NYC
Educational
Construction
Fund

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND

A COMPONENT UNIT OF THE CITY OF NEW YORK

Financial Statements
(Together with Independent Auditors' Report)

June 30, 2018 and 2017

MARKS PANETH

ACCOUNTANTS & ADVISORS

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

JUNE 30, 2018 AND 2017

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Prior Period Financial Statements

The financial statements of the Fund as of and for the year ended June 30, 2017, were audited by other auditors whose report dated September 19, 2017 expressed an unmodified opinion on those statements.

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 7, the schedule of the Fund's proportionate share of the net pension liability on page 36, the schedule of employer contributions on page 37 and the schedule of changes in total OPEB liability and related ratios on page 38, 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Marks Paneth LLP

New York, NY
September 27, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

The following management's discussion and analysis ("MD&A") of the financial position and performance of the New York City Educational Construction Fund (the "Fund") is for the fiscal years ended June 30, 2018 and 2017. This MD&A is intended to serve as an introduction to the Fund's basic financial statements, which have the following components: (1) government-wide financial statements; (2) governmental funds financial statements; and (3) notes to the financial statements.

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

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

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

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

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

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

FINANCIAL HIGHLIGHTS

The Fund's net position increased by approximately $25 million during fiscal year 2018, following increases of $12.9 million and $2.5 million in fiscal years 2017 and 2016, respectively.

In fiscal year 2018, the Fund's rental income and tax equivalency revenues from its existing properties grew from $23.3 million to $27 million, an increase of 15.8%. In addition, the developer of the 250 East 57th Street project has continued to close sales on the residential tower's condominium units, which began in March 2017. In connection with the sales from fiscal year 2018, the Fund received participation payments of $18.7 million from the developer, reported as additional rent.

General and administrative expenses increased slightly, as increased deprecation was offset by a reduction in other postemployment benefits ("OPEB") expense. Depreciation in fiscal year 2018 increased from $6.3 million to $8.1 million after the estimated useful lives of the Fund's school building, PS 59/HSAD, to be more in line with the Fund's other buildings.

FINANCIAL HIGHLIGHTS (Continued)

With the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), in fiscal year 2017, the prior year included a one-time $1.5 million increase in OPEB expense. GASB 75 required the actuarial present value of projected benefit payments to be calculated using a lower discount rate, which increased the OPEB liability. The Fund recognized the entire increase in OPEB liability as an expense in fiscal year 2017.

As of April 2018, the Fund closed its 250 East 57th Street construction account, after the project, including the residential portion, was completed. Remaining funds of approximately $7 million were transferred to the Fund's 2011 bonds debt service account to contribute toward future debt service payments. The Fund had issued its 2010 and 2011 bonds to pay for construction of the PS 59/HSAD school associated with this project.

In fiscal year 2018, the developer of 250 East 57th Street sold the Retail Whole Foods Unit, but the Fund continues to receive the same rent and tax equivalency for this unit from the new owner. The developer paid off a prior loan from the Fund, listed as "Due from Developer" in the Fund's prior year statement of net position. The Fund had made the $3 million loan to the developer of the 57th Street project to cover a portion of their soft costs. This loan plus interest was paid off in February 2018.

The New York City School Construction Authority ("SCA") leased 17,305 square feet of space (923 square feet on the first floor and 16,383 square feet on the second floor) at 250 East 57th Street for Pre-K space. The new Pre-K at PS 59 is anticipated to have a capacity of 144 seats, with 8 classrooms and 18 students per classroom.

In April 2017, the Fund signed a term sheet with the developer for a new project at the Khalil Gibran School/362 Schermerhorn in Brooklyn and is continuing to work through the approval process. The full New York City Council uniform land use review procedure ("ULURP") vote on this project is anticipated to take place in late September 2018. The City Council approved the Fund's project at Coop Tech on 96th Street in Manhattan in August 2017, but the project has been delayed by legal and legislative procedures that the Fund anticipates will be resolved in fiscal year 2019. In fiscal year 2018, the Fund capitalized $594,148 of site evaluation and development costs, including legal expenses, associated with these two projects.

The Fund coordinated with its tenant to complete roof HVAC work at the former IS 195 Manhattan (Terence Tolbert campus). The fiscal year 2017 statement of net position included a $1.3 million payable and receivable for this project. In fiscal year 2018, the Fund paid the invoice and was reimbursed by the SCA, thus clearing the payable and receivable.

Advanced rental receipts increased by $2.9 million with more tenants having prepaid their rent and tax equivalency as of June 30, 2018, compared to the prior year. Advanced rental receipts are now being presented as a deferred inflow of resources, rather than as a liability, starting with the fiscal year 2017 amounts presented on the following page.

