NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-7
BASIC FINANCIAL STATEMENTS:	
Entity-Wide Financial Statements:	
Statements of Net Position - June 30, 2015 and 2014	8
Statements of Activities - for the years ended June 30, 2015 and 2014	9
Governmental Funds Financial Statements:	
Governmental Funds - Balance Sheet – June 30, 2015	10
Governmental Funds - Balance Sheet – June 30, 2014	11
Reconciliations of the Balance Sheets of Governmental Funds to the Statements of Net Position – June 30, 2015 and 2014	12
Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances - for the year ended June 30, 2015	13
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances - for the year ended June 30, 2014	14
Reconciliations of the Statements of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statements of Activities - for the years ended June 30, 2015 and 2014	15
Notes to Financial Statements	16-38
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*	39-40

Israeloff, Trattner & Co. P.C.
CERTIFIED PUBLIC ACCOUNTANTS · FINANCIAL CONSULTANTS
1225 Franklin Avenue, Garden City, NY 11530 (516) 240-3300 Fax (516) 240-3310 www.israeloff.com
Other Office
New York, NY

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
New York City Educational Construction Fund
Long Island City, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the New York City Educational Construction Fund (the "Fund"), a component unit of The City of New York ("The City"), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

Our responsibility is to express opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the New York City Educational Construction Fund, as of June 30, 2015 and 2014, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, the financial statements of the Fund are intended to present the financial position and changes in financial position of only that portion of the governmental activities of the City that is attributable to the transactions of the Fund. They do not purport to, and do not present fairly, the financial position of the City as of June 30, 2015 and 2014, and the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–7 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of the New York City Educational Construction Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New York City Educational Construction Fund's internal control over financial reporting and compliance.

Israeloff, Trattner & Co. P.C.

Garden City, New York
September 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

The following Management's Discussion and Analysis ("MD&A") of the financial performance of the New York City Educational Construction Fund (the "Fund") is for the fiscal years ended June 30, 2015 and 2014. This discussion and analysis is intended to serve as an introduction to the Fund's basic financial statements, which have the following components: (1) entity-wide financial statements; (2) governmental fund financial statements; and (3) notes to 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 entity-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 entity-wide financial statements:

The Statement of Net Position presents 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 Statement of Activities presents 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 fund 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 Sheet and the governmental funds - Statement 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 fund financial statements also include a reconciliation between the entity-wide and governmental fund statements and the notes to financial statements which are an integral part of the financial statements and provide more detailed information to supplement the basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

FINANCIAL HIGHLIGHTS

The Fund's net position decreased by approximately $2. 7 million during FY 2015 and increased by approximately $0.5 million and $3.7 million during FY 2014 and FY 2013, respectively.

Rental income and tax equivalency payments increased by $4.5 million in FY 2015, while total revenues decreased. FY 2014 revenues included a one-time $7 million payment for the extension of the ground lease at 250 East 57th Street. The loss of revenue resulting from the sale of the Norman Thomas High School site was offset by the $7 million payment in FY 2014.

Capital Assets decreased by $6.0 million primarily due to depreciation expense. Current liabilities increased by approximately $24.1 million because of a rise in advance rental receipts with more tenants having pre-paid their rent in 2015, as well as the shift of $21.7 million in bonds payable to current liabilities due to the Fund's elective early redemption to be completed in October 2015.

While the City of New York implemented Governmental Accounting Standards Board ("GASB") Statement No. 68 ("GASB 68") during FY 2014, the Fund implemented GASB 68 in FY 2015 as it participates in the New York State and Local Employees Retirement System; New York State implemented GASB 68 in FY 2015 in compliance with GASB requirements. See in Notes 2, 8 and 12 of the financial statements for further details.

The Fund re-stated its FY 2014 financial statements in accordance with GASB 68. In addition, the Fund re-stated FY 2014 to reflect a $3,056,744 loan due from the developer at 250 East 57th Street and to record an accrual for interest income. This resulted in an additional $0.5 million of interest income accrued in FY 2014. See "Due from Developer" in Notes 2 and 12 of the financial statements.

Below is a summary of the changes in total assets, liabilities and net position.

Summary of Net Position ($ in thousands)

	June 30, 2015	June 30, 2014	June 30, 2013
Capital assets	$ 272,165	$ 278,170	$ 286,222
Other assets	93,975	90,497	88,407
Total assets	366,140	368,667	374,629
Deferred outflows of resources	14	-	-
Current liabilities	30,581	6,465	10,990
Long-term liabilities	244,856	268,759	270,712
Total liabilities	275,437	275,224	281,702
Deferred inflows of resources	8	-	-

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Summary of Net Position ($ in thousands) (CONTINUED)

	June 30, 2015	June 30, 2014	June 30, 2013
Invested in capital assets, net of related debt	$ 5,332	$ 9,107	$ 14,996
Restricted for capital projects	9,682	9,497	10,055
Restricted for debt service	34,875	37,495	35,503
Unrestricted	40,820	37,344	32,373
Total net position	$ 90,709	$ 93,443	$ 92,927

Summary of Revenues, Expenses, and Changes in Net Position ($ in thousands)

	June 30, 2015	June 30, 2014	June 30, 2013
Operating revenues	$ 18,187	$ 14,133	$ 15,621
Other revenues	-	7,000	-
Total expenses	20,921	20,617	11,946
Change in Net Position	(2,734)	516	3,675
Net position, beginning of year	93,443	92,927	89,252
Net position, end of year	$ 90,709	$ 93,443	$ 92,927

As previously discussed, rental income and tax equivalency payments increased by $4.5 million in FY 2015. Total revenues were higher in FY2014 due to a one-time payment of $7 million for the lease extension at 250 East 57th Street.

