

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

Actuarial assumptions used in determining employer contributions were as follows:

Rate of return on investments	7.0% per annum, net of investment expenses.
Salary increases	In general, merit and promotion increase plus assumed General Wage Increases of 3.0% per annum.
COLAs	1.5% per annum for Tier I, Tier II, Tier IV and certain Tier III and Tier VI retirees. 2.5% per annum for certain Tier III and Tier VI retirees.

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

Bolton Partners, Inc. is currently retained to review the actuarial assumptions for fiscal years 2014 through 2017.

AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (amounts in thousands, except as noted)

Expected Rate of Return on Investments

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class included in Plan's target asset allocation as of the June 30, 2019 actuarial valuation are summarized in the following table:

BERS	BERS		NYCERS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Public Markets:				
U.S. Public Market Equities	31.00%	6.60%	27.00%	7.60%
Developed Public Market Equities	10.00%	7.20%	12.00%	7.70%
Emerging Public Market Equities	6.00%	9.10%	5.00%	10.60%
Fixed Income	27.00%	1.60%	30.50%	3.10%
Private Markets (Alternative Investments):				
Private Equity	9.00%	10.40%	8.00%	11.20%
Private Real Estate	8.00%	4.80%	7.50%	7.00%
Infrastructure	4.00%	6.00%	4.00%	6.80%
Opportunistic Fixed Income	5.00%	7.30%	6.00%	6.50%
Total	**100.00%**		**100.00%**	

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2020 and June 30, 2019, respectively, was 7.0% percent per annum. The projection of cash flows used to determine the discount rate assumed that each participating employer would contribute the actuarially determined contributions each year. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following presents the net pension liability of each plan, calculated as of the measurement date of June 30, 2020, using the discount rate of 7.0% per annum (the "Current Rate").

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

AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (amounts in thousands, except as noted)

SENSITIVITY ANALYSIS
NET PENSION LIABILITY AS OF JUNE 30, 2020

	1% Decrease (6%)	Current Rate (7%)	1% Increase (8%)
NYCERS	$ 27,864	$ 18,638	$ 10,852
BERS	42,880	12,619	(12,809)
Total	$ 70,744	$ 31,257	$ (1,957)

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

For the years ended June 30, 2020 and 2019, the Authority recognized net pension expense as follows:

	BERS		NYCERS	
	2020	**2019**	**2020**	**2019**
Pension Expense	$ 7,880	$ 6,497	$ 3,783	$ 4,021
Contributions, Capitalized	(11,720)	(11,689)	(3,296)	(3,018)
Net Pension Expense	$ (3,840)	$ (5,192)	$ 487	$ 1,003

At June 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	BERS		NYCERS	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
2019				
Differences between expected and actual experience	$ 5,845	$ 4,696	$ 1,266	$ 1,051
Net difference between projected and actual earnings on pension plan investments	-	20,288	-	939
Change of assumptions	-	11,331	10	635
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,812	1,239	5,132	(243)
Total 2019	**$ 13,657**	**$ 37,554**	**$ 6,408**	**$ 2,382**
2020				
Differences between expected and actual experience	$ 4,791	$ 5,372	$ 1,877	$ 841
Net difference between projected and actual earnings on pension plan investments	-	13,873	885	-
Change of assumptions	-	9,479	8	552
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,467	859	5,622	(40)
Total 2020	**$ 10,258**	**$ 29,583**	**$ 8,392**	**$ 1,353**

AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (amounts in thousands, except as noted)

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

The net number of deferred outflows of resources and deferred inflows of resources reported as of June 30, 2020 that will be recognized in pension expense is as follows:

Years ending June 30,	BERS	NYCERS
2021	$ (9,632)	$ (1,394)
2022	(5,157)	1,506
2023	(2,998)	2,416
2024	(1,432)	3,606
2025	(106)	851
Thereafter	-	54

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

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

Deferred Compensation Plan

The employees of the Authority are eligible to participate in a deferred compensation plan administered by the City, in accordance with Internal Revenue Code Section 457 (the “Plan”). The Plan is available to all Authority employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable hardship.

