

State University Construction Fund
(A Component Unit of the State University of New York)

Financial Statements

March 31, 2016 and 2015

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(A Component Unit of the State University of New York)

Financial Statements

March 31, 2016 and 2015

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Independent Auditor's Report

Board of Trustees
State University Construction Fund
Albany, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the State University Construction Fund (the Fund), a component unit of the State University of New York, which comprise the statement of net position as of March 31, 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of March 31, 2016, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

New Accounting Standards

As discussed in Note 1, the Fund has restated its financial statements as of and for the year ended March 31, 2015, to retroactively implement Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. We also audited the adjustments described in Note 1 that were applied to restate the March 31, 2015 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Financial Statements

The financial statements of the State University Construction Fund as of and for the year ended March 31, 2015, before they were restated, were audited by other auditors, whose report dated July 22, 2015, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedules of funding progress - other postemployment benefits, the proportionate share of the net pension liability, and pension contributions as listed in the table of contents 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 June 27, 2016, on our consideration of the 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 Fund's internal control over financial reporting and compliance.

SaxBST LLP

Albany, New York
June 27, 2016



State University Construction Fund

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Management's Discussion and Analysis March 31, 2016 and 2015

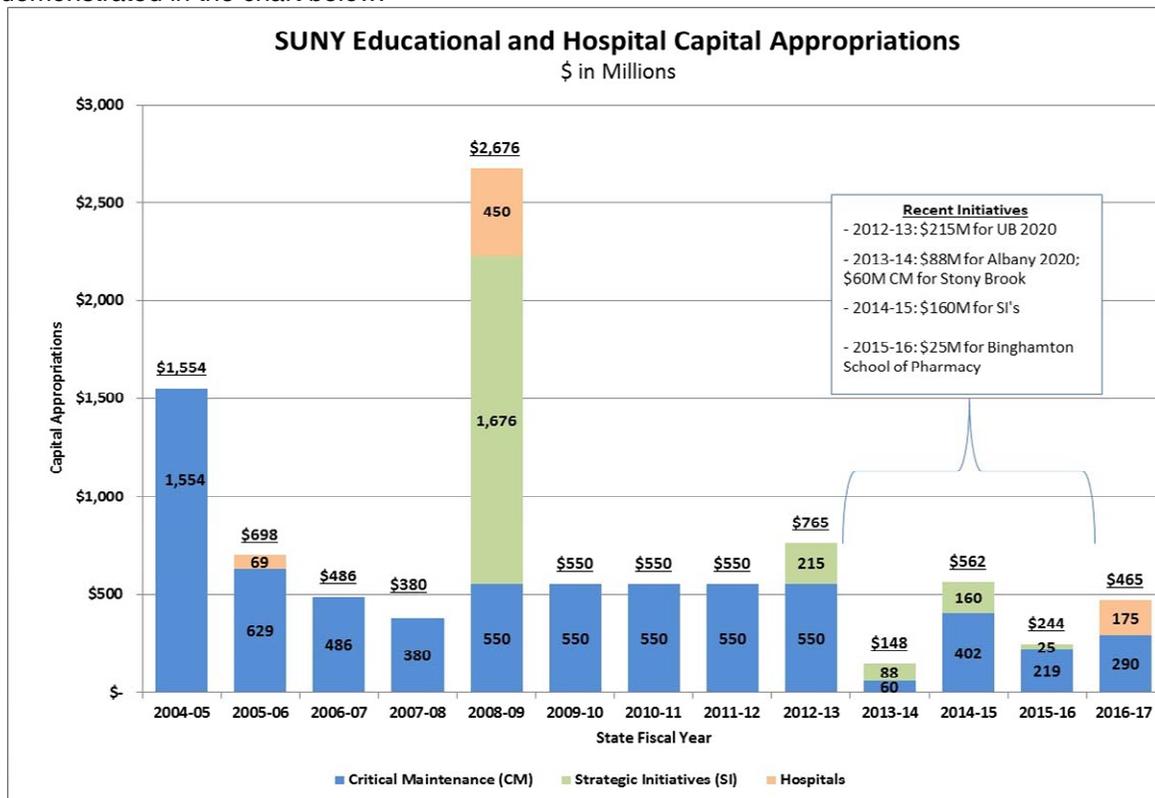
The following management's discussion and analysis (MD&A) presents management's analysis of the State University Construction Fund's (the Fund) financial performance during the fiscal years ended March 31, 2016 and 2015. Management has prepared the financial statements and related note disclosures along with this MD&A. Please read it in conjunction with the Fund's financial statements and accompanying notes.

Overview of the State University Construction Fund

The Fund is a corporate governmental agency constituting a public benefit corporation of the State of New York (the State). Pursuant to State Education Law, the Fund has been specifically designated to provide academic buildings, dormitories, and other facilities for State operated institutions and statutory colleges under the jurisdiction of the State University of New York (SUNY).

The Fund is primarily responsible for administering capital funds for the educational and hospital facilities at State operated institutions and statutory colleges. Accordingly, the Fund's financial statements only reflect activity related to those facilities. From 1998 to 2013, the State provided appropriations and bonding authorizations totaling nearly \$10 billion in support of three consecutive multi-year capital plans to address the critical maintenance needs of SUNY's aging academic and hospital facilities. A multi-year capital plan has not been provided for SUNY since the end of the last \$4.9 billion five-year capital plan that was enacted in 2008.

