

# ANNUAL FINANCIAL STATEMENTS

The Department of Education of The City of New York

52 Chambers Street, New York, New York 10007

For the Fiscal Years Ended June 30, 2020 and 2019



Bill DeBlasio, Mayor  
Richard A. Carranza, Chancellor

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For the Fiscal Years Ended June 30, 2020 and 2019



Prepared by the Division of Financial Operations

Lindsey Oates, Chief Financial Officer

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# ANNUAL FINANCIAL STATEMENTS

The Department of Education of The City of New York

For the Fiscal Years Ended June 30, 2020 and 2019

## INTRODUCTORY SECTION

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## Transmittal Letter



DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK  
Richard A. Carranza, *Chancellor*  
OFFICE OF THE CHANCELLOR  
52 Chambers Street, New York, New York 10007

December 1, 2020

To: The Citizens, Taxpayers, Customers, Investors and Creditors of The City of New York  
Subject: Annual Financial Statements for the Fiscal Year Ended June 30, 2020

The Annual Financial Statements for the Department of Education (the “DOE”) of The City of New York (“The City”) for the fiscal year ended June 30, 2020, have been prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”); are submitted herewith; and include Management’s Discussion and Analysis, Financial Statements, Notes to the Financial Statements and Supplemental Schedules. We believe they are complete and accurate in all material aspects; that they are presented in accordance with accounting principles designed to set forth fairly the financial position and results of operations of the DOE as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the appropriate understanding of the DOE’s financial affairs have been included. Responsibility for completeness and clarity of the report, including disclosures, rests with the Chancellor and the Chief Financial Officer. The Chief Administrator of the Office of Accounting of the Division of Financial Operations is responsible for the data presented herein.

### **DOE Overview**

The DOE provides primary and secondary education to 1,132,000 students from 3-K to grade 12, in 32 school districts, and employs approximately 79,000 teachers. As the largest public school district in the United States, the DOE prepares students to meet grade-level standards in reading, writing and math, and is committed to putting every student on a path to college and/or a meaningful career.

The following table summarizes total students by grade band as of June 30, 2020:

#### Student Demographics - Fiscal Year 2020

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3-K & Pre-K	87,480
K – 5	479,411
6 – 8	239,135
9 – 12	325,842
Total	<u>1,131,868</u>

The DOE's governance structure is comprised of the Panel for Educational Policy, the Chancellor, executive superintendents, superintendents, community and citywide councils, principals, and school leadership teams. Superintendents supervise principals, and geographically-based borough offices and two citywide offices provide targeted resources to schools across the areas of instruction, operations, and student services. To align supervision and support for every school, superintendents and Borough/Citywide Office executive directors report to nine executive superintendents, who are overseen by the First Deputy Chancellor.

## **Economic Condition and Outlook**

### **Local Economy**

According to The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020, the economy of The City, which was the epicenter of the COVID-19 pandemic at its onset, has been hit harder than the rest of the U.S. thus far. City jobs declined faster than the national average through June. From February to April, U.S. employment declined by 14.5%, but bounced back by 5.8% from April to June, for a net decline of 9.6% from February to June. In New York City, employment plunged by almost 20% from February to April and grew by a smaller 3.2% from April to June. This nearly 20% decline in New York City employment was equivalent to the loss of an unprecedented 910,050 jobs between February and April, and occurred as The City imposed lockdowns to contain the spread of the virus, and closed its schools on March 16, 2020.

### **Economic Outlook**

According to the New York City Office of the Comptroller, The City's economy is expected to contract at a slightly faster pace than the nation as a whole and recover more slowly. Although this prediction may be affected by New York's relative success in fighting the epidemic since March, The City's economy is uniquely vulnerable to a collapse in tourism, commuting, and face-to-face business operations. The Comptroller assumes that while the local economy recovers, visitors will remain reluctant to return for a longer period of time if local businesses and attractions remain closed.

The COVID-19 pandemic necessitated school and administrative building closures and the transition from in-person to remote learning and remote administration. School buildings remained open as food distribution sites for all New Yorkers, and Regional Enrichment Centers ("RECs") were created to provide childcare for our city's essential workers during the COVID-19 pandemic. From March through the summer of 2020, RECs served thousands of children across all five boroughs, with sites in almost every school district, as well as near transit and healthcare hubs.

As the pandemic persists, DOE operations will continue to pivot to best meet the educational needs of NYC students while prioritizing the health and safety of students and staff.

### **Financial Policies**

The DOE is dependent upon The City for appropriations (spending authority) and does not have the authority to levy taxes or issue debt. As part of the DOE's dependent relationship with The City, The City incurs certain costs on behalf of the DOE that are not allocated to the DOE. Accordingly, these costs are not reflected in the accompanying financial statements. These costs are included in The City's fiscal year budget appropriations and include debt service.

The DOE has two basic sources of funding:

*Tax Levy and Unrestricted Federal and State Aid* - This includes revenue from City taxes (e.g., real estate, income, and sales), New York State formula aid, and certain Federal and State Aid resources (e.g., impact aid and school lunch subsidies).

*Federal and State Categorical Funds* - This includes revenue received from the Federal and New York State governments under programs that are categorical in nature and whose expenditures are restricted by terms and conditions designated by the funding agency. Reimbursement claims for such revenues are made by the DOE to the funding sources based on actual expenditures and on compliance with funding source guidelines.

**Budget Controls**

In accordance with the DOE’s status as a dependent school district, revenues received for school purposes are required to be deposited into The City’s Treasury, which is maintained for the General Fund. As revenues are collected, they are recorded to a series of designated revenue codes established for the DOE. At the beginning of each fiscal year, the estimated amount of revenue expected to be recognized during the fiscal year is used to establish the authorized spending level of the DOE. Budget requests and budget modifications for the use of these revenues are submitted by the DOE to The City Office of Management and Budget (“OMB”) for review and approval. Approved budgets and budget modifications are entered by OMB into The City’s Financial Management System (“FMS”), which synchronizes with the DOE’s financial system. FMS continues to maintain the official accounting records for The City.

On behalf of the DOE, The City’s Office of the Comptroller makes disbursements for expenditures. The actual vouchers and supporting documentation are maintained and reviewed at the schools or the central processing bureaus of the DOE.

**Acknowledgements**

We wish to thank our accounting and financial staff for their dedicated efforts in producing these financial statements. In addition, special thanks to The City’s Office of the Comptroller, School Construction Authority (“SCA”), and The City Audit Committee for their ongoing support and commitment to our public schools.

Respectfully submitted by,

  
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Lindsey Oates  
Chief Financial Officer

  
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Suzette Irish  
Chief Administrator

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# ANNUAL FINANCIAL STATEMENTS

The Department of Education of The City of New York

For the Fiscal Years Ended June 30, 2020 and 2019

## FINANCIAL SECTION

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

City Council of The City of New York and  
The Department of Education of The City of New York

**Report on the financial statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Department of Education of The City of New York (the “DOE”) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the DOE’s basic financial statements as listed in the Table of Contents.

