

**JOINT SCHOOLS CONSTRUCTION BOARD
(A BLENDED COMPONENT UNIT OF THE
CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK)**

**Basic Financial Statements as of
June 30, 2019
Together with
Independent Auditor's Report and Report
Required by *Government Auditing Standards***

Bonadio & Co., LLP
Certified Public Accountants

**JOINT SCHOOLS CONSTRUCTION BOARD
(A BLENDED COMPONENT UNIT OF THE CITY SCHOOL DISTRICT OF
SYRACUSE, NEW YORK)**

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INDEPENDENT AUDITOR'S REPORT

December 19, 2019

To the Board of Directors
Joint Schools Construction Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Joint Schools Construction Board (JSCB), a blended component unit of the City School District of Syracuse, New York, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise JSCB'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 audit. We conducted our audit in accordance with 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. 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 the major fund of the JSCB as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-9 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.

Report on Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Joint Schools Construction Board's basic financial statements. The combining statement of net position and combining balance sheet, governmental fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statement of net position and combining balance sheet, governmental fund have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 19, 2019 on our consideration of JSCB's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of JSCB's 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 JSCB's internal control over financial reporting and compliance.

**JOINT SCHOOLS CONSTRUCTION BOARD
(A BLENDED COMPONENT UNIT OF THE CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019**

Our discussion and analysis of the Joint Schools Construction Board's (JSCB), a blended component unit of the City School District of Syracuse, New York (the District or Primary Government), financial performance provides an overview of JSCB activities as of and for the year ended June 30, 2019. Please read it in conjunction with JSCB's basic financial statements, including the notes to the financial statements, which begin on page 16.

JSCB is a joint venture between the District and the City of Syracuse, New York (the City). JSCB was created through the City and the Board of Education of the City School District of the City of Syracuse Cooperative School Reconstruction Act (the Act) authorized by New York State through Chapter 58 A-4 of the Laws of 2006 and created through an agreement dated April 1, 2004 by and between the City and the District to manage and administer the design, renovation and financing of existing public school buildings in the District. JSCB is authorized to act as an agent to enter into contracts on behalf of the District and the Common Council of the City of Syracuse, New York (the Council) for the design, construction, reconstruction and financing of educational facilities in the City in accordance with applicable state and local laws. JSCB approves all vendor payments related to JSCB projects at its regularly-scheduled meetings.

Legislation was introduced for the amendment of Chapter 58 A-4 of the Laws of 2006 (the Amended Act) to allow the City and the District, under the direction of JSCB, to fund Phase II of JSCB's District-wide Reconstruction Program. The Amended Act was adopted and signed by the Governor on October 25, 2013. Certain changes were provided for in the Amended Act to ensure an efficient transition from Phase I to Phase II.

Both the Act and the Amended Act authorize new and innovative ways to renovate school buildings, and authorize various financing techniques to accomplish the Comprehensive Plan prepared for each separately authorized Phase of JSCB's District-wide Reconstruction Program. The Financial Plan, a component of the Comprehensive Plan prepared for each phase must be submitted to the Office of the State Comptroller for review and approval.

The Financial Plan prepared for Phase I was dated November 16, 2007, and updated on April 17, 2009. Phase I was sized to fit within the local share cost constraints of the Debt Affordability Model of the Financial Plan as well as address the needs of specifically defined school buildings. Three tranches of bonds were issued to provide project funds. Expanding our Children's' Education and Learning (EXCEL) monies and grant monies were also available for use on the projects. Bonds were structured based on useful life of projects and expected pattern of state Building Aid reimbursement in order to minimize local share impact. In April 2017, JSCB completed a refunding of its Phase I Series 2008 bonds in order to take advantage of favorable interest rates, realizing a net savings of \$3.4 million in debt service costs over the next 14 years.

JSCB approved the Phase II Financial Plan in December 2014, with the Office of the State Comptroller approving in June 2015. The Phase II Financial Plan includes renovations at 14 school buildings at a total estimated cost of \$291.5 million. Consistent with Phase I, the Phase II program was sized to address the needs of specifically defined school buildings while fitting within the local share cost constraints of the Debt Affordability Model in the Financial Plan. Under the Amended Act, Phase II projects are also required to conform to the Maximum Cost Allowances calculated for each building by the New York State Education Department's Office of Facilities Planning. In order to finance the initial design phase of the JSCB Phase II projects, JSCB has issued Bond Anticipation Notes (BANs). As of June 30, 2019, JSCB BANs in the amount of \$23,000,000 were outstanding.

