



STATE UNIVERSITY CONSTRUCTION FUND
(A Component Unit of the State University of New York)
Financial Statements
March 31, 2024 and 2023
(With Independent Auditors' Reports Thereon)

STATE UNIVERSITY CONSTRUCTION FUND
(A Component Unit of the State University of New York)
Financial Statements
March 31, 2024 and 2023

Table of Contents

	Page(s)
Independent Auditors' Report	1–3
Management's Discussion and Analysis (Unaudited)	4–9
Basic Financial Statements:	
Statements of Net Position	10
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Basic Financial Statements	13–32
Required Supplementary Information (Unaudited):	
Schedule of Changes in the Total OPEB Liability and Related Ratios	33
Schedule of Proportionate Share of the Net Pension Liability (Asset)	34
Schedule of Pension Contributions	35
Other:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36–37



KPMG LLP
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Independent Auditors' Report

Board of Trustees
State University Construction Fund
Albany, New York:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the State University Construction Fund (the Fund), a component unit of the State University of New York, as of and for the years ended March 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of March 31, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2024 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 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 the Fund'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 the Fund's internal control over financial reporting and compliance.

KPMG LLP

Albany, New York
September 19, 2024

STATE UNIVERSITY CONSTRUCTION FUND

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

Management's Discussion and Analysis (Unaudited)

March 31, 2024 and 2023

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, 2024 and 2023, with certain comparative information for the fiscal year ended March 31, 2022. 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.

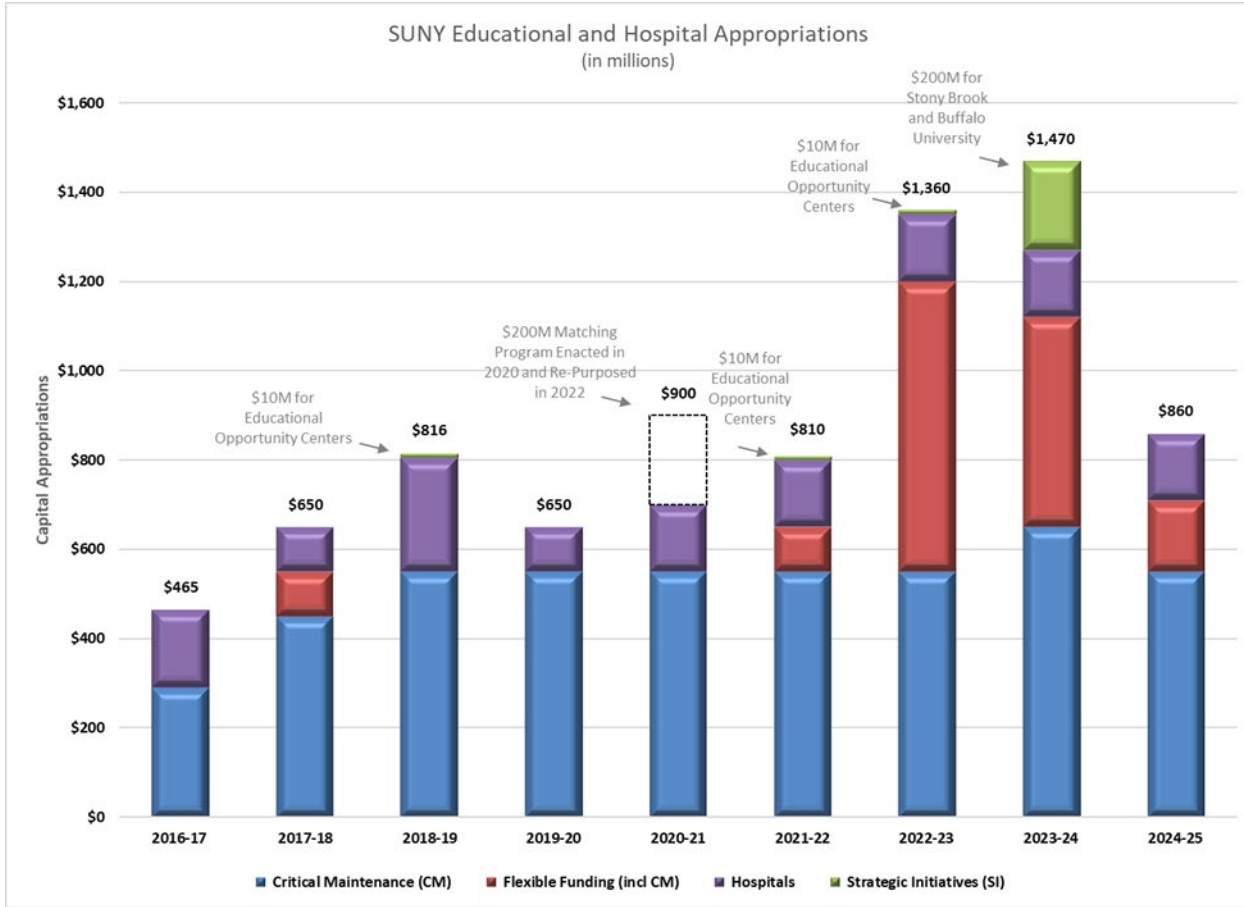
Overview of the State University Construction Fund

The Fund is a corporate governmental agency constituting a public benefit corporation of New York State (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 that fall under the jurisdiction of the State University of New York (SUNY). The Fund is primarily responsible for administering SUNY's Educational Facilities and Hospital Capital programs. The State budget process establishes the appropriations authorizing spending, the bonding necessary to support that spending, annual disbursement limits, and the debt service payments on outstanding debt for these programs. With limited exceptions, the debt service obligations for the Educational Facilities are paid directly by the State. In the past, the three SUNY teaching hospitals have been responsible for reimbursing the State for the debt service payments made on their behalf. The 2024-25 Enacted Budget suspends this requirement for fiscal year 2024-2025.

In 1998, the State Executive and Legislature adopted the first multi-year capital plan for SUNY's Educational Facilities and Hospital Capital Programs. Additional multi-year plans followed in 2004 and 2008, enabling SUNY and the Fund to plan within known funding levels over a multi-year period. That was followed by years of unpredictable funding during which SUNY, in collaboration with the Fund, campuses and partners in the design and construction industry, intensified advocacy efforts to secure future multi-year capital plans. These efforts proved successful. Since fiscal year 2017-18, the State has provided a stable base level of capital support for both the Educational Facilities Capital Program and for the Hospital Capital Program, with plans to continue this support in future fiscal years.

The following chart shows the varying levels of support for the bonded portion of the educational and hospital capital programs since fiscal year 2016-17. In addition to base level funding for critical maintenance (CM) that can be used for existing facilities, on occasion campuses will receive funding for specific Strategic Initiatives (SI) projects, or more flexible funding that can be used towards new construction or program improvement. This SI funding is unpredictable which makes planning for projects more complicated. In the fiscal year 2024-25 State Budget, the State enacted new capital appropriations totaling \$860 million for SUNY including the recurring critical maintenance funding for existing facilities in the amount of \$550 million, \$150 million for hospitals, and \$160 million in flexible funding. The new appropriations are subject to a plan to be developed by SUNY and approved by the State Division of the Budget.