**Management’s responsibility for the financial statements**

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

**Auditor’s responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the DOE’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 DOE’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department of Education of The City of New York as of June 30, 2020 and 2019, and the respective changes in financial position and budgetary comparison of the General Fund for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other matters**

#### *Emphasis of Matter*

As discussed in Note 1A, the financial statements of the DOE are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of The City of New York ("The City") that is attributable to the transactions of the DOE. They do not purport to, and do not, present fairly the financial position of The City as of June 30, 2020 and 2019, and the changes in its financial position for the years then ended in conformity with the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### *Required supplementary information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 25-36, the Schedule of the Net OPEB Liability on page 85, the Schedule of DOE's Proportional Share of Net Pension Liabilities of Cost-Sharing Multiple Employer Pension Plans on page 86, and the Schedule of DOE Contributions for TRS and BERS Pension Plans on pages 88-92 be presented to supplement the basic financial statements. Such information, although not a required 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. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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.

#### *Supplementary information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the DOE's basic financial statements. The Supplemental Schedules of the General Fund on pages 96-104 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to

the auditing procedures applied in the audits of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other information*

The Transmittal Letter on pages 11-13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 1, 2020, on our consideration of the DOE'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 DOE'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 DOE's internal control over financial reporting and compliance.



New York, New York  
December 1, 2020

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City Council of The City of New York and  
The Department of Education of The City of 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Department of Education of The City of New York (the "DOE") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the DOE's basic financial statements, and have issued our report thereon dated December 1, 2020.

### **Internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered the DOE's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the DOE'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 DOE'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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001, that we consider to be a material weakness in the DOE's internal control.

**Compliance and other matters**

As part of obtaining reasonable assurance about whether the DOE'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 or other matters that are required to be reported under *Government Auditing Standards*.

**DOE's response to finding**

The DOE's response to our finding, which is described in the accompanying schedule of findings and responses, was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the DOE's response.

**Intended purpose**

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



New York, New York  
December 1, 2020

The Department of Education of The City of New York

Schedule of Findings and Responses

June 30, 2020

**Finding #: 2020-001**

Internal Controls over Financial Reporting (Material Weakness)

**Criteria:**

The Standards for Internal Control in the Federal Government, issued by the Comptroller General of the United States, require an auditee to design and implement an internal control environment to achieve effective and efficient operations; reliability of financial reporting; and compliance with applicable laws and regulations. The control environment sets the tone of an organization, which influences the control consciousness of its people. The key factors impacting the control environment include, among other things, management's philosophy and operating style, organizational structure, assignment of authority and responsibility and appropriate policies and procedures.

**Condition, Context, Cause and Effect:**

During our fiscal 2020 audit, we noted that the DOE did not have appropriate controls and procedures in place during the fiscal year, which resulted in multiple findings that we determined to be a material weakness in internal control over financial reporting.

The findings identified were as follows:

Other Post-Employment Benefits

The DOE employees participate in The City of New York's ("The City") Other Post-Employment Benefit ("OPEB") plan and the DOE reports their proportionate share of The City's OPEB liability (and related accounts) on its Statement of Net Position. Due to a manual error in the calculation of its proportionate share of the liability as of June 30, 2020, the DOE's OPEB liability and amount due from The City was overstated by \$11.2 billion. As a result, an audit adjustment was recorded to decrease both balances by \$11.2 billion as of June 30, 2020.

Accounting for Capital Assets

The New York City School Construction Authority ("SCA") was created to design, construct, reconstruct, improve, rehabilitate and repair the New York City public schools, and its operations are funded by appropriations made by The City. As the SCA is a pass-through entity, in existence for the sole purpose of constructing capital projects on behalf of the DOE, all construction costs incurred by the SCA are capitalized by the DOE and recorded as construction-in-progress ("CIP"). Upon completion of projects, the assets are transferred out of CIP by the DOE and recorded to the appropriate capital asset category.

The DOE relies on information from the SCA and The City in order to properly record their capital asset balances and activity each year. The information received from the SCA and The City was not properly reviewed and reconciled by the DOE, which resulted in the CIP balances on the Statements of Net Position as of June 30, 2020 and 2019 being understated by \$400 million and \$263 million, respectively. As a result, we proposed audit adjustments to increase the DOE's June 30, 2020 and 2019 CIP balances by those respective amounts.

Fiduciary Fund Cash Accounts

Bank accounts are established by individual DOE schools, acting in a custodial capacity, to maintain program related funds received from students and/or other third-party organizations. At the end of each fiscal year, the respective schools report their reconciled custodial cash balances to the DOE so that such balances can be included in the DOE's fiduciary fund financial statements.

The fiscal 2020 fiduciary cash account bank reconciliations were not prepared and reviewed by the DOE for the audit sample selected. All balances equaled the June 30, 2020 bank statements without any exceptions, however, the DOE was not able to provide bank reconciliations or other support to demonstrate that the accounts were properly monitored, reconciled and reviewed on a timely basis.

#### Accounts payable and accrued expenses

We identified an error in the calculation of the DOE's accounts payable balance as of June 30, 2020 that excluded certain accounts payable totaling \$124 million. As a result, an audit adjustment was recorded to increase the accounts payable and due from The City of New York balances by that amount as of June 30, 2020.

#### Accounting Process

As evidenced by the findings identified above, the financial information for the year ended June 30, 2020 included material errors in certain asset and liability accounts. As these errors were not detected by the DOE, there is an indication that the closing procedures, specifically the monitoring and review of financial information by management, is not being effectively performed.

#### **Recommendation:**

We recommend that the fiscal year-end closing process be formalized and documented to provide assurance that all balances and activity are reconciled to supporting documentation and subsidiary ledgers. This will help prevent incorrect balances or entries from being recorded. In addition, we recommend that senior and executive financial management: a) ensure the respective balances and activity are reasonably stated; and b) implement a robust quality assurance review of the financial statements, as well as the supporting schedules, calculations and reconciliations that are used to prepare the financial statements. This improved oversight and rigor will help to ensure that the financial statements include an accurate reporting of the DOE's operations.

For OPEB, capital assets, and any other balances or activity where the DOE relies on other parties for information needed to prepare the financial statements, we recommend that the DOE work with those other parties to improve communications and establish processes for a timely and accurate transfer of the required information.

#### **Views of responsible officials:**

DOE strives for accuracy in all of its publications and practices, including the annual audited financial statements. Figures in these financial statements are compiled from a variety of city agency sources as well as the DOE. In light of these findings, DOE will reach out to these agencies about the weaknesses identified, and, to the extent possible, develop new processes to ensure externally sourced figures are appropriately verified.

To improve the internal controls over financial reporting, management will enhance the closing process of the accounting cycle to include more robust year-over-year reviews and increased accountability for year-end entries and calculations. These enhancements will help strengthen the integrity and effectiveness over financial reporting.

Specific to the fiduciary fund cash account finding, DOE believes the fiscal 2020 fiduciary cash balances reported were reasonable and accurate. Bank records are held at schools, which were closed under the Governor's executive order beginning March 16, 2020 in the interest of public health. Consequently, schools were precluded from obtaining bank statements on a timely basis in order to prepare and finalize their annual school bank account reconciliations as of June 30, 2020, and all expenses that would have been incurred and paid with school bank account resources were halted. As a result, there were very little, if any, banking transactions as of June 30, 2020 that would cause there to be any reconciling items between the bank and book balances. As such, the DOE believes the reported year-end balances are reasonably stated and expects to resume its prior practices in reporting and review of reconciled bank account balances when normal school operations resume.

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## Management's Discussion and Analysis (Unaudited)

This section of the Department of Education of The City of New York's (the "DOE") Annual Financial Statements discusses and analyzes the DOE's financial performance for the Fiscal Years ended June 30, 2020 and 2019. Please read it in conjunction with the transmittal letter at the beginning of these financial statements and with the DOE's financial statements, which immediately follow this section.