Over the past four years, the annual State budget has provided sporadic funding specifically to the Fund for system-wide critical maintenance projects, specific campus projects and hospital projects, as demonstrated in the chart below.



Additional appropriations have been enacted annually for NYSUNY 2020 Challenge Grant Program since 2012/2013.

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NYSUNY 2020 Challenge Grant Program

In 2011, the State University of New York and the Office of the Governor established the NYSUNY 2020 Challenge Grant Program to spur economic growth and strengthen SUNY's academic programs. Funding totaling \$420 million had been made available to support six rounds of 2020 grants. In addition, over \$300 million in special appropriations for sizeable 2020 projects at the University at Buffalo and the University at Albany have also been enacted.

To date, four rounds of competitively selected awards have been approved, and it is anticipated that the fifth round of awards, totaling \$55 million, will be announced shortly. The 2016/2017 Enacted State Budget provides for \$55 million for the sixth round of grants under NYSUNY 2020.

SUNY 2020 Round I: In the first round of the program, the SUNY University Centers - University at Albany, University at Buffalo, Binghamton University, and Stony Brook University - were given approval to progress projects that total more than \$1.0 billion, funded through a blend of State support, reprogrammed capital funds, and campus raised revenues. The grants were awarded to projects that leverage private sector resources to fulfill long-term economic and academic plans.

SUNY 2020 Round II, Round III, and Round IV: In June 2013 and September 2014 and throughout the fall of 2016 and early 2017, Governor Cuomo announced the second, third, and fourth rounds of SUNY 2020 awards. The competitive process was open to all SUNY State-operated campuses (with the exception of the four University Centers in Rounds II and III), and Community Colleges, or regional consortiums including multiple campuses. Under Round II, four awards of \$15 million each were made to support transformational projects that leverage investment, advance academic research, and provide significant economic impact and job creation. Under Round III, five awards were made totaling \$55 million for innovative economic development projects. Under Round IV, five awards were made totaling \$55 million for various projects throughout the State.

Funding from Other Agencies

The trend of funding projects from non-traditional budget sources has increasingly benefited non-2020 campus projects in recent years. From 2000-2006, the Fund has received various grants and sub-allocations from other agencies in support of projects at Buffalo State, Fredonia, and Upstate Medical Center. More recently, Binghamton has received economic development funding for the construction of its School of Pharmacy, and Albany has received funding from the Department of Homeland Security for the development of its College of Emergency Preparedness and Cyber Security. Additionally, the statutory College of Veterinary Medicine at Cornell received economic development funding toward its new academic building.

Required Financial Statements

The financial statements of the Fund are based on U.S. generally accepted accounting principles and contain the following three statements that provide information on the Fund's financial activity and the results of its operations for the years ended March 31, 2016 and 2015:

- The statements of net position include all of the Fund's assets and liabilities and provide information about the nature and amount of investments in resources (assets) and the obligations to Fund creditors (liabilities). The statements of net position present the financial position of the Fund at the end of each fiscal year.
- The statements of revenues, expenses and changes in net position report the Fund's revenues and expenses and include the results of operations for each fiscal year.

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Required Financial Statements - Continued

- The statements of cash flows provide information about the Fund's cash receipts and cash payments during each fiscal year. The statements of cash flows report cash receipts, cash payments, and the net changes in cash resulting from operating, financing (capital and noncapital), and investing activities.

Financial Statement Summary

Summary Schedule of Net Position

As reported in the summary below, the total assets of the Fund as of March 31, 2016 decreased by \$115.7 million, or 26.9% from March 31, 2015, and decreased by \$372.7 million, or 46.4% from March 31, 2014 to March 31, 2015. The total liabilities also decreased as of March 31, 2016 by \$114.9 million, or 28.0% from March 31, 2015, and decreased by \$368.6 million, or 47.3% from March 31, 2014 to March 31, 2015. The following table shows a summary of changes from the prior year amounts:

	2016	(Restated) 2015	2014	2016 vs. 2015 Increase (Decrease)	2015 vs. 2014 Increase (Decrease)
	(In thousands)				
Total assets and deferred outflows of resources	\$ 314,376	\$ 430,048	\$ 802,731	-26.9%	-46.4%
Total liabilities	295,070	410,012	778,588	-28.0%	-47.3%
Total net position	19,306	20,036	24,143	-3.6%	-17.0%

The decrease in net assets and liabilities as of March 31, 2016 is due primarily to the planned use of sponsor funds provided in support of the SUNY 2020 projects. The decrease in assets and liabilities as of March 31, 2015 is due primarily to a decision by the State to no longer classify the Fund's bonded capital appropriations as appropriated loans. The reimbursement of disbursements made from these appropriations is now flowing directly from DASNY (the issuer of the bonds) to the State. Also contributing to the decrease is the advance receipt and payment of the April and October 2015 contractual financing payments.

The noncurrent assets of the Fund include a nominal amount of capital assets and a receivable for compensated absences. The noncurrent liabilities of the Fund include other post-employment benefits obligation, compensated absences, and net pension liability. Project costs are shown as expenses and are not capitalized as capital assets within the Fund's financial statements. In addition, the debt issued to fund project costs is not a liability of the Fund, and therefore, is not recorded as a long-term liability within the Fund's financial statements. The capital assets and corresponding liabilities; however, are recorded in the financial statements of SUNY.