Other Post-Employment Benefits

General Information about the OPEB Plan

Plan Description – The Authority provides certain health and related benefits to eligible retirees of the Authority, which are known as other postemployment benefits (“OPEB”). OPEB is provided under the New York City Health Benefit Program (“Program”), which is a single employer defined benefit healthcare plan administered by New York City Office of Labor Relations (“OLR”). No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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

Employees Covered by Benefit Terms – As of the June 30, 2019 actuarial valuation date, the following employees were covered by the benefit terms:

AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (amounts in thousands, except as noted)

Inactive employees or beneficiaries currently receiving benefit payments	324
Inactive employees entitled to but not yet receiving benefit payments	35
Active employees	771
Total	1,130

Total OPEB Liability

The Authority's total OPEB liability of $26,170 was measured as of June 30, 2020, with an actuarial valuation date as of June 30, 2019. Updated procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs – Significant actuarial assumptions and other inputs used in determining the total OPEB liability as of June 30, 2020 were as follows:

Inflation	2.50%
Salary increases	3.00%, including inflation
Healthcare cost trend rate	3.5% for 2020 and later
Discount rate	2.66%

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

Mortality rates are based on the Bolton Experience study and reflects the application of the Mortality Improvement Scale MP-2018 published by the Society of Actuaries in October 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability	
	2020	**2019**
Balance at June 30,	$ 24,921	$ 23,841
Changes for the year:		
Service cost	1,358	1,363
Interest	723	742
Differences between expected and actual experience	(572)	2,836
Changes in assumptions	489	(3,224)
Benefit payments	(749)	(637)
Net changes	1,249	1,080
Balance at June 30,	$ 26,170	$ 24,921

Changes of assumptions and other inputs reflect a change in discount rate from 2.79 percent in 2019 to 2.66 percent in 2020 and the repeal of the Cadillac tax.

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

AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (amounts in thousands, except as noted)

	1% Decrease	Discount Rate	1% Increase
Total OPEB Liabiilty	$ 30,400	$ 26,170	$ 22,709

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liabiilty	$ 21,967	$ 26,170	$ 31,652

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

For the years ended June 30, 2020 and 2019, the Authority recognized net OPEB expense of $1,016 and $1,164, respectively, as follows:

	2020	2019
OPEB Expense	$ 1,765	$ 1,801
Contributions, Capitalized	(749)	(637)
Net OPEB Expense	$ 1,016	$ 1,164

At June 30, 2020, the Authority reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 3,112	$ 786
Changes of assumptions	694	3,584
Total	$ 3,806	$ 4,370

At June 30, 2019, the Authority reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 3,795	$ 417
Changes of assumptions	350	4,525
Total	$ 4,145	$ 4,942

AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019 (amounts in thousands, except as noted)

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

Fiscal Year Ended June 30:		Amount
2021	$	(315)
2022		(312)
2023		60
2024		104
2025		(63)
Thereafter		(38)

REQUIRED SUPPLEMENTARY INFORMATION

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

	2020	2019	2018	2017	2016
Total OPEB Liability					
Service Cost	$ 1,358	$ 1,363	$ 1,226	$ 1,050	$ 1,282
Interest Cost	723	742	716	615	611
Changes of Assumptions	489	(3,224)	508	(3,259)	-
Differences between Expected and Actual Experience	(572)	2,836	1,943	(762)	(32)
Benefit Payments	(749)	(637)	(567)	(549)	(477)
Net Change in Total OPEB Liability	1,249	1,080	3,826	(2,905)	1,384
Total OPEB Liability - Beginning	24,921	23,841	20,015	22,920	21,536
Total OPEB Liability - Ending	$26,170	$24,921	$23,841	$20,015	$22,920
Covered Employee Payroll	$85,313	$80,059	$73,177	$68,027	$60,766
Net OPEB Liability as a Percentage of Covered Employee Payroll	30.7%	31.1%	32.6%	29.4%	37.7%

Notes to Schedule:

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

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

Changes of assumptions

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

Fiscal Year	Percentage
2020	2.66%
2019	2.79%
2018	2.98%
2017	3.13%
2016	2.71%

The Authority funds OPEB benefits on a pay-as-you-go basis and contributions are not actuarially determined. Therefore, the required supplementary information for actuarially determined contributions as a percentage of covered payroll for the 10 most current fiscal years is not applicable.