STATE UNIVERSITY CONSTRUCTION FUND
(A Component Unit of the State University of New York)
Management's Discussion and Analysis (Unaudited)
March 31, 2024 and 2023



Funding for the Capital Program

SUNY’s capital programs are largely supported by bond proceeds. The Fund does not issue debt, nor does it hold title to any of SUNY’s facilities. Prior to February 2003, a major portion of the capital costs were financed by bonds issued by the Dormitory Authority of the State of New York (DASNY) under the State University Educational Facilities Revenue Bond Program. Under this arrangement, the Fund receives an annual debt service appropriation from the State and is responsible for making semi-annual debt service payments to DASNY. These payments are classified as contractual financing payments within the accompanying financial statements.

STATE UNIVERSITY CONSTRUCTION FUND

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

Management's Discussion and Analysis (Unaudited)

March 31, 2024 and 2023

As of February 2003, bonds issued in support of the capital programs administered by the Fund are issued by DASNY, or the Empire State Development Corporation, and supported by a dedicated portion of State Personal Income Tax or Sales Tax revenues. Debt service payments for these bonds are made directly by the State, and the Fund receives no appropriation for debt service on these bonds. As the Fund is not required to make the debt service payments on these bonds, these payments are not reported in the Fund's financial statements.

In recent years, the Fund has received and administered funding provided for specific Educational Facility and Hospital projects from other State entities. The Fund has received funding for the benefit of other SUNY capital projects from the Empire State Development Corporation, Division of Homeland Security and Emergency Services, and the Department of Health.

Required Financial Statements

The financial statements of the Fund are based on U.S. generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB), 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, 2024 and 2023:

- The statements of net position include all of the Fund's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, 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.
- 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.

STATE UNIVERSITY CONSTRUCTION FUND

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

Management's Discussion and Analysis (Unaudited)

March 31, 2024 and 2023

Financial Statement Summary

Condensed Summary of Net Position

As reported in the summary below, the total assets and deferred outflows of resources of the Fund as of March 31, 2024, increased by \$36 million, or 13.3 percent, from March 31, 2023, and increased by \$35 million, or 14.9 percent, from March 31, 2022, to March 31, 2023. The total liabilities and deferred inflows of resources increased as of March 31, 2024, by \$35 million, or 12.3 percent, from March 31, 2023, and increased as of March 31, 2023, by \$32 million, or 12.7 percent, from March 31, 2022. The following table shows a summary of changes from the prior year amounts:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
		(in thousands)	
Current assets	\$ 291,316	249,287	213,116
Noncurrent assets	4,583	8,831	6,391
Deferred outflows of resources	<u>10,008</u>	<u>11,822</u>	<u>15,381</u>
Total assets and deferred outflows of resources	<u>305,907</u>	<u>269,940</u>	<u>234,888</u>
Current liabilities	258,796	218,039	183,178
Noncurrent liabilities	55,422	46,088	49,507
Deferred inflows of resources	<u>4,492</u>	<u>19,574</u>	<u>18,977</u>
Total liabilities and deferred inflows of resources	<u>318,710</u>	<u>283,701</u>	<u>251,662</u>
Invested in capital assets	3,070	3,798	4,663
Restricted for contractual financing payments	30	27	27
Unrestricted	<u>(15,903)</u>	<u>(17,586)</u>	<u>(21,464)</u>
Total change in net deficit	<u>\$ (12,803)</u>	<u>(13,761)</u>	<u>(16,774)</u>

The increase in net assets and deferred outflows of resources, and liabilities and deferred inflows of resources, at March 31, 2024, as compared to March 31, 2023, is primarily due to the increase in sponsor funding, increase in receivables from the State of New York, and increase in the obligation for pension. The \$958 thousand increase in total net deficit is a result of increased obligations for pension and other postemployment benefits, and a decrease in capital assets.

The increase in net assets and deferred outflows of resources, and liabilities and deferred inflows of resources, at March 31, 2023 as compared to March 31, 2022, is primarily due to the receipt of additional sponsor funds during fiscal year 2022-23 that were not spent at year end. The \$3 million increase in total net position is a result of decreased pension obligations resulting in a pension asset at March 31, 2023, offset by increased obligations for other postemployment benefits and a decrease in capital assets.

STATE UNIVERSITY CONSTRUCTION FUND

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

Management's Discussion and Analysis (Unaudited)

March 31, 2024 and 2023

The noncurrent assets of the Fund include a nominal amount of capital assets, a receivable for compensated absences, and a pension asset in 2022-23. The noncurrent liabilities of the Fund include other postemployment benefits obligation, compensated absences, and net pension liability in 2023-24. 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 debt related to project costs are reported in the financial statements of SUNY.

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

Total Fund operating revenues increased by 16.4 percent, and expenses by 16.9 percent for the fiscal year ended March 31, 2024, as compared to the year ended March 31, 2023, and operating revenues increased by 20 percent, and expenses by 19.8 percent for the fiscal year ended March 31, 2023, as compared to the year ended March 31, 2022. The following table shows a summary of changes from the prior year amounts:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
		(In thousands)	
Operating revenues	\$ 833,144	\$ 715,764	\$ 596,265
Operating expenses	(833,828)	(713,496)	(595,701)
Nonoperating revenues (expenses), net	<u>1,642</u>	<u>745</u>	<u>(58)</u>
Total change in net position	\$ <u>958</u>	\$ <u>3,013</u>	\$ <u>506</u>

Revenues and expenses increased during the fiscal year ended March 31, 2024 primarily due to additional sponsor funds and the continued recovery from the COVID-19-pandemic.

Economic Factors that May Affect the Future

In response to recommendations made by consultants procured by the State Division of the Budget, the State has changed the structure of the appropriations provided to the Fund for the Educational Facilities Program. The changes are intended to provide appropriations that more effectively address statewide capital needs within limited capital bonding capacity. As a result, the Educational Facilities appropriations have been restructured to facilitate centralized decision-making and to ensure that the funding is applied to the highest priority critical maintenance needs across the SUNY system, regardless of campus size. In the past, critical maintenance appropriations have been distributed to each campus based on a formula that considered its academic gross square footage, the age of campus facilities, and the size of the student body. Working within this structure that allocates funding to projects based on a high priority need, the Fund has modified its project selection approach to respond most effectively to the State's increased level of support. The new approach to project selection is intended to ensure that deferred maintenance backlog is reduced and that asset renewal needs are addressed, while also assisting campuses in their efforts to address their strategic and academic missions.