FINANCIAL HIGHLIGHTS (Continued)

Below is a summary of the changes in total assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position:

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

	2018	2017	2016
ASSETS:			
Capital assets	$ 251,602	$ 259,713	$ 266,013
Other assets	126,003	95,912	78,865
Total assets	377,605	355,625	344,878
Deferred outflows of resources	163	99	305
LIABILITIES:			
Current liabilities	8,182	9,409	12,143
Long-term liabilities	231,728	236,540	239,798
Total liabilities	239,910	245,949	251,941
Deferred inflows of resources	6,728	3,652	46
NET POSITION:			
Invested in capital assets, net of related debt	18,960	22,189	23,771
Restricted for capital projects	-	7,245	9,658
Restricted for debt service	29,317	24,938	30,677
Unrestricted	82,853	51,751	29,090
Total net position	$ 131,130	$ 106,123	$ 93,196

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

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

	2018	2017	2016
Revenue:			
Operating revenue	$ 28,231	$ 24,403	$ 21,947
Other revenue	18,760	10,021	-
Total revenue	46,991	34,424	21,947
Expenses	21,984	21,497	19,460
Change in net position	25,007	12,927	2,487
Net position, beginning of year	106,123	93,196	90,709
Net position, end of year	$ 131,130	$ 106,123	$ 93,196

FINANCIAL HIGHLIGHTS (Continued)

Other Selected Financial Information

	2018	2017
Ratio of operating revenues to:		
General and administrative expenses	4.67	3.66
General and administrative expenses, excluding depreciation	24.50	11.23
Total assets	0.12	0.10
Debt related ratios:		
Debt coverage ratio	2.53	1.76

Ratios relating to operating revenues, as well as debt coverage, increased significantly due to the rise in rent and tax equivalency revenues in fiscal year 2018, especially the additional rent from the 57th Street condominium sales participation.

CURRENT NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND COMPLETED PROJECTS

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

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

ECONOMIC FACTORS AND FUTURE RESULTS

As previously noted, the Fund is continuing to work toward the approval and development of its 96th Street project in Manhattan and its 362 Schermerhorn (also known as 80 Flatbush) project in Brooklyn.

In fiscal year 2019, the Fund expects rental and tax equivalency revenues to continue to grow. However, the Fund will receive a significantly smaller condominium participation payment for 250 East 57th Street in fiscal year 2019, as condominium sales should be completed in the coming months. The Fund plans to apply these funds toward the costs of future Fund projects.

Management expects a moderate increase to fiscal year 2019 expenses from 2018 levels with the potential hire of one community relations staff and an increase in insurance costs.

The Fund has been approved by New York City Office of Management and Budget and the Office of the New York City Comptroller for a refunding of its 2007 bonds in fiscal year 2019. In October 2018, new bonds will be issued to replace the old bonds at an expected lower interest rate, thereby achieving annual savings of around $600,000 and total present value savings of about $7 million.

Contact Information

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

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents (Notes 2C and 3)	$ 8,850,958	$ 10,443,070
Investments (Notes 2D and 3)	74,545,560	27,554,664
Restricted investments (Notes 2D, 2E and 3)	37,404,765	40,160,433
Additional rent receivable (Note 4)	1,711,147	10,021,002
Prepaid expenses and other current assets	150,171	150,912
Interest receivable on investments	669,812	274,968
Interest subsidy receivable (Note 5)	241,551	246,441
Due from developer (Note 2F)	-	3,894,793
Reimbursement receivable (Note 5)	-	1,331,500
Site evaluation and development costs (Note 2G)	2,428,816	1,834,668
Capital assets: school buildings, net of accumulated depreciation (Notes 2H and 6)	251,601,815	259,712,605
TOTAL ASSETS	377,604,595	355,625,056
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension (Notes 2M and 9)	136,344	99,575
Deferred outflows - other postemployment benefits (Notes 2N and 10)	26,549	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	162,893	99,575
LIABILITIES		
Accrued interest on revenue bonds (Note 7)	3,242,412	3,290,942
Accrued expenses and other liabilities (Note 2K)		
Due within one year	94,097	106,221
Reimbursable expense (Note 5)	-	1,331,500
Other postemployment benefits liability (Notes 2N and 10)	3,879,030	3,541,815
Net pension liability (Notes 2M and 9)	51,877	155,053
Revenue bonds, net of unamortized bond premium (Notes 2J and 7)		
Due within one year	4,845,000	4,680,000
Due in more than one year	227,797,143	232,843,611
TOTAL LIABILITIES	239,909,559	245,949,142
DEFERRED INFLOWS OF RESOURCES		
Advance rental and tax equivalency receipts (Note 2L)	6,540,709	3,609,516
Deferred inflows - pension (Notes 2M and 9)	187,561	42,713
TOTAL DEFERRED INFLOWS OF RESOURCES	6,728,270	3,652,229
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET POSITION (Notes 2O and 8)		
Invested in capital assets, net of related debt	18,959,672	22,188,994
Restricted for:		
Capital projects	-	7,245,605
Debt service	29,317,353	24,937,991
Unrestricted	82,852,634	51,750,670
TOTAL NET POSITION	$ 131,129,659	$ 106,123,260

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

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
REVENUE:		
Rental income and tax equivalency payments, net of refunds (Note 2L)	$ 26,967,965	$ 23,297,847
Additional rent (Note 4)	18,759,956	10,021,002
Investment and interest income	1,262,943	1,104,806
TOTAL REVENUE	46,990,864	34,423,655
EXPENSES:		
General and administrative expenses, including depreciation expense of $8,134,620 and $6,333,917, respectively	10,053,158	9,399,601
Interest on bonds (Note 7)	11,931,307	12,096,573
TOTAL EXPENSES	21,984,465	21,496,174
CHANGE IN TOTAL NET POSITION	25,006,399	12,927,481
NET POSITION - BEGINNING OF YEAR	106,123,260	93,195,779
NET POSITION - END OF YEAR	$ 131,129,659	$ 106,123,260