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Financial Statement Summary - Continued

Summary Schedule of Revenues, Expenses, and Changes in Net Position

Total Fund revenues increased by 2.8%, and expenses by 2.6% for the fiscal year ended March 31, 2016, as compared to the year ended March 31, 2015, and both revenues and expenses decreased by approximately 9.4% for the fiscal year ended March 31, 2015, as compared to the year ended March 31, 2014. The following table shows a summary of changes from the prior year amounts:

	2016	2015	2014	2016 vs. 2015 Increase (Decrease)	2015 vs. 2014 Increase (Decrease)
	(In thousands)				
Total revenues	\$ 880,350	\$ 856,464	\$ 945,377	2.8%	-9.4%
Total expenses	(881,079)	(858,482)	(946,128)	2.6%	-9.3%
Total change in net position	(729)	(2,018)	(751)	-63.9%	168.7%

Note: Analysis reflects the net activity related to contractual financing payments.

Revenues and expenses decreased during the fiscal year ended March 31, 2015 as a result of several factors. The 2008-09 multi-year appropriation for construction activity was cycling down, the projected state bonded disbursements continue to be closely monitored, and the lack of a new multi-year capital appropriation which resulted in a lower level of design and construction activity.

Summary Schedule of Cash Flows

The following table shows a summary of changes in cash balances from the prior year amounts:

	2016	2015	2014
	(In thousands)		
Net cash (used in) provided by			
Operating activities	\$ (104,211)	\$ 53,667	\$ 78,870
Noncapital financing activities	-	(220,646)	103,942
Capital and related financing activities	(707)	(494)	(546)
Investing activities	101	220,512	(103,876)
Net change in cash	<u>\$ (104,817)</u>	<u>\$ 53,039</u>	<u>\$ 78,390</u>

The net change in cash for the current fiscal year is primarily due to increased spending from sponsor funding. The noncapital financing and investing activities were impacted by the receipt of additional deposits and payments in 2015 from the State in support of the Fund's contractual financing payments.

Economic Factors that May Affect the Future

The Fund is dependent upon State appropriations to support SUNY's capital programs. In 2004/2005 and again in 2008/2009, the State Budget provided nearly \$8.0 billion through two multi-year capital plans for strategic initiatives and critical maintenance projects for the preservation or rehabilitation of existing educational facilities.

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Economic Factors that May Affect the Future - Continued

These cumulative multi-year funding authorizations provided SUNY with the resources required to address core critical maintenance needs of its existing buildings and infrastructure, as well as the means to make additional capital investments in a range of programmatic initiatives. However, the 2013/2014 State Budget provided no new funding to address SUNY's system-wide critical maintenance needs or to support another statewide multi-year capital plan. The 2014/2015, 2015/2016 and 2016/2017 State Budgets did provide \$562 million, \$244 million, and \$465 million in new appropriations for one year only. The lack of a funding for another multi-year capital plan is attributable to State-imposed limits under the State Debt Reform Act of 2000 that caps the level of outstanding debt as well as the Executive's focus on economic development and municipal infrastructure. It is likely that the Debt Reform Act will continue to affect the State's ability to invest in SUNY's capital programs in the near future.

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Statements of Net Position

	March 31,	
	2016	2015 (Restated)
ASSETS		
Current assets		
Cash	\$ 674,792	\$ 828,623
Cash deposits with the State of New York	168,457,351	273,120,499
Investments at fair value	31,301,642	31,370,369
Receivables		
State of New York	110,629,588	122,131,262
Accrued interest	65,932	32,294
Total current assets	311,129,305	427,483,047
Noncurrent assets		
Receivable from the State of New York	1,440,340	1,444,965
Capital assets, net of accumulated depreciation	1,381,526	1,120,394
Total assets	313,951,171	430,048,406
DEFERRED OUTFLOWS OF RESOURCES		
Pension resources	425,188	-
Total assets and deferred outflows of resources	314,376,359	430,048,406
LIABILITIES		
Current liabilities		
Project costs payable	61,078,344	72,577,024
Accounts payable and accrued expenses	1,397,537	1,234,831
Retention on construction contracts	57,679,466	49,321,271
Advances from sponsors	159,357,977	272,757,954
Total current liabilities	279,513,324	395,891,080
Noncurrent liabilities		
Other postemployment benefits	12,554,210	10,587,208
Net pension liability	1,561,695	2,088,978
Compensated absences	1,440,340	1,444,965
Total liabilities	295,069,569	410,012,231
Net position		
Invested in capital assets	1,381,526	1,120,394
Restricted for contractual financing payments	29,418	29,412
Unrestricted	17,895,846	18,886,369
Total net position	\$ 19,306,790	\$ 20,036,175

See accompanying Notes to Financial Statements.