The Phase II Financial Plan was revised and approved by the JSCB in August of 2017, with the Office of the State Comptroller approving in January 2018. The revised financial plan of 2017 incorporated an amendment to the Comprehensive Plan, fine-tuned cost estimates, updated the timeline for borrowing to include an additional bond issuance and updated market conditions. The revised plan stayed consistent with the original plan in its approach to remain within the confines of the Debt Affordability Model and local share constraints.

Based on prevailing market conditions and current estimates of project costs, in July of 2018 the JSCB authorized an amendment to the comprehensive plan to increase total project funds to \$300 million which is consistent with the Amended Act of 2013. The amended act provides for a total cost of up to \$300 million for Phase II projects. The JSCB plans to use the \$8.5 million increase to fund increasing construction costs at Phase II projects.

On October 10, 2018, the Syracuse City School District's Board of Education approved a resolution to authorize a borrowing not to exceed \$80,000,000 for the JSCB Phase II projects at Corcoran High School and Nottingham High School.

More detailed information about the JSCB structure and financing is presented in Note 1 to the financial statements.

FINANCIAL HIGHLIGHTS

Project Phase I Overview

Phase I projects were substantially completed in prior years.

Project Phase II Overview

During the year, capital project funds of approximately \$63.5 million were expended as compared to approximately \$12.3 million in the prior year with construction continuing at six schools – Grant Middle School, Huntington Pre-K – 8, Syracuse STEM @ Blodgett Middle School, Corcoran High School, Nottingham High School and PSLA at Fowler High School.

Government-wide Financial Statement Overview

- At June 30, 2019, total net position was approximately \$59.5 million.
- At June 30, 2019, total capital assets, net of depreciation were approximately \$223.1 million.
- Bonds payable (excluding premiums), as of June 30, 2019, were approximately \$247.9 million, an increase of approximately \$58.6 million from the prior year mainly due to the issuance of \$65.4 million of Series 2019A bonds to finance Phase II projects, which was partially offset by principal payments of \$6.9 million.
- During the current year, JSCB increased its Bond Anticipation Notes Payable (BANs), net of repayments, from \$15.0 million to \$23.0 million.

FINANCIAL HIGHLIGHTS (Continued)

Fund Financial Statement Overview

- The total revenue (excluding other financing sources) for JSCB was approximately \$13.7 million, which was a slight increase from the prior year's revenue of \$10.0 million, as additional pass-through funding from the District was required to fund increasing debt service payments. JSCB also had higher interest earnings due to higher investment balances and rates.
- JSCB's restricted fund balance increased by \$6.8 million from \$106.4 million to \$113.2 million due to an excess of revenues, as a result of bond proceeds and premiums in excess of \$75.8 million, over total expenditures that included capital outlay and debt issuance costs of \$65.1 million.

USING THIS ANNUAL REPORT

This annual report consists of two components: MD&A (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of JSCB:

- Government-wide financial statements that include the Statement of Net Position and the Statement of Activities. These statements provide both short-term and long-term information about the activities of JSCB as a whole.
- Fund financial statements focus on the major fund of JSCB, reporting JSCB's operations in more detail than the government-wide financial statements. The fund financial statements concentrate on JSCB's major fund.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

USING THIS ANNUAL REPORT (Continued)

Table 1 below summarizes the major features of JSCB’s financial statements, including the portion of the JSCB’s activities covered and the types of information contained. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

Table 1 - Major Features of the Government-wide and Fund Financial Statements

	Government-wide	Governmental Funds
Scope	Entire JSCB	The major fund of JSCB
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and change in fund balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues that are both measurable and available; expenditures when goods or services have been received and the related liability is due and payable

USING THIS ANNUAL REPORT (Continued)

Government-wide Financial Statements

One of the most fundamental and key questions relative to JSCB is *How did we do financially during the course of this past year?* To help answer this question, the Statement of Net Position and the Statement of Activities provide information on JSCB as a whole using accounting methods similar to those used by private-sector companies. These statements present a summary of assets and liabilities, as well as revenues and expenses, using the accrual basis of accounting similar to those methods used by private-sector companies. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report JSCB's net position and how it has changed. Net position is the difference between JSCB's assets and liabilities.

In the Government-wide Statement of Net Position and the Statement of Activities, JSCB's activities are shown as Governmental Activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about JSCB's fund, focusing the fund is an accounting device that JSCB uses to keep track of specific sources of funding and spending on particular programs:

- JSCB is a separate fund authorized under State law.
- JSCB is a fund that is used to manage money for school construction projects and repaying long term debts.
- JSCB's activities are included in a governmental fund, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF JSCB AS A WHOLE

Our analysis below focuses on the net position (Table 2) and the change in net position (Table 3) of JSCB's governmental activities.