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

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

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

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

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
GOVERNMENTAL FUNDS - BALANCE SHEET
JUNE 30, 2017

	General	Capital Projects	Debt Service	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	$ 10,443,070	$ -	$ -	$ 10,443,070
Investments	27,554,664	-	-	27,554,664
Restricted investments	-	7,251,500	32,908,933	40,160,433
Additional rent receivable	10,021,002	-	-	10,021,002
Reimbursement receivable - IS 195 project	1,331,500	-	-	1,331,500
Prepaid expenses	150,912	-	-	150,912
Interest receivable on investments	3,035	-	-	3,035
TOTAL ASSETS	$ 49,504,183	$ 7,251,500	$ 32,908,933	$ 89,664,616
LIABILITIES:				
Accrued expenses and other liabilities	$ 49,078	$ 5,895	$ -	$ 54,973
Accounts payable - IS 195 project	1,331,500	-	-	1,331,500
TOTAL LIABILITIES	1,380,578	5,895	-	1,386,473
DEFERRED INFLOWS OF RESOURCES:				
Advance rental receipts	3,609,516	-	-	3,609,516
TOTAL DEFERRED INFLOWS OF RESOURCES	3,609,516	-	-	3,609,516
FUND BALANCES (Note 2O)**:**				
Nonspendable	150,912	-	-	150,912
Spendable:				
Restricted	-	7,245,605	32,908,933	40,154,538
Unassigned	44,363,177	-	-	44,363,177
TOTAL FUND BALANCES	44,514,089	7,245,605	32,908,933	84,668,627
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 49,504,183	$ 7,251,500	$ 32,908,933	$ 89,664,616

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

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

	2018	2017
Total fund balances - governmental funds	$ 116,100,071	$ 84,668,627
Amounts reported for governmental activities in the statements of net position are different because:		
School property and related costs used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.	251,601,815	259,712,605
Bond premiums/discounts are reported as other financing sources in the governmental funds financial statements. However, in the statements of net position, bond premiums/discounts are reported as a component of bonds payable and amortized over the lives of the related debt.	(1,442,143)	(1,643,616)
Assets that are not measurable or will not become available to finance expenditures in the current fiscal period are not reported in the governmental funds financial statements. These assets include:		
Interest receivable on investments	657,786	271,933
Interest subsidy receivable	241,551	246,441
Due from developer	-	3,894,793
Site evaluation and development costs	2,428,816	1,834,668
Long-term liabilities are not due and payable in the current period from currently available financial resources and are therefore not reported in the governmental funds financial statements. These liabilities include:		
Revenue bonds	(231,200,000)	(235,880,000)
Accrued interest on revenue bonds	(3,242,412)	(3,290,942)
Accrued vacation and sick pay	(60,250)	(51,243)
Net pension liability	(51,877)	(155,053)
Other postemployment benefits liability	(3,879,030)	(3,541,815)
Deferred inflows/outflows of resources:		
Pension	(51,217)	56,862
Other postemployment benefits	26,549	-
Net position of governmental activities	$ 131,129,659	$ 106,123,260

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

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

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES:				
Rental income and tax equivalency payments, net of refunds	$ 26,967,965	$ -	$ -	$ 26,967,965
Additional rent	18,759,956	-	-	18,759,956
Investment and interest income	(26,850)	10,195	893,759	877,104
TOTAL REVENUES	45,701,071	10,195	893,759	46,605,025
OTHER FINANCING SOURCES:				
Repayments on developer loan receivable	3,894,794	-	-	3,894,794
TOTAL REVENUES AND OTHER FINANCING SOURCES	49,595,865	10,195	893,759	50,499,819
EXPENDITURES:				
General and administrative	2,188,122	-	-	2,188,122
Capital project expenses	-	23,830	-	23,830
Bond principal payments	-	-	4,680,000	4,680,000
Interest expense	-	-	12,176,423	12,176,423
TOTAL EXPENDITURES	2,188,122	23,830	16,856,423	19,068,375
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	47,407,743	(13,635)	(15,962,664)	31,431,444
OTHER FUNDING SOURCES (USES):				
Interfund transfers	(13,226,526)	(7,231,970)	20,458,496	-
FUND BALANCES - BEGINNING OF YEAR	44,514,089	7,245,605	32,908,933	84,668,627
FUND BALANCES - END OF YEAR	$ 78,695,306	$ -	$ 37,404,765	$ 116,100,071

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

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES:				
Rental income and tax equivalency payments, net of refunds	$ 23,297,847	$ -	$ -	$ 23,297,847
Additional rent	10,021,002	-	-	10,021,002
Investment and interest income	141,605	5,475	822,310	969,390
TOTAL REVENUES	33,460,454	5,475	822,310	34,288,239
EXPENDITURES:				
General and administrative	2,621,582	12	-	2,621,594
Capital project expenses	-	33,473	-	33,473
Bond principal payments	-	-	4,525,000	4,525,000
Interest expense	-	-	12,327,457	12,327,457
TOTAL EXPENDITURES	2,621,582	33,485	16,852,457	19,507,524
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	30,838,872	(28,010)	(16,030,147)	14,780,715
OTHER FINANCING SOURCES (USES):				
INTER-FUND TRANSFERS	(15,877,336)	(2,384,888)	18,262,224	-
FUND BALANCES - BEGINNING OF YEAR	29,552,553	9,658,503	30,676,856	69,887,912
FUND BALANCES - END OF YEAR	$ 44,514,089	$ 7,245,605	$ 32,908,933	$ 84,668,627