STATE UNIVERSITY CONSTRUCTION FUND

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

Management's Discussion and Analysis (Unaudited)

March 31, 2024 and 2023

While the level of base critical maintenance support planned for the Educational Facilities Program (currently \$550 million) provides much needed funding to address the significant needs of over 1,800 aging academic buildings and SUNY's vast infrastructure, the \$550 million would need to be planned for each of the next four years and subject to annual appropriation by the Executive and the Legislature. In addition, the planned level of support, as well as prior year unspent appropriations totaling \$5.6 billion, must be accommodated within annual spending limits established in future State Five-Year Capital Program and Financing Plans. Managing the disbursements associated with this level of appropriation, while meeting the annual spending limits requires careful monitoring and accurate modeling and predicting project disbursements to ensure minimal disruption to the capital program.

Despite the windfall, current economic conditions are impacting the Fund's ability to spend their appropriations. Inflation, supply chain disruptions, and construction labor shortages are all contributing to higher bids and a slowdown in construction schedules. All of these factors could influence the pace of the Fund's project execution over the coming fiscal year.

Contacting the State University Construction Fund

This financial report is designed to provide interested parties with the Fund's financial results. If you have questions about this report or would like additional information regarding the Fund's programs, please visit the Fund's website at <http://www.sucf.suny.edu>.

STATE UNIVERSITY CONSTRUCTION FUND
(A Component Unit of the State University of New York)

Statements of Net Position

March 31, 2024 and 2023

	2024	2023
Assets and Deferred Outflows of Resources:		
Current assets:		
Cash	\$ 2,747,936	\$ 3,914,642
Cash deposits with the State of New York	101,493,425	86,892,906
Investments	32,872,713	30,224,815
Receivables:		
State of New York	153,734,261	127,928,015
Accrued interest	468,079	326,478
Total current assets	291,316,414	249,286,856
Noncurrent assets:		
Receivable from the State of New York	1,512,483	1,542,001
Net pension asset	—	3,490,421
Capital assets, net of accumulated depreciation and amortization	3,070,349	3,798,124
Total noncurrent assets	4,582,832	8,830,546
Deferred outflows of resources:		
Deferred outflows of resources – pension resources	7,994,174	8,455,130
Deferred outflows of resources – other postemployment benefits	2,013,395	3,367,364
Total deferred outflows of resources	10,007,569	11,822,494
Total assets and deferred outflows of resources	305,906,815	269,939,896
Liabilities and Deferred Inflows of Resources:		
Current liabilities:		
Project costs payable	101,841,796	80,588,582
Accounts payable and accrued expenses	896,672	784,855
Lease liability – current portion	762,915	756,313
Retention on construction contracts	55,180,175	49,137,898
Advances from sponsors	98,192,991	85,133,642
Advances from State of New York	1,922,020	1,637,380
Total current liabilities	258,796,569	218,038,670
Noncurrent liabilities:		
Other postemployment benefits	43,771,394	42,820,233
Net pension liability	9,175,180	—
Lease liability – noncurrent portion	963,015	1,725,930
Compensated absences	1,512,483	1,542,001
Total noncurrent liabilities	55,422,072	46,088,164
Deferred inflows of resources:		
Deferred inflows of resources – pension resources	450,812	12,017,089
Deferred inflows of resources – other postemployment benefits	4,040,804	7,556,946
Total deferred inflows of resources	4,491,616	19,574,035
Total liabilities and deferred inflows of resources	318,710,257	283,700,869
Net position (deficit):		
Invested in capital assets	1,344,419	1,315,881
Restricted for contractual financing payments	29,595	26,595
Unrestricted	(14,177,456)	(15,103,449)
Total net deficit	\$ (12,803,442)	\$ (13,760,973)

See accompanying notes to the basic financial statements.

STATE UNIVERSITY CONSTRUCTION FUND
(A Component Unit of the State University of New York)

Statements of Revenues, Expenses, and Changes in Net Position

March 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Project cost recovery:		
State of New York	\$ 804,117,727	\$ 692,200,761
Sponsor	<u>29,026,122</u>	<u>23,563,448</u>
Total operating revenues	<u>833,143,849</u>	<u>715,764,209</u>
Operating expenses:		
Project costs administered by:		
State University Construction Fund	489,200,043	435,546,931
State University of New York campuses	<u>344,627,724</u>	<u>277,948,601</u>
Total operating expenses	<u>833,827,767</u>	<u>713,495,532</u>
Operating (loss) gain	<u>(683,918)</u>	<u>2,268,677</u>
Nonoperating revenues (expenses):		
New York State appropriations for contractual financing payments to Dormitory Authority of the State of New York	15,729,435	86,938,420
Contractual financing payments to Dormitory Authority of the State of New York	(15,729,435)	(86,938,420)
Investment income, net	1,639,839	742,793
Other income	<u>1,610</u>	<u>2,117</u>
Total nonoperating revenues, net	<u>1,641,449</u>	<u>744,910</u>
Change in net deficit	957,531	3,013,587
Net deficit, beginning of year	<u>(13,760,973)</u>	<u>(16,774,560)</u>
Net deficit, end of year	<u>\$ (12,803,442)</u>	<u>\$ (13,760,973)</u>

See accompanying notes to the basic financial statements.

STATE UNIVERSITY CONSTRUCTION FUND
(A Component Unit of the State University of New York)

Statements of Cash Flows

March 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash received from construction cost recovery	\$ 820,426,470	\$ 721,930,133
Cash payments for project costs	(804,332,936)	(701,396,117)
Net cash provided by operating activities	16,093,534	20,534,016
Cash flows from noncapital financing activities:		
Cash received from New York State contractual financing payment appropriations	15,729,435	86,938,420
Cash payments for contractual financing payments	(15,729,435)	(86,938,420)
Net cash provided by noncapital financing activities	—	—
Cash flows from capital and related financing activities:		
Purchase of capital assets	(740,185)	(671,200)
Sales of capital assets	3,960	16,560
Principal paid on lease asset	(756,313)	(749,769)
Interest paid on lease asset	(19,133)	(25,677)
Net cash used by capital and related financing activities	(1,511,671)	(1,430,086)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	63,209,562	62,139,165
Purchase of investments	(65,804,471)	(60,512,331)
Investment income received	1,445,249	16,050
Other income received	1,610	2,117
Net cash (used) provided by investing activities	(1,148,050)	1,645,001
Net increase in cash and cash equivalents	13,433,813	20,748,931
Cash and cash equivalents*, beginning of year	90,807,548	70,058,617
Cash and cash equivalents*, end of year	\$ 104,241,361	\$ 90,807,548
Reconciliation of operating (loss) gain to net cash provided by operating activities:		
Operating (loss) gain	\$ (683,918)	\$ 2,268,677
Adjustments to reconcile operating (loss) gain to net cash provided by operating activities:		
Depreciation	710,761	772,870
Amortization of lease asset	757,199	757,199
Gain on sale of capital assets	(3,960)	(10,677)
Lease interest expense	19,133	25,677
Changes in:		
State of New York receivables	(25,776,728)	(16,135,541)
Deferred outflows of resources	1,814,925	3,557,873
Project costs payable	21,253,214	3,622,655
Accounts payable and accrued expenses	111,817	(382,856)
Retention on construction contracts	6,042,277	9,957,870
Advances from sponsors	13,059,349	22,301,465
Advances from State of New York	284,640	(645,358)
Other postemployment benefits	951,161	(2,434,228)
Deferred inflows of resources	(15,082,419)	596,908
Net pension liability	12,665,601	(3,532,414)
Compensated absences	(29,518)	(186,104)
Net provided by operating activities	\$ 16,093,534	\$ 20,534,016

* Cash and cash equivalents include cash and cash deposits with the State of New York

See accompanying notes to the basic financial statements.