In Table 2, total governmental assets increased by 30.4%. Current and Other Assets increased by \$27.4 million mainly due to the receipt of restricted cash from the issuance of \$65.4 million in Series 2019A bonds and a \$23 million BAN, which was partially offset by spending on capital outlays. Capital Assets increased by \$60.9 million due to the net impact of capital asset additions of \$65.1 million and depreciation expense of \$4.2 million.

Total liabilities increased by approximately 37.7% or \$87.4 million primarily as a result of the 2019A bond and 2019 BAN issuances. This increase was partially offset by debt service payments made in the current year and the impact of bond premium amortization.

FINANCIAL ANALYSIS OF JSCB AS A WHOLE (Continued)

JSCB's combined governmental activities' net position increased approximately \$881 thousand.

Table 2 - Condensed Statement of Net Position

	<u>2018</u>	<u>2019</u>	<u>Percentage Change</u>
Current and Other Assets	\$ 128,098,752	\$ 155,479,816	21.4%
Capital Assets	<u>162,257,501</u>	<u>223,137,243</u>	37.5%
Total Assets	<u>290,356,253</u>	<u>378,617,059</u>	30.4%
Bonds Payable - Due in One Year	8,386,887	14,119,597	68.4%
Bonds Payable - Due in More Than One Year	201,699,029	262,730,076	30.3%
Other Liabilities	<u>21,646,831</u>	<u>42,263,617</u>	95.2%
Total Liabilities	<u>231,732,747</u>	<u>319,113,290</u>	37.7%
Total Net Position	<u>\$ 58,623,506</u>	<u>\$ 59,503,769</u>	

As shown below in Table 3, JSCB's net position increased due to an excess of revenues over expenses.

Table 3 - Changes in Net Position from Operating Results

	<u>2018</u>	<u>2019</u>	<u>Percentage Change</u>
Revenues			
Capital Grants and Contributions	\$ 12,119,965	\$ 15,414,366	27.2%
Expenses			
General Support	<u>7,500,874</u>	<u>14,534,103</u>	93.8%
Change in Net Position	4,619,091	880,263	
Beginning Net Position	<u>54,004,415</u>	<u>58,623,506</u>	
Ending Net Position	<u>\$ 58,623,506</u>	<u>\$ 59,503,769</u>	

CAPITAL ASSETS

At June 30, 2019, JSCB had approximately \$223.1 million, net of accumulated depreciation of approximately \$10.8 million, invested in capital assets, including building improvements and construction in progress. This amount represents a net increase of \$60.9 million related to current year additions of approximately \$65.1 million for Phase II projects, and depreciation of \$4.2 million.

Table 4 - Capital Assets at Year End

	<u>2018</u>	<u>2019</u>	<u>Percentage Change</u>
Buildings and Improvements	\$ 150,391,341	\$ 150,391,341	0.0%
Construction in Progress	<u>18,439,792</u>	<u>83,520,182</u>	352.9%
	168,831,133	233,911,523	
Accumulated Depreciation	<u>(6,573,632)</u>	<u>(10,774,280)</u>	
Total Capital Assets	<u>\$ 162,257,501</u>	<u>\$ 223,137,243</u>	

More detailed information about JSCB's capital assets is presented in Note 2 to the financial statements.

LONG TERM LIABILITIES

At June 30, 2019, JSCB had approximately \$276.9 million of bonds outstanding including bond premiums compared to \$210.1 million last year, an increase of \$66.8 million or 31.8% as a result of a bond issuance, BAN issuance and principal payments during the current year. As JSCB continues into Phase II, it is anticipated debt will increase in future years.

More detailed information about JSCB's long-term liabilities is presented in Note 3 to the financial statements.