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

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
RECONCILIATIONS OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Net changes in fund balances - governmental funds	$ 31,431,444	$ 14,780,715
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Capital outlays	23,830	33,473
Depreciation expense	(8,134,620)	(6,333,917)
The issuance of long-term debt (ex. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and and amortized in the statement of activities (except effects of issuance costs). This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments of bonds	4,680,000	4,525,000
Interest subsidy receivable	(4,890)	(5,531)
Repayments of the developer loan receivable are reported as other financing sources in the governmental funds financial statements, but the repayments reduce the asset in the statement of net position.	(3,894,794)	-
Investment and interest income	385,848	135,425
Some net expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	519,581	(207,684)
Change in net position of governmental activities	$ 25,006,399	$ 12,927,481

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting*

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

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

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

B. *Use of Estimates*

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

C. *Cash and Cash Equivalents*

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

D. *Investments*

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. *Restricted Assets*

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

F. *Due from Developer*

As per the Second Amendment of the Construction Agreement dated December 27, 2013 between the Fund and the developer of 250 East 57th Street, the Fund was to be reimbursed for various advanced soft costs incurred (e.g. architectural fees). The agreement set repayments of principal ($3,056,744) and interest over a five-year period beginning in fiscal year 2026. However, the principal and accrued interest thereon were fully repaid by the Developer in the amount of $3,975,212 in March 2018. Interest accrued at a rate of 3.810721% per annum. Accrued interest receivable as of June 30, 2018 and 2017 was $0 and $838,049, respectively.

G. *Site Evaluation and Development Costs*

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

H. *School Property and Related Costs*

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

I. *Bond Issuance Costs*

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

J. *Unamortized Bond Premium/Discount*

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

K. *Compensated Absences*

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

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

L. *Rental and Tax Equivalency Payments*

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. ***Net Pension Liability***

The net pension liability represents the Fund's proportionate share of the net pension liability of the New York State and Local Employees' Retirement System ("ERS"). Pension liability, expense, deferred outflows of resources and deferred inflows of resources are recognized by the Fund for its proportionate share of the collective amounts within the ERS plan, measured based on an allocation methodology (see Note 9).

N. ***Other Postemployment Benefits***

The Fund provides health insurance coverage for retired employees and their spouses All of the Fund's employees become eligible for these benefits when they reach normal retirement age while working for the Fund. Health care benefits are provided through an insurance company. See Note 10 for additional information on other postemployment benefits ("OPEB").

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

The Fund's net position is reported in the statements of net position as follows:

- Invested in capital assets, net of related debt
- Restricted for:
  - Capital projects
  - Debt service
- Unrestricted

Invested in capital assets, net of related debt, includes capital assets net of accumulated depreciation and liabilities for related revenue bonds.

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

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

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

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

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

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

As of June 30, 2018 and 2017, the balances in the debt service reserve accounts totaled $19,893,730 and $20,380,091, respectively, to meet the required minimum.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Fund reported the following fund balances in its governmental funds balance sheets:

- Nonspendable
- Spendable:
  - Restricted
  - Unassigned

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

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. ***Recent Accounting Pronouncements***

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

- In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, ("GASB 83"). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations. This statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations. The requirements of GASB 83 are effective for fiscal years beginning after June 15, 2018, but was adopted in the current fiscal year. The adoption of GASB 83 did not have an impact on the Fund's financial statements as it has no such obligations.

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

- In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues,* ("GASB 86"). The primary objective of GASB 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished. The requirements of GASB 86 are effective for fiscal years beginning after June 15, 2017. The adoption of GASB 86 did not have an impact on the Fund's financial statements as it has not entered into such defeasances.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

The Fund maintains cash balances at several banks. Accounts at each bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At June 30, 2018 and 2017, uninsured bank balances of approximately $2,200,000 and $9,900,000, respectively, were collateralized with securities held by several banks in the Fund's name.

The Fund's total cash, cash equivalents and investments at June 30, 2018 and 2017 were $120,801,283 ($83,396,518 unrestricted and $37,404,765 restricted, of which $0 was remaining in the 250 East 57th Street construction account) and $78,158,167 ($37,997,734 unrestricted and $40,160,433 restricted, of which $7,251,500 was remaining in the 250 East 57th Street construction account), respectively. Investments consisted primarily of U.S. treasury bills and notes and U.S. government agency securities.

Yields on non-restricted investments ranged from 0% to 2.25% for the years ended June 30, 2018 and 2017, respectively.

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

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

	2018	2017
Insured	$ 88,484	$ 86,184
Collateralized:		
Bank of NY Investment Surplus	74,545,560	31,668,664
Chase Investment Administrative	1,564,859	1,650,260
Bank of NY - Cash Surplus	2,549,311	406
Bank of NY - Operating Account	3,886,317	3,047,085
Bank of NY Debt Service 2007A	4,562,040	6,661,679
Bank of NY Debt Service Reserve 2007A	5,612,336	5,615,422
Bank of NY Debt Service 2010A	1,477,826	2,016,010
Bank of NY Debt Service Reserve 2010A	4,367,000	4,334,458
Bank of NY Debt Service 2011A	11,471,169	3,851,153
Bank of NY Debt Service Reserve 2011A	9,914,394	10,430,211
Chase Construction Account 2011	-	7,251,500
Chase Investment 96th Street	761,987	1,545,135
Total Deposits	$ 120,801,283	$ 78,158,167

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

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

Concentration of Credit Risk. The Fund places no limit on the amount invested in any one issuer. As of June 30, 2018 and 2017, all investments were in obligations of the U.S. Treasury and federal agencies.