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Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended March 31,	
	2016	2015
OPERATING REVENUES		
Project cost recovery		
State of New York	\$ 710,468,473	\$ 822,331,265
Sponsor	169,814,954	34,013,205
Total operating revenues	880,283,427	856,344,470
OPERATING EXPENSES		
Project costs administered by		
State University Construction Fund	592,244,212	550,371,695
State University of New York campuses	288,834,731	307,971,203
Total operating expenses	881,078,943	858,342,898
Operating loss	(795,516)	(1,998,428)
NONOPERATING REVENUES (EXPENSES)		
New York State appropriations for contractual financing payments to Dormitory Authority of the State of New York	93,056,453	388,975,847
Contractual financing payments to Dormitory Authority of the State of New York	(93,056,453)	(389,114,848)
Investment income, net	66,131	119,870
Total nonoperating revenues and expenses, net	66,131	(19,131)
CHANGE IN NET POSITION	(729,385)	(2,017,559)
NET POSITION, <i>beginning of year</i>	20,036,175	24,142,712
NET POSITION, end of year prior to restatement	19,306,790	22,125,153
Cumulative effect of change in accounting principle	-	(2,088,978)
NET POSITION, <i>end of year as restated</i>	\$ 19,306,790	\$ 20,036,175

See accompanying Notes to Financial Statements.

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Statements of Cash Flows

	Years Ended March 31,	
	2016	2015
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash received from construction cost recovery	\$ 777,964,561	\$ 1,119,685,274
Cash payments for project costs	(882,176,109)	(1,066,018,280)
	(104,211,548)	53,666,994
CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES		
Cash received from New York State contractual financing payment appropriations	93,056,453	168,468,690
Cash payments for contractual financing payments	(93,056,453)	(389,114,848)
	-	(220,646,158)
CASH FLOWS PROVIDED (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(706,651)	(503,023)
Sales of capital assets	-	9,135
	(706,651)	(493,888)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Investment income received	25,388	86,973
Proceeds from sales and maturities of investments	46,595,753	390,573,679
Purchase of investments	(46,519,921)	(170,148,202)
	101,220	220,512,450
Net increase (decrease) in cash and cash equivalents	(104,816,979)	53,039,398
CASH AND CASH EQUIVALENTS, beginning of year	273,949,122	220,909,724
CASH AND CASH EQUIVALENTS, end of year	\$ 169,132,143	\$ 273,949,122
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (795,516)	\$ (1,998,428)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	445,519	392,953
Gain on disposition of capital assets	-	(5,131)
Changes in		
State of New York receivables	11,506,299	(120,727,118)
Deferred outflows of resources	(425,188)	-
Dormitory Authority of the State of New York receivables	-	326,162,883
Project costs payable	(11,498,680)	24,063,759
Accounts payable and accrued expenses	162,706	(164,990)
Liability to the State of New York	-	(226,239,099)
Retention on construction contracts	8,358,195	(7,738,481)
Advances from sponsors	(113,399,977)	57,905,039
Other postemployment benefits	1,967,002	2,046,955
Net pension liability	(527,283)	-
Compensated absences	(4,625)	(31,348)
	\$ (104,211,548)	\$ 53,666,994

See accompanying Notes to Financial Statements.

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Note 1 - Organization and Summary of Significant Accounting Policies

The State University Construction Fund (the Fund) was created in 1962 as a corporate governmental agency constituting a public benefit corporation of the State of New York (State). Pursuant to State Education Law, the Fund has been specifically designated to provide academic buildings, dormitories, and other facilities for State-operated institutions and statutory colleges under the jurisdiction of the State University of New York (SUNY). The Fund is included as a component unit in the financial statements of SUNY.

The Fund is required to manage the debt service for certain facilities related debt which is funded through appropriations from the State, however this debt is not an obligation of the Fund.

a. Financial Reporting

The Fund follows U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB).

The Fund's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this basis, revenues are recognized in the period which they are earned, and expenses are recognized in the period which they are incurred.

The Fund reports its financial statements as a special purpose government engaged in business-type activities, as defined by GASB. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The financial statements of the Fund consist of classified statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows, using the direct method of presenting cash flows from operations and other sources.

b. Operating Revenues

The Fund's principal sources of revenue to recover its operating expenses consists of support from the State and from campus sponsors. The State is reimbursed for disbursements from the Fund's capital appropriations with proceeds from bonds issued by the Dormitory Authority of the State of New York (DASNY). All other revenues are considered non-operating. Revenue from campus sponsors consists of funds received from public and private sources. Sponsor funds are generally received in advance and recorded as advances from sponsors, and recorded as revenue when the corresponding project costs are incurred. All operating revenues are recorded at the time the related expenses are incurred.

c. Operating Expenses

The Fund's operating expenses include design, construction, equipment, and administrative costs which total \$881,078,943 and \$858,342,898 for the years ended March 31, 2016 and 2015, respectively. These costs include administrative expenses of the Fund of \$25,430,243 and \$25,629,954 for the years ended March 31, 2016 and 2015, respectively; all other expenses are considered non-operating. Expenses, other than those related to contractual financing payments, are recorded when the liability is incurred.