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

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

For the Fiscal Year Ended	2020	2019	2018	2017	2016	2015	2014	2013	2012
The Authority's proportion of the net pension liability	5%	4%	4%	5%	3%	4%	4%	4%	4%
The Authority's proportionate share of the net pension liability (assets)	$ 12,619	$ 11,889	$ 21,429	$ 45,616	$ 44,002	$ 43,135	$ 36,523	$ 53,003	$ 58,518
The Authority's covered payroll	$ 79,382	$ 72,835	$ 68,351	$ 65,124	$ 58,500	$ 34,406	$ 40,673	$ 40,063	$ 49,318
The Authority's proportionate share of the net pension liability (asset) as a percentage of covered payroll	15.90%	16.32%	31.35%	70.04%	75.22%	125.37%	89.80%	132.30%	118.65%
Plan fiduciary net position as a percentage of the total pension liability	94.92%	94.79%	90.31%	80.80%	71.17%	75.77%	78.34%	66.85%	41.61%

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

For the Fiscal Year Ended	2020	2019	2018	2017	2016	2015	2014	2013	2012
The Authority's proportion of the net pension liability	0.088%	0.082%	0.050%	0.040%	0.055%	0.047%	0.048%	0.048%	0.048%
The Authority's proportionate share of the net pension liability (assets)	$ 18,638	$ 15,138	$ 8,835	$ 8,317	$ 13,363	$ 9,582	$ 8,649	$ 11,075	$ 11,997
The Authority's covered payroll	$ 9,011	$ 8,352	$ 7,822	$ 7,104	$ 6,871	$ 6,705	$ 6,657	$ 6,939	$ 6,657
The Authority's proportionate share of the net pension liability (asset) as a percentage of covered payroll	206.84%	181.25%	112.95%	117.07%	194.48%	142.91%	129.92%	159.61%	180.22%
Plan fiduciary net position as a percentage of the total pension liability	76.93%	78.83%	78.79%	74.80%	69.57%	73.39%	75.32%	67.18%	63.08%

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

Schedule of Employers Contributions (in thousands) for BERS

Fiscal Year Ended June 30	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution	$11,720	$11,689	$ 13,619	$13,502	$ 8,440	$ 8,803	$ 8,645	$7,850	$8,546	$7,208
Contribution in relation to the Actuarially Determined Contribution	$10,970	$12,985	$ 13,194	$13,836	$ 8,440	$ 8,803	$ 8,645	$7,850	$8,546	$7,208
Contribution Deficiency (Excess)	$ 750	$ (1,296)	$425	$ (334)	$ -	$ -	$ -	$ -	$ -	$ -
Contribution as a percentage of Covered Payroll	14.76%	16.05%	19.93%	20.73%	14.43%	25.59%	21.25%	19.59%	17.33%	20.46%

Schedule of Employers Contributions (in thousands) for NYCERS

Fiscal Year Ended June 30	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution	$3,296	$3,018	$1,682	$ 1,321	$1,851	$1,675	$1,504	$1,462	$1,448	$1,146
Contribution in relation to the Actuarially Determined Contribution	$3,296	$3,018	$1,682	$ 1,321	$1,851	$1,675	$1,504	$1,462	$1,448	$1,146
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contribution as a percentage of Covered Payroll	36.58%	36.14%	21.50%	18.60%	26.94%	24.98%	22.59%	21.07%	21.75%	19.99%