Interest Rate Risk. The Fund manages its exposure to declines in fair values of its investment portfolio due to increases in interest rates by limiting the weighted average maturity of its non-restricted investments to less than one year. As of June 30, 2018 and 2017, all non-restricted investment maturities were less than one year, except for a U.S. Treasury note held at June 30, 2018 and 2017 which matures in March 2021.

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

Information about the carrying values and fair values of restricted investments by type of investment as of June 30, 2018 and 2017 was as follows:

	June 30, 2018		June 30, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
U.S. Government securities	$ 34,721,573	$ 34,921,016	$ 23,312,550	$ 23,184,921
U.S. Government agency obligations	2,677,740	2,744,210	9,919,399	10,099,012
Cash	5,452	5,452	6,928,484	6,928,484
Total restricted investments	$ 37,404,765	$ 37,670,678	$ 40,160,433	$ 40,212,417

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

The Fund had the following recurring fair value measurements as of June 30, 2018 and 2017:

- U.S. Treasury notes of approximately $9.9 million and $10.2 million, respectively, were valued using quoted market prices (Level 1 inputs).

NOTE 4 – ADDITIONAL RENT

Under the terms of the lease for the non-school portion of its 57th Street project the Fund is to receive a percentage of the gross sales price, above a threshold price per square foot, for any units sold by the developer, sponsor or tenant to third parties in arm's-length transfers. The Fund's income from those sales was $18,759,956 and $10,021,002 for the years ended June 30, 2018 and 2017, respectively, and is reported as additional rent in the accompanying financial statements. As of June 30, 2018 and 2017, additional rent receivable amounted to $1,711,147 and $10,021,002, respectively, and such amounts were collected in full subsequent to the fiscal year-end.

NOTE 5 – REIMBURSEMENT RECEIVABLE – IS 195 PROJECT

The Fund entered into an agreement to have roof work done at the former IS 195 Manhattan (Terence Tolbert campus). The location is currently operated by the New York City Department of Education and, accordingly, the New York City School Construction Authority ("SCA") reimburses the Fund for its expenditure. Reimbursement of $1,331,500 was received from SCA in fiscal year 2018 and the related liability was paid by the Fund.

NOTE 6 – SCHOOL BUILDINGS

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

NOTE 6 – SCHOOL BUILDINGS (Continued)

The school's portion of these locations has been leased by the Fund to the City for a period of 30 or 40 years. The leases expire on various dates between 2017 and 2052. In the event that the Fund's revenues from the non-school portion of the properties are not sufficient to pay the debt service requirements of the 2007A, 2010A and 2011A Series Bonds, then the school leases provide for payments from the City sufficient to support payment of an allocable portion of the debt service requirements of the 2007A, 2010A and 2011A Bonds. The Fund has derived sufficient revenue from the non-school portion, combined with investment income, to meet the debt service requirements of the 2007A, 2010A and 2011A Series Bonds. Accordingly, the City has not been required to make payments under the school leases.

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

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

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

	June 30, 2016	Additions	June 30, 2017
School buildings, at cost	$ 400,675,274	$ 33,473	$ 400,708,747
Less: accumulated depreciation	134,662,225	6,333,917	140,996,142
School buildings, net	$ 266,013,049	$ (6,300,444)	$ 259,712,605

Depreciation expense for the years ended June 30, 2018 and 2017 was $8,134,620 and $6,333,917, respectively.

NOTE 7 – REVENUE BONDS

The 2005A Bonds were issued pursuant to the New York City Educational Construction Fund Act, which is Article 10 of the New York State Education Law, as amended (the "Act") and pursuant to the Fund's Revenue Bond Resolution adopted by the Fund on December 20, 2004 (the "General Resolution"), and a Series Resolution authorizing the 2005A Bonds (the "2005 Series A Resolution") adopted by the Fund on December 20, 2004 (the General Resolution and the 2005 Series A Resolution are referred to herein collectively as the "Resolution").

On January 6, 2005, the 2005A Bonds were issued for the purposes of (i) providing, together with other funds available to the Fund, the funds necessary to accomplish the refunding of all the Fund's outstanding bonds and (ii) paying Costs of Issuance of the 2005A Bonds. The Fund's outstanding bonds as of January 6, 2005 were comprised of: (1) $17,510,000 of Senior Revenue Bonds, Series 1994, originally issued in the aggregate principal amount of $69,320,000; (2) $19,065,000 Senior Subordinated Revenue Bonds, Series 1994, originally issued in the aggregate principal amount of $19,065,000; (3) $25,935,000 Junior Subordinated Revenue Bonds, Series 1994, originally issued in the aggregate principal amount of $49,365,000; and (4) $39,820,000 Junior Subordinated Revenue Bonds, Series 1996, originally issued in the aggregate principal amount of $44,880,000 (collectively the "Refunded Bonds").