CONTACTING JSCB FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of JSCB's finances and to demonstrate the JSCB's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact:

The Commissioner of Finance
Joint Schools Construction Board
City Hall
Syracuse, New York 13202

JOINT SCHOOLS CONSTRUCTION BOARD
(A BLENDED COMPONENT UNIT OF THE CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK)

STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Governmental Activities</u>
ASSETS	
Restricted cash and cash equivalents	\$ 155,479,816
Capital assets, net of accumulated depreciation	<u>223,137,243</u>
Total assets	<u>378,617,059</u>
LIABILITIES	
Payables:	
Accrued expenses	18,035,021
Due to the District	1,228,596
Bond anticipation note	<u>23,000,000</u>
Total payables	<u>42,263,617</u>
Long-term liabilities:	
Due and payable within one year:	
Bonds payable	11,960,000
Premium on bonds payable	2,159,597
Due and payable in more than one year:	
Bonds payable	235,895,000
Premium on bonds payable	<u>26,835,076</u>
Total Long-term liabilities	<u>276,849,673</u>
Total liabilities	<u>319,113,290</u>
NET POSITION	
Net investment in capital assets	<u>59,503,769</u>
Total net position	<u>\$ 59,503,769</u>

The accompanying notes are an integral part of these statements.

JOINT SCHOOLS CONSTRUCTION BOARD

(A BLENDED COMPONENT UNIT OF THE CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK)

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Expenses</u>	<u>Program Revenues Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Change In Net Position</u>
GOVERNMENTAL ACTIVITIES			
General support	\$ 14,534,103	\$ 15,414,366	\$ 880,263
Change in net position			880,263
Total net position - beginning of year			<u>58,623,506</u>
Total net position - end of year			<u>\$ 59,503,769</u>

The accompanying notes are an integral part of these statements.

JOINT SCHOOLS CONSTRUCTION BOARD
(A BLENDED COMPONENT UNIT OF THE CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK)

BALANCE SHEET, GOVERNMENTAL FUND
JUNE 30, 2019

ASSETS

Cash:	
Restricted cash and cash equivalents	<u>\$ 155,479,816</u>
Total assets	<u>\$ 155,479,816</u>

LIABILITIES

Payables:	
Accrued expenses	\$ 15,504,720
Due to the District	3,758,897
Bond anticipation note	<u>23,000,000</u>
Total liabilities	<u>42,263,617</u>

FUND BALANCE

Restricted for capital projects	<u>113,216,199</u>
Total fund balance	<u>113,216,199</u>
Total liabilities and fund balance	<u>\$ 155,479,816</u>

The accompanying notes are an integral part of these statements.

JOINT SCHOOLS CONSTRUCTION BOARD
(A BLENDED COMPONENT UNIT OF THE CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK)

**RECONCILIATION OF THE BALANCE SHEET, GOVERNMENTAL FUND TO
THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Fund balance of the governmental fund	\$	113,216,199
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund as capital assets, but rather as an expenditure as incurred.		223,137,243
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the fund.		(276,849,673)
The revenue intercepted from the District for the accrued interest portion of the long term debt payment is not recognized as earned until the bond payment is made in the fund and therefore is reported as Due to the District in the fund.		2,530,301
Accrued interest on long term bonds payable is not due and payable in the current period so therefore is not recognized as accrued expenses in the fund.		<u>(2,530,301)</u>
Net position of the governmental activities	\$	<u>59,503,769</u>

The accompanying notes are an integral part of these statements.

JOINT SCHOOLS CONSTRUCTION BOARD

(A BLENDED COMPONENT UNIT OF THE CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2019

REVENUES

Use of money and property	\$ 1,972,958
Federal sources	717,444
Pass-through New York State funding from the District	<u>10,972,231</u>
Total revenues	<u>13,662,633</u>

EXPENDITURES

Debt service:	
Principal	6,875,000
Interest	9,391,934
Debt issuance costs	1,613,428
Capital outlay	<u>63,468,067</u>
Total expenditures	<u>81,348,429</u>

Expenditures in excess of revenues (67,685,796)

OTHER FINANCING SOURCES AND (USES)

BANs redeemed from appropriations	695,000
Premium on issuance of bond anticipation note	118,453
Proceeds from issuance of debt	65,435,000
Premium on issuance of debt	10,363,354
Transfer to the District	<u>(2,161,733)</u>
Total other financing sources (uses)	<u>74,450,074</u>

Net change in fund balance 6,764,278

FUND BALANCE - beginning of year 106,451,921

FUND BALANCE - end of year \$ 113,216,199

The accompanying notes are an integral part of these statements.

