



**New York City School  
Construction Authority**

**A Component Unit of The City of New York**

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

**June 30, 2021 and 2020**

**M A R K S P A N E T H**

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, 2021 AND 2020**

**CONTENTS**

	<b><u>Page</u></b>
Independent Auditors' Report .....	1-2
Management's Discussion and Analysis (Unaudited) .....	3-8
<b>Basic Financial Statements as of and for the Years Ended June 30, 2021 and 2020:</b>	
<b>Government-wide Financial Statements:</b>	
Statements of Net Position .....	9
Statements of Activities .....	10
<b>Governmental Fund Financial Statements:</b>	
Governmental Fund Balance Sheets .....	11
Governmental Fund Statements of Revenues, Expenditures and Changes in Fund Balance .....	12
Reconciliations of the Governmental Fund Balance Sheets to the Statements of Net Position.....	13
Reconciliations of the Governmental Fund Statements of Revenues, Expenditures and Changes in Fund Balance to the Statements of Activities .....	14
<b>Notes to Financial Statements</b> .....	15-30
<b>Required Supplementary Information (Unaudited):</b>	
Schedule of Changes in Total OPEB Liability and Related Ratios .....	32
Schedule of the Authority's Proportionate Share of the Net Pension Liability .....	33
Schedule of the Authority's Contributions .....	34

## 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, 2021 and 2020, 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, 2021 and 2020, 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 32, the schedule of the Authority's proportionate share of the net pension liability on page 33, and the schedule of the Authority's contributions on page 34 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 13, 2021

# **New York City School Construction Authority**

## **Management's Discussion and Analysis**

### **As of and for the Years Ended June 30, 2021 and 2020 (Unaudited)**

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#### **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, 2021 and 2020 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, which include the governmental fund balance sheets and governmental fund statements of revenues, expenditures and changes in fund balances, 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 fund financial statements.

#### **OVERVIEW OF THE ORGANIZATION**

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

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

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

# New York City School Construction Authority

## Management's Discussion and Analysis

### As of and for the Years Ended June 30, 2021 and 2020 (Unaudited)

#### 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. In light of the pandemic, the Authority "paused" its construction projects in fiscal year 2020 which impacted construction contracts awarded during fiscal year 2020 and halted construction projects that were in progress. Approximately 660 projects were placed on pause in fiscal year 2020. Working in conjunction with the City, the Authority was authorized to restart all projects by the end of January 2021. As a result of the pause, the Authority incurred change orders to the construction cost of the projects. For fiscal year 2021, the Authority obligated \$15.8 million in such change orders. Additional change orders are still in the process of being negotiated.

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

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.

The following chart summarizes the government-wide financial activities in the statements of activities of the Authority for the years ended June 30, 2021, 2020 and 2019 (amounts are in thousands):

	2021	2020	2019	Changes 2021 vs 2020	Changes 2020 vs 2019
<b>Revenues</b>					
Operating revenues from The City of New York	\$ 2,289,371	\$ 2,448,242	\$ 2,638,659	\$ (158,871)	\$ (190,417)
Operating revenues for DOE payments	207,582	340,992	224,717	(133,410)	116,275
<b>Total Revenues</b>	<b>2,496,953</b>	<b>2,789,234</b>	<b>2,863,376</b>	<b>(292,281)</b>	<b>(74,142)</b>
<b>Expenses</b>					
Pollution remediation costs	45,338	91,390	85,066	(46,052)	6,324
Transfer of completed contracts to the DOE	1,932,454	2,132,920	2,811,983	(200,466)	(679,063)
Pension and OPEB expense - net of payments capitalized	(27,596)	(2,337)	(3,025)	(25,259)	688
Operating transfers to the DOE	207,582	340,992	224,717	(133,410)	116,275
<b>Total Expenses</b>	<b>2,157,778</b>	<b>2,562,965</b>	<b>3,118,741</b>	<b>(405,187)</b>	<b>(555,776)</b>
Other revenues and expenses, net	(52,699)	4,508	6,493	(57,207)	(1,985)
<b>Change in net position</b>	<b>286,476</b>	<b>230,777</b>	<b>(248,872)</b>	<b>55,699</b>	<b>479,649</b>
<b>Net position - beginning of the year</b>	<b>2,244,376</b>	<b>2,013,599</b>	<b>2,262,471</b>	<b>230,777</b>	<b>(248,872)</b>
<b>Net position - end of the year</b>	<b>\$ 2,530,852</b>	<b>\$ 2,244,376</b>	<b>\$ 2,013,599</b>	<b>\$ 286,476</b>	<b>\$ 230,777</b>

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 2021 was \$2,497 million compared to fiscal year 2020 revenue of \$2,789 million, a decrease of \$292 million. Revenue in fiscal year 2020 was \$2,789 million compared to fiscal year 2019 revenue of \$2,863 million, a decrease of \$74 million.