NOTE 7 – REVENUE BONDS (Continued)

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

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

The 2010A bonds were issued as "Build America Bonds" and the Fund elected to receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the bonds. The payments from the United States Treasury were reduced by budget sequestration cuts ranging from 6.6% to 8.7% from 2013 through 2018. For 2019, the sequestration rate reduction will be 6.2%.

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

As of June 30, 2018 and 2017 the Fund recorded accrued interest on revenue bonds of $3,242,412 and $3,290,942 representing interest for the periods from April 1 to June 30, 2018 and 2017 due to be paid in October 2018 and 2017, respectively.

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

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

NOTE 7 – REVENUE BONDS (Continued)

The following is a summary of changes in serial bonds payable for the year ended June 30, 2017:

	June 30, 2016	Principal Payments	June 30, 2017
Revenue Bonds 2007A issued January 18, 2007 (3.75% to 5%) maturity dates 2009 to 2037. Payments due April and October.	$ 49,070,000	$ 345,000	$ 48,725,000
Revenue Bonds 2010A issued April 28, 2010 (4.5% to 6.2%) maturity dates 2017 to 2040. Payments due April and October.	53,810,000	1,435,000	52,375,000
Revenue Bonds 2011A issued January 25, 2011 (3.25% to 6.5%) maturity dates 2017 to 2041. Payments due April and October.	137,525,000	2,745,000	134,780,000
	240,405,000	$ 4,525,000	235,880,000
Less/add: unamortized bond discount/premium	1,837,269		1,643,611
Current portion	(4,525,000)		(4,680,000)
Long-term portion	$ 237,717,269		$ 232,843,611

Debt service requirements on bond indebtedness at June 30, 2018 were as follows:

	2007A Bonds			2010A Bonds		
Fiscal Years	Principal	Interest	Total	Principal	Interest	Total
2019	$ 380,000	$ 2,418,000	$ 2,798,000	$ 1,525,000	$ 2,955,653	$ 4,480,653
2020	400,000	2,399,000	2,799,000	1,575,000	2,880,928	4,455,928
2021	420,000	2,379,000	2,799,000	1,630,000	2,802,178	4,432,178
2022	440,000	2,358,000	2,798,000	1,685,000	2,719,048	4,404,048
2023	2,165,000	2,336,000	4,501,000	1,745,000	2,633,955	4,378,955
2024-2028	12,560,000	9,944,000	22,504,000	9,750,000	11,706,427	21,456,427
2029-2033	16,030,000	6,474,000	22,504,000	11,870,000	8,679,430	20,549,430
2034-2038	15,965,000	2,044,000	18,009,000	14,470,000	4,806,230	19,276,230
2039-2041	-	-	-	6,645,000	622,170	7,267,170
	$ 48,360,000	$ 30,352,000	$ 78,712,000	$ 50,895,000	$ 39,806,019	$ 90,701,019

	2011A Bonds			Total		
Fiscal Years	Principal	Interest	Total	Principal	Interest	Total
2019	$ 2,940,000	$ 7,595,994	$ 10,535,994	$ 4,845,000	$ 12,969,647	$ 17,814,647
2020	3,060,000	7,478,394	10,538,394	5,035,000	12,758,322	17,793,322
2021	3,185,000	7,352,169	10,537,169	5,235,000	12,533,347	17,768,347
2022	3,325,000	7,212,825	10,537,825	5,450,000	12,289,873	17,739,873
2023	3,540,000	6,996,700	10,536,700	7,450,000	11,966,655	19,416,655
2024-2028	21,225,000	31,466,350	52,691,350	43,535,000	53,116,777	96,651,777
2029-2033	28,575,000	24,114,639	52,689,639	56,475,000	39,268,069	95,743,069
2034-2038	37,795,000	14,898,252	52,693,252	68,230,000	21,748,482	89,978,482
2039-2041	28,300,000	3,315,163	31,615,163	34,945,000	3,937,333	38,882,333
	$ 131,945,000	$ 110,430,486	$ 242,375,486	$ 231,200,000	$ 180,588,505	$ 411,788,505

NOTE 8 – NET POSITION

The Fund's net investment in capital assets category of net position and the net position restricted for debt service and capital projects consisted of the following as of June 30:

	2018	2017
Invested in capital assets, net of related debt		
School property, net	$ 251,601,815	$ 259,712,605
Less: Revenue bonds payable, net	(232,642,143)	(237,523,611)
Invested in capital assets, net of related debt	$ 18,959,672	$ 22,188,994
Restricted for debt service		
Restricted assets	$ 37,404,765	$ 40,160,433
Less: MS 114/PS 59 construction funds	-	(7,251,500)
Current liabilities paid from debt service funds:		
Accrued interest on revenue bonds	(3,242,412)	(3,290,942)
Current portion of revenue bonds	(4,845,000)	(4,680,000)
	$ 29,317,353	$ 24,937,991
Restricted for capital projects		
Restricted assets	$ -	$ 7,251,500
Less: Current liabilities paid from capital projects funds:		
Accrued expenses and other liabilities	-	(5,895)
	$ -	$ 7,245,605

NOTE 9 – PENSION PLAN

PLAN DESCRIPTION

The Fund participates in the ERS (see Note 2M). This is a cost-sharing multiple-employer defined benefit retirement system. The ERS provides retirement benefits as well as death and disability benefits.

As set forth in the New York State Retirement and Social Security Law ("NYSRSSL"), the Comptroller of the State of New York (the "Comptroller") serves as sole trustee and administrative head of the ERS. The Comptroller adopts and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of their funds.