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Notes to Financial Statements
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Note 1 - Organization and Summary of Significant Accounting Policies - Continued

d. Investments

The Fund carries all investments at fair value based on quoted market prices in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Deposit and inherent risks that could affect the Fund's ability to provide services and meet its obligations as they become due are reported in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

In accordance with the Fund's Investment Guidelines, investments are limited to (1) obligations of the United States Government and its Agencies with a maturity of twelve years or less; (2) repurchase agreements with a maturity of ninety days or less that are collateralized by obligations of the United States Government and its Agencies; (3) certificates of deposit purchased from banks or trust companies located within New York State with a maturity of five years or less; to the extent a certificate of deposit is not insured by the Federal Deposit Insurance Corporation, it must be collateralized by obligations of the United States Government and its Agencies, and (4) commercial paper with a maturity of ninety days or less that carries the highest rating of two independent rating agencies.

e. Capital Assets

All capital assets are carried at historical cost. Depreciation is recorded in the statements of revenues, expenses, and changes in net position with accumulated depreciation reflected in the statements of net position. Depreciation is provided over the assets' estimated useful lives, ranging from 5 to 15 years, using the straight-line method.

The Fund follows GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*, to identify, account for, and report intangible assets. Internally generated computer software recorded as of March 31, 2016 and 2015, was \$1,602,750 and \$1,429,743, respectively.

f. Contract Retention

In accordance with standard construction industry practice, the Fund withholds payment on a portion of construction invoices pending satisfactory completion of the contract. The full amount of the invoice is recognized as an expense in the period in which the contract work is performed and the associated contract retention is recognized as a current liability.

g. Compensated Absences

Employees accrue vacation leave, primarily based on the number of years of service, up to a maximum rate of 25 days per year and may accumulate no more than a maximum of 53 days. The recorded liability for annual vacation, including fringe benefits for social security, was \$1,440,340 and \$1,444,965 at March 31, 2016 and 2015, respectively.

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Note 1 - Organization and Summary of Significant Accounting Policies - Continued

h. Net Position

The Fund's net position is classified in the following categories: invested in capital assets, consisting of capital assets, net of accumulated depreciation; restricted for contractual financing payments, consisting of restricted assets reduced by related liabilities restricted for specific purposes by law or parties external to the Fund; and unrestricted, consisting of assets reduced by related liabilities that are not classified as invested in capital assets or restricted. When both restricted and unrestricted resources are available for use, it is the Fund's policy to use restricted resources first, and then unrestricted resources as they are needed.

i. Income Taxes

The income of the Fund is exempt from all State income and franchise taxes, under the provisions of the enabling legislation, and from Federal income taxes as a governmental agency of the State.

j. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

k. Adoption of Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 27, *Accounting for Pensions by State and Local Government Employers and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68. This statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of Statement No. 68.

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Note 1 - Organization and Summary of Significant Accounting Policies - Continued

k. Adoption of Accounting Standards - Continued

The Fund adopted these accounting standards as of April 1, 2015. As a result of adopting these accounting standards and guidance, the Fund now reports its proportionate share of the net pension liability as determined by the State and Local Employees' Retirement System. This liability, along with deferred outflows of resources, is reported in the statement of net position. The adoption of GASB No. 68 is retroactive. Accordingly, the Fund has restated its ending March 31, 2015 position as follows:

Net position, <i>beginning of year, as previously stated</i>	\$ 22,125,153
Net pension liability	<u>(2,088,978)</u>
Net position, as restated	<u><u>\$ 20,036,175</u></u>

Note 2 - Cash

Cash consists of funds deposited in demand deposit accounts with a financial institution held by the New York State Commissioner of Taxation and Finance for the Fund. At March 31, 2016 and 2015, the Fund had deposits with book values and bank balances of \$674,792 and \$828,623, respectively.

Note 3 - Cash Deposits with the State of New York

Cash deposits with the State of New York represent funds held, on behalf of the Fund, in the State's Short-Term Investment Pool and are available on demand. The Fund's cash balances are pooled with other State funds for short-term investment purposes. These balances are limited to legally permitted investments which include: obligations, or guarantees of the United States; obligations of the State of New York and its political subdivisions; certificates of deposit, savings bank trust company notes, bankers' acceptance, corporate bonds, commercial paper, and repurchase agreements. The Fund considers cash deposits with the State of New York to be cash equivalents.

Note 4 - Investments

Investments are monitored by the New York State Department of Taxation and Finance and held in custodial accounts on behalf of the Fund. The Fund requires delivery to its custodian of all securities purchased as well as collateral for repurchase agreements. As of March 31, 2016 and 2015, all securities held for the Fund were registered in the Fund's name.

State University Construction Fund
(A Component Unit of the State University of New York)

Notes to Financial Statements
March 31, 2016 and 2015

Note 4 - Investments - Continued

The following table summarizes the fair value of the Fund's investments as of March 31, 2016 and 2015, all of which had maturities of less than one year:

	March 31,	
	2016	2015
Investment type		
U.S. Treasury bills	\$ 30,287,986	\$ 15,057,502
U.S. Treasury notes/bonds	-	15,015,240
Certificates of deposit	1,013,656	1,297,627
 Total investments	 \$ 31,301,642	 \$ 31,370,369

Net investment income for the years ended March 31, 2016 and 2015, consisted of interest income, realized gains, and change in unrealized appreciation/depreciation aggregating \$66,131 and \$119,870, respectively.