JOINT SCHOOLS CONSTRUCTION BOARD
 (A BLENDED COMPONENT UNIT OF THE CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK)

**RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGE IN FUND BALANCE, GOVERNMENTAL FUND
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019**

Change in total fund balance \$ 6,764,278

*Amounts reported for governmental activities in
 the Statement of Activities are different because:*

Governmental funds report capital asset additions as capital outlay expenditures. However, in the statement of activities, the cost of those outlays is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. 60,879,742

Proceeds from the issuance of bonds payable are revenue in the governmental funds, but are recorded as increases to liabilities in the statement of net position. (65,435,000)

Bond premium is recorded as revenue in the fund financial statements, but is amortized over the life of the bond under full accrual accounting. (10,363,354)

Bond premium amortization is not recorded as revenue in the governmental funds, but is recorded in the statement of activities as a reduction in interest expense. 2,159,597

Payment of debt service principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. 6,875,000

To record the increase in accrued interest recorded in accrued liabilities in the statement of net position. (938,280)

To record the increase in additional pass-through New York State funding from the District, relating to accrued interest that is not recognized in the governmental funds. 938,280

Change in total net position of government activities \$ 880,263

The accompanying notes are an integral part of these statements.

**JOINT SCHOOLS CONSTRUCTION BOARD
(A BLENDED COMPONENT UNIT OF THE
CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Joint Schools Construction Board (JSCB) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Financial Reporting Entity

The City of Syracuse, New York (the City) and the City School District of Syracuse, New York (the District or Primary Government) entered into an agreement (the agreement) in April 2004 to create the joint venture, JSCB. JSCB manages and administers the design, renovation and financing for existing public schools in the District. Under the original agreement, JSCB would continue for five years and could be renewed for an additional five years. The agreement was renewed in April 2009 and April 2014, which included a clause to extend the agreement for the life of the project. In accordance with GASB Statements, JSCB will be reflected as a blended component unit of the District, based on the criteria JSCB almost exclusively benefits the District. The District is a blended component unit of the City.

In connection with the proposed school building improvement program, the Cooperative School Reconstruction Act was approved by the State Legislature and signed into law by the Governor in 2006. The Act authorizes the District to improve seven buildings named in the Act for a total cost of up to \$225 million. The Act authorizes new and innovative ways to renovate the buildings and authorizes financing techniques to accomplish the plan. The Act also allows JSCB to enter into contracts for school projects on behalf of the City and District. JSCB utilized the City of Syracuse Industrial Development Agency (SIDA) as the conduit issuer of financing for Phase I projects.

In May 2013, the Legislature approved an amended version of the Syracuse Cooperative School Reconstruction Act that authorizes a second phase of up to twenty school reconstruction projects for an amount not to exceed \$300 million. Specific schools to be renovated are named in an amendment to the legislation. Individual building projects are to be recommended as part of a comprehensive planning process to be undertaken by the District. The comprehensive plan would include information on financing, project selection, cost estimates, timeframe, and a diversity plan. The plan would consider public input and would be provided to JSCB and the State Comptroller for approval. The legislation also specifically authorizes the use of Bond Anticipation Notes (BANs) issued by the City to finance initial design and planning costs for JSCB projects. The JSCB Phase II bill was signed into law by the Governor in October 2013. Specific schools to be renovated are named in the legislation. Projects at these schools were to be recommended as part of a comprehensive planning process to be undertaken by the District. The planning process is complete and JSCB approved the Comprehensive Plan in December 2014.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

Financing of JSCB

In accordance with Chapter 58 Pt. A-4 of the Laws of 2006 of the State of New York pursuant to Indenture of Trusts (Series 2017 Project) between SIDA (the Issuer) and M&T Trust Company (the Trustee), School Facility Revenue Bonds, Series 2019A, dated April 11, 2019, totaling \$65,435,000, Series 2018A, dated March 15, 2018, totaling \$67,265,000, Series 2018B, dated June 20, 2018, totaling \$38,500,000, Series 2017, dated April 1, 2017, totaling \$29,260,000 and Series 2010A, dated December 23, 2010, totaling \$31,470,000, Series 2011A dated July 12, 2011, totaling \$31,860,000 and series 2011B, dated July 12, 2011, totaling \$15,000,000, were issued by SIDA for the purpose of financing a portion of the cost of the project consisting of the design, reconstruction, rehabilitation, and preparing of certain existing school buildings for use by the District.

The series 2010A, 2011A, 2011B, 2017, 2018A, 2018B and 2019A Bonds are special limited obligations of the issuer payable solely from (i) the payment of installment purchase payments by the District and the City under the Installment Sale Agreement and (ii) the pledge of certain funds, including a bond fund and a debt service reserve fund, under the Indenture. In the event the District and the City fail to make an installment purchase payment under the Installment Sale Agreement, it is provided in the Syracuse Schools Act and the Indenture that, upon receipt by the New York State (the State) Comptroller (the State Comptroller) of a certificate from the Series 2010A, 2011A, 2011B, 2017, 2018A, 2018B and 2019A Trustee (the Trustee) on behalf of the Issuer as to the amount of such failed payment, the State Comptroller shall withhold any state and/or school aid payable to the District or the City to the extent of the amount so stated in such certificate as not having been made, and shall immediately pay over to the Trustee on behalf of the Issuer the amount withheld.