### Financial Highlights

- Net position at June 30, 2020 and 2019 was \$0. The DOE is not an independent school district; thus, the DOE has no net position of its own, and any deficiency is treated as Due from The City of New York.
- Total assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported in the governmental funds at June 30, 2020 were \$4.7 billion, an increase of \$697 million from Fiscal Year 2019.
- Total assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported in the governmental funds at June 30, 2019 were \$4.0 billion, an increase of \$290 million from Fiscal Year 2018.
- General Fund total revenues available and spent during Fiscal Year 2020 were \$27.9 billion, an increase of \$994 million over that of Fiscal Year 2019.
- General Fund total revenues available and spent during Fiscal Year 2019 were \$26.9 billion, an increase of \$1.9 billion over that of Fiscal Year 2018.

### Overview of Financial Statements

The financial statements consist of three parts: Management's Discussion and Analysis (this part); the basic financial statements; and required supplementary information. The basic financial statements include two kinds of statements that present different views of the DOE. First, the "Department-wide Financial Statements" provide both short-term and long-term information about the DOE's overall financial status. On the other hand, the "Fund Financial Statements" focus on individual parts of the DOE, reporting its operations in more detail than the Department-wide financial statements.

### Department-wide Financial Statements

The Department-wide Financial Statements report information about the DOE as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all the DOE's assets, restricted cash, deferred outflows of resources, liabilities and deferred inflows of resources.

All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when the cash is received or paid.

The Department-wide Financial Statements include all activities of the DOE in one category: Governmental Activities. These activities comprise school leadership, instruction and special education support; system-wide school support services (e.g., transportation, food, etc.); the School Support Organization (i.e., superintendents, student enrollment planning and operations); central administration; and charter and non-public contract schools.

### **Fund Financial Statements**

The Fund Financial Statements provide more detailed information about the DOE's funds, focusing on its most significant or "major" funds - not the DOE as a whole. Funds are accounting devices used to keep track of specific sources of funding and spending on particular programs.

**Governmental funds** are those by which most basic services of the DOE, such as regular and special education, are financed in the short term. The acquisition, use and balance of the expendable available financial resources and the related liabilities are accounted for through governmental funds. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the DOE's programs. Because this information does not encompass the additional long-term focus of the Department-wide statements, additional information behind the governmental funds statements explains the relationship (or differences) between them.

Since the DOE maintains a dependent relationship with The City, funding provided by The City is used to supplement revenues received from federal, state and private sources to finance expenditures incurred through the end of the Fiscal Year. A final modified budget at year-end utilized The City funding to close the gap between the revenue and expenditures.

**Fiduciary funds:** The DOE is the fiduciary for assets that belong to others, such as the student activities fund. The fiduciary funds statement provides information about the financial relationships in which the DOE acts solely as an agent for the benefit of others. The DOE is responsible for ensuring that the assets are used only for their intended purposes. The DOE excludes these activities from the Department-wide financial statements because the funds are only available to support student programs at their respective schools and not the DOE overall.

The financial statements also include notes that explain data in the statements and provide more detailed information. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison to the DOE's modified budget for the year as well as other information such as pension and other postemployment benefits ("OPEB").

The following summarizes the major features of the DOE’s financial statements, including the portion of the DOE’s activities they cover and the types of information they contain. The remainder of this overview section of Management’s Discussion and Analysis highlights the structure and contents of each of the statements.

	<b>Department-wide Statements</b>	<b>Fund Financial Statements Governmental Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire DOE (except fiduciary funds)	The activities of the DOE that are not fiduciary, such as special education and building maintenance	DOE holds and administers resources on behalf of someone else, such as student activities monies
Required financial information	Statement of Net Position and Statement of Activities	Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources measurement focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term, deferred outflows of resources and deferred inflows of resources	Generally, asset usage and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included.	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

## Financial Analysis of the Department-wide Financial Statements

As noted earlier, the Statement of Net Position provides the financial status and operating results of the DOE as a whole. The following table provides a summary of the DOE's net position for all governmental activities as of June 30, 2020, 2019 and 2018 (\$000 omitted):

<b>Condensed Statement of Net Position</b>	<b>Governmental Activities</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Current and other assets	\$ 3,144,447	\$ 2,842,716	\$ 2,642,228
Due from The City of New York	35,133,221	34,671,798	30,995,072
Capital assets (Net of depreciation)	<u>28,077,801</u>	<u>27,350,247</u>	<u>27,590,086</u>
Total assets	<u>\$ 66,355,469</u>	<u>\$ 64,864,761</u>	<u>\$ 61,227,386</u>
Deferred outflow of resources	<u>\$ 5,587,669</u>	<u>\$ 4,519,684</u>	<u>\$ 2,893,123</u>
Long-term liabilities	\$ 54,150,312	\$ 52,898,613	\$ 51,584,843
Other liabilities	<u>5,240,867</u>	<u>4,290,926</u>	<u>4,002,373</u>
Total liabilities	<u>\$ 59,391,179</u>	<u>\$ 57,189,539</u>	<u>\$ 55,587,216</u>
Deferred inflows of resources	<u>\$ 12,551,959</u>	<u>\$ 12,194,906</u>	<u>\$ 8,533,293</u>
Net position:			
Net investment in capital assets	\$ 28,077,801	\$ 27,350,247	\$ 27,590,086
Unrestricted deficit	<u>(28,077,801)</u>	<u>(27,350,247)</u>	<u>(27,590,086)</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

At the close of each fiscal year, total net position is \$0. Since the DOE is not an independent school district, it has no net position of its own. Unrestricted deficit in net position represents an additional, long-term amount of liabilities which are required to be paid by The City, and thus should be treated as Due from The City of New York.

In Fiscal Year 2020, total assets increased by \$1.5 billion from \$64.9 billion as of June 30, 2019 to \$66.4 billion as of June 30, 2020, primarily due to an increase in City funding for the pension liability.

In Fiscal Year 2019, total assets increased by \$3.7 billion from \$61.2 billion as of June 30, 2018 to \$64.9 billion as of June 30, 2019, primarily due to an increase in City funding for the pension liability.

In Fiscal Year 2020, total liabilities and deferred inflows of resources increased by \$2.6 billion from \$69.4 billion as of June 30, 2019 to \$71.9 billion as of June 30, 2020. This was primarily due to an increase of \$1.1 billion in net pension and OPEB liabilities that include changes in actuarial assumptions for future funding and increased interest payments for fixed-cost, tax deferred annuities. Additionally, there was an increase of approximately \$1.1 billion in accounts payable and accrued vacation and sick leave.

In Fiscal Year 2020, accounts payable and accrued expenses, other liabilities, and due to other entities due within one year have a net increase of \$950 million for outstanding obligations. Deferred inflows of resources for pension and OPEB increased by \$357 million due to an increase in grant advances, and the difference between expected and actual experience, change in assumption, contributions and plan investment earnings. Additionally, there was a decrease in capital lease obligations and an increase in accrued judgments and claims of \$22.8 million offset by a decrease in pollution remediation.

In Fiscal Year 2019, liabilities and deferred inflows of resources increased by \$5.3 billion from \$64.1 billion as of June 30, 2018 to \$69.4 billion as of June 30, 2019. This was primarily due to a decrease in pension liability of \$3.4 billion, offset by an increase in the OPEB liabilities of \$4.6 billion that arose from changes in actuarial assumptions, contributions, benefit payments and service cost during the period.