STATE UNIVERSITY CONSTRUCTION FUND

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

Notes to the Basic Financial Statements

March 31, 2024 and 2023

(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 blended component unit in the financial statements of SUNY.

The Fund administers the State's 50 percent 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.

The Fund is also 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 (GAAP) 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 reporting 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 nonoperating. 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.

STATE UNIVERSITY CONSTRUCTION FUND

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

Notes to the Basic Financial Statements

March 31, 2024 and 2023

(c) Operating Expenses

The Fund's operating expenses include design, construction, equipment, and administrative costs which total \$833,827,767 and \$713,495,532 for the years ended March 31, 2024 and 2023, respectively. These costs include administrative expenses of the Fund of \$27,152,505 and \$23,363,179 for the years ended March 31, 2024 and 2023, respectively; all other expenses are considered nonoperating. Expenses, other than those related to contractual financing payments, are recorded when the liability is incurred.

(d) Investments

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 (FDIC), it must be collateralized by obligations of the United States Government and its Agencies, and (4) commercial paper with a maturity of two hundred seventy days or less that carries the highest rating of two independent rating agencies.

Investments in marketable securities are stated at fair value based upon quoted market prices. Investment income is recorded on the accrual basis, and purchases and sales of investment securities are reflected on a trade date basis.

(e) Capital Assets (Excluding Intangible Right-of-Use Lease Assets)

All capital assets (excluding intangible right-of-use assets) are carried at historical cost. Capital assets, including intangible assets, over \$5,000 are capitalized. 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.

(f) Lease Assets and Liabilities

The Fund is a lessee for a noncancellable office space lease with SUNY, a related party. The lease is inclusive of maintenance, insurance, and utilities.

Measurement of Lease Amounts

At lease commencement, the Fund initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date. The lease asset is amortized on a straight-line basis over the lease term.

STATE UNIVERSITY CONSTRUCTION FUND

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

Notes to the Basic Financial Statements

March 31, 2024 and 2023

Key Estimates and Judgments

Key estimates and judgments include how the Fund determines (1) the discount rate it uses to calculate the present value of the expected lease, (2) lease term, and (3) lease payments.

- The Fund's estimated incremental borrowing rate for the lease is based on the estimated rate of interest SUNY would need to pay if it issued general obligation bonds to borrow an amount equal to the lease payments under similar terms at the commencement or remeasurement date.
- The lease term includes the noncancellable period of the lease, plus the additional periods covered by the option to extend for which is reasonably certain to be exercised
- Payments are evaluated by the Fund to determine if they should be included in the measurement of the lease liability.

Remeasurement of Lease Amounts

The Fund monitors changes in circumstances that may require remeasurement of the lease arrangement. When certain changes occur that are expected to significantly affect the amount of the lease, the lease liability is remeasured and a corresponding adjustment is made to the lease asset.

Presentation in Statement of Net Position (Deficit)

The lease asset is reported with capital assets and liability with current and noncurrent liabilities in the statement of net position (deficit).

(g) Retention on Construction Contracts

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.

(h) 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 \$1,512,483 and \$1,542,001 at March 31, 2024 and 2023, respectively.

(i) Other Postemployment Benefits

Other postemployment costs, other than pensions, are recognized on an actuarially determined basis as employees earn benefits that are expected to be used in the future. Substantially all of the Fund's employees may become eligible for these benefits if they reach normal retirement age while working for the Fund. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The amounts earned include employee sick leave credits expected to be used to pay for a share of post-retirement health insurance.

STATE UNIVERSITY CONSTRUCTION FUND

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

Notes to the Basic Financial Statements

March 31, 2024 and 2023

(j) Pension Benefits

The Fund participates in the New York State and Local Retirement System which is a cost-sharing multiple employer defined benefit pension plan. A portion of the Plan's net pension liability (asset), deferred outflows of resources, deferred inflows of resources and pension expense are reflected in the reported amounts in the financial statements.

(k) Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

(l) Net Position (Deficit)

The Fund's net position (deficit) is classified in the following categories: invested in capital assets, consisting of capital assets, net of accumulated depreciation and lease liability; restricted for contractual financing payments, consisting of restricted assets and deferred outflows of resources reduced by related liabilities and deferred inflows of resources restricted for specific purposes by law or parties external to the Fund; and unrestricted, consisting of assets and deferred outflows of resources reduced by related liabilities and deferred inflows of resources 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.

(m) 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.

(n) Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosed in the related notes. Actual results could differ from those estimates.

(o) Adoption of Accounting Standard

The Fund adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASBS 96), during the year ended March 31, 2024. The objective of GASBS 96 is to establish accounting and financial reporting guidance for governments that enter into subscription-based contracts to use vendor-provided information technology. Under this statement, a government generally should recognize a right-to-use subscription asset and corresponding subscription liability. As of March 31, 2024, there were no subscription payments that would require treatment under this new standard.

The Fund adopted GASB Statement No. 87, *Leases* (GASBS 87), during the year ended March 31, 2023. The objective of GASBS 87 is to establish a single model for lease accounting and financial

STATE UNIVERSITY CONSTRUCTION FUND

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

Notes to the Basic Financial Statements

March 31, 2024 and 2023

reporting for governments based on the foundational principle that leases are financings of the right-to-use an underlying nonfinancial asset. Lessees recognize a lease liability and a lease asset, and a lessor recognizes a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of lease activity information.

(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, 2024 and 2023, the Fund had deposits with book values and bank balances of \$2,747,936 and \$3,914,642, respectively.

(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.

(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, 2024 and 2023, all securities held for the Fund were registered in the Commissioner of Taxation and Finance's name, as custodian and fiscal agent of the Fund.

The fair value of the Fund's investments is measured using three levels:

Level 1: Investments with observable market prices. Fair value is readily determinable based on quoted market prices in active markets for identical securities.

Level 2: Investments whose inputs are other than quoted prices in active markets that are observable either directly or indirectly and fair value is determined through the use of models or other valuation methodologies.