A publicly available annual report containing financial statements and required supplemental information for the ERS may be obtained by writing to The New York State Retirement System, Office of The State Comptroller, State Office Building, 110 State Street, Albany, New York 12236.

BENEFITS

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

NOTE 9 – PENSION PLAN (Continued)

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

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

CONTRIBUTIONS

For employees who joined the ERS after July 27, 1979, the system requires a 3% contribution of their salaries until employees are vested. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as a percentage of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Fund is required to contribute at an actuarially determined rate. The actual contributions were equal to the actuarially required amounts. The required contributions to the ERS for the fiscal years ended June 30, 2018 and 2017 were $53,039 and $64,406 respectively. The total pension expense for the fiscal years ended June 30, 2018 and 2017 was $57,385 and $97,566, respectively.

ACTUARIAL ASSUMPTIONS

The total pension liability for the March 31, 2018 and 2017 valuation dates were determined by using actuarial valuations as of April 1, 2017 and 2016, with update procedures used to roll forward the total pension liability to March 31, 2018 and 2017. The actuarial valuations used the following actuarial assumptions:

	April 1, 2017	April 1, 2016
Inflation	2.5%	2.5%
Salary increases	3.8%	3.8%
Investment rate of return (net of investment expense, including inflation)	7.0%	7.0%
Cost of living adjustments	1.3%	1.3%

Annuitant mortality rates for the April 1, 2017 and 2016 valuations were based on the April 1, 2010 through March 31, 2015 ERS experience with adjustments for mortality improvements using the Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period from April 1, 2010 through March 31, 2015.

NOTE 9 – PENSION PLAN (Continued)

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

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

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

The following presents the employer's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the employer's proportionate share of net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate as of June 30, 2017:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Employer's proportionate share of net pension liability (asset)	$ 495,208	$ 155,053	$ (132,548)

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

	2018	2017
Differences between expected and actual experience	$ 18,503	$ 3,885
Changes of assumptions	34,399	52,972
Net difference between projected and actual investment earnings on pension plan investments	75,348	30,970
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,192	9,288
Employer contributions subsequent to the measurement date	1,902	2,460
	$ 136,344	$ 99,575

NOTE 9 – PENSION PLAN (Continued)

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

	2018	2017
Differences between expected and actual experience	$ 15,290	$ 23,546
Net difference between projected and actual investment earnings on pension plan investments	148,729	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,542	19,167
	$ 187,561	$ 42,713

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

2019	$ 7,675
2020	5,001
2021	(43,877)
2022	(20,016)

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

	March 31, 2018		March 31, 2017	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Domestic Equity	36 %	4.55 %	36 %	4.55 %
International Equity	14	6.35	14	6.35
Private Equity	10	7.50	10	7.75
Real Estate	10	5.55	10	5.80
Absolute Return Strategies (1)	2	3.75	2	4.00
Opportunistic Portfolio	3	5.68	3	5.89
Real Assets	3	5.29	3	5.54
Bonds and Mortgages	17	1.31	17	1.31
Cash	1	(0.25)	1	(0.25)
Inflation Indexed Bonds	4	1.25	4	1.50
	100 %		100 %	

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

(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity.

NOTE 9 – PENSION PLAN (Continued)

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

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

	2018	2017
Total pension liability	$ 183,400,590	$ 177,400,586
Fiduciary net position	(180,173,145)	(168,004,363)
Employers' net pension liability	$ 3,227,445	$ 9,396,223
ERS fiduciary net position as a percentage of total pension liability	98.24%	94.70%

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

PLAN DESCRIPTION

The Fund's defined benefit post-employment healthcare plan (the "Plan") which is provided under the New York State Health Insurance Program (the "NYSHIP"), provides medical and dental insurance benefits to eligible employees, retirees and their dependents. As of June 30, 2018, three active employees, one deferred retiree and five retirees were eligible to receive benefits under the Plan. As of June 30, 2017, three active employees, one deferred retiree and six retirees were eligible to receive benefits under the Plan. NYSHIP is administered by the Department of Civil Service of the State of New York. According to the Department of Civil Service, NYSHIP is a cost sharing multiple-employer healthcare plan that is not administered as a trust or trust equivalent and is therefore treated as an agent multiple-employer plan for purposes of analysis of postemployment benefit costs. The Fund has the authority to establish and amend benefit provisions of the Plan. NYSHIP issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to The Department of Civil Service, The State Campus, Albany, New York 12239.

FUNDING POLICY

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

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

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

ANNUAL OTHER POSTEMPLOYMENT BENEFITS COST AND NET OBLIGATION

For the years ended June 30, 2018 and 2017, the Fund's OPEB expense was $369,123 and $1,542,384, respectively, and the Fund made $58,457 and $59,650, respectively in pay-as-you-go employer contributions.