In Fiscal Year 2019, accounts payable and accrued expenses, other liabilities, and due to other entities due within one year have a net increase of \$289 million for outstanding obligations. Deferred inflows of resources for pension and OPEB increased by \$3.7 billion due to the difference between expected and actual experience, change in assumption, contributions and plan investment earnings. Additionally, there was an increase in capital lease obligations of \$17.2 million due to the increase of pre-K seats, and an increase in accrued judgments and claims of \$2.3 million offset by a decrease in pollution remediation.

The following provides a summary of changes in the DOE's net position for all activities as of June 30, 2020, 2019, and 2018 (\$000 omitted):

**Figure 2**

<b>Condensed Statement of Activities</b>	<b>Governmental Activities</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Revenues:			
Program revenues:			
Charges for services	\$ 103,098	\$ 104,429	\$ 65,620
Operating grants and contributions	13,505,234	13,399,722	12,821,217
General revenues:			
City-funded	14,444,455	13,553,855	12,196,078
Other	51,432	50,633	61,094
Total revenues	<u>28,104,219</u>	<u>27,108,639</u>	<u>25,144,009</u>
Expenses:			
School leadership, instruction and special education support	20,946,895	21,160,859	18,139,086
School support services	4,411,395	4,563,206	4,176,394
School support organization	553,060	546,635	516,064
Central administration	525,657	505,142	464,290
Non-public charter and contract schools	4,345,107	3,831,880	3,560,775
Total expenses	<u>30,782,114</u>	<u>30,607,722</u>	<u>26,856,609</u>
Net revenue (expenses)	(2,677,895)	(3,499,083)	(1,712,600)
Remaining net expense to be funded long term from The City of New York	<u>2,677,895</u>	<u>3,499,083</u>	<u>1,712,600</u>
Change in net position	-	-	-
Net position - beginning	-	-	-
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The key elements of these changes are as follows:

- Included within Operating Grants and Contributions program revenues, Federal program revenues decreased 8.1% from \$1.9 billion in Fiscal Year 2019 to \$1.8 billion in Fiscal Year 2020 due to reduced reimbursements of expenditures from school closures necessitated by the COVID-19 pandemic; State program revenues increased 2.6%, from \$11.2 billion in Fiscal Year 2019 to \$11.5 billion in Fiscal Year 2020; and City-funded revenues increased 6.8%, from \$13.5 billion to \$14.4 billion. The City-funded increases are primarily a function of collective bargaining increases.

- In Fiscal Year 2020, School Leadership, Instruction, and Special Education Support decreased by 1.0% from \$21.1 billion in Fiscal Year 2019 to \$20.9 billion in Fiscal Year 2020 due to a decrease in the majority of the allocated long-term costs incurred by The City on behalf of the DOE, offset by increases in collective bargaining and related fringe benefits. School Support Services decreased by \$152 million from \$4.6 billion in Fiscal Year 2019 to \$4.4 billion in Fiscal Year 2020; School Support Organization increased from \$547 million to \$553 million; Central Administration increased by \$21 million, and non-public, charter and contract schools had an overall increase of \$513 million due to charter and Carter case increases in obligation costs and instructional programs.
- In Fiscal Year 2019, School Leadership, Instruction, and Special Education Support increased by 16.7% from \$18.1 billion in Fiscal Year 2018 to \$21.1 billion in Fiscal Year 2019 due to increases in collective bargaining, related fringe benefits, and the majority of the allocated long-term costs incurred by The City on behalf of the DOE. School Support Services increased by \$387 million from \$4.2 billion in Fiscal Year 2018 to \$4.6 billion in Fiscal Year 2019; School Support Organization increased from \$516 million to \$547 million; Central Administration increased by \$41 million, and non-public, charter and contract schools had an overall increase of \$271 million due to charter and Carter case increases in obligation costs and instructional programs

### Financial Analysis of the Governmental Funds

As noted earlier, the focus on the DOE's governmental funds is to provide a detailed, short-term view of outflows and inflows of resources to finance DOE's programs. The following table summarizes the changes in fund balances of governmental funds as of June 30, 2020, 2019 and 2018 (\$000 omitted):

**Figure 3**

General Fund	Governmental Funds			Amount Change		Percentage Change	
	2020	2019	2018	2019-2020	2018-2019	2019-2020	2018-2019
<b>Assets:</b>							
Cash	\$ 13,840	\$ 5,529	\$ 7,367	\$ 8,311	\$ (1,838)	150.3 %	(25.0)%
Accounts receivable							
Federal	607,845	739,002	777,358	(131,157)	(38,356)	(17.8)%	(4.9)%
State	2,428,262	1,985,583	1,742,055	442,679	243,528	22.3 %	14.0 %
Non-governmental	85,542	104,435	106,704	(18,893)	(2,269)	(18.1)%	(2.1)%
Due from The City of New York	<u>1,606,187</u>	<u>1,209,646</u>	<u>1,121,027</u>	<u>396,541</u>	<u>88,619</u>	32.8 %	7.9 %
<b>Total</b>	<u>\$ 4,741,676</u>	<u>\$ 4,044,195</u>	<u>\$ 3,754,511</u>	<u>\$ 697,481</u>	<u>\$ 289,684</u>	17.3 %	7.7 %
<b>Liabilities:</b>							
Accounts payable and accrued expenses	\$ 4,634,464	\$ 3,977,612	\$ 3,636,787	\$ 656,852	\$ 340,825	16.5 %	9.4 %
Other liabilities	76,084	63,710	110,455	12,374	(46,745)	19.4 %	(42.3)%
<b>Deferred inflows of resources:</b>							
Grant advances	<u>31,128</u>	<u>2,873</u>	<u>7,269</u>	<u>28,255</u>	<u>(4,396)</u>	983.5 %	(60.5)%
<b>Total</b>	<u>\$ 4,741,676</u>	<u>\$ 4,044,195</u>	<u>\$ 3,754,511</u>	<u>\$ 697,481</u>	<u>\$ 289,684</u>	17.3 %	7.7 %

Changes in total governmental fund assets, liabilities and deferred inflows of resources resulted mainly from the following:

**Changes in total assets for Fiscal Year 2020:** Total assets increased by \$697 million from \$4.04 billion to \$4.74 billion due to an increase of state sources and cash of approximately \$451 million, offset by a total decrease of \$150 million in federal and non-governmental sources, and an increase of \$397 million in amounts due from The City to pay for outstanding liabilities in the General Fund.

**Changes in total assets for Fiscal Year 2019:** Total assets increased by \$290 million from \$3.75 billion to \$4.04 billion due to an increase of state sources of approximately \$244 million, offset by a total decrease of \$43 million in federal, cash and non-governmental sources, and an increase of \$89 million in amounts due from The City to pay for outstanding liabilities in the General Fund.

**Changes in total liabilities and deferred inflows of resources for Fiscal Year 2020:** Governmental Fund liabilities plus deferred inflows of resources increased \$697 million due to an increase of \$657 million in accounts payable and accrued expenses in the General Fund. There was an increase of \$12.4 million in the balance of the other liabilities and an increase of \$28.3 million in the deferred inflows of resources.