Level 3: Investments have significant unobservable inputs. The inputs into the determination of fair value are based on the best information available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Fund invests in U.S. Treasury bills and notes which are valued using observable market prices determined on quoted market prices in active markets. The Fund invests in taxable Municipal Commercial Paper, with a market value calculated using the purchase price plus any accrued interest that has accrued through the holding period. The Fund also invests in certificates of deposits which are valued at cost.

STATE UNIVERSITY CONSTRUCTION FUND

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

Notes to the Basic Financial Statements

March 31, 2024 and 2023

The method used produces a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Fund believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a materially different fair value measurement at the reporting dates.

The following table summarizes the fair value of the Fund's investments (except for certificates of deposit, which are reported at cost), as of March 31, 2024 and 2023, all of which have maturities of less than one year:

	<u>2024</u>		<u>2023</u>		<u>Level</u>
Investment type:					
U.S. Treasury bills	\$ 31,737,713	\$	15,210,495		2
U.S. Treasury notes	—		15,014,320		2
Certificates of deposit	1,135,000		—		N/A
Total investments	<u>\$ 32,872,713</u>	\$	<u>30,224,815</u>		

Investment income for the years ended March 31, 2024 and 2023, consisted of interest income, realized gains (losses), and change in unrealized appreciation/depreciation aggregating to \$1,639,839 and \$742,793, respectively.

The Fund has an investment policy that limits its exposure to losses arising from credit risk, interest rate risk, custodial credit risk, and concentration of credit risk.

Credit risk is the risk that an issuer will not fulfill its obligations. New York State law limits the types of investments that the Fund can purchase, which minimizes the Fund's exposure to credit risk. The Fund has no exposure to credit risk as all investments are explicitly guaranteed by the U.S. Government.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses caused by rising interest rates, the Fund's investment policy limits the Fund's investment portfolio to maturities of less than one year.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to perform on a transaction, the Fund will not be able to recover the value of investment securities that are in the possession of an outside party. The Fund's policy is to hold investments in the Commissioner of Taxation and Finance's name, as custodian or fiscal agent of the Fund, which are protected by the physical delivery of the purchased securities to the Commissioner of Taxation and Finance.

The Fund relies upon the policies and procedures of the Commissioner of Taxation and Finance to ensure that the market value of collateral and accrued interest, if any, shall equal or exceed the value of the secured investment and accrued interest at all times. Concentration of credit risk is the risk of loss attributed to the amount invested in a single issuer. The investments of the Fund are diversified by financial institution, investment instrument, rate of return, and maturity pursuant to policies established by the Commissioner of Taxation and Finance.

STATE UNIVERSITY CONSTRUCTION FUND

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

Notes to the Basic Financial Statements

March 31, 2024 and 2023

(5) Capital Assets

Capital assets are comprised of the following:

	<u>March 31,</u> <u>2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>March 31,</u> <u>2024</u>
Automobiles	\$ 608,491	\$ —	\$ (21,580)	\$ 586,911
Furniture, fixtures, and equipment	185,626	37,989		223,615
Computer software	<u>5,954,957</u>	<u>702,196</u>	<u>(45,135)</u>	<u>6,612,018</u>
	6,749,074	740,185	(66,715)	7,422,544
Less accumulated depreciation	<u>(5,411,846)</u>	<u>(710,761)</u>	<u>66,715</u>	<u>(6,055,892)</u>
Capital assets, net excluding lease	\$ <u>1,337,228</u>	\$ <u>29,424</u>	\$ <u>—</u>	\$ <u>1,366,652</u>
Lease asset, net (see Note 9)				<u>1,703,697</u>
Total capital assets, net				\$ <u>3,070,349</u>

	<u>Restated</u> <u>March 31,</u> <u>2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>March 31,</u> <u>2023</u>
Automobiles	\$ 615,406	\$ 45,949	\$ (52,864)	\$ 608,491
Furniture, fixtures, and equipment	334,124		(148,498)	185,626
Computer software	<u>5,341,300</u>	<u>625,251</u>	<u>(11,594)</u>	<u>5,954,957</u>
	6,290,830	671,200	(212,956)	6,749,074
Less accumulated depreciation	<u>(4,846,049)</u>	<u>(772,870)</u>	<u>207,073</u>	<u>(5,411,846)</u>
Capital assets, net excluding lease	\$ <u>1,444,781</u>	\$ <u>(101,670)</u>	\$ <u>(5,883)</u>	\$ <u>1,337,228</u>
Lease asset, net (see Note 9)				<u>2,460,896</u>
Total capital assets, net				\$ <u>3,798,124</u>

Depreciation expense for the years ended March 31, 2024 and 2023 was \$710,761 and \$772,870, 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 the Basic Financial Statements

March 31, 2024 and 2023

(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.

(7) Other Postemployment Benefits

(a) *Plan Description and Benefits Provided*

The Fund provides postemployment healthcare benefits for eligible retired employees and their dependents who retire from the Fund. The Fund is a voluntary participating employer in the New York State Insurance Plan (NYSHIP), which is administered by the State of New York. Article XI of the New York State Civil Service Law assigns the authority to NYSHIP to establish and amend the benefit provisions of the plans and to establish maximum obligations of the plan members to contribute to the plan. The State establishes the contribution rates of the Fund employees. NYSHIP is considered a single employer defined benefit plan offered by the Fund to its employees.

In order to be eligible, employees must be enrolled as a NYSHIP enrollee or a dependent of a NYSHIP enrollee at the time of retirement from the Fund, be eligible to receive a pension from the ERS and to have ten years of State service. In calculating the ten-year service requirement, all of the employee's service need not be with the Fund, but may be a composite of New York State service elsewhere, with a minimum of one year with the Fund immediately preceding retirement. Employees with no prior State service must work a minimum of ten years with the Fund before they and their dependents are eligible for the retirement medical benefits.

NYSHIP offers the following options:

- The Empire Plan
- An HMO that has been approved for participation in NYSHIP in the geographical area the enrollee or dependent resides.

Regardless of the option selected, the following coverage is provided through NYSHIP:

- Hospitalization and related expense coverage
- Medical/surgical care coverage
- Mental health and substance use treatment coverage
- Prescription drug coverage

Retiree contribution rates are calculated at time of retirement and are generally 12 percent for enrollee insurance premiums and 27 percent for dependent insurance premiums. The Fund has not funded a qualified trust or its equivalent as defined in GASB Statement No. 75, therefore, benefits are funded on a pay as you go basis.

STATE UNIVERSITY CONSTRUCTION FUND
(A Component Unit of the State University of New York)
Notes to the Basic Financial Statements
March 31, 2024 and 2023

(b) Participants Covered

The number of Fund participants covered by the benefit terms for the current year and prior year were as follows:

	<u>2024</u>	<u>2023</u>
Active employees	109	112
Retirees and surviving spouses receiving benefit payments	<u>123</u>	<u>123</u>
Total participants	<u><u>232</u></u>	<u><u>235</u></u>

(c) OPEB Liabilities, OPEB Expense, Deferred Outflows, and Deferred Inflows of Resources Related to OPEB

At March 31, 2024 and 2023, the Fund reported a total OPEB liability of \$43,771,394 and \$42,820,233, respectively.