General and administrative expenses increased in FY 2015 because of a rise in depreciation expense. Bond interest expenses increased in FY 2014 compared to 2013, as interest was no longer capitalized upon completion of construction at 250 East 57th Street.

Other Selected Financial Information

Ratio of operating revenues (excluding other income) to:	2015	2014
General and administrative expenses	2.35	1.92
General and administrative expenses Net of depreciation	9.89	7.67
Total assets	0.05	0.04
Debt related ratios:		
Debt coverage ratio	1.00	0.75

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Ratios relating to operating revenues increased due to the rise in rent and tax equivalency revenues discussed above.

CURRENT NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND COMPLETED PROJECTS

PS 126	175 West 166th Street	Bronx
Murry Bergtraum HS	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	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
Terance 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

The Fund anticipates that it will be involved in the development of one or more projects by the end of FY 2016.

ECONOMIC FACTORS AND FUTURE RESULTS

Management expects revenues to grow in future years due to increased rental and tax equivalency revenues from the 91st Street and 57th Street projects. Management expects FY 2016 expenses to remain at or near 2015 levels. On October 1, 2015, a bond redemption of $23,455,000 is planned for the outstanding 2005A Revenue Bonds, which will result in interest savings of over $5 million over the bond term.

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, 4th Floor, Long Island City, New York 11101.

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014

	2015	2014 (As Restated)
ASSETS		
Cash and cash equivalents (Notes 2 and 3)	$ 45,271,178	$ 39,164,656
Restricted investments (Notes 2 and 3)	44,138,904	47,160,748
Prepaid expenses	156,501	147,981
Interest receivable on investments	87,186	151,708
Interest subsidy receivable (Note 5)	250,621	270,356
Due from developer (Note 2)	3,661,823	3,545,339
Construction refund receivable (Note 2)	352,180	-
Site evaluation and development costs (Note 2)	56,042	56,042
Capital assets: School buildings, net of accumulated depreciation (Notes 2 and 4)	272,165,393	278,170,082
Total Assets	366,139,828	368,666,912
Deferred Outflows of Resources (Notes 2 and 8)	14,270	-
LIABILITIES		
Advance rental receipts (Note 2)	3,070,391	493,023
Accrued interest on revenue bonds (Note 5)	3,591,714	3,615,123
Accrued expenses and other liabilities		
Due within one year	133,335	391,714
Accrued post-employment healthcare benefits (Notes 2 and 9)	1,757,940	1,593,433
Net pension liability (Notes 2 and 8)	50,483	67,528
Revenue Bonds, net of unamortized bond premium (Notes 2 and 5)		
Due within one year	23,785,000	1,965,000
Due in more than one year	243,047,626	267,097,750
Total Liabilities	275,436,489	275,223,571
Deferred Inflows of Resources (Notes 2 and 8)	8,079	-
NET POSITION (Note 6)		
Net investment in capital assets	5,332,767	9,107,332
Restricted for:		
Capital projects	9,682,070	9,496,616
Debt service	34,874,810	37,495,373
Unrestricted	40,819,883	37,344,020
Total Net Position	$ 90,709,530	$ 93,443,341

See accompanying notes to financial statements.

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014 (As Restated)
GENERAL REVENUE:		
Rental income and tax equivalency payments (net of refunds) (Note 2)	$ 17,608,512	$ 13,087,120
Investment and interest income (Note 2)	578,849	1,045,792
Other income (Note 7)	-	7,000,000
Total General Revenue	18,187,361	21,132,912
EXPENSES:		
General and administrative expenses, including depreciation expense of $5,894,382 and $5,530,409 for 2015 and 2014, resprectively	7,732,500	7,372,186
Interest on bonds (Note 5)	13,188,672	13,244,874
Total Expenses	20,921,172	20,617,060
Change in Net Position	(2,733,811)	515,852
Net Position - beginning of year	93,443,341	92,927,489
Net Position - end of year	$ 90,709,530	$ 93,443,341

See accompanying notes to financial statements.

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
GOVERNMENTAL FUNDS - BALANCE SHEET
JUNE 30, 2015

	General	Capital Projects	Debt Service	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 45,271,178	$ -	$ -	$ 45,271,178
Restricted investments	-	9,329,890	34,809,014	44,138,904
Prepaid expenses	156,501	-	-	156,501
Interest receivable on investments	6,457	-	65,796	72,253
Total Assets	$ 45,434,136	$ 9,329,890	$ 34,874,810	$ 89,638,836
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accrued expenses and other liabilities	$ 64,491	$ -	$ -	$ 64,491
Advance rental receipts	3,070,391	-	-	3,070,391
Total Liabilities	3,134,882	-	-	3,134,882
FUND BALANCE				
Nonspendable	156,501	-	-	156,501
Spendable:				
Restricted	-	9,329,890	34,874,810	44,204,700
Unassigned	42,142,753	-	-	42,142,753
Total Fund Balances	42,299,254	9,329,890	34,874,810	86,503,954
Total Liabilities and Fund Balances	$ 45,434,136	$ 9,329,890	$ 34,874,810	$ 89,638,836

See accompanying notes to financial statements.