**Changes in total liabilities and deferred inflows of resources for Fiscal Year 2019:** Governmental Fund liabilities plus deferred inflows of resources increased \$290 million due to increases of \$341 million in accounts payable and accrued expenses in the General Fund. There was a decrease of \$47 million in the balance of the other liabilities in the General Fund and a decrease of \$4.4 million in the deferred inflows of resources.

The following provides a summary of changes in revenues and expenditures as of June 30, 2020, 2019 and 2018 (\$000 omitted):

<b>Figure 4</b> Changes in Revenue and Expenditures	General Fund			Percentage Change	
	2020	2019	2018	2019–2020	2018–2019
Revenues:					
Federal aid	\$ 1,772,386	\$ 1,928,356	\$ 1,826,044	(8.1)%	5.6 %
State aid	11,509,905	11,219,206	10,712,460	2.6 %	4.7 %
Funding by the City	14,410,183	13,487,962	12,182,620	6.8 %	10.7 %
Other	248,518	311,733	305,269	(20.3)%	2.1 %
Total revenues	<u>\$ 27,940,992</u>	<u>\$ 26,947,257</u>	<u>\$ 25,026,393</u>	3.7 %	7.7 %
Expenditures:					
School leadership, instruction and special education support	\$ 18,725,810	\$ 18,179,769	\$ 16,724,647	3.0 %	8.7 %
School support services	4,066,402	4,185,453	3,951,256	(2.8)%	5.9 %
School support organization	493,177	468,818	475,207	5.2 %	(1.3)%
Central administration	473,723	442,720	432,123	7.0 %	2.5 %
Non-public, Charter, and Contract Schools	4,345,107	3,831,879	3,560,776	13.4 %	7.6 %
Intra-city sales	(51,432)	(50,633)	(61,094)	1.6 %	(17.1)%
Subtotal	28,052,787	27,058,006	25,082,915	3.7 %	7.9 %
Net change in estimate of prior payables	(111,795)	(110,749)	(56,522)	0.9 %	95.9 %
Total expenditures	<u>\$ 27,940,992</u>	<u>\$ 26,947,257</u>	<u>\$ 25,026,393</u>	3.7 %	7.7 %

Total revenues increased by \$994 million primarily due to an increase of \$922 million in funding provided by The City and \$291 million in State Aid. Increases in State revenue sources included increases in Occupational Education of \$5 million and Transportation Aid of \$23 million and increases in Foundation Aid of \$314 million. These increases were offset by a decrease to preschool special education of \$27 million and a decrease to Deaf and Blind reimbursement of \$24 million.

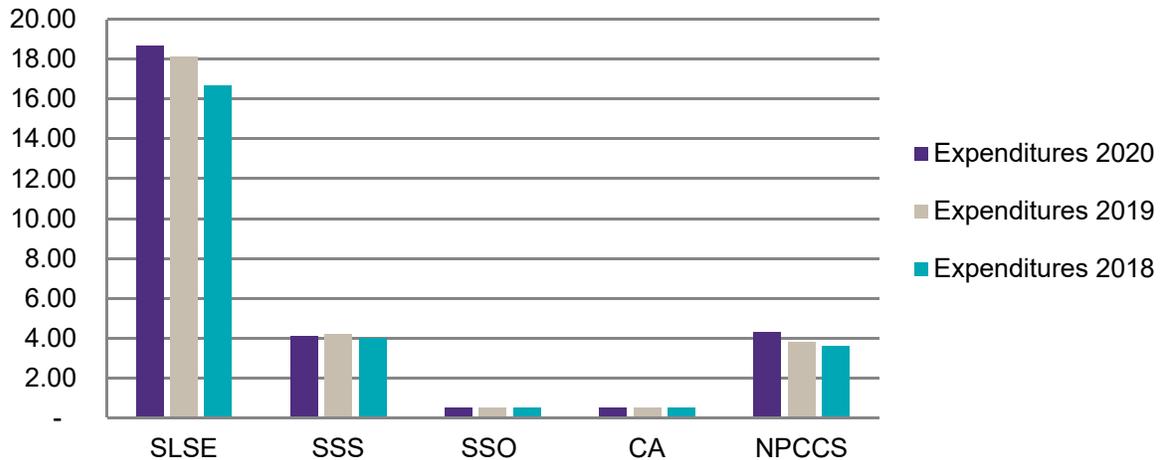
In Fiscal Year 2020, Federal Programs decreased \$156 million primarily due to the effects of school closures necessitated by the COVID-19 pandemic. This decrease included reductions of: \$113 million in reimbursements for all Federal categorical grants including Title I, II and III, IDEA, Magnet School and preschool development; \$84 million in meal reimbursements; \$24 million in Medicaid recovery; and \$3 million in commodity donations. These losses were partially offset by a transfer of \$68 million in Head Start grants from the Administration of Children’s Services to the DOE.

In Fiscal Year 2019, Federal Programs increased due to revenue growth in Individual with Disabilities Act by \$28 million, in-kind commodities by \$42 million, Title IV Student Support and Enhancement by \$26 million, and Magnet Schools Aid by \$5 million.

In Fiscal Year 2019, State revenue sources reflecting major revenue increase included \$332 million for Foundation Aid, \$65 million for Pre-School Special Education reimbursement, \$31 million in miscellaneous competitive awards including the Empire State After Schools Grants and Community Schools Grants, \$27 million for Deaf and Blind reimbursement, \$28 million in Charter School aid, and \$19 million in Transportation Aid.

**Figure 5**

**Condensed Statement of  
Expenditures  
for the Fiscal Year ended June 30, 2020, 2019 and 2018  
(in billions)**



<b><u>Functions/Program</u></b>	
SLSE	School leadership, instruction and special education support
SSS	School support services
SSO	School support organization
CA	Central administration
NPCCS	Non-public, charter and contract schools

In Fiscal Year 2020, total fund expenditures increased 3.7% or \$994 million. Expenditures in the area of School Leadership, Instruction and Special Education instructional programs increased by \$546 million compared to Fiscal Year 2019 mainly due to increases in instructional program costs from collective bargaining. School Support Services decreased by \$119 million, or 2.8%, and School Support Organization costs increase by \$24 million. Central Administration increased overall by \$31 million. Non- public, charter, and contract schools expenditures increased \$513 million, a 13.4% increase, due to charter and Carter case student population increases.

In Fiscal Year 2019, total fund expenditures increased 7.7% or \$1.9 billion. Expenditures in the area of School Leadership, Instruction and Special Education instructional programs increased by \$1.5 billion compared to Fiscal Year 2018 mainly due to increases in instructional program costs from collective bargaining. School Support Services increased \$234 million, or 5.9%, and School Support Organization costs decreased by \$6 million. Central Administration increased overall by \$11 million. Non- public, charter, and contract schools expenditures increased \$271 million, a 7.6% increase, due to charter and Carter case student population increases.