The Fund's changes in the total OPEB liability at March 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Total OPEB liability beginning balance	\$ 42,820,233	45,254,461
Changes recognized for the fiscal year:		
Service cost	1,053,157	1,218,294
Interest	1,498,154	1,241,161
Differences between expected and actual experience	453,815	1,956,782
Changes in assumptions	102,519	(4,818,850)
Benefit payments	<u>(2,156,484)</u>	<u>(2,031,615)</u>
Net changes	<u>951,161</u>	<u>(2,434,228)</u>
Total OPEB liability ending balance	\$ <u><u>43,771,394</u></u>	<u><u>42,820,233</u></u>

Changes of assumptions and other inputs include a change in the discount rate to 3.50 percent in 2023, and 3.58 percent in 2024.

STATE UNIVERSITY CONSTRUCTION FUND

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

Notes to the Basic Financial Statements

March 31, 2024 and 2023

The Fund recognized expense related to OPEB of \$945,472 and \$1,452,620 at March 31, 2024 and 2023, respectively. At March 31, 2024 and 2023, the Fund reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	2024		2023	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 1,935,639	\$ 275,736	\$ 2,756,912	\$ 687,280
Changes in assumptions	<u>77,756</u>	<u>3,765,068</u>	<u>610,452</u>	<u>6,869,666</u>
Total	<u>\$ 2,013,395</u>	<u>\$ 4,040,804</u>	<u>\$ 3,367,364</u>	<u>\$ 7,556,946</u>

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

Year ending March 31:	
2025	\$ (1,780,418)
2026	(400,185)
2027	134,380
2028	<u>18,814</u>
Total	<u>\$ (2,027,409)</u>

(d) Actuarial Assumptions

The total OPEB liability at March 31, 2024 and 2023 was determined using an actuarial valuation as of April 1, 2023 and 2022, respectively, with updated procedures used to roll forward the respective total OPEB liability to March 31, 2024 and 2023. The actuarial valuation used the following actuarial assumptions:

Assumptions	March 31, 2024	March 31, 2023
Actuarial cost method	Entry age normal	Entry age normal
Inflation rate	2.5%	2.5%
Mortality rate	PUB 2010 Headcount-weighted	PUB 2010 Headcount-weighted
Mortality improvement	Aon's endemic version of U.S. Mortality Improvement Scale MP-2021, as of January 2024	Society of Actuaries Scale MP-2021
Discount rate	3.58%	3.50%

The discount rate is based on the Bond Buyer 20-year general obligation municipal bond index rate at March 31, 2024 and 2023.

STATE UNIVERSITY CONSTRUCTION FUND

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

Notes to the Basic Financial Statements

March 31, 2024 and 2023

Health care trend rates were split to reflect separate trends for pre-65 and post-65 claims at March 31, 2024 and 2023. At March 31, 2024 and 2023, the pre-65 trend assumption begins at 6.50 and 6.00 percent, respectively, and decreases to a 4.50 percent long-term trend rate for all health care benefits after eight years. At March 31, 2024 and 2023, the trend assumption for post-65 begins at 5.50 and decreases to a 4.50 percent long-term trend after eight years. At March 31, 2024 and 2023, the drug assumption begins at 8.50 and 8.00 percent, respectively, and decreases to 4.50 percent after eight and seven years, respectively.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the Fund's total OPEB liability at March 31, 2024 and 2023, as well as what the Fund's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower and one percentage point higher than the current year rate:

	<u>1% decrease</u>		<u>Current discount rate</u>		<u>1% increase</u>
	<u>(2.58%)</u>		<u>(3.58%)</u>		<u>(4.58%)</u>
Total OPEB liability at March 31, 2024	\$ 51,087,602	\$	43,771,394	\$	37,935,785

	<u>1% decrease</u>		<u>Current discount rate</u>		<u>1% increase</u>
	<u>(2.50%)</u>		<u>(3.50%)</u>		<u>(4.50%)</u>
Total OPEB liability at March 31, 2023	\$ 50,066,840	\$	42,820,233	\$	37,055,746

(e) Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Fund's total OPEB liability at March 31, 2024 and 2023, as well as what the Fund's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower and one percentage point higher than the current year rates:

	<u>1% decrease</u>		<u>Current trend rates</u>		<u>1% increase</u>
Total OPEB liability at March 31, 2024	\$ 37,436,650	\$	43,771,394	\$	51,795,713
Total OPEB liability at March 31, 2023	\$ 36,549,997	\$	42,820,233	\$	50,790,530

STATE UNIVERSITY CONSTRUCTION FUND

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

Notes to the Basic Financial Statements

March 31, 2024 and 2023

(8) Pension Benefits

(a) Plan Description

The Fund participates in the New York State and Local Retirement System (System or ERS), a cost-sharing, multiple-employer retirement system. 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. The System's financial statements, including information with regard to benefits provided, may be obtained by writing to the New York State and Local Retirement System, Office of the State Comptroller, 110 State Street, Albany, New York 12244, or at the System website: www.osc.ny.gov/retirement.

(b) Plan Benefits

The System provides retirement benefits as well as death and disability benefits. System benefits are established by NYSRSSL and are dependent upon the point in time at which the employees joined the System. The NYSRSSL has established distinct classes of membership. The System uses a tier concept to distinguish these groups as noted below.

(c) Funding Policy

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 percent contribution of their salary. As a result of Article 19, of the NYSRSSL, eligible Tier 3 and 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. 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 percent to 6 percent depending on salary. Members are required to contribute for all years of service.

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

STATE UNIVERSITY CONSTRUCTION FUND
(A Component Unit of the State University of New York)
Notes to the Basic Financial Statements
March 31, 2024 and 2023

made by employers to the pension fund. Fund contributions for the current year and prior year were equal to 100 percent of the contributions required, and were as follows:

2024	\$	1,922,020
2023		1,637,380

(d) Pension Liability (Asset), Pension Expense, Deferred Outflows, and Deferred Inflows of Resources Related to Pensions

At March 31, 2024 and 2023, the Fund reported a liability of \$9,175,180 and an asset of \$3,490,421, respectively, for its proportionate share of the net pension liability (asset). The net pension liability (asset) as of these dates was measured as of March 31, 2023 and 2022, respectively, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of April 1, 2022 and April 1, 2021, respectively. The Fund's proportion of the net pension liability (asset) 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, 2024 and 2023, the Fund's proportion was 0.0427866 percent and 0.0426984 percent, respectively.