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
GOVERNMENTAL FUNDS - BALANCE SHEET
JUNE 30, 2014

	General	Capital Projects	Debt Service	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 39,164,656	$ -	$ -	$ 39,164,656
Restricted investments	-	9,785,604	37,375,144	47,160,748
Prepaid expenses	147,981	-	-	147,981
Interest receivable on investments	-	31,479	120,229	151,708
Total Assets	$ 39,312,637	$ 9,817,083	$ 37,495,373	$ 86,625,093
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accrued expenses and other liabilities	$ -	$ 320,467	$ -	$ 320,467
Advance rental receipts	493,023	-	-	493,023
Total Liabilities	493,023	320,467	-	813,490
FUND BALANCE				
Nonspendable	147,981	-	-	147,981
Spendable:				
Restricted	-	9,496,616	37,495,373	46,991,989
Unassigned	38,671,633	-	-	38,671,633
Total Fund Balances	38,819,614	9,496,616	37,495,373	85,811,603
Total Liabilities and Fund Balances	$ 39,312,637	$ 9,817,083	$ 37,495,373	$ 86,625,093

See accompanying notes to financial statements.

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND
RECONCILIATIONS OF THE BALANCE SHEETS OF GOVERNMENTAL FUNDS
TO THE STATEMENTS OF NET POSITION
AS OF JUNE 30, 2015 AND 2014

	2015	2014 (As Restated)
Amounts reported for governmental activities in the Statements of Net Position are different because:		
Total Fund Balances - Governmental Funds	$ 86,503,954	$ 85,811,603
School property and related costs used in governmental activities are not financial resources and therefore, are not reported in the governmental fund	272,165,393	278,170,082
Bond premiums/discounts are reported as other financing sources in the governmental funds financial statements. However, in the statement of net position, bond premiums/discounts are reported as a component of bonds payable and amortized over the lives of the related debt	(2,642,628)	(2,907,751)
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	14,933	-
Interest subsidy receivable	250,621	270,356
Due from developer	3,661,823	3,545,339
Construction refund receivable	352,180	-
Site evaluation and development costs	56,042	56,042
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 are:		
Revenue bonds	(264,190,000)	(266,155,000)
Accrued interest on revenue bonds	(3,591,714)	(3,615,123)
Accrued vacation and sick pay	(68,842)	(71,246)
Net pension liability	(50,483)	(67,528)
Accrued post-employment healthcare benefits	(1,757,940)	(1,593,433)
Deferred outflows of resources	14,270	-
Deferred inflows of resources	(8,079)	-
Net Position of Governmental Activities	$ 90,709,530	$ 93,443,341

See accompanying notes to 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, 2015

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Rental income and tax equivalency payments	$ 17,608,512	$ -	$ -	$ 17,608,512
Investment and interest income	65,290	10,783	371,361	447,434
Total Revenues	17,673,802	10,783	371,361	18,055,946
EXPENDITURES				
General and administrative	1,699,251	-	-	1,699,251
Capital project expenses	-	241,873	-	241,873
Bond principal amount	-	-	1,965,000	1,965,000
Interest expense	-	-	13,457,471	13,457,471
Total expenditures	1,699,251	241,873	15,422,471	17,363,595
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	15,974,551	(231,090)	(15,051,110)	692,351
OTHER FINANCING SOURCES (USES):				
INTER-FUND TRANSFERS	(12,494,911)	64,364	12,430,547	-
Fund balances, beginning of year	38,819,614	9,496,616	37,495,373	85,811,603
Fund balances, end of year	$ 42,299,254	$ 9,329,890	$ 34,874,810	$ 86,503,954

See accompanying notes to 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, 2014

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Rental income and tax equivalency payments	$ 13,087,120	$ -	$ -	$ 13,087,120
Investment and interest income	5,142	17,477	534,578	557,197
Total revenues	13,092,262	17,477	534,578	13,644,317
EXPENDITURES				
General and administrative	1,536,613	40,981	-	1,577,594
Capital projects expenses	-	535,172	-	535,172
Bond principal amount	-	-	1,890,000	1,890,000
Interest expense	-	-	13,535,690	13,535,690
Total expenditures	1,536,613	576,153	15,425,690	17,538,456
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11,555,649	(558,676)	(14,891,112)	(3,894,139)
OTHER FINANCING SOURCES (USES):				
OTHER INCOME	7,000,000	-	-	7,000,000
INTER-FUND TRANSFERS	(16,883,560)	-	16,883,560	-
Fund balances, beginning of year	37,147,525	10,055,292	35,502,925	82,705,742
Fund balances, end of year	$ 38,819,614	$ 9,496,616	$ 37,495,373	$ 85,811,603

See accompanying notes to financial statements.