The obligation of the District and the City under the Installment Sale Agreement to pay installment purchase payments is not a general obligation of the District or the City and neither the faith and credit nor the taxing powers of the City is pledged to the payment of installment purchase payments under the Installment Sale Agreement. The obligation of the District and the City under the Installment Sale Agreement to pay installment purchase payments in any fiscal year of the District or the City constitutes a current expense of the District for such fiscal year and shall not constitute an indebtedness or moral obligation of the District, the City or the State within the meaning of any constitutional or statutory provision or other laws of the State. Except for the application of the debt service reserve fund, the only source of monies available for the payment of the principal and interest on the Series 2010A, 2011A, 2011B, 2017, 2018A, 2018B and 2019A Bonds is installment purchase payments made by the District and the City under the Installment Sale Agreement to the extent of State Aid to Education appropriated by the State and available to the District and/or the City and appropriated by the City and the District to make such payments, and the intercept by the State Comptroller of any other state and/or school aid payable to the City or the District to the extent of any installment purchase deficiency.

The Series 2010A, 2011A, 2011B, 2017, 2018A, 2018B and 2019A Bonds are neither a general obligation of the Issuer, nor a debt or indebtedness of the City or the State and neither the City nor the State shall be liable thereon. The District will be responsible for the maintenance and operation of the facilities constructed and/or repaired with these bond proceeds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

Financing of JSCB (Continued)

In the year of issuance, the proceeds of the bonds were deposited in accordance with the respective Indenture Trust Agreement between the Issuer and M&T Bank and the bond proceeds were recorded as other financing sources within the fund financial statements. The related liabilities were recorded in the governmental activities.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities present financial information about the reporting government as a whole. These statements include the financial activities of the overall government in its entirety.

Fund Financial Statements:

The fund financial statements provide information about the major governmental fund, the JSCB Fund. The JSCB Fund is used to account for transactions associated with the design, construction, reconstruction, and financing of public educational facilities in the City. The fund financial statements include the Balance Sheet and the Statement of Revenues, Expenditures and Change in the Fund Balance.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. JSCB considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after the end of the fiscal year.

Governmental fund expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

D. Restricted Cash and Cash Equivalents

JSCB's cash and cash equivalents consist of restricted cash held for project expenditures/expenses and debt service payments, and the proceeds from bond sales can only be used for the stated purpose of the borrowing. All funds are held in trust in accordance with an indenture trust agreement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Restricted Cash and Cash Equivalents (Continued)

The State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit at commercial banks not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

E. Capital Assets

Capital assets, which include buildings and improvements, are reported in the government-wide financial statements. Capital assets are defined by JSCB as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Capital assets are reported at actual cost or estimated historical costs if purchased or constructed. Donated assets, when applicable, will be reported at estimated fair market value at the time received.

JSCB depreciates capital assets using the straight-line method over the estimated useful life of 39 years, beginning in the first month after completion or acquisition of the asset.

F. Accrued Expenses

Accrued liabilities include retainage on capital projects that have been completed by year end, when applicable.

G. Due to the District

A liability due to the District exists at June 30, 2019 as a result of timing differences in funding from the New York State Education Department passed-through the District and debt payments made by JSCB.

H. Pass-through New York State Funding from the District

Funding from the New York State Education Department is passed through the District and used by JSCB to make principal and interest payments on JSCB projects. Funding from the District is to the extent of appropriated funds received from New York State.

I. Equity Classifications

Government-wide Financial Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of those assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Equity Classifications (Continued)

Fund Financial Statements

Classification of fund balance reflects spending constraints on resources, rather than availability for appropriation to provide users more consistent and understandable information about a governmental fund's net resources. Constraints are broken down into five different classifications: non-spendable, restricted, committed, assigned and unassigned. The classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor constraints on the specific purposes for which resources in a fund can be spent. In the fund basis statements, there is one classification of fund balance:

Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The definition of restricted fund balance is the same as restricted net position.

Order of Use of Fund Balance and Net Position

When funds from more than one classification may be used to satisfy an expense/expenditure, it is JSCB's policy to utilize funds with the most restrictive spending constraints first.