# New York City School Construction Authority

## Management's Discussion and Analysis

### As of and for the Years Ended June 30, 2021 and 2020 (Unaudited)

The pause in construction projects resulted in decreased capital spending in both fiscal years 2021 and 2020. During 2021, capital work restarted in phases, with the majority of capital project work commencing in the latter half of fiscal year 2021. As such, in fiscal year 2021, the Authority continued to exhibit a decrease in construction spending in comparison to prior years. In addition to the Authority's capital projects, the DOE's capital projects were also paused, exhibiting a decline in capital spending in fiscal year 2021 in comparison to fiscal year 2020. In fiscal year 2020, the increase in DOE revenues was due to an increase in DOE technology and equipment purchases to enable remote learning.

The Authority's expenses in fiscal year 2021 were \$2,158 million compared to \$2,563 million in fiscal year 2020, a decrease of \$405 million relating to a decrease in completed contracts transferred to the DOE and decrease in pension plan expense due to an increase in investment income.

Costs related to completed contracts transferred to the DOE decreased from \$2,133 million in fiscal year 2020 to \$1,932 million in fiscal year 2021. All projects transferred were determined by the Authority's Construction Management Division to be substantially completed or occupied as of April 30, 2021. 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 \$45 million as expenses incurred for pollution remediation costs for fiscal year 2021. For fiscal year 2020, the Authority has classified \$91 million as expenses incurred for pollution remediation costs (refer to Note 10 of the financial statements). The decrease in pollution remediation costs resulted from work paused as a result of COVID-19 pandemic.

#### FINANCIAL HIGHLIGHTS

The following chart summarizes the government-wide financial net position reported in the statements of net position of the Authority as of June 30, 2021, 2020, and 2019 (amounts are in thousands):

	2021	2020	2019	Changes 2021 vs 2020	Changes 2020 vs 2019
<b>Assets</b>					
Cash and short-term investments	\$ 162,420	\$ 197,927	\$ 96,216	\$ (35,507)	\$ 101,711
Due from The City of New York	556,995	455,122	586,512	101,873	(131,390)
Prepaid expenses and other assets	432,139	256,043	345,219	176,096	(89,176)
Securities held in lieu of cash retainage	10,029	10,516	11,141	(487)	(625)
Fixed assets, net	9,720	4,950	4,750	4,770	200
Construction in progress	2,348,451	2,260,409	1,846,442	88,042	413,967
<b>Total Assets</b>	<b>3,519,754</b>	<b>3,184,967</b>	<b>2,890,280</b>	<b>334,787</b>	<b>294,687</b>
<b>Liabilities</b>					
Current liabilities	792,439	773,915	703,852	18,524	70,063
Long-term liabilities	125,868	153,825	152,161	(27,957)	1,664
<b>Total Liabilities</b>	<b>918,307</b>	<b>927,740</b>	<b>856,013</b>	<b>(9,433)</b>	<b>71,727</b>
Deferred outflows of resources	20,592	22,456	24,210	(1,864)	(1,754)
Deferred inflows of resources	91,187	35,307	44,878	55,880	(9,571)
<b>Net Position - Restricted</b>	<b>\$ 2,530,852</b>	<b>\$ 2,244,376</b>	<b>\$ 2,013,599</b>	<b>\$ 286,476</b>	<b>\$ 230,777</b>

The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources ("net position") at the close of fiscal year 2021 and 2020 by \$2,531 million and \$2,244 million, respectively. The Authority's net position primarily represents the investment in capital assets for construction work performed at New York City public schools. These assets are not available for future spending.

# **New York City School Construction Authority**

## **Management's Discussion and Analysis**

### **As of and for the Years Ended June 30, 2021 and 2020 (Unaudited)**

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Total government-wide assets from fiscal year 2020 to fiscal year 2021 increased by \$335 million. The change in total assets in fiscal year 2021 is primarily driven by an increase in receivables due from the City relating to construction payable accruals, increase in the Owner Controlled Insurance Program ("OCIP") collateral and construction projects in progress, and favorable valuation of the Board of Education Retirement System ("BERS") pension plan assets. From fiscal year 2019 to fiscal year 2020, total government-wide assets increased by \$295 million. This change in total assets in fiscal year 2020 is primarily due to an increase in construction in progress projects offset by a decrease in receivables due from the City as a result of the pause in construction beginning in March 2020.

Cash and short-term investments in fiscal year 2021 decreased by \$36 million in comparison to fiscal year 2020, and increased by \$102 million in fiscal year 2020 in comparison to fiscal year 2019. The fluctuation in cash and short-term investments in fiscal year 2021 is due to increased disbursements on construction projects as projects began to restart in fiscal year 2021 and expenditures for the COVID-19 testing facilities and labs. The increase in cash and short-term investments in fiscal year 2020 is primarily due to funding of \$100 million received from the City for COVID-19 testing facilities and labs.

During fiscal years 2021 and 2020, the Authority held investments totaling \$45 million and \$59 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 decreased by \$9 million from fiscal year 2020 to fiscal year 2021. The decrease in liabilities is principally due to an increase in construction accruals, offset by a decrease in pension liability due to favorable valuation of the New York City Employees Retirement System ("NYCERS") and BERS pension plan assets.