Note 5 - Capital Assets

Capital assets are comprised of the following:

	March 31, 2015	Additions	Disposals	March 31, 2016
Automobiles	\$ 547,427	\$ -	\$ -	\$ 547,427
Furniture, fixtures, and equipment	266,241	533,644	-	799,885
Computer software	1,429,743	173,007		1,602,750
	2,243,411	706,651	-	2,950,062
Less accumulated depreciation	(1,123,017)	(445,519)	-	(1,568,536)
Capital assets, net	\$ 1,120,394	\$ 261,132	\$ -	\$ 1,381,526
	March 31, 2014	Additions	Disposals	March 31, 2015
Automobiles	\$ 460,360	\$ 155,074	\$ (68,007)	\$ 547,427
Furniture, fixtures, and equipment	180,173	92,741	(6,673)	266,241
Computer software	1,174,534	255,209	-	1,429,743
	1,815,067	503,024	(74,680)	2,243,411
Less accumulated depreciation	(800,740)	(392,953)	70,676	(1,123,017)
Capital assets, net	\$ 1,014,327	\$ 110,071	\$ (4,004)	\$ 1,120,394

Depreciation expense for the years ended March 31, 2016 and 2015 was \$445,519 and \$392,953, respectively, and is included in project costs administered by the Fund in the statements of revenues, expenses, and changes in net position.

State University Construction Fund
(A Component Unit of the State University of New York)

Notes to Financial Statements
March 31, 2016 and 2015

Note 6 - Receivables from the State

Amounts receivable from the State represent accrued project expenses, including contract retention and certain administrative costs accrued and will be paid by the State from capital appropriations.

Note 7 - Other Construction Programs

The Fund administers the State's 50% statutory share of community college capital projects on behalf of SUNY, but has no involvement in the design or construction of such projects. In addition, the Fund apportions its residence hall appropriation to SUNY which funds and administers the residence hall program. These revenues and project costs are recorded by SUNY and the other State agencies and, accordingly, are not included in the financial statements of the Fund.

Note 8 - Retirement Benefits

(a) Plan Description and Benefits Provided

The Fund participates in the New York State and Local Employee's Retirement System (System), a cost-sharing multiple-employer retirement systems. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (CRF), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the CRF and is the administrative head of the System. The Comptroller is an elected official determined in a direct state-wide election and serves a four-year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship, and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

(b) Contributions

Most members of ERS who joined on or before July 26, 1976 are enrolled in a noncontributory plan. Members of ERS who joined after July 26, 1976 are enrolled in a contributory plan which requires a 3% contribution of their salary. As a result of Article 19, of the NYSRSSL, eligible Tier 3 and Tier 4 employees, with a membership date after July 26, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Generally, members of the System may retire at 55; however, members of Tiers 2, 3, 4, and 5 will receive a reduced benefit if they retire before 62 with less than 30 years of service. Tier 5 members must be 62 years of age with at least 10 years of service credit to retire with full benefits. Any employee with less than five years of service may withdraw and obtain a refund, including interest, of the accumulated employee contributions. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members. Tier 6 members with 10 years of service or more can retire as early as age 55 with reduced benefits. The contribution rate varies from 3% to 6% depending on salary. Members are required to contribute for all years of service.

State University Construction Fund
(A Component Unit of the State University of New York)

Notes to Financial Statements
March 31, 2016 and 2015

Note 8 - Retirement Benefits - Continued

(b) *Contributions*

Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension fund. Fund contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2016	\$ 2,315,167
2015	2,559,118
2014	2,605,798

(c) *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions*

At March 31, 2016, the Fund reported a liability of \$1,561,695 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Fund's proportion of the net pension liability was based on a projection of the Fund's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2016, the Fund's proportion was 0.046228%.

For the year ended March 31, 2016, the Fund recognized pension expense of \$1,439,336. At March 31, 2016, the Fund reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 49,992
Net differences between projected and actual investment earnings on pension plan investments	271,247
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>103,949</u>
Total	<u>\$ 425,188</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31,	
2016	\$ 106,297
2017	106,297
2018	106,297
2019	<u>106,297</u>
Total	<u>\$ 425,188</u>

State University Construction Fund
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Notes to Financial Statements
March 31, 2016 and 2015

Note 8 - Retirement Benefits - Continued

(d) *Actuarial Assumptions*

The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with updated procedures used to roll forward the total pension liability to March 31, 2015. The actuarial valuation used the following actuarial assumptions:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.7 percent
Salary Scale	
ERS	4.9 percent, indexed by service
Investment rate of return, including inflation	7.5 percent compounded annually, net of expenses
Decrement	Developed from the Plan's 2010 experience study of the period April 1, 2005 through March 31, 2010
Mortality improvement	Society of Actuaries Scale MP-2014

Annuitant mortality rates are based on April 1, 2005 - March 31, 2011 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2011 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015, are summarized below:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate</u>
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Private equity	10.00%	11.00%
Real estate	8.00%	8.25%
Absolute return strategies	3.00%	6.75%
Opportunistic portfolio	3.00%	8.60%
Real assets	3.00%	8.65%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation-Indexed bonds	2.00%	4.00%
	<u>100.00%</u>	

State University Construction Fund
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Notes to Financial Statements
March 31, 2016 and 2015

Note 8 - Retirement Benefits - Continued

(e) *Discount Rate*

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(f) *Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption*

The following presents the Fund's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Fund's proportionate share of the net pension liability or asset 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 (7.5%)	1% Increase (8.5%)
Fund's proportionate share of the net pension liability (asset)	\$ 10,409,370	\$ 1,561,695	\$ (5,907,937)