For the years ended March 31, 2024 and 2023, the Fund recognized pension expense of \$3,480,882 and \$404,538, respectively. At March 31, 2024 and 2023, the Fund reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	2024		2023	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 977,228	\$ 257,674	\$ 264,334	\$ 342,857
Changes in assumptions	4,456,059	49,248	5,825,121	98,293
Net differences between projected and actual investment earnings on pension plan investments	—	53,904	—	11,429,666
Changes in proportion and differences between employer contributions and proportionate share of contributions	638,867	89,986	728,295	146,273
Employer contributions made subsequent to the measurement date	1,922,020	—	1,637,380	—
Total	\$ 7,994,174	\$ 450,812	\$ 8,455,130	\$ 12,017,089

STATE UNIVERSITY CONSTRUCTION FUND

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

Notes to the Basic Financial Statements

March 31, 2024 and 2023

As of March 31, 2024, \$1,922,020 reported as deferred outflows of resources resulted from the Fund's contributions subsequent to the measurement date and will be recognized as a reduction (increase) of the net pension liability (asset) in the year ended March 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending March 31:		
2025	\$	1,413,355
2026		(333,189)
2027		1,999,010
2028		<u>2,542,166</u>
Total	\$	<u>5,621,342</u>

(e) Actuarial Assumptions

The total pension liability at March 31, 2024 and 2023 was determined by using an actuarial valuation as of April 1, 2022 and 2021, respectively, with updated procedures used to roll forward the respective total pension liability to March 31, 2023 and 2022. The actuarial valuation used the following actuarial assumptions:

Assumptions	Measurement Date	
	March 31, 2023	March 31, 2022
Actuarial cost method	Entry age normal	Entry age normal
Inflation rate	2.9%	2.7%
Salary Scale ERS	4.4%, indexed by service	4.4%, indexed by service
Investment rate of return, including inflation	5.9% compounded annually, net of investment expenses	5.9% compounded annually, net of investment expenses
Cost of Living Adjustments	1.5% annually	1.4% annually
Decrement	Developed from the Plan's 2020 experience study of the period April 1, 2015 through March 31, 2020	Developed from the Plan's 2020 experience study of the period April 1, 2015 through March 31, 2020
Mortality improvement	Society of Actuaries Scale MP-2021	Society of Actuaries Scale MP-2020

Annuitant mortality rates for the April 1, 2022 and 2021 actuarial valuations are based on the April 1, 2015 through March 31, 2020 System's experience studies with adjustments for mortality improvements based on MP-2021 and MP-2020 respectively.

The actuarial assumptions used in the April 1, 2022 and 2021 valuations were based on the results of actuarial experience studies for the periods April 1, 2015 through March 31, 2020.

STATE UNIVERSITY CONSTRUCTION FUND

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

Notes to the Basic Financial Statements

March 31, 2024 and 2023

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, 2023 and 2022, are as follows:

Asset type	2023		2022	
	Target allocation	Long-term expected real rate	Target allocation	Long-term expected real rate
Domestic equity	32 %	4.30 %	32 %	3.30 %
International equity	15	6.85	15	5.85
Private equity	10	7.50	10	6.50
Real estate	9	4.60	9	5.00
Opportunistic/Absolute return strategies	3	5.38	3	4.10
Credit	4	5.43	4	3.78
Real assets	3	5.84	3	5.58
Fixed Income	23	1.50	23	—
Cash	1	—	1	(1.00)
	<u>100 %</u>		<u>100 %</u>	

(f) Discount Rate

The discount rate used to calculate the total pension liability was 5.9 percent as of March 31, 2024 and 2023. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon 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.

STATE UNIVERSITY CONSTRUCTION FUND

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

Notes to the Basic Financial Statements

March 31, 2024 and 2023

(g) Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to the Discount Rate Assumption

The following presents the Fund's current year proportionate share of the net pension liability (asset) calculated using the current year discount rate of 5.9 percent, 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 (4.9 percent) or one percentage point higher (6.9 percent) than the current rate:

	<u>1% decrease (4.9%)</u>	<u>Current discount (5.9%)</u>	<u>1% increase (6.9%)</u>
Fund's proportionate share of the net pension liability (asset)	\$ 22,172,475	\$ 9,175,180	\$ (1,685,572)

The following presents the Fund's prior year proportionate share of the net pension liability calculated using the prior year discount rate of 5.9 percent, 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 (4.9 percent) or one percentage point higher (6.9 percent) than the current rate:

	<u>1% decrease (4.9%)</u>	<u>Current discount (5.9%)</u>	<u>1% increase (6.9%)</u>
Fund's proportionate share of the net pension liability (asset)	\$ 8,984,306	\$ (3,490,421)	\$ (13,924,928)

(h) Other 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 percent 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 percent to 15 percent of salaries depending upon when the employee was hired. Employer contributions paid

STATE UNIVERSITY CONSTRUCTION FUND
(A Component Unit of the State University of New York)
Notes to the Basic Financial Statements
March 31, 2024 and 2023

by the Fund to TIAA/CREF for the years ended March 31, 2024 and 2023 approximated \$65,084 and \$68,526, respectively, and equal 100 percent of the contribution required for each year.

(9) Lease

As discussed in note 1(f), the Fund is a lessee for a noncancellable office space lease with SUNY, a related party. The Fund entered a non-cancelable five-year lease beginning on July 1, 2016, with one additional five-year renewal term. The current renewal term is July 1, 2021 to June 30, 2026 with fixed quarterly payments.

A summary of the lease asset activity is as follows:

	<u>March 31, 2023</u>		<u>Additions</u>		<u>Reductions</u>		<u>March 31, 2024</u>
Lease asset	\$ 3,975,294	\$	—	\$	—	\$	3,975,294
Less accumulated amortization	<u>(1,514,398)</u>		<u>(757,199)</u>		<u>—</u>		<u>(2,271,597)</u>
Lease asset, net	<u>\$ 2,460,896</u>	\$	<u>(757,199)</u>	\$	<u>—</u>	\$	<u>1,703,697</u>
	<u>Restated March 31, 2022</u>		<u>Additions</u>		<u>Reductions</u>		<u>March 31, 2023</u>
Lease asset	\$ 3,975,294	\$	—	\$	—	\$	3,975,294
Less accumulated amortization	<u>(757,199)</u>		<u>(757,199)</u>		<u>—</u>		<u>(1,514,398)</u>
Lease asset, net	<u>\$ 3,218,095</u>	\$	<u>(757,199)</u>	\$	<u>—</u>	\$	<u>2,460,896</u>

STATE UNIVERSITY CONSTRUCTION FUND

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

Notes to the Basic Financial Statements

March 31, 2024 and 2023

A summary of the lease liability activity is as follows:

	<u>March 31,</u> <u>2023</u>		<u>Additions</u>		<u>Reductions</u>		<u>March 31,</u> <u>2024</u>		<u>Current</u> <u>Portion</u>
Lease liability	\$ 2,482,243	\$	—	\$	(756,313)	\$	1,725,930	\$	762,915