J. 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of useful lives of capital assets.

2. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Buildings and improvements	\$ 150,391,341	\$ -	\$ -	\$ -	\$ 150,391,341
Construction in progress (not depreciable)	<u>18,439,792</u>	<u>65,080,390</u>	-	-	<u>83,520,182</u>
Total capital assets	<u>168,831,133</u>	<u>65,080,390</u>	-	-	<u>233,911,523</u>
<u>Less accumulated depreciation:</u>					
Buildings and improvements	<u>(6,573,632)</u>	<u>(4,200,648)</u>	-	-	<u>(10,774,280)</u>
Capital assets, net	<u>\$ 162,257,501</u>	<u>\$ 60,879,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,137,243</u>

Total depreciation expense of \$4,200,648 was charged to general support on the Statement of Activities.

3. CAPITAL INDEBTEDNESS

JSCB borrows money in order to meet current operating requirements and to acquire or construct buildings and improvements. For acquisition or construction of buildings and improvements this enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. The provision to be made in future budgets for capital indebtedness represents the amount authorized to be collected in future years from taxpayers and others for liquidation of both current and long-term liabilities.

Long-term Liabilities

Long-term liability activity for the year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount due in one year</u>
Bonds payable	\$ 189,295,000	\$ 65,435,000	\$ (6,875,000)	\$ 247,855,000	\$ 11,960,000
Premium on bonds payable	<u>20,790,916</u>	<u>10,363,354</u>	<u>(2,159,597)</u>	<u>28,994,673</u>	<u>2,159,597</u>
Total	<u>\$ 210,085,916</u>	<u>\$ 75,798,354</u>	<u>\$ (9,034,597)</u>	<u>\$ 276,849,673</u>	<u>\$ 14,119,597</u>

Cash paid for interest on the bonds for the year ended June 30, 2019 was \$9,391,934. This is recorded as a direct expense of the general support expenses in the Statement of Activities.

The current year amortization of the bond premium in the amount of \$2,159,597 is recorded as a direct reduction of interest expense of the general support expenses in the Statement of Activities.

Bonds payable activity by issuance for the year ended June 30, 2019 is as follows:

<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
2010	2027	3-5%	\$21,355,000	\$ -	\$(1,940,000)	\$19,415,000
2011	2020	5.428%	17,915,000	-	(2,955,000)	14,960,000
2011	2027	5.428%	15,000,000	-	-	15,000,000
2017	2030	3-5%	29,260,000	-	(1,980,000)	27,280,000
2018	2034	3.25-5%	67,265,000	-	-	67,265,000
2018	2035	3-5%	38,500,000	-	-	38,500,000
2019	2035	4-5%	-	<u>65,435,000</u>	-	<u>65,435,000</u>
			<u>\$ 189,295,000</u>	<u>\$65,435,000</u>	<u>\$(6,875,000)</u>	<u>\$247,855,000</u>

3. CAPITAL INDEBTEDNESS (Continued)

As of June 30, 2019, amounts due of bonds payable principal and interest in future years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 11,960,000	\$ 13,530,749	\$ 25,490,749
2021	19,005,000	11,196,644	30,201,644
2022	16,755,000	10,408,194	27,163,194
2023	17,930,000	9,606,462	27,536,462
2024	18,425,000	8,789,313	27,214,313
2025-2029	83,630,000	30,741,206	114,371,206
2030-2034	73,510,000	10,991,738	84,501,738
2035-2036	<u>6,640,000</u>	<u>150,800</u>	<u>6,790,800</u>
Total	<u>\$ 247,855,000</u>	<u>\$ 95,415,106</u>	<u>\$ 343,270,106</u>

Bond Anticipation Note Payable

JSCB may issue bond anticipation notes (BAN), in anticipation of the receipt of bond proceeds. These notes are recorded as a liability of the governmental fund, the JSCB Fund. Bond anticipation notes represent a liability that will be extinguished by the use of bond proceeds when bonds are issued.

In June 2018, JSCB issued a \$15,000,000 BAN with a stated interest rate of 3.0% that became due on June 21, 2019. In June 2019, JSCB issued a \$23,000,000 BAN with a stated interest rate of 2.0% that will become due on April 30, 2020.

JSCB's short-term debt activity for the year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bond Anticipation Notes	<u>\$15,000,000</u>	<u>\$23,000,000</u>	<u>\$(15,000,000)</u>	<u>\$ 23,000,000</u>

4. CASH AND CASH EQUIVALENTS

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. As of June 30, 2019, all cash balances are uninsured.