### **General Fund Budgetary Highlights**

Over the course of the year, The City revised its annual operating budget several times. These budget modifications fall into five categories:

- Intracity adjustments of \$29.1 million to Tax-levy budgets and \$16.4 million to Reimbursable Program budgets.
- Executive and Adopted Budget Actions which increased Tax-levy budgets by \$2.8 million and decreased Reimbursable Program budgets by \$39.4 million. The adjustments were primarily due to the following: savings of (\$333.8) million; collective bargaining increases of \$191 million; Charter School revenue adjustments of \$91 million; SCA revenue adjustments of \$13.8 million; Pupil Transportation increase of \$35.6 million and other budget adjustments of (\$34) million.
- November and January Plan Actions, which increased Tax-levy budgets by \$1,039 million and Reimbursable Program budgets by \$43.3 million. The adjustments were primarily due to the following: collective bargaining increases of \$694.1 million; Carter Case budget increases of \$150 million; Community Development Block Grant (CDBG) roll of \$104.7 million; Transportation budget increases of \$63.7 million; State and Federal revenue adjustments of \$84.5 million, savings of (\$20.9) million and new needs of \$6 million.
- Final Fiscal Year Close Actions, which decreased Tax-levy budgets by \$209.4 million and Reimbursable Program budgets by \$137.9 million.
- Additional Fiscal Year Close Actions, which includes an increase to Tax-levy budgets of \$93.6 million, are attributable to the effects of GASB Statement No. 49 *Accounting and Reporting for Pollution Remediation Obligations*.

As a result of the above, DOE made net modifications to the Adopted budget of approximately \$792.4 million.

The DOE’s net investment in capital assets includes land, buildings, equipment and construction in progress, which are detailed as follows (net of accumulated depreciation, excluding land, \$000 omitted):

<b>Figure 6</b>	<b>Governmental Activities</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Land*	\$ 448,963	\$ 448,963	\$ 448,963
Buildings	25,485,020	25,027,399	24,498,478
Equipment	283,405	290,557	28,186
Construction in progress*	<u>1,860,413</u>	<u>1,583,328</u>	<u>2,614,459</u>
Total	<u>\$ 28,077,801</u>	<u>\$ 27,350,247</u>	<u>\$ 27,590,086</u>

\*Not depreciable/amortizable

In Fiscal Year 2020, buildings and equipment increased by \$451 million and construction in progress increased \$277 million from transfers from the School Construction Authority (“SCA”). This resulted in a \$728 million increase in total capital assets (net of accumulated depreciation).

In Fiscal Year 2020, the SCA completed 21 new schools, which resulted in the creation of 6,956 seat openings for the 2020/2021 school year.

In Fiscal Year 2019, the SCA completed 18 new schools, which resulted in the creation of 3,992 seat openings for the 2019/2020 school year.

### **Factors Bearing on the Department’s Future**

In 1996, a class action was brought against the City Board of Education and the State under Title VII of the Civil Rights Act of 1964 alleging that the use by the Board of Education of two teacher certification examinations mandated by the State had a disparate impact on minority candidates. In 2006, the United States Court of Appeals for the Second Circuit dismissed the claims against the State. In December 2012, the District Court decided a controlling legal question against the City. On February 4, 2013, the Second Circuit affirmed the District Court’s decision. The District Court has appointed a Special Master to oversee claimants’ individualized hearings both as to damages and eligibility for Board of Education employment. The hearings relate to members of the class that took the Liberal Arts and Science Test (“LAST”) from 1996 to 2004. Currently, approximately 4,000 such individuals have submitted claim forms and may be eligible for damages. On June 5, 2015, the Court ruled that a second version of LAST, LAST-2, that was administered from 2004 to 2014, violated Title VII because it did not measure skills necessary to do the job. Currently, up to 700 potential LAST-2 class members have submitted claim forms and may be eligible for damages. In August 2015, the Court found that the State’s new teacher certification test, the Academic Literacy Skills Test (ALST), administered since Spring 2014, was not discriminatory and evaluated skills necessary to do the job. Hearings to determine each claimant’s damages are ongoing. While some final judgments have been entered, it is too early to permit an accurate estimation of the ultimate potential cost to the City.

The COVID-19 pandemic necessitated school and administrative building closures and the transition from in-person to remote learning and remote administration. School buildings remained open as food distribution sites for all New Yorkers, and Regional Centers (“RECs”) were created to provide childcare for our city's essential workers during the COVID-19 pandemic. From March through the summer of 2020, RECs served thousands of children across all five boroughs, with sites in almost every school district, as well as near transit and healthcare hubs. The ultimate impact of the COVID-19 pandemic on the DOE’s operations cannot be determined at this time.

There are no other known, significant factors bearing on the DOE’s future.

### **Contacting the Department’s Financial Management**

These financial statements are designed to provide The City’s citizens, taxpayers, customers, investors and creditors with a general overview of the DOE’s finances and to demonstrate the DOE’s accountability for the money it receives.

If you have questions about this report or need additional financial information, contact:

Division of Financial Operations  
65 Court Street, Room 1803A  
Brooklyn, New York 11201

# ANNUAL FINANCIAL STATEMENTS

The Department of Education of The City of New York

For the Fiscal Years Ended June 30, 2020 and 2019

Basic Financial Statements

**DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK**

**Statements of Net Position as of June 30, 2020 and 2019**

**(\$000 Omitted)**

	<b>Governmental Activities</b>	
	<b>2020</b>	<b>2019</b>
<b>ASSETS:</b>		
Cash	\$ 7,583	\$ 5,529
Accounts receivable:		
Federal	607,845	739,002
State	2,428,262	1,985,583
Non-governmental	85,542	104,435
Inventories	8,958	8,167
Due from The City of New York	35,133,221	34,671,798
Restricted cash	6,257	-
Capital assets (net of accumulated depreciation):		
Land	448,963	448,963
Buildings	25,485,020	25,027,399
Equipment (including software)	283,405	290,557
Construction in progress	1,860,413	1,583,328
Total assets	<u>66,355,469</u>	<u>64,864,761</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred outflows from pension	468,132	657,857
Deferred outflows from OPEB	5,119,537	3,861,827
Total deferred outflows of resources	<u>5,587,669</u>	<u>4,519,684</u>
<b>LIABILITIES:</b>		
Accounts payable and accrued expenditures	4,634,464	3,977,612
Other liabilities	75,360	62,622
Due to SCA	24	1,088
Due to NYCSSS	700	-
Pollution remediation obligations	79,393	81,400
Accrued vacation and sick leave	333,491	56,764
Capital lease obligations	33,305	29,906
Accrued judgments and claims	84,130	81,534
Noncurrent liabilities:		
Pollution remediation obligations	8,822	9,044
Accrued vacation and sick leave	2,655,863	2,535,088
Capital lease obligations	323,132	327,113
Accrued judgments and claims	300,192	279,996
Employer pension obligations	15,404,445	14,999,606
Other postemployment benefit obligations	35,457,858	34,747,766
Total liabilities	<u>59,391,179</u>	<u>57,189,539</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred inflows from pension	6,521,332	8,457,616
Deferred inflows from OPEB	5,999,499	3,734,417
Grant advances	31,128	2,873
Total deferred inflows of resources	<u>12,551,959</u>	<u>12,194,906</u>
<b>NET POSITION:</b>		
Net investment in capital assets	28,077,801	27,350,247
Unrestricted deficit	<u>(28,077,801)</u>	<u>(27,350,247)</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK**

**Statement of Activities for the Year Ended June 30, 2020**

(\$000 Omitted)

	<u>Program Revenue</u>			<b>Net (Expenses) Revenues</b>
	<u>Program Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Function/Programs:</b>				
School leadership, instruction and special education support	\$ 20,946,895	\$ 15,016	\$ 10,988,143	\$ (9,943,736)
School support services	4,411,395	29,325	1,858,371	(2,523,699)
School support organization	553,060	-	-	(553,060)
Central administration	525,657	-	-	(525,657)
Non-public, charter, and contract schools	<u>4,345,107</u>	<u>58,757</u>	<u>658,720</u>	<u>(3,627,630)</u>
Total department activities	<u>\$ 30,782,114</u>	<u>\$ 103,098</u>	<u>\$ 13,505,234</u>	(17,173,782)
<b>General revenues:</b>				
City funded				14,444,455
Intra-city sales				51,432
Net expense to be funded long term from The City of New York				<u>2,677,895</u>
Change in net position				-
Net position - beginning				<u>-</u>
Net position - ending				<u>\$ -</u>

See accompanying notes to financial statements.

**DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK**

**Statement of Activities for the Year Ended June 30, 2019**

(\$000 Omitted)

	<u>Program Revenue</u>			<u>Net (Expenses) Revenues</u>
	<u>Program Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Function/Programs:</b>				
School leadership, instruction and special education support	\$ 21,160,859	\$ 13,190	\$ 10,755,047	\$ (10,392,622)
School support services	4,563,206	38,664	1,953,296	2,571,246
School support organization	546,635	-	-	(546,635)
Central administration	505,142	-	-	(505,142)
Non-public, charter, and contract schools	<u>3,831,880</u>	<u>52,575</u>	<u>691,379</u>	<u>(3,087,926)</u>
Total department activities	<u>\$ 30,607,722</u>	<u>\$ 104,429</u>	<u>\$ 13,399,722</u>	(17,103,571)
<b>General revenues:</b>				
City funded				13,553,855
Intra-city sales				<u>50,633</u>
Net expense to be funded long term from The City of New York				<u>3,499,083</u>
Change in net position				-
Net position - beginning				<u>-</u>
Net position - ending				<u>\$ -</u>

See accompanying notes to financial statements.

**DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK**

**Balance Sheets as of June 30, 2020 and 2019**

**(\$000 Omitted)**

	<b>General Fund</b>	
	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash	\$ 7,583	\$ 5,529
Accounts receivable:		
Federal	607,845	739,002
State	2,428,262	1,985,583
Non-governmental	85,542	104,435
Restricted cash	6,257	-
Due from The City of New York	<u>1,606,187</u>	<u>1,209,646</u>
 Total assets	 <u>\$ 4,741,676</u>	 <u>\$ 4,044,195</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenditures	\$ 4,634,464	\$ 3,977,612
Other liabilities	75,360	62,622
Due to SCA	24	1,088
Due to NYCSSS	<u>700</u>	<u>-</u>
 Total liabilities	 <u>4,710,548</u>	 <u>4,041,322</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Grant advances	<u>31,128</u>	<u>2,873</u>
Total deferred inflows of resources	<u>31,128</u>	<u>2,873</u>
<b>FUND BALANCE</b>		
	<u>-</u>	<u>-</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u>\$ 4,741,676</u>	 <u>\$ 4,044,195</u>

See accompanying notes to financial statements.

**DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK**

**Reconciliations of the Governmental Fund Balance Sheets to the Statements of Net Position  
as of June 30, 2020 and 2019  
(\$000 Omitted)**

	<u>2020</u>	<u>2019</u>
Total fund balance - governmental fund	\$ -	\$ -
Amounts reported for governmental activities in the Statements of Net position are different because:		
Inventories recorded in the statement of net position are recorded as expenditures in the governmental fund	8,958	8,167
Capital assets net of depreciation used in governmental activities are not financial resources and, therefore, are not reported in governmental fund.	28,077,801	27,350,247
Other long-term assets and deferred outflows of resources are not available to pay for current period expenditures and therefore, are not reported in the governmental fund:		
Due from The City of New York	33,527,034	33,462,152
Deferred outflows from pension	468,132	657,857
Deferred outflows from OPEB	5,119,537	3,861,827
Long-term liabilities and deferred inflows of resources are not due and payable in the current period and accordingly are not reported in the governmental funds:		
Pollution remediation obligations	(88,215)	(90,444)
Accrued vacation and sick leave	(2,989,354)	(2,591,852)
Capital lease obligations	(356,437)	(357,019)
Accrued judgments and claims	(384,322)	(361,530)
Employer pension obligations	(15,404,445)	(14,999,606)
Other postemployment benefit obligations (OPEB)	(35,457,858)	(34,747,766)
Deferred inflows from pension	(6,521,332)	(8,457,616)
Deferred inflows from OPEB	(5,999,499)	(3,734,417)
Net position - governmental activities	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements

**DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK**

**Statements of Revenues, Expenditures and Changes in Governmental Fund Balances for the Years Ended June 30, 2020 and 2019**

**(\$000 Omitted)**

	General Fund	
	2020	2019
<b>REVENUES:</b>		
Federal aid	\$ 1,772,386	\$ 1,928,356
State aid	11,509,905	11,219,206
Other assistance	150,517	160,253
Charges for services:		
School Construction Authority	87,442	105,098
Rentals	29,325	38,664
Other	58,757	52,574
Subtotal	13,608,332	13,504,151
Net change in estimate of prior receivables	(77,523)	(44,856)
Subtotal	13,530,809	13,459,295
Funding provided by The City of New York	14,410,183	13,487,962
Total revenues	27,940,992	26,947,257
<b>EXPENDITURES:</b>		
General education instruction and school leadership	8,931,413	9,030,396
Special education instruction and school leadership	2,756,928	2,172,667
Charter schools	2,412,937	2,109,148
School support organization	361,602	340,091
Citywide education instruction and school leadership	1,362,170	1,323,225
Special education instructional support	680,043	646,574
School facilities	1,217,432	1,201,484
Pupil transportation	1,252,582	1,372,210
School food services	507,969	561,060
School safety	395,184	395,200
Energy and leases	576,478	541,808
Central administration	406,678	382,939
Fringe benefits	3,696,039	3,604,606
Pre-kindergarten contracts	763,424	734,378
Contract schools and foster care payments	1,090,833	911,860
Non-public schools	77,913	76,493
Subtotal	26,489,625	25,404,139
Reimbursable - categorical programs	1,614,594	1,704,500
Intra-city sales	(51,432)	(50,633)
Subtotal	28,052,787	27,058,006
Net change in estimate of prior payables	(111,795)	(110,749)
Total expenditures	27,940,992	26,947,257
Excess of revenues over expenditures	-	-
<b>FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying notes to financial statements.

**DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK**

**Reconciliations of the Statements of Revenues, Expenditures, and Changes in  
Governmental Fund Balances to the Statements of Activities for the Years Ended June 30,  
2020 and 2019**

**(\$000 Omitted)**

	<u>2020</u>	<u>2019</u>
Excess of revenues over expenditures - Governmental fund	\$ -	\$ -
Amounts reported for governmental activities in the statements of activities are different because:		
In the statements of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense.	(1,843,629)	(1,783,847)
The change in long term liabilities combined with depreciation expense is the net expenses to be funded long term from The City of New York	2,677,895	3,499,083
Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental fund:		
Change in pollution remediation obligations	2,228	311
Change in sick leave and vacation liability	(397,502)	(154,186)
Change in capital lease obligations	582	(17,223)
Change in judgments and claims liability	(22,792)	(2,311)
Change in employer pension obligations and pension - related deferred outflows and inflows of resources	1,341,720	330,620
Change in other postemployment benefit obligations and other postemployment deferred outflows and inflows of resources	<u>(1,758,502)</u>	<u>(1,872,447)</u>
Change in net position - governmental activities	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK**