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

Overall, the net position in the government-wide financials increased by \$286 million from fiscal year 2020 to fiscal year 2021. As previously noted, this increase is attributed to an increase in receivables due from the City as a result of increase in construction expenditures, an increase in collateral prepayment for the OCIP program, and favorable pension plan asset valuation. The net position in the government-wide financials increased by \$231 million from fiscal year 2019 to fiscal year 2020. The increase in fiscal year 2020 is primarily due to an increase in construction in progress and a decrease in receivables due from the City as a result of the pausing of capital projects in fiscal year 2021.



**New York City School Construction Authority  
Management's Discussion and Analysis  
As of and for the Years Ended June 30, 2021 and 2020 (Unaudited)**

**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, 2021, 2020, and 2019 (amounts are in thousands):

	2021	2020	2019	Changes 2021 vs 2020	Changes 2020 vs 2019
<b>Revenues</b>					
Operating revenues from The City of New York	\$ 2,274,814	\$ 2,448,687	\$ 2,637,479	\$ (173,873)	\$ (188,792)
Operating revenues for DOE payments	207,582	340,992	224,717	(133,410)	116,275
<b>Total Revenues</b>	<b>2,482,396</b>	<b>2,789,679</b>	<b>2,862,196</b>	<b>(307,283)</b>	<b>(72,517)</b>
<b>Expenditures</b>					
Capital project expenditures	2,003,481	2,545,548	2,513,285	(542,067)	32,263
Fixed assets	7,228	1,985	2,580	5,243	(595)
Pollution remediation expenditures	65,216	93,619	85,378	(28,403)	8,241
Operating transfers to the DOE	207,582	340,992	224,717	(133,410)	116,275
<b>Total Expenditures</b>	<b>2,283,507</b>	<b>2,982,144</b>	<b>2,825,960</b>	<b>(698,637)</b>	<b>156,184</b>
Other revenues and expenses, net	(52,699)	4,508	6,493	(57,207)	(1,985)
<b>Change in fund balance</b>	<b>146,190</b>	<b>(187,957)</b>	<b>42,729</b>	<b>334,147</b>	<b>(230,686)</b>
<b>Fund balance - beginning of the year</b>	<b>137,510</b>	<b>325,467</b>	<b>282,738</b>	<b>(187,957)</b>	<b>42,729</b>
<b>Fund balance - end of the year</b>	<b>\$ 283,700</b>	<b>\$ 137,510</b>	<b>\$ 325,467</b>	<b>\$ 146,190</b>	<b>\$ (187,957)</b>

Revenue in fiscal year 2021 was \$2,482 million compared to fiscal year 2020 of \$2,790 million, a decrease of \$308 million. Revenue in fiscal year 2020 decreased by \$73 million, from \$2,862 million in fiscal year 2019 to \$2,789 million in fiscal year 2020. The fluctuation from 2020 to 2021 is primarily due to a decrease in capital expenditures as noted in the government-wide financial highlights on page 4 of the Management Discussion and Analysis.

The Authority's expenditures in fiscal year 2021 were \$2,283 million compared to \$2,982 million in fiscal year 2020, a decrease of \$699 million. In fiscal year 2020, the Authority's expenditures increased by \$156 million from fiscal year 2019. As noted previously, the pause in construction projects resulted in decreased capital expenditures for the Authority and DOE.

**FINANCIAL HIGHLIGHTS**

The following chart summarizes the capital projects fund balance sheets of the Authority as of June 30, 2021, 2020, and 2019 (amounts are in thousands):

	2021	2020	2019	Changes 2021 vs 2020	Changes 2020 vs 2019
<b>Assets</b>					
Cash and short-term investments	\$ 162,420	\$ 197,927	\$ 96,216	\$ (35,507)	\$ 101,711
Due from The City of New York	533,543	446,939	576,743	86,604	(129,804)
Prepaid expenses and other assets	370,147	256,043	345,219	114,104	(89,176)
Securities held in lieu of cash retainage	10,029	10,516	11,141	(487)	(625)
<b>Total Assets</b>	<b>1,076,139</b>	<b>911,425</b>	<b>1,029,319</b>	<b>164,714</b>	<b>(117,894)</b>
<b>Liabilities</b>					
Current Liabilities	792,439	773,915	703,852	18,524	70,063
<b>Total Liabilities</b>	<b>792,439</b>	<b>773,915</b>	<b>703,852</b>	<b>18,524</b>	<b>70,063</b>
<b>Fund balance</b>	<b>\$ 283,700</b>	<b>\$ 137,510</b>	<b>\$ 325,467</b>	<b>\$ 146,190</b>	<b>\$ (187,957)</b>

# **New York City School Construction Authority Management's Discussion and Analysis As of and for the Years Ended June 30, 2021 and 2020 (Unaudited)**

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The assets of the Authority exceeded its liabilities at the close of fiscal year 2021 and 2020 by \$284 million and \$138 million, respectively.

Total assets from fiscal year 2020 to fiscal year 2021 increased by \$165 million. The increase pertained to an increase in receivables from the City relating to accrued capital project expenditures, and OCIP collateral prepayment. The increase is offset by disbursements relating to the COVID-19 testing facilities and labs. From fiscal year 2019 to fiscal year 2020, total assets decreased by \$118 million pertaining to a decrease in capital projects and unfavorable OCIP claim valuation, offset by funds received for COVID-19 testing facilities and labs.