NEW YORK CITY EDUCATIONAL CONSTRUCTION FUND

RECONCILIATIONS OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014 (As Restated)
Amounts reported for governmental activities in the Statements of Activities are different because:		
Net Changes in Fund Balance - Governmental Funds	$ 692,351	$ 3,105,861
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	241,873	535,172
Depreciation expense	(5,894,382)	(5,530,409)
The issuance of long-term debt (e.g. 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 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	1,965,000	1,890,000
Interest subsidy receivable	(19,735)	(135)
Investment and interest income	131,417	488,595
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.	149,665	26,768
Change in Net Position of Governmental Activities	$ (2,733,811)	$ 515,852

See accompanying notes to financial statements.

1. ORGANIZATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING / MEASUREMENT FOCUS

The Fund uses the governmental method of accounting as described in Governmental Accounting Standards Board ("GASB") Statement No. 34 ("GASB 34") *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

The entity-wide financial statements of the Fund, which include the Statement of Net position and the Statement of Activities, are presented to display information about the reporting entity as a whole, in accordance with GASB 34. The Statements of Net Position and the Statements of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

Governmental funds financial statements, the Balance Sheet and the 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. They recognize revenue when it becomes both measurable and available to finance expenditures in the current fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are recognized when the related liability is incurred.

Reconciliations of Entity-wide and Governmental Fund Financial Statements – A summary reconciliation of the difference between the Total Fund Balances as reflected on the Governmental Funds Balance Sheet and total Net Position for the fund activities as shown on the Entity-wide Statements of Net Position is presented in an accompanying statement to the Governmental Funds Balance Sheets.

A summary reconciliation of the difference between net change in fund balances as reflected on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and changes in Net Position for activities as shown on the Entity-wide Statements of Activities is presented in a statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING / MEASUREMENT FOCUS (CONTINUED)

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 (2005A, 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, 2015 and 2014, the balances in the debt service reserve accounts totaled $23,683,670 and $25,905,982, respectively, held in the account to meet the required minimum.

The Debt Service Fund is funded by specific proceeds from the Revenue Bonds, Series 2005A, 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.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 accrued expenses and other liabilities, depreciable lives of school buildings, other post-employment healthcare benefit ("OPEB") obligations and contingencies. Actual results could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 is to be reimbursed for various advanced soft costs incurred (e.g. architectural fees). The agreement sets repayments of principal ($3,056,744) and interest over a five-year period beginning in FY 2026. Interest accrues at a rate of 3.810721% per annum. Interest accrued as of June 30, 2015 was $605,079.

The fund re-stated its 2014 financial statements presented herein to reclassify $3,056,744 to loan due from developer from its capital assets account balance and to accrue interest of $488,585 from 2010 through 2014.

CONSTRUCTION REFUND RECEIVABLE

The Fund recorded a construction refund receivable from its developer on 250 East 57th Street in FY 2015 for $352,180, to refund prior overpayments.

FINANCIAL INSTRUMENTS

Significant financial instruments included in the Fund's assets consist of short-term 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 carried at cost plus accrued interest, which approximates fair value due to the short maturity of these instruments.

Significant financial instruments included in the Fund's liabilities are revenue bonds payable. The fair value of the revenue bonds payable is estimated based on the quoted market price for the same or similar issues. The estimated fair value of the Fund's cash and cash equivalents and short-term investments and revenue bonds payable are as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and short-term investment	$ 89,410,082	$ 89,639,469	$ 86,325,404	$ 86,358,187
Revenue Bonds payable	$ 266,832,626	$ 295,946,426	$ 269,062,750	$ 298,706,618

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.

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 capitalized and added to the cost of construction.

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 life of the buildings, which is either 40, 75 or 101 years.

BOND ISSUANCE COSTS

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

UNAMORTIZED BOND PREMIUM/DISCOUNT

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

COMPENSATED ABSENCES

General leave for the Fund represents both vacation and sick pay earned by an employee. General leave is 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 lump sum sick leave payment at termination is 100 days.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES (CONTINUED)

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

ADVANCE RENTAL RECEIPTS

Advance rental receipts consists of advance rental payments for the non-school portion of the projects. It is reported in the entity-wide statements of net position and in the governmental funds balance sheets.

NET POSITION

The Fund's net position on its entity-wide financial statements is categorized as follows:

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

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

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

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

FUND BALANCE

Fund Balances are categorized as follows:

- 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.

Spendable: 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET POSITION (CONTINUED)

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

REVENUES AND EXPENSES

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Fund. Operating revenues consist of rental income, tax equivalency payments and other income. Non-operating revenues and expenses consist of revenues and expenses that are related to financing and investing types of activities.

When both restricted and unrestricted resources are available for use, it is the Fund's policy to use restricted resources first, then unrestricted resources as they are needed.

PENSION

For purposes of measuring the net pension liability, deferred outfows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New York State and Local Employees' Retirement System ("ERS") and additions to/deductions from ERS's fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OTHER POST-EMPLOYMENT 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 9 for additional information on other post-employment benefits ("OPEB").

CHANGES IN ACCOUNTING PRINCIPLES

The Governmental Accounting Standards Board ("GASB") has issued the following new statements:

ALREADY ADOPTED
Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, was adopted by the Fund and did not have a material impact on the current year financial statements.

Statement No. 69, *Government Combinations and Disposals of Government Operations*, was adopted by the Fund and did not have an impact on the current year financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CHANGES IN ACCOUNTING PRINCIPLES (CONTINUED)

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, was adopted by the Fund and did not have an impact on the current year financial statements.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68*, was adopted by the Fund and did not have an impact on the current year financial statements.