Restricted cash consists of the following:

Capital Assets Reserve	\$147,310,136
Debt Service Reserve	<u>8,169,680</u>
Total Restricted Cash	<u>\$155,479,816</u>

5. CONTINGENCIES AND COMMITMENTS

JSCB may be subject to lawsuits in the ordinary conduct of its affairs. JSCB does not believe any outstanding items are likely to have a material, adverse effect on the financial statements at June 30, 2019.

6. SUBSEQUENT EVENTS

On October 9, 2019 and October 24, 2019, respectively, the Syracuse City School District's Board of Education and JSCB approved resolutions to authorize a borrowing not to exceed \$108 million for JSCB Phase II projects at Clary Middle School, Brighton Academy Middle School (formerly Danforth Middle School), Expeditionary Learning Middle School, Henninger High School and PSLA at Fowler.

JOINT SCHOOLS CONSTRUCTION BOARD
(A BLENDED COMPONENT UNIT OF THE CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK)

OTHER INFORMATION (UNAUDITED)
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Capital Assets</u>	<u>Debt Service</u>	<u>Total</u>
ASSETS			
Restricted cash and cash equivalents	\$ 147,310,136	\$ 8,169,680	\$ 155,479,816
Capital assets, net of accumulated depreciation	<u>223,137,243</u>	<u>-</u>	<u>223,137,243</u>
Total assets	<u>370,447,379</u>	<u>8,169,680</u>	<u>378,617,059</u>
LIABILITIES			
Payables:			
Accrued expenses	15,504,720	2,530,301	18,035,021
Due to the District	-	1,228,596	1,228,596
Bond anticipation note	<u>23,000,000</u>	<u>-</u>	<u>23,000,000</u>
Total payables	<u>38,504,720</u>	<u>3,758,897</u>	<u>42,263,617</u>
Long-term liabilities:			
Due and payable within one year:			
Bonds payable	11,960,000	-	11,960,000
Premium on bonds payable	2,159,597	-	2,159,597
Due and payable in more than one year:			
Bonds payable	235,895,000	-	235,895,000
Premium on bonds payable	<u>26,835,076</u>	<u>-</u>	<u>26,835,076</u>
Total Long-term liabilities	<u>276,849,673</u>	<u>-</u>	<u>276,849,673</u>
Total liabilities	<u>315,354,393</u>	<u>3,758,897</u>	<u>319,113,290</u>
NET POSITION			
Net investment in capital assets	<u>55,092,986</u>	<u>4,410,783</u>	<u>59,503,769</u>
Total net position	<u>\$ 55,092,986</u>	<u>\$ 4,410,783</u>	<u>\$ 59,503,769</u>

JOINT SCHOOLS CONSTRUCTION BOARD
(A BLENDED COMPONENT UNIT OF THE CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK)

OTHER INFORMATION (UNAUDITED)
COMBINING BALANCE SHEET, GOVERNMENTAL FUND
JUNE 30, 2019

	<u>Capital Assets</u>	<u>Debt Service</u>	<u>Total</u>
ASSETS			
Restricted cash and cash equivalents	\$ 147,310,136	\$ 8,169,680	\$ 155,479,816
Total assets	<u>\$ 147,310,136</u>	<u>\$ 8,169,680</u>	<u>\$ 155,479,816</u>
LIABILITIES			
Payables:			
Accrued expenses	\$ 15,504,720	\$ -	\$ 15,504,720
Due to the District	-	3,758,897	3,758,897
Bond anticipation note	<u>23,000,000</u>	<u>-</u>	<u>23,000,000</u>
Total liabilities	<u>38,504,720</u>	<u>3,758,897</u>	<u>42,263,617</u>
FUND BALANCE			
Restricted	<u>108,805,416</u>	<u>4,410,783</u>	<u>113,216,199</u>
Total fund balance	<u>108,805,416</u>	<u>4,410,783</u>	<u>113,216,199</u>
Total liabilities and fund balance	<u>\$ 147,310,136</u>	<u>\$ 8,169,680</u>	<u>\$ 155,479,816</u>

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

December 19, 2019

To the Board of Directors
Joint Schools Construction Board:

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 the major fund of the Joint Schools Construction Board (JSCB), a blended component unit of the City School District of Syracuse, New York, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the JSCB's basic financial statements and have issued our report as of the date of the Independent Auditor's Report.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered JSCB'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 JSCB's internal control. Accordingly, we do not express an opinion on the effectiveness of the JSCB's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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*

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Joint Schools Construction Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.