The liabilities of the Authority increased by \$19 million from fiscal year 2020 to fiscal year 2021. The liabilities of the Authority from fiscal year 2019 to fiscal year 2020 increased by \$70 million. The fluctuation within the liabilities is mainly attributed to overall increase in accruals in fiscal year 2021, offset by increase in disbursements relating to the COVID-19 testing facilities and labs.

The Authority's capital projects fund balance increased by \$146 million from fiscal year 2020 to fiscal year 2021. As noted previously, the fluctuation is primarily due to increased collateral prepayments for the OCIP program and an increase in funds due from the City. 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 the pause in capital projects and an unfavorable OCIP program actuarial claim valuation.

## **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 Department, 30-30 Thomson Avenue, Long Island City, NY 11101.

**NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**AS OF JUNE 30, 2021 AND 2020 (in thousands)**

	<u>2021</u>	<u>2020</u>
<b>ASSETS:</b>		
Cash	\$ 117,422	\$ 138,492
Short-term investments	44,998	59,435
Due from The City of New York	556,995	455,122
Prepaid expenses	116,132	37,356
Pension asset	61,992	-
Due from the Department of Education	35	24
Other assets	253,980	218,663
Securities in lieu of cash retainage	10,029	10,516
Fixed assets, net	9,720	4,950
Construction in progress, asset held for The City of New York	2,348,451	2,260,409
Total assets	<u>3,519,754</u>	<u>3,184,967</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred outflows from pensions and OPEB	20,592	22,456
Total deferred outflows of resources	<u>20,592</u>	<u>22,456</u>
Total assets and deferred outflows	<u>\$ 3,540,346</u>	<u>\$ 3,207,423</u>
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 456,433	\$ 391,198
Retainage payable	252,532	260,114
Unearned revenue	60,108	98,604
Pollution remediation payable	76,674	88,215
Pension liability	6,515	31,257
OPEB liability	27,564	26,170
Accrued annual leave obligation	9,603	8,696
Accrued sick leave obligation	5,959	5,246
Accrued claims and contingencies	22,919	18,240
Total liabilities	<u>918,307</u>	<u>927,740</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred inflows from pensions and OPEB	91,187	35,307
Total deferred inflows of resources	<u>91,187</u>	<u>35,307</u>
<b>NET POSITION:</b>		
Total net position - restricted	<u>2,530,852</u>	<u>2,244,376</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,540,346</u>	<u>\$ 3,207,423</u>

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

**NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (in thousands)**

	<u>2021</u>	<u>2020</u>
<b>REVENUES:</b>		
Operating revenues from or due from The City of New York	\$ 2,289,371	\$ 2,448,242
Operating revenues for payments made on behalf of the Department of Education	<u>207,582</u>	<u>340,992</u>
Total revenues	<u>2,496,953</u>	<u>2,789,234</u>
<b>EXPENSES:</b>		
Pollution remediation costs	45,338	91,390
Transfer of completed contracts to the Department of Education	1,932,454	2,132,920
Pension expense, net of payments capitalized	(28,696)	(3,353)
OPEB expense, net of payments capitalized	1,100	1,016
Operating transfers on behalf of the Department of Education	<u>207,582</u>	<u>340,992</u>
Total expenses	<u>2,157,778</u>	<u>2,562,965</u>
Net revenues/(expenses)	339,175	226,269
Other revenues and expenses, net	<u>(52,699)</u>	<u>4,508</u>
Net change in net position	286,476	230,777
<b>NET POSITION - beginning of year</b>	<u>2,244,376</u>	<u>2,013,599</u>
<b>NET POSITION - end of year</b>	<u><u>\$ 2,530,852</u></u>	<u><u>\$ 2,244,376</u></u>

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

**NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY**  
**GOVERNMENTAL FUND BALANCE SHEETS**  
**AS OF JUNE 30, 2021 AND 2020 (in thousands)**

	<b>2021</b>	<b>2020</b>
	<b>Capital</b>	<b>Capital</b>
	<b>Projects Fund</b>	<b>Projects Fund</b>
<b>ASSETS:</b>		
Cash	\$ 117,422	\$ 138,492
Short-term investments	44,998	59,435
Due from The City of New York	533,543	446,939
Prepaid expenses	116,132	37,356
Due from the Department of Education	35	24
Other assets	253,980	218,663
Securities in lieu of cash retainage	10,029	10,516
	<u>1,076,139</u>	<u>911,425</u>
Total assets	<u>\$ 1,076,139</u>	<u>\$ 911,425</u>
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 464,770	\$ 391,198
Retainage payable	252,532	260,114
Unearned revenue	60,108	98,604
Accrued annual leave obligation	9,603	8,696
Accrued sick leave obligation	4,850	4,470
Accrued claims and contingencies	576	10,833
	<u>792,439</u>	<u>773,915</u>
Total liabilities	<u>792,439</u>	<u>773,915</u>
<b>FUND BALANCE:</b>		
Nonspendable-prepaid expenses and other assets	156,132	71,356
Restricted for capital projects	127,568	66,154
Total fund balance	<u>283,700</u>	<u>137,510</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,076,139</u>	<u>\$ 911,425</u>