ACTUARIAL METHODS AND ASSUMPTIONS

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

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

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

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

The OPEB liability as of June 30, 2017 was determined by using an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total OPEB liability to June 30, 2017. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry Age Normal cost method, level percent of pay calculated on an individual basis.
Discount rate	3.13% - Since the OPEB plan is not pre-funded, the discount rate was obtained by discounting future benefit payments funded on a pay-as-you-go basis at the Municipal Bond 20-year Index Rate.
Salary increases	3.00% per annum which includes an inflation rate of 2.50% and a general wage increase rate of 0.50%.
General inflation	2.50% assumed long-term inflation.
Mortality	MP-2015 applied on a generational basis.
Healthcare cost trend	Annual healthcare cost trend rate for medical coverage of 6.75 percent initially, reduced by decrements to a rate of 4.75 percent after 7 years.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

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

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

The following shows how net OPEB liability at June 30, 2017 would change based on changes in the discount rate and healthcare cost trend rate:

	1% Decrease	Current Rate	1% Increase
Discount rate	$ 4,865,812	$ 3,541,815	$ 2,688,327
Healthcare cost trend rate	2,496,872	3,541,815	5,129,604

CHANGES IN NET OPEB LIABILITY AND ADDITIONAL INFORMATION

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

	2018	2017
Net OPEB liability - beginning of year	$ 3,541,815	$ 1,747,963
Changes in net OPEB liability:		
Service cost	78,627	76,223
Interest	113,500	108,370
Differences between expected and actual experience	37,345	2,178,629
Changes in assumptions	166,200	(509,720)
Benefit payments	(58,457)	(59,650)
Net OPEB liability - end of year	$ 3,879,030	$ 3,541,815

Changes in assumptions were primarily changes in the discount rate. The Fund is required to use a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). Discount rates of 2.98% and 3.13% were applied to June 30, 2018 and 2017, respectively.

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

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

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The amounts of deferred outflows of resources related to OPEB will be recognized in pension expense during the year ended June 30, 2019.

The Fund had no deferred outflows of resources or deferred inflows of resources related to OPEB as of June 30, 2017.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. ***Tax Equivalency Adjustments***

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

B. ***Rent***

The Fund occupies, rent free, office space located in a building owned by the City. The fair market value of the rent is not considered material and therefore rent expense has not been recorded for the years ended June 30, 2018 and 2017, respectively.

C. ***Litigation***

The Fund experiences routine litigation and claims incidental to the construction of its projects, the conduct of its affairs and the ownership of its properties. Such litigation is being defended either by insurance companies on behalf of the Fund or other counsel retained by the Fund. As of June 30, 2018 the probable recoveries and the estimated costs and expenses of the defense of such litigation will, in the opinion of the Fund, be entirely within the Fund's applicable insurance policy limits (subject to applicable deductibles) and, accordingly, will not have a material adverse effect on the Fund's operations or financial condition.

A crane subcontracted by the developer collapsed on May 20, 2008 at the site of the MS 114 project. The accident resulted in two deaths, several injuries and property damage. The Fund is contractually indemnified by the developer and the construction manager and indirectly by the crane owner. Claims asserted against the Fund, to date, have been tendered to the Fund's insurer as well as to the developer. In addition, the Fund also tendered claims to those insurance companies whose policies were procured by the developer and construction manager for the project.

On January 30, 2015, all claims and cross claims against the Fund in the wrongful death cases were dismissed. The plaintiffs did not file notices of appeal regarding the Fund's dismissal, and the time to take the necessary steps to appeal has since elapsed. On January 5, 2016, judgments exceeding $96 million dollars were awarded in these cases against the crane owner. That same day, the crane owner filed a notice of appeal, but not against the Fund. The appeal reduced the amount of damages to $35 million, and the action was later settled, and this matter was closed without further exposure to the Fund.

At June 30, 2018, the Fund does not anticipate incurring losses in excess of its available insurance coverage.

NOTE 12 – ARBITRAGE REBATE PROGRAM

In accordance with the Internal Revenue Code of 1986, as amended, the Fund is required to pay the United States Treasury certain amounts related to the Fund's tax-exempt bond issues. The estimated amount of non-purpose arbitrage payable represents the excess of amounts earned on "taxable" investments over the interest cost of the tax-exempt borrowing, plus income attributable to the excess. Rebate payments are due 60 days after January 18, 2017 for the Series 2007A Bonds, 60 days after April 28, 2020 for the Series 2010A and 60 days after January 25, 2021 for the Series 2011A. At June 30, 2018 and 2017, the estimated liability for non-purpose interest arbitrage rebate was $0 for each bond series.

NOTE 13 – TAX ABATEMENT

By setting aside at least 20% of their units as affordable, the Fund's tenant at 331 East 91st Street applied for a 421(a) tax abatement, which was approved by the NYC Department of Finance starting in fiscal year 2012. During the years ended June 30, 2018 and 2017, actual taxes for the property would have been $2,136,092 and $1,485,134, respectively with the 421(a) abatement. In accordance with the lease, the tenant pays tax equivalency to the Fund that is the greater of (a) the minimum payment set forth in the lease schedule, or (b) what the actual taxes would have been with the abatement. During the years ended June 30, 2018 and 2017, total tax equivalency paid for 331 East 91st Street was $2,983,437 and $2,666,959, respectively, which is greater than or equal to the abated amount.

NOTE 14 – RECLASSIFICATIONS

Certain line items in the June 30, 2017 financial statements have been reclassified to conform to the June 30, 2018 financial statement presentation.

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

New York State and Local Employees' Retirement System

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

NOTES TO THE SCHEDULE:

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

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

New York State and Local Retirement System

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

NOTES TO THE SCHEDULE:

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

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

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

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

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

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

NOTES TO THE SCHEDULE:

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

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

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

2018	2017	2016
2.98%	3.13%	2.71%

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

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

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