(g) *Pension Plan Fiduciary Net Position*

The components of the current-year net pension liability of the New York State and Local Employee's Retirement System as of March 31, 2015, were as follows (amounts in thousands):

Employers' total pension liability	\$ 164,591,504
Plan net position	<u>(161,213,259)</u>
Employers' net pension liability	<u>\$ 3,378,245</u>
Ratio of plan net position to the employers' total pension liability	<u>97.9%</u>

State University Construction Fund
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Notes to Financial Statements
March 31, 2016 and 2015

Note 8 - Retirement Benefits - Continued

Pension Plan

The Fund also participates in the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF), a defined contribution retirement plan, as an optional retirement plan for certain employees previously participating in TIAA/CREF. The Fund assumes no liability for TIAA/CREF members other than the payment of contributions. TIAA/CREF provides retirement and death benefits for or on behalf of those full-time employees electing to participate in this optional retirement program. Participation eligibility as well as contributory and noncontributory requirements is established by NYSRSSL. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. TIAA/CREF is contributory for employees who joined after July 27, 1976, who contribute 3% of their salary. For those employees with ten years or more of membership, employee contributions are phased out over three years. Employer contributions range from 8% to 15% of salaries depending upon when the employee was hired. Employer contributions paid by the Fund to TIAA/CREF for the years ended March 31, 2016, 2015, and 2014 approximated \$119,862, \$116,800, and \$110,300, respectively, and equal 100% of the contribution required for each year.

Note 9 - Post-Employment and Post-Retirement Benefits

The State, on behalf of the Fund, provides health insurance coverage for eligible retired Fund employees and their spouses as part of the New York State Health Insurance Plan (NYSHIP). NYSHIP offers comprehensive benefits through various providers consisting of hospital, medical, mental health, substance abuse, and prescription drug programs. The State administers NYSHIP and has the authority to establish and amend the benefit provisions offered. NYSHIP is considered an agent multiple-employer defined benefit plan, is not a separate entity or trust, and does not issue stand-alone financial statements. The Fund, as a participant in the plan, recognizes Other Postemployment Benefit (OPEB) expenses on an accrual basis. Employee contribution rates for NYSHIP are established by the State and are generally 10% for enrollee insurance premiums and 25% for dependent insurance premiums.

The Fund accounts for its OPEB obligation based on the approach provided in GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The initial unfunded actuarial accrued liability is being amortized over an open period of thirty years using the level percentage of projected payroll amortization method. NYSHIP premiums are being financed on a pay-as-you-go basis.

State University Construction Fund
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Notes to Financial Statements
March 31, 2016 and 2015

Note 9 - Post-Employment and Post-Retirement Benefits - Continued

The Fund's OPEB obligation and funded status of the plan as of March 31, 2016 and 2015 are as follows (in thousands):

	March 31,	
	2016	2015
OPEB obligation		
Annual required contribution and annual OPEB cost	\$ 3,187	\$ 3,236
Employer contributions paid	(1,220)	(1,189)
Increase in OPEB obligation	1,967	2,047
Net obligation at beginning of year	10,587	8,540
Net obligation at end of the year	\$ 12,554	\$ 10,587
Funded status		
Actuarial accrued liability (AAL)	\$ 65,143	\$ 64,303
Actuarial value of OPEB plan assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 65,143	\$ 64,303
	2016	2015
Actuarial valuation date	April 1, 2014	April 1, 2014
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll	\$ 12,058	\$ 11,471
UAAL as a percentage of covered payroll	540%	560%

The actuarial valuation utilizes a frozen entry age actuarial cost method. The actuarial assumptions include a 3.1% discount rate, payroll growth rate of 3.0%, and an annual healthcare cost trend rate for medical coverage of 8.25% initially, reduced by decrements to a rate of 4.75% after 7 years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined results are subject to continual revision as actual results are compared to past expectations and new estimates are made in the future. The actuarial methods and assumptions used are designed to reduce short-term volatility in reported amounts and reflect a long-term perspective.

Note 10 - Commitments and Contingencies

a. Leases Expense

The Fund leases office space from SUNY on a month-to-month basis. Rent expense is inclusive of maintenance, insurance, and utilities. Rent expense for the years ended March 31, 2016 and 2015, approximated \$776,000 for each year.

State University Construction Fund
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Notes to Financial Statements
March 31, 2016 and 2015

Note 10 - Commitments and Contingencies - Continued

b. Construction Projects

The Fund, in its normal course of business, has entered into contracts for the design and construction of various projects. At March 31, 2016 and 2015, these outstanding contract commitments approximated \$900 million and \$1.2 billion, respectively.

c. Pending Litigation, Claims, and Disputes

The Fund is involved in legal disputes with various contractors and professional service firms. These disputes are related to claims for extra work, late completion, and other matters generally applicable to construction and professional service contracts. In addition, the Fund is involved in personal injury related legal disputes. Based on information presently available, the Fund believes that there are substantial defenses in connection with these disputes and that its ultimate liability, if any, after considering insurance coverage will not materially affect its financial position.