NOT YET ADOPTED

Statement No. 72, *Fair Value Measurement and Application*, which will be effective for the year ending June 30, 2016.

The Fund is currently studying this statement to determine what, if any, effect it may have on the financial statements upon adoption in fiscal year 2016, as required.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Fund invests monies held in any funds or accounts not required for immediate use of disbursement. Such funds are invested in obligations of New York State (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, 2015 and 2014, uninsured bank balances of approximately $44,500,000 and $38,900,000, 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, 2015 and 2014 were $89,410,082 ($45,271,178 unrestricted and $44,138,904 restricted, of which $2,383,499 is for the construction of MS 114 and $6,946,391 is for the construction of 250 East 57th Street) and $86,325,404 ($39,164,656 unrestricted and $47,160,748 restricted, of which $2,700,077 is for the construction of MS 114 and $7,085,527 is for the construction of 250 East 57th Street), respectively. Investments consist primarily of U.S. treasury bills and U.S. Government agency securities.

Interest rates on investments ranged from 0% - 6.50% for the years ended June 30, 2015 and 2014.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Cash, cash equivalents and investments held at fiscal year-end were as follows:

Depository Account	June 30, 2015	June 30, 2014
Insured	$ 33,408	$ 49,553
Collateralized:		
Bank of NY Investment Surplus	40,567,217	37,498,801
Chase Investment Administrative	1,594,692	1,614,570
Bank of NY - Cash Surplus	1,143,866	385
Bank of NY - Operating Account	1,931,995	1,347
Bank of NY Debt Service 2005A	508,188	546,718
Bank of NY Debt Service Reserve 2005A	2,784,944	2,786,156
Bank of NY Debt Service 2007A	5,037,520	5,481,755
Bank of NY Debt Service Reserve 2007A	5,830,775	8,054,338
Bank of NY Debt Service 2010A	1,683,877	1,544,894
Bank of NY Debt Service Reserve 2010A	4,525,528	4,524,788
Bank of NY Debt Service 2011A	3,895,759	3,895,795
Bank of NY Debt Service Reserve 2011A	10,542,423	10,540,700
Chase Construction Account 2007	2,383,499	2,700,077
Chase Construction Account 2011	6,946,391	7,085,527
Total Deposits	$ 89,410,082	$ 86,325,404

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 may be unable to recover deposits or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will be unable to recover the value of its investments or collateral securities that are in possession of an outside party.

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, 2015, all investments were in obligations of the U.S. Treasury and federal agencies.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Interest Rate Risk. In accordance with its investment policy, 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 investment portfolio to less than seven months. The Fund's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses. As of June 30, 2015 and 2014, all investment maturities were less than one year. Information about fair values of restricted investments by type of investment as of June 30, 2015 and 2014 is as follows:

	June 30, 2015		June 30, 2014	
Type of Investment	Carrying Value	Fair Value	Carrying Value	Fair Value
U.S. Government Securities	$ 24,956,326	$ 24,965,797	$ 27,520,230	$ 27,521,183
U.S. Government Agencies	9,849,066	10,055,085	9,850,078	9,933,813
Cash	9,333,512	9,333,512	9,790,440	9,790,440
Total Restricted Investments	$ 44,138,904	$ 44,354,394	$ 47,160,748	$ 47,245,436

4. 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 were used to refinance the 1994 and 1996 Series Revenue Bonds.

The school's portion of these locations has been leased by the Fund to the City for a period of 30 or 40 years. The leases expire on various dates between 2016 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 2005A, 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 2005A, 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 2005A, 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.

4. SCHOOL BUILDINGS (CONTINUED)

A summary of the changes in School Buildings during the past two years is as follows:

Cost and Accumulated Depreciation of School Buildings

Description	June 30, 2014	Additions	Refunds	June 30, 2015
School buildings	$ 400,764,909	$ 241,873	$ (352,180)	$ 400,654,602
Less: Accumulated depreciation	122,594,827	5,894,382	-	128,489,209
Net capital assets: School buildings	$ 278,170,082	$ (5,652,509)	$ (352,180)	$ 272,165,393

Description	June 30, 2013	Additions	Reclassifications	June 30, 2014
School buildings	$ 403,286,481	$ 535,172	$ (3,056,744)	$ 400,764,909
Less: Accumulated depreciation	117,064,418	5,530,409	-	122,594,827
Net capital assets: School buildings	$ 286,222,063	$ (4,995,237)	$ (3,056,744)	$ 278,170,082

Depreciation expense for the years ended June 30, 2015 and 2014 was $5,894,382 and $5,530,409, respectively.

5. 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 under 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"). See Note 13 for information relating to the redemption of the 2005A Bonds during FY2016.

5. 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 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 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 sequestration cuts ranging from 7.2%-8.7% from 2013-2015.

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, 2015 and 2014 the Fund recorded accrued interest on revenue bonds of $3,591,714 and $3,615,123 representing interest for the period April 1 to June 30, 2015 and 2014 due to be paid in October 2015 and 2014, respectively.