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

**NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY**  
**GOVERNMENTAL FUND STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (in thousands)**

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	<b>2021</b>	<b>2020</b>
	<b>Capital</b>	<b>Capital</b>
	<b>Projects Fund</b>	<b>Projects Fund</b>
<b>REVENUES:</b>		
Operating revenues from or due from The City of New York	\$ 2,274,814	\$ 2,448,687
Operating revenues for payments made on behalf of the Department of Education	<u>207,582</u>	<u>340,992</u>
Total revenues	<u>2,482,396</u>	<u>2,789,679</u>
<b>EXPENDITURES:</b>		
Capital projects	2,003,481	2,545,548
Fixed assets	7,228	1,985
Pollution remediation cost	65,216	93,619
Operating transfers on behalf of the Department of Education	<u>207,582</u>	<u>340,992</u>
Total expenditures	<u>2,283,507</u>	<u>2,982,144</u>
Net (expenses)/revenues	198,889	(192,465)
Other revenues and expenses, net	<u>(52,699)</u>	<u>4,508</u>
Net change in fund balance	146,190	(187,957)
<b>FUND BALANCE - beginning of year</b>	<u>137,510</u>	<u>325,467</u>
<b>FUND BALANCE - end of year</b>	<u>\$ 283,700</u>	<u>\$ 137,510</u>

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

**NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY  
RECONCILIATIONS OF THE GOVERNMENTAL FUND BALANCE SHEETS  
TO THE STATEMENTS OF NET POSITION  
AS OF JUNE 30, 2021 AND 2020  
(in thousands)**

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	<u>2021</u>	<u>2020</u>
Total fund balance - governmental funds	\$ 283,700	\$ 137,510
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	2,348,451	2,260,409
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	9,720	4,950
Other long-term assets which will be used to pay for future liabilities and accordingly are not reported in the funds	23,452	8,182
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	(70,595)	(12,851)
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	(27,564)	(26,170)
Pollution remediation payable	(68,337)	(88,215)
Pension liability	55,477	(31,257)
Sick leave obligation	(1,109)	(775)
Contingent and other liabilities	<u>(22,343)</u>	<u>(7,407)</u>
Net position of governmental activities	<u>\$ 2,530,852</u>	<u>\$ 2,244,376</u>

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

**NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY  
RECONCILIATIONS OF THE GOVERNMENTAL FUND STATEMENTS OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (in thousands)**

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	<u>2021</u>	<u>2020</u>
Net change in fund balance - governmental funds	\$ 146,190	\$ (187,957)
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 is capitalized and expensed when transferred to the City.	99,528	426,448
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.	7,228	1,985
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 are reasonably estimable.	19,879	2,230
Net pension expense	14,751	(10,913)
Net OPEB expense	<u>(1,100)</u>	<u>(1,016)</u>
Change in net position - governmental activities	<u>\$ 286,476</u>	<u>\$ 230,777</u>

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



# NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (amounts in thousands, except as noted)

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### 1. ORGANIZATION

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

The Authority’s operations are funded by appropriations made by the City. All the Authority’s net position is the property of the City. Appropriations are based on a five-year capital plan. The City’s appropriation for the five-year capital plan for the fiscal years 2020 through 2024 is \$19.1 billion.

The Authority also carries out certain projects funded through the City Council and Borough Presidents, pursuant to the City Charter. Appropriations of \$201,137 and \$240,037 were made in fiscal 2021 and 2020, 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 substantial completion of construction-in-progress projects, the assets are transferred to the DOE.

During 2020, due to the COVID-19 pandemic, the Authority paused its construction projects. As a result of the pause, the Authority incurred change orders increasing the construction costs for these projects. In fiscal year 2021, change orders of \$15.8 million were obligated by the Authority. The Authority is continuously monitoring and evaluating the extent of the impact of the change orders on its business and financial 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.

# NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (amounts in thousands, except as noted)

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

Resource flows between the Authority and DOE are reported as revenues and expenses/expenditures in the financial statements. Management believes that this presentation is most useful for the intended users of these financial statements, although this treatment is most often used when presenting the 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, architecture and engineering fees, construction contract costs, construction management fees, wrap-up insurance and administrative costs of the Authority. These assets are transferred to the DOE upon substantial completion or occupancy 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 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 \$21,501 and \$22,806 in fiscal years 2021 and 2020 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 \$493 million and \$434 million as of June 30, 2021 and 2020, respectively.

# NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (amounts in thousands, except as noted)

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### **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 assumptions 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 quoted 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 carryover from one fiscal year to the next 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 annual 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.

# NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (amounts in thousands, except as noted)

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### Unearned Revenue

During fiscal years 2021 and 2020, the Authority received funds from the City for COVID-19 related projects in the amount of \$15.4 million and \$100 million, respectively. The Authority recognizes the funding as revenue upon incurrence of eligible project costs. Total costs for the years ended June 30, 2021 and 2020 amounted to \$53,899 and \$1,396, respectively. The balance is recognized within other revenues and expenses, net in the accompanying government-wide statements of activities and the accompanying governmental fund statements of revenues, expenditures and changes in fund balance. Funds received in advance of incurring eligible project costs were recognized as unearned revenue. As of June 30, 2021 and 2020, unearned revenue totaled \$60,108 and \$98,604, respectively.

### Use of Estimates

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

### Recent Accounting Pronouncements

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

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

# NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (amounts in thousands, except as noted)

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

# NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (amounts in thousands, except as noted)

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### 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, 2021 and 2020, uninsured cash balances totaled \$117,421 and \$268,356, 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 Bonds/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 \$62,608 and \$126,782 as of June 30, 2021 and 2020, respectively.

### 4. SHORT-TERM INVESTMENTS

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

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
U.S. Treasury Bills	\$ 44,985	\$ 44,998	\$ -	\$ -
U.S. Treasury Notes	-	-	58,792	59,435
Total U.S. Treasury Securities	<u>\$ 44,985</u>	<u>\$ 44,998</u>	<u>\$ 58,792</u>	<u>\$ 59,435</u>

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 \$10,029 and \$10,516 as of June 30, 2021

# NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (amounts in thousands, except as noted)

and 2020, respectively. The fair value of these securities was \$11,321 and \$12,044 as of June 30, 2021 and 2020, respectively.

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

Retainage payable consisted of the following as of June 30:

	2021	2020
Securities retainage payable	\$ 10,029	\$ 10,516
Cash retainage withheld	242,503	249,598
Total retainage payable	<u>\$ 252,532</u>	<u>\$ 260,114</u>

## 6. FIXED ASSETS

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

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

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		<u>57,134</u>	<u>1,985</u>	<u>(17,294)</u>	<u>41,825</u>
Less:					
Accumulated Depreciation and amortization		(52,384)	(1,758)	17,267	(36,875)
Fixed Assets, net		<u>\$ 4,750</u>	<u>\$ 227</u>	<u>\$ (27)</u>	<u>\$ 4,950</u>

# NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (amounts in thousands, except as noted)

Depreciation totaled \$2,452 and \$1,758 for fiscal 2021 and 2020, respectively.

### 7. CONSTRUCTION IN PROGRESS

Expenses for construction in progress for fiscal 2021 and 2020 included:

	<b>2021</b>	<b>2020</b>
Outside construction costs	\$1,822,782	\$2,352,580
Authority payroll and related fringe benefits	140,994	143,016
Authority general and administrative costs	56,720	51,291
<b>Total Expenses</b>	<b>2,020,496</b>	<b>2,546,887</b>
Construction in progress - beginning of year	2,260,409	1,846,442
<b>Total before transfer to DOE during the year</b>	<b>4,280,905</b>	<b>4,393,329</b>
Costs transferred to the DOE during the year	(1,932,454)	(2,132,920)
Construction in progress - end of year	<u>\$2,348,451</u>	<u>\$2,260,409</u>

The Authority transferred to the DOE costs associated with construction and administrative costs totaling \$1,932,454 and \$2,132,920 for fiscal 2021 and 2020, respectively. The DOE capitalized \$333,670 and \$145,304 during fiscal years 2021 and 2020, 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 2021 and 2020 of \$2,266,124 and \$2,278,224 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, 2021 and 2020, pass-through purchases totaled \$168,341 and \$249,939 respectively, and have been included in operating transfers on behalf of the DOE in the accompanying statements of activities and governmental fund statements of revenues, expenditures and changes in fund balances. Included in these amounts are expenditures for technology enhancements, leasehold alterations and reconstruction.

DOE contractors performed minor capital projects on behalf of the Authority, as shown below for the years ended June 30:

	<b>2021</b>	<b>2020</b>
Skilled trades, minor capital projects	\$ 32,191	\$ 83,500
Lead Paint Abatement	2,491	2,500
DOE Admin Staff	4,559	5,053
	<u>\$ 39,241</u>	<u>\$ 91,053</u>

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



# NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (amounts in thousands, except as noted)

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### 9. COMMITMENTS AND CONTINGENCIES

#### Rent

The Authority executed a lease modification agreement effective October 2011 for office space. The lease agreement expired on September 30, 2021. The Authority has exercised the option for an extension through September 30, 2026. Rental expense totaled \$6,944 and \$6,978 in fiscal 2021 and 2020, respectively.

#### Purchase Commitments

Purchase orders, contracts and other commitments at June 30, 2021 and 2020 totaled \$2,816 million and \$3,746 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 Workers' 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 is performed annually to assess the claim liability of the GL and WC coverage.

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 \$179 million and \$171 million for fiscal years 2021 and 2020, respectively. The Authority recorded a net estimated receivable of \$199,682 and \$169,785 as of June 30, 2021 and 2020, respectively, based on the actuarial assessment of OCIP loss activity for the respective periods. The estimated net receivable is comprised of receivables of \$211,682 and \$179,785 for fiscal 2021 and 2020, respectively, which are included in other assets, and liabilities of \$12,000 and \$10,000 for fiscal 2021 and 2020, 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 \$22,919 and \$18,240 at June 30, 2021 and 2020, 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.

# NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (amounts in thousands, except as noted)

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For the fiscal years 2021 and 2020 the Authority has classified \$45,338 and \$91,390, respectively, as expenses incurred and \$76,674 and \$88,215, 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 POSTEMPLOYMENT BENEFITS

#### Pension Plans

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

Contributions to the pension plans are made by the Authority and the employees. Contributions paid or accrued by the Authority under these plans totaled \$13,945 and \$14,266 for fiscal years 2021 and 2020, 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 4.9 and 4.5 percent of the total net pension liability as of June 30, 2021 and 2020, respectively. The Authority has recorded a net pension asset of \$62.0 million and net pension liability of \$12.6 million as of June 30, 2021 and 2020, 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, 2021 and 2020. The Authority has recorded a net pension liability of \$6.5 million and \$18.6 million as of June 30, 2021 and 2020, respectively.

For fiscal year 2021, the results of the collective net pension liability are based upon an actuarial valuation date of June 30, 2020 and a measurement date of June 30, 2021. Update 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-2019 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 Plans are unchanged from those used in the prior valuation.

# NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (amounts in thousands, except as noted)

Actuarial assumptions used in determining employer contributions were as follows:

Rate of return on investments	7.0% per annum, net of investment expenses.
Salary increases	3% per annum merit and promotion increase plus assumed General Wage Increases.
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 ("NYCRS") are conducted every two years.

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

### ***Expected Rate of Return on Investments***

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class included in Plan's target asset allocation as of the June 30, 2021 measurement date are summarized in the following table:

BERS	BERS		NYCERS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
<u>Public Markets:</u>				
U.S. Public Market Equities	31.00%	7.10%	27.00%	7.10%
Developed Public Market Equities	10.00%	7.80%	12.00%	7.20%
Emerging Public Market Equities	6.00%	9.70%	5.00%	9.00%
Fixed Income	27.00%	1.90%	30.50%	1.80%
<u>Private Markets (Alternative Investments):</u>				
Private Equity	9.00%	11.00%	8.00%	11.30%
Private Real Estate	8.00%	6.90%	7.50%	6.90%
Infrastructure	4.00%	6.30%	4.00%	6.00%
Opportunistic Fixed Income	5.00%	6.30%	6.00%	7.10%
<b>Total</b>	<b>100.00%</b>		<b>100.00%</b>	

# NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (amounts in thousands, except as noted)

### *Discount Rate*

The discount rate used to measure the total pension liability as of both June 30, 2021 and 2020, 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, 2021, 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.

<b>SENSITIVITY ANALYSIS</b>			
<b>NET PENSION LIABILITY (ASSET) AS OF JUNE 30, 2021</b>			
	<b>1% Decrease (6%)</b>	<b>Current Rate (7%)</b>	<b>1% Increase (8%)</b>
NYCERS	\$ 17,094	\$ 6,515	\$ 2,461
BERS	(28,396)	(61,992)	(90,359)
<b>Total</b>	<b>\$ (11,302)</b>	<b>\$ (55,477)</b>	<b>\$ (87,898)</b>

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

For the years ended June 30, 2021 and 2020, the Authority recognized net pension expense as follows:

	<b>BERS</b>		<b>NYCERS</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Pension Expense	\$ (17,369)	\$ 7,880	\$ 1,440	\$ 3,783
Contributions, Capitalized	(8,945)	(11,720)	(3,822)	(3,296)
Net Pension Expense	<b>\$ (26,314)</b>	<b>\$ (3,840)</b>	<b>\$ (2,382)</b>	<b>\$ 487</b>

At June 30, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (amounts in thousands, except as noted)

	BERS		NYCERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>2020</b>				
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)
<b>Total 2020</b>	<b>\$ 10,258</b>	<b>\$ 29,583</b>	<b>\$ 8,392</b>	<b>\$ 1,353</b>
<b>2021</b>				
Differences between expected and actual experience	\$ 5,245	\$ 3,967	\$ 1,672	\$ 754
Net difference between projected and actual earnings on pension plan investments	-	64,048	-	9,561
Change of assumptions	-	7,617	6	808
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,247	482	7,145	403
<b>Total 2021</b>	<b>\$ 8,492</b>	<b>\$ 76,114</b>	<b>\$ 8,823</b>	<b>\$ 11,526</b>

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, 2021 that will be recognized in pension expense is as follows:

Years ending June 30,	BERS	NYCERS
2022	\$ (20,460)	\$ (708)
2023	(17,702)	(649)
2024	(15,700)	(573)
2025	(14,006)	(750)
2026	246	(22)
Thereafter	-	(1)

Separately issued financial statements for BERS, which include financial statement information for the BERS QPP plan can be obtained from BERS management at 65 Court Street, Brooklyn, NY 11201 or at [www.nycbers.org](http://www.nycbers.org).

Separately issued financial statements for NYCERS, which include 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](http://www.nycers.org).

# NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (amounts in thousands, except as noted)

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### Deferred Compensation Plan

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

### Other Postemployment Benefits

#### *General Information about the OPEB Plan*

*Plan Description* – The Authority provides certain health and related benefits to eligible retirees of the Authority, which are known as other postemployment benefits ("OPEB"). OPEB is provided under the New York City Health Benefits 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, 2020 actuarial valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	358
Inactive employees entitled to but not yet receiving benefit payments	31
Active employees	814
Total	<u>1,203</u>

#### **Total OPEB Liability**

The Authority's OPEB liability was \$27,564 and \$26,170 as of June 30, 2021 and June 30, 2020, respectively. The liability was measured as of June 30, 2021, with an actuarial valuation date as of June 30, 2020. Update 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, 2021 were as follows:

Inflation	2.50%
Salary increases	3.00%, including inflation
Healthcare cost trend rate	3.50%, Welfare fund 5.00%, Medicare Part B 4.90%, Medicare plans
Discount rate	2.18%

# NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (amounts in thousands, except as noted)

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

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

### **Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>	
	<b>2021</b>	<b>2020</b>
Balance at June 30,	\$ 26,170	\$ 24,921
Changes for the year:		
Service cost	1,481	1,358
Interest	725	723
Differences between expected and actual experience	(370)	(572)
Changes in assumptions	346	489
Benefit payments	(788)	(749)
Net changes	<u>1,394</u>	<u>1,249</u>
Balance at June 30,	<u>\$ 27,564</u>	<u>\$ 26,170</u>

Changes of assumptions and other inputs reflect a change in discount rate from 2.66 percent in 2020 to 2.18 percent in 2021.

*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:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 31,735	\$ 27,564	\$ 24,073

*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:

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

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

For the years ended June 30, 2021 and 2020, the Authority recognized net OPEB expense of \$1,100 and \$1,016, respectively, as follows:

	<u>2021</u>	<u>2020</u>
OPEB Expense	\$ 1,888	\$ 1,765

# NEW YORK CITY SCHOOL CONSTRUCTION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (amounts in thousands, except as noted)

Contributions, Capitalized	<u>(788)</u>	<u>(749)</u>
Net OPEB Expense	<u>\$ 1,100</u>	<u>\$ 1,016</u>

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

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

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

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

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

<b>Fiscal Year Ended June 30:</b>	<b>Amount</b>
2022	\$ (315)
2023	57
2024	101
2025	(67)
2026	(38)
Thereafter	(8)



**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)**

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

**Notes to Schedule:**

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

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

Changes of assumptions

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

<u>Fiscal Year</u>	<u>Percentage</u>
2021	2.18%
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)**

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

<b>For the Fiscal Year Ended</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
The Authority's proportion of the net pension liability	5%	5%	4%	4%	5%	3%	4%	4%	4%	4%
The Authority's proportionate share of the net pension liability (assets)	\$ (61,992)	\$ 12,619	\$ 11,889	\$ 21,429	\$ 45,616	\$ 44,002	\$ 43,135	\$ 36,523	\$ 53,003	\$ 58,518
The Authority's covered payroll	\$ 81,314	\$ 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	76.24%	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	121.96%	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)**

<b>For the Fiscal Year Ended</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
The Authority's proportion of the net pension liability	0.101%	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)	\$ 6,515	\$ 18,638	\$ 15,138	\$ 8,835	\$ 8,317	\$ 13,363	\$ 9,582	\$ 8,649	\$ 11,075	\$ 11,997
The Authority's covered payroll	\$ 9,178	\$ 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	70.98%	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	93.14%	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)**

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**Schedule of Employers Contributions (in thousands) for BERS**

<b>Fiscal Year Ended June 30</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Actuarially Determined Contribution	\$8,945	\$11,720	\$ 11,689	\$ 13,619	\$ 13,502	\$ 8,440	\$ 8,803	\$ 8,645	\$ 7,850	\$ 8,546
Contribution in relation to the Actuarially Determined Contribution	\$10,043	\$10,970	\$ 12,985	\$ 13,194	\$ 13,836	\$ 8,440	\$ 8,803	\$ 8,645	\$ 7,850	\$ 8,546
Contribution Deficiency (Excess)	\$ (1,098)	\$ 750	\$ (1,296)	\$ 425	\$ (334)	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution as a percentage of Covered Payroll	11.02%	14.76%	16.05%	19.93%	20.73%	14.43%	25.59%	21.25%	19.59%	17.33%

**Schedule of Employers Contributions (in thousands) for NYCERS**

<b>Fiscal Year Ended June 30</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Actuarially Determined Contribution	\$3,822	\$3,296	\$3,018	\$ 1,682	\$1,321	\$1,851	\$1,675	\$1,504	\$1,462	\$1,448
Contribution in relation to the Actuarially Determined Contribution	\$3,902	\$3,296	\$3,018	\$ 1,682	\$1,321	\$1,851	\$1,675	\$1,504	\$1,462	\$1,448
Contribution Deficiency (Excess)	\$ (80)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution as a percentage of Covered Payroll	41.64%	36.58%	36.14%	21.50%	18.60%	26.94%	24.98%	22.59%	21.07%	21.75%