d. Contractual Payments to DASNY

In connection with DASNY/State University Educational Facilities Revenue Bond Program issues, the Fund has entered into a financing agreement with DASNY whereby the Fund provides for contractual payments to DASNY in semiannual installments due on or before each April 10 and October 10. Payments are made solely from contractual financing appropriations received from the State. For the years ended March 31, 2016 and 2015, these payments were \$93,056,453 and \$389,114,848, respectively. As of March 31, 2016, the approximate future minimum contractual financing payment commitments on DASNY bonds are as follows:

	Principal	Interest	Total Commitment
For the year ending March 31,			
2017	\$ 84,193,938	\$ 58,311,215	\$ 142,505,153
2018	196,178,726	50,941,759	247,120,485
2019	129,972,380	42,347,476	172,319,856
2020	73,903,696	37,522,735	111,426,431
2021	76,177,485	35,309,065	111,486,550
2022 through 2026	381,286,437	115,974,376	497,260,813
2027 through 2031	247,160,000	23,636,000	270,796,000
	\$ 1,188,872,662	\$ 364,042,626	\$ 1,552,915,288

Since February 2003, Personal Income Tax (PIT) Bonds were issued by the State to support the capital program. The State also issued Sales Tax Bonds during the current 2014-15 and 2013-14 fiscal years. The debt service on the PIT and Sales Tax bonds is paid directly by New York State to DASNY and, accordingly, no contractual financing payments related to these bonds pass through to the Fund.

Note 11 - Subsequent Events

The Fund has evaluated subsequent events for potential recognition or disclosure through June 27, 2016, the due date at which the financial statements were available to be issued, and determined that there were no additional items to disclose.

State University Construction Fund

(A Component Unit of the State University of New York)

Required Supplementary Information Schedule of Funding Progress - Other Postemployment Benefits (in millions of dollars)

<u>Actuarial Valuation Date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) - Frozen Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b-a)/c)</u>
April 1, 2014	-	\$64,303	\$64,303	0%	\$11,471	560%
April 1, 2012	-	40,030	40,030	0%	11,625	350%
April 1, 2010	-	44,563	44,563	0%	10,964	406%
April 1, 2008	-	35,707	35,707	0%	8,507	420%
April 1, 2006	-	30,657	30,657	0%	8,070	380%

See Independent Auditor's Report.

State University Construction Fund
(A Component Unit of the State University of New York)

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability

	<u>2016</u>
Fund's proportion of the net pension liability	0.0046228%
Fund's proportionate share of the net pension liability	\$ 1,561,695
Fund's covered-employee payroll	\$ 13,231,635
Fund's proportionate share of the net pension liability as a percentage of its covered-employee payroll	11.8%
Plan fiduciary net position as a percentage of the total pension liability	97.9%

This schedule is intended to present 10 years. Additional years will be displayed as they become available.

State University Construction Fund
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Required Supplementary Information
Schedule of Pension Contributions
Years Ended March 31,

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 2,315,167	\$ 2,559,118	\$ 2,605,798	\$ 2,495,787	\$ 1,686,749	\$ 1,263,910	\$ 619,371	\$ 666,346	\$ 811,086	\$ 926,001
Contributions in relation to the contractually required contribution	2,315,167	2,559,118	2,605,798	2,495,787	1,686,749	1,263,910	619,371	666,346	811,086	926,001
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Fund's covered-employee payroll	12,214,277	12,353,220	12,087,887	12,334,824	10,273,168	10,305,245	8,723,407	8,148,426	7,754,434	7,285,434
Contribution as a percentage of covered-employee payroll	18.95%	20.72%	21.56%	20.23%	16.42%	12.26%	7.10%	8.18%	10.46%	12.71%



**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
State University Construction Fund
Albany, New York

We have audited, 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, the statement of net position of the State University Construction Fund (the Fund) as of March 31, 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2016.

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 opinion 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.

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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including *Investment Guidelines for Public Authorities*, 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 that are required to be reported under *Government Auditing Standards*.

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 Fund'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.

SaxBST LLP

Albany, New York
June 27, 2016





**Report on Compliance With Section 201.3 of
Title Two of the Official Compilation of Codes, Rules
and Regulations of the State of New York**

Board of Trustees
State University Construction Fund
Albany, New York

We have examined the compliance of the State University Construction Fund (the Fund), with the requirements of Section 201.3 of Title Two of the *Official Compilation of Codes, Rules and Regulations of the State of New York* during the year ended March 31, 2016. Management is responsible for the Fund's compliance with those requirements. Our responsibility is to express an opinion on the Fund's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Fund's compliance with the specified requirements.

In our opinion, the Fund complied in all material respects with the aforementioned requirements during the year ended March 31, 2016.

In accordance with *Government Auditing Standards*, we are required to report significant deficiencies in internal control, violations of provisions of laws, regulations, contracts or grant agreements, and abuse that are material to the Fund's compliance with Section 201.3 of Title Two of the *Official Compilation of Codes, Rules and Regulations of the State of New York* and any fraud or illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain views of management on those matters. We performed our examination to express an opinion on whether the Fund complied with the aforementioned requirements and not for the purpose of expressing an opinion on internal control over compliance with those requirements or other matters; accordingly, we express no such opinion. The results of our tests disclosed no matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Fund management, the Board of Trustees, and New York State and is not intended and should not be used by anyone other than those specified parties.

SaxBST LLP

Albany, New York
June 27, 2016