	<u>Restated</u> <u>March 31,</u> <u>2022</u>		<u>Additions</u>		<u>Reductions</u>		<u>March 31,</u> <u>2023</u>		<u>Current</u> <u>Portion</u>
Lease liability	\$ 3,232,012	\$	—	\$	(749,769)	\$	2,482,243	\$	756,313

Future annual lease payments are as follows:

	<u>Principal</u>		<u>Interest</u>		<u>Total Payment</u>
Year ending March 31:					
2025	\$ 762,915	\$	12,531	\$	775,446
2026	769,574		5,872		775,446
2027	<u>193,441</u>		<u>421</u>		<u>193,862</u>
Total	<u>\$ 1,725,930</u>	\$	<u>18,824</u>	\$	<u>1,744,754</u>

(10) Commitments and Contingencies

(a) 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, 2024 and 2023, these outstanding contract commitments approximated \$1,178 million and \$1,163 million, respectively.

(b) 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.

STATE UNIVERSITY CONSTRUCTION FUND

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

Notes to the Basic Financial Statements

March 31, 2024 and 2023

(c) 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, 2024 and 2023, these payments were \$15,729,435 and \$86,938,420, respectively. As of March 31, 2024, the approximate future minimum contractual financing payment commitments on DASNY bonds are as follows:

	<u>Principal</u>		<u>Interest</u>		<u>Total commitments</u>
For the year ending March 31, 2025	\$ 15,290,000	\$	420,475	\$	15,710,475

Since February 2003, Personal Income Tax (PIT) Bonds were issued by the State to support the capital program. The State has also issued Sales Tax Bonds since 2013 to support the capital program. The debt service on the PIT and Sales Tax bonds is paid directly by New York State to DASNY or the Empire State Development Corporation and, accordingly, no contractual financing payments related to these bonds pass through to the Fund.

STATE UNIVERSITY CONSTRUCTION FUND
(A Component Unit of the State University of New York)

Required Supplementary Information

Schedule of Changes in the Total OPEB Liability and Related Ratios

Years ended March 31

(Unaudited)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:							
Service cost	\$ 1,053,157	1,218,294	1,673,868	1,933,221	1,473,903	1,505,527	1,566,883
Interest	1,498,154	1,241,161	1,027,813	1,496,631	1,604,734	1,656,999	1,669,534
Differences between expected and actual experience	453,815	1,956,782	1,790,932	(1,921,912)	2,682,021	181,385	(2,247,723)
Changes in assumptions	102,519	(4,818,850)	(569,853)	(8,237,114)	5,805,804	(2,037,031)	(156,138)
Benefit Payments	(2,156,484)	(2,031,615)	(1,825,558)	(1,745,033)	(1,589,933)	(1,471,537)	(1,383,409)
Net changes in total OPEB liability	951,161	(2,434,228)	2,097,202	(8,474,207)	9,976,529	(164,657)	(550,853)
Total OPEB liability, beginning	<u>42,820,233</u>	<u>45,254,461</u>	<u>43,157,259</u>	<u>51,631,466</u>	<u>41,654,937</u>	<u>41,819,594</u>	<u>42,370,447</u>
Total OPEB liability, ending	<u>43,771,394</u>	<u>42,820,233</u>	<u>45,254,461</u>	<u>43,157,259</u>	<u>51,631,466</u>	<u>41,654,937</u>	<u>41,819,594</u>
Covered-employee payroll	\$ 12,454,940	12,390,696	11,763,035	12,766,912	13,143,308	12,923,437	12,258,515
Total OPEB liability as a percentage of covered-employee payroll	351.44 %	345.58 %	384.72 %	338.04 %	392.83 %	322.32 %	341.15 %
Discount rate	3.58 %	3.50 %	2.73 %	2.34 %	2.84 %	3.79 %	3.89 %

Notes to Schedule of Changes in the Total OPEB Liability and Related Ratios:

Changes in benefit terms: There were no significant legislative changes in benefits.

Changes in assumptions:

- The discount rate was updated as detailed in the table above.
- As of January 2024, the mortality improvement scale was updated from the Society of Actuaries Scale MP-2021 to Aon's endemic version of U.S. Mortality Improvement Scale MP-2021.
- The medical plan costs rates were shifted as actual usage by participants changed and members enrolled in different plans.
- The health care inflation trend rates were updated to reflect the most recent information available.
- The Health Maintenance Organization (HMO) rates were updated to reflect updated premium rates.

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' 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 (Asset)

Years ended March 31

(Unaudited)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Fund's share of the net pension liability	0.0427866 %	0.0426984 %	0.0421730 %	0.0438737 %	0.0449449 %	0.0453713 %	0.0464673 %	0.0456947 %	0.0462280 %
Fund's proportionate share of the net pension liability (asset)	\$ 9,175,180	(3,490,421)	41,993	11,618,022	3,184,485	1,464,334	4,366,169	7,334,135	1,561,695
Fund's covered-employee payroll	\$ 14,076,230	14,038,301	14,056,875	14,073,354	14,028,530	13,083,542	13,004,796	12,214,277	12,353,220
Fund's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	65.18 %	(24.86)%	0.30 %	82.55 %	22.70 %	11.19 %	33.57 %	60.05 %	12.64 %
Plan fiduciary net position as a percentage of the total pension liability	90.78 %	103.65 %	99.95 %	86.39 %	99.27 %	98.24 %	94.70 %	90.68 %	97.95 %

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

STATE UNIVERSITY CONSTRUCTION FUND
(A Component Unit of the State University of New York)

Required Supplementary Information

Schedule of Pension Contributions

For the years ended March 31

(Unaudited)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,922,020	1,637,380	2,282,738	2,053,622	2,072,798	2,064,459	1,957,973	1,964,725	2,315,167	2,559,118
Contributions in relation to the contractually required contribution	1,922,020	1,637,380	2,282,738	2,053,622	2,072,798	2,064,459	1,957,973	1,964,725	2,315,167	2,559,118
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
Fund's covered-employee payroll	14,628,622	14,076,230	14,038,301	14,056,875	14,073,354	14,028,530	13,083,542	13,004,796	12,214,277	12,353,220
Contribution as a percentage of covered – employee payroll	13.14%	11.63%	16.26%	14.61%	14.73%	14.72%	14.97%	15.11%	18.95%	20.72%

See accompanying independent auditors' report.



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**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 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 State University Construction Fund (the Fund), a component unit of the State University of New York, as of March 31, 2024, and the related notes to the basic financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated September 19, 2024.

Report on 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Fund'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 or significant deficiencies may exist that were not identified.

Report on 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, noncompliance with which could have a direct and material effect on the financial statements. 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*.



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 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.

KPMG LLP

Albany, New York
September 19, 2024