5. REVENUE BONDS (CONTINUED)

The following is a summary of changes in serial bonds payable for the years ended June 30, 2015 and 2014:

	Balance June 30, 2014	Principal Payments	Balance June 30, 2015
Revenue Bonds 2005A issued January 6, 2005 (2.25% to 4.375%) maturity dates 2005 to 2026. Payments due April and October.	$ 25,105,000	$ 1,650,000	$ 23,455,000
Revenue Bonds 2007A issued January 18, 2007 (3.75% to 5%) maturity dates 2009 to 2037. Payments due April and October.	49,715,000	315,000	49,400,000
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	-	53,810,000
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	-	137,525,000
Total	266,155,000	$ 1,965,000	264,190,000
Less/Add: Unamortized bond discount/premium	2,907,750		2,642,626
Current portion	(1,965,000)		(23,785,000)
Long-term portion	$ 267,097,750		$ 243,047,626

5. REVENUE BONDS (CONTINUED)

	Balance June 30, 2013	Principal Payments	Balance June 30, 2014
Revenue Bonds 2005A issued January 6, 2005 (2.25% to 4.375%) maturity dates 2005 to 2026. Payments due April and October.	$ 26,695,000	$ 1,590,000	$ 25,105,000
Revenue Bonds 2007A issued January 18, 2007 (3.75% to 5%) maturity dates 2009 to 2037. Payments due April and October.	50,015,000	300,000	49,715,000
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	-	53,810,000
Revenue Bonds 2011A issued January 25, 2011 (3.25% to6.5%) maturity dates 2017 to 2041. Payments due April and October.	137,525,000	-	137,525,000
Total	268,045,000	$ 1,890,000	266,155,000
Less/Add: Unamortized bond discount/premium	3,181,039		2,907,750
Current portion	(1,890,000)		(1,965,000)
Long-term portion	$ 269,336,039		$ 267,097,750

5. REVENUE BONDS (CONTINUED)

Debt service requirements on bond indebtedness at June 30, 2015 was as follows:

Fiscal Years	2005A Bonds			2007A Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	$ 1,725,000	$ 1,015,550	$ 2,740,550	$ 330,000	$ 2,470,000	$ 2,800,000
2017	1,790,000	947,538	2,737,538	345,000	2,453,500	2,798,500
2018	1,875,000	858,938	2,733,938	365,000	2,436,250	2,801,250
2019	1,955,000	783,938	2,738,938	380,000	2,418,000	2,798,000
2020	2,035,000	705,738	2,740,738	400,000	2,399,000	2,799,000
2021-2025	11,585,000	2,135,994	13,720,994	7,685,000	11,414,750	19,099,750
2026-2030	2,490,000	108,938	2,598,938	13,845,000	8,656,750	22,501,750
2031-2035	-	-	-	17,680,000	4,830,750	22,510,750
2036-2040	-	-	-	8,370,000	632,750	9,002,750
Total	$ 23,455,000	$ 6,556,634	$ 30,011,634	$ 49,400,000	$ 37,711,750	$ 87,111,750

Fiscal Years	2010A Bonds			2011A Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	$ -	$ 3,089,788	$ 3,089,788	$ -	$ 7,791,519	$ 7,791,519
2017	1,435,000	3,089,788	4,524,788	2,745,000	7,791,519	10,536,519
2018	1,480,000	3,025,213	4,505,213	2,835,000	7,702,306	10,537,306
2019	1,525,000	2,955,653	4,480,653	2,940,000	7,595,994	10,535,994
2020	1,575,000	2,880,928	4,455,928	3,060,000	7,478,394	10,538,394
2021-2025	8,740,000	13,150,339	21,890,339	17,780,000	34,906,394	52,686,394
2026-2030	10,540,000	10,596,279	21,136,279	23,980,000	28,715,738	52,695,738
2031-2035	12,845,000	7,230,700	20,075,700	31,955,000	20,733,927	52,688,927
2036-2040	15,670,000	2,992,120	18,662,120	42,265,000	10,427,051	52,692,051
2041	-	-	-	9,965,000	572,988	10,537,988
Total	$ 53,810,000	$ 49,010,808	$ 102,820,808	$ 137,525,000	$ 133,715,830	$ 271,240,830

6. NET POSITON

Restricted net position for capital projects and debt service is normally the balance for those funds from the governmental funds balance sheet. In FY 2015 the restricted net position for capital projects also includes the construction refund receivable which is not reflected on the governmental funds balance sheet.

The net investment in capital assets category of net position and the amount available for debt service are calculated as follows:

	2015	2014
Net Investment in Capital Assets:		
School property, net	$ 272,165,393	$ 278,170,082
Less: Revenue bonds payable, net	(266,832,626)	(269,062,750)
Net investment in capital assets	$ 5,332,767	$ 9,107,332
Restricted for Debt Service		
Restricted assets	$ 44,138,904	$ 47,160,748
Less: MS 114/PS 59 construction funds	(9,329,890)	(9,785,604)
Debt service reserve requirements	(21,888,551)	(21,888,551)
Available for debt service	$ 12,920,463	$ 15,486,593

7. OTHER INCOME

The Fund extended the ground lease for an additional 24 years at 250 East 57th Street with the option to extend the lease for another 26 years. To induce the Fund to extend the ground lease, the tenant paid the Fund $7,000,000 which was recognized as income in FY 2014.

8. PENSION PLAN

PLAN DESCRIPTION

The Fund participates in the ERS. 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 ("Comptroller") serves as sole trustee and administrative head of the ERS. The Comptroller shall adopt 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.

8. PENSION PLAN (CONTINUED)

BENEFITS

The benefits employees will receive are governed by the NYSRSSL. Employees are placed in tiers depending on when they last became members. The benefits in all tiers are 1.67% of the final average salary for each year of service if the member retires with less than 20 years. If the member retires 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.

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

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

CONTRIBUTIONS

The system is noncontributory, except for employees who joined the ERS after July 27, 1979 and contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as a portion 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, 2015 and 2014 were $81,505 and $78,425 respectively. The total pension expense for the fiscal years ended June 30, 2015 and 2014 was $51,386 and $78,425, respectively.

8. PENSION PLAN (CONTINUED)

ACTUARIAL ASSUMPTIONS

The total pension liability in the August 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.7 percent
Salary increases	4.9 percent
Investment rate of return (Discount rate)	7.5 percent

Mortality rates were based on gender/collar specific tables based upon FY 2006-2010 experience with Society of Actuaries Scale AA loading for mortality improvement.

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 7.5%, 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 (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's proportionate share of net pension liability (asset)	$ 336,489	$ 50,483	$ (190,978)

8. PENSION PLAN (CONTINUED)

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Balances of deferred outflows and inflows of resources at June 30, 2015 are categorized as follows:

Differences between expected and actual experience in the measurement of the total pension liability	$	1,616
Net difference between projected and actual earnings on pension plan investments		8,768
Employer's contributions to the pension plan subsequent to the measurement date of the collective net pension liability		3,886
	$	14,270

The total deferred outflows will be recognized as pension expense equally from FY2016 through FY2019 at a rate of $3,568 per year.

Deferred Inflows of Resources

Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	$	8,079

The total deferred inflows will be recognized as a reduction of net pension liability equally from FY2016 through FY2019 at a rate of $1,616 per year.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

	2015
Employer's proportion of the net pension liability (asset)	0.0014943%
Employer's proportionate share of the net pension liability (asset)	$ 50,483
Employer's covered-employee payroll	$ 326,214
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	15.48%
Plan fiduciary net position as a percentage of the total pension liability	97.95%

The amounts presented were determined as of the fiscal year-end that occurred within the fiscal year.

8. PENSION PLAN (CONTINUED)

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Schedule of the Fund's Contributions

('000 omitted)	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution (1)	$ 4,893	$ 5,138	$ 4,524	$ 3,879	$ 3,623	$ 1,879	$ 1,963	$ 2,135	$ 2,216	$ 2,349
Contributions in relation to the actuarially determined contribution (2)	4,893	5,138	4,524	3,879	3,623	1,879	1,963	2,135	2,216	2,349
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll (3)	$ 24,480	$ 24,361	$ 24,405	$ 24,291	$ 24,389	$ 24,972	$ 24,099	$ 22,779	$ 22,018	$ 20,919
Contributions as a percentage of covered-employee payroll	19.99%	21.09%	18.54%	15.97%	14.86%	7.52%	8.15%	9.37%	10.06%	11.23%

(1) The actuarially determined contribution includes normal costs, adjustments made to record the reconciliation of projected salary to actual salary and miscellaneous accounting adjustments.
(2) The contributions in relation to the actuarially determined contribution reflects the actual payments and installment payment plans.

(3) Covered employee payroll represents pensionable payroll.

9. OTHER POST-EMPLOYMENT BENEFITS (OBLIGATIONS FOR HEALTH INSURANCE)

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. 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 post-employment 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

9. OTHER POST-EMPLOYMENT BENEFITS (OBLIGATIONS FOR HEALTH INSURANCE) (CONTINUED)

FUNDING POLICY (CONTINUED)

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 post-employment benefits trust; therefore, the benefits are funded on a pay-as-you-go ("PAYG") basis until a funding mechanism is authorized for government entities by New York State Statute. The Annual Required Contribution ("ARC") 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) over a period not to exceed thirty years.

ANNUAL OTHER POST-EMPLOYMENT BENEFITS COST AND NET OBLIGATION

Annual OPEB Cost: For the year ended June 30, 2015, the Fund's Annual OPEB Cost (expense) was $220,646 and the Fund made $56,139 in PAYG employer contributions. The Fund's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the Plan, and the Net OPEB Obligation for the current year and two preceding fiscal years ended June 30, 2015, 2014 and 2013 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/15	$ 220,646	25%	$ 1,757,940
6/30/14	$ 274,860	21%	$ 1,593,433
6/30/13	$ 23,912	251%	$ 1,376,273

Components of Annual OPEB Cost:

	2015	2014
Annual required contribution	$ 1,814,079	$ 1,651,133
Interest on net OPEB obligation	63,737	55,051
ARC adjustment	(1,657,170)	(1,431,324)
Annual OPEB cost	220,646	274,860
Payments made	(56,139)	(57,700)
Increase (Decrease) in net OPEB obligation	164,507	217,160
Net OPEB obligation-beginning of year	1,593,433	1,376,273
Net OPEB obligation-end of year	$ 1,757,940	$ 1,593,433

9. OTHER POST-EMPLOYMENT BENEFITS (OBLIGATIONS FOR HEALTH INSURANCE) (CONTINUED)

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. The Schedule of Funding Progress, presented below as Required Supplementary Information, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

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.

In the June 30, 2014 actuarial valuation, the Entry Age Actuarial Cost Method was used. The method was unchanged from the Actuarial Cost Method used in the prior evaluation. The actuarial assumptions included a 4.0 percent investment rate of return and an annual healthcare cost trend rate of 9.0 percent initially for medical benefits not coordinated with Medicare, for dental benefits and for prescription drugs, 6.0 percent for Medicare Part B premiums and 5 percent for medical benefits coordinating with Medicare, respectively, reduced by decrements to an ultimate rate of 5 percent. All rates include a 2.5 percent inflation assumption. The Fund's Unfunded Actuarial Accrued Liability ("UAAL") at June 30, 2014 is being amortized over a closed one-year period except for the UAAL attributable to the change in actuarial cost method, established as of June 30, 2012 which is being amortized over a closed ten-year period using level dollar amortization. The actuarial valuation assumed that no assets will be set aside by the Fund to prefund its retiree medical liabilities.

Required Supplementary Information
Schedule of Funding Progress for the Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b) *	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
6/30/14	$ -	$ 1,554,079	$ 1,554,079	0%	$ 344,574	451.0%
6/30/13	$ -	$ 1,380,469	$ 1,380,469	0%	$ 344,574	400.6%
6/30/12	$ -	$ 1,153,280	$ 1,153,280	0%	$ 373,329	308.9%

* Based on Entry Age Actuarial Cost Method.

10. COMMITMENTS AND CONTINGENCIES

TAX EQUIVALENCY ADJUSTMENTS

Individual tenants may receive tax equivalency adjustments as a result of filing discrepancies 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.

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 at June 30, 2015 and 2014, respectively.

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, 2015 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 affect on the Fund's operations or financial condition.

CRANE ACCIDENT

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 Development Agreement required the developer to indemnify the Fund against claims arising out of construction. 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.

In January 2015, all claims and cross claims against the Fund in the wrongful death cases were dismissed. Judgments were awarded against another party that could be appealed in the future but are not likely sought against the Fund. It is not feasible, at this time, to predict the Fund's exposure to an appeal, if any.

At June 30, 2015, the Fund does not anticipate incurring losses in excess of its available insurance coverage.

11. ARBITRAGE REBATE PROGRAM

In accordance with the Internal Revenue Code of 1986, as amended, the Fund is required to pay the United States Treasury certain amounts related to the Fund's tax-exempt bond issues. The estimated amount of non-purpose arbitrage payable represents the excess of amounts earned on "taxable" investments over the interest cost of the tax-exempt borrowing, plus income attributable to the excess. Rebate payments are due 60 days after January 6, 2020 for the Series 2005A Bonds, 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, 2016 for the Series 2011A. At June 30, 2015 and 2014, the estimated liability for non-purpose interest arbitrage rebate was $0 for each bond series.

12. RESTATEMENT OF 2014 FINANCIAL INFORMATION

The accompanying statement of net position, statement of activities and reconciliations of governmental funds statements to those statements have been restated to reflect the change in accounting for pensions (see Note 8) and the amount due from the developer (see Note 2). The effect of the restatements was to reduce net position at June 30, 2014 by $67,528 due to the accrual to the pension liability and to increase net position by $488,585 to capture the interest earned on the loan due to the Fund from the developer.

13. SUBSEQUENT EVENTS

The Fund has received approval from its Board of Trustees to redeem $23,455,000 of its 2005A Series Bonds which will be completed on October 1, 2015.

Israeloff, Trattner & Co. P.C.
CERTIFIED PUBLIC ACCOUNTANTS · FINANCIAL CONSULTANTS
1225 Franklin Avenue, Garden City, NY 11530 (516) 240-3300 Fax (516) 240-3310 www.israeloff.com
Other Office
New York, NY

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
New York City Educational Construction Fund
Long Island City, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the New York City Educational Construction Fund (the "Fund") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated September 30, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material mis statement of the entity's financial statements will not be prevented, or detected and corrected in a timely basis. We consider the deficiency described below to be a material weakness:

Schedule of Finding:

The Fund's response to the finding identified in our audit is described below. The Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

During the Fund's year-end Financial Closing and Reporting Process, new management became aware of a loan agreement the Fund executed with a developer in December 2013. The agreement stated that certain construction costs incurred in construction of a project were to be shared by the Fund and the developer. The total costs incurred on behalf of the developer were approximately $3,056,000 with interest accrued thereon.

The loan receivable and accrued interest were not recorded on the books and financial statements as of June 30, 2014. Upon discovering the existence of the loan, management recorded a prior period adjustment and reclassified approximately $3,056,000 from building costs to loan receivable and recorded the interest income earned on the loan of approximately $0.5 million.

Recommendation:

We recommend that the Fund establish processes whereas all agreements signed by the Fund are shared in a timely manner with its Finance Group and further establish a requirement for the Finance Group to prepare a memo to the Executive Director reporting the accounting effects of the agreement on the Fund's financial statements.

Fund's Response:

The Fund believes that new management and the implementation of the new controls described below reduces the risk of such oversight from re-occuring.

The Fund will distribute instructions to all its employees providing the process to be followed in reporting all signed agreements to the Finance Group and the process to be followed by Finance Group in reporting to the Executive Director the effects on the Fund's financial statements of such agreements.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Israeloff, Trattner & Co. P.C.

Garden City, New York
September 30, 2015