**Statement of Revenues, Expenditures, and Changes in Governmental Fund Balance,  
Budget and Actual - General Fund for the Year Ended June 30, 2020**

(\$000 Omitted)

	Adopted Budget	Modified Budget	Actual	Favorable/ (Unfavorable)*
<b>REVENUES:</b>				
Federal aid	\$ 2,106,142	\$ 1,733,527	\$ 1,772,386	\$ 38,859
State aid	11,394,799	11,509,905	11,509,905	-
Other assistance	61,680	150,517	150,517	-
Charges for services:				
School Construction Authority	73,687	87,442	87,442	-
Rentals	37,500	31,000	29,325	(1,675)
Other	15,174	60,174	58,757	(1,417)
Subtotal	13,688,982	13,572,565	13,608,332	35,767
Net change in estimate of prior receivables	-	-	(77,523)	(77,523)
Subtotal	13,688,982	13,572,565	13,530,809	(41,756)
Funding provided by The City of New York	13,533,480	14,442,267	14,410,183	(32,084)
Total revenues	<u>27,222,462</u>	<u>28,014,832</u>	<u>27,940,992</u>	<u>(73,840)</u>
<b>EXPENDITURES:</b>				
General education instruction and school leadership	8,600,405	8,911,810	8,931,413	(19,603)
Special education instruction and school leadership	2,531,394	2,754,438	2,756,928	(2,490)
Charter schools	2,296,060	2,413,727	2,412,937	790
School support organization	337,681	364,310	361,602	2,708
Citywide education instruction and school leadership	1,181,465	1,322,030	1,362,170	(40,140)
Special education instructional support	642,228	640,816	680,043	(39,227)
School facilities	1,136,936	1,257,950	1,217,432	40,518
Pupil transportation	1,224,154	1,252,721	1,252,582	139
School food services	562,673	479,138	507,969	(28,831)
School safety	407,630	403,507	395,184	8,323
Energy and leases	579,103	582,464	576,478	5,986
Central administration	370,972	387,745	406,678	(18,933)
Fringe benefits	3,814,007	3,733,798	3,696,039	37,759
Pre-kindergarten contracts	847,163	805,589	763,424	42,165
Contract schools and foster care payments	841,916	1,032,212	1,090,833	(58,621)
Non-public schools	93,671	80,726	77,913	2,813
Subtotal	25,467,458	26,422,981	26,489,625	(66,644)
Reimbursable - categorical programs	1,764,980	1,647,264	1,614,594	32,670
Intra-city sales	(9,976)	(55,413)	(51,432)	(3,981)
Subtotal	27,222,462	28,014,832	28,052,787	(37,955)
Net change in estimate of prior payables	-	-	(111,795)	111,795
Total expenditures	<u>27,222,462</u>	<u>28,014,832</u>	<u>27,940,992</u>	<u>73,840</u>
Excess of revenues over expenditures	-	-	-	-
<b>FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\* Note: Favorable/unfavorable is comparing modified budget to actual.

See accompanying notes to financial statements.

**DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK**

**Statement of Revenues, Expenditures, and Changes in Governmental Fund Balance,  
Budget and Actual - General Fund for the Year Ended June 30, 2019**

(\$000 Omitted)

	<u>Adopted Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable)*</u>
<b>REVENUES:</b>				
Federal aid	\$ 1,944,397	\$ 1,886,565	\$ 1,928,356	\$ 41,791
State aid	11,108,003	11,219,206	11,219,206	-
Other assistance	57,680	160,253	160,253	-
Charges for services:				
School Construction Authority	73,549	105,098	105,098	-
Rentals	37,500	37,500	38,664	1,164
Other	15,174	50,174	52,574	2,400
Subtotal	<u>13,236,303</u>	<u>13,458,796</u>	<u>13,504,151</u>	<u>45,355</u>
Net change in estimate of prior receivables	-	-	(44,856)	(44,856)
Subtotal	<u>13,236,303</u>	<u>13,458,796</u>	<u>13,459,295</u>	<u>499</u>
Funding provided by The City of New York	<u>12,346,856</u>	<u>13,557,864</u>	<u>13,487,962</u>	<u>(69,902)</u>
Total revenues	<u>25,583,159</u>	<u>27,016,660</u>	<u>26,947,257</u>	<u>(69,403)</u>
<b>EXPENDITURES:</b>				
General education instruction and school leadership	8,455,416	8,994,923	9,030,396	(35,473)
Special education instruction and school leadership	2,002,481	2,192,975	2,172,667	20,308
Charter schools	2,094,855	2,109,220	2,109,148	72
School support organization	368,873	338,852	340,091	(1,239)
Citywide education instruction and school leadership	1,111,355	1,325,157	1,323,225	1,932
Special education instructional support	600,935	646,716	646,574	142
School facilities	1,066,376	1,205,326	1,201,484	3,842
Pupil transportation	1,202,349	1,366,857	1,372,210	(5,353)
School food services	554,254	525,456	561,060	(35,604)
School safety	373,740	395,871	395,200	671
Energy and leases	513,867	551,576	541,808	9,768
Central administration	357,036	375,183	382,939	(7,756)
Fringe benefits	3,505,811	3,603,629	3,604,606	(977)
Pre-kindergarten contracts	858,973	735,548	734,378	1,170
Contract schools and foster care payments	732,476	912,133	911,860	273
Non-public schools	<u>78,482</u>	<u>78,995</u>	<u>76,493</u>	<u>2,502</u>
Subtotal	<u>23,877,279</u>	<u>25,358,417</u>	<u>25,404,139</u>	<u>(45,722)</u>
Reimbursable — categorical programs	1,715,891	1,710,258	1,704,500	5,758
Intra-city sales	<u>(10,011)</u>	<u>(52,015)</u>	<u>(50,633)</u>	<u>(1,382)</u>
Subtotal	<u>25,583,159</u>	<u>27,016,660</u>	<u>27,058,006</u>	<u>(41,346)</u>
Net change in estimate of prior payables	-	-	(110,749)	110,749
Total expenditures	<u>25,583,159</u>	<u>27,016,660</u>	<u>26,947,257</u>	<u>69,403</u>
Excess of revenues over expenditures	-	-	-	-
<b>FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\* Note: Favorable/unfavorable is comparing modified budget to actual.  
See accompanying notes to financial statements.

**DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK**

**Statements of Fiduciary Net Position as of June 30, 2020 and 2019**

**(\$000 Omitted)**

	<b>Custodial Funds</b>	
	<b>2020</b>	<b>2019 Restated</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 38,459	\$ 35,793
Total assets	<u>\$ 38,459</u>	<u>\$ 35,793</u>
<b>NET POSITION</b>		
Restricted for fund raising for student activity	\$ 35,897	\$ 33,089
Restricted for Scholarship payments from the Consolidated Trust Fund	1,937	1,929
Restricted for school lunch reimbursement	489	487
Restricted for school projects payments	<u>136</u>	<u>288</u>
Total Net Position	<u>\$ 38,459</u>	<u>\$ 35,793</u>

See accompanying notes to financial statements.

**DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK**

**Statements of Changes in Fiduciary Net Position for the years ended June 30, 2020 and 2019**

**(\$000 Omitted)**

	<b>Custodial Funds</b>	
	<b>2020</b>	<b>2019</b>
<b>ADDITIONS:</b>		
Interest income	\$ 7	\$ 9
School survey - deposit	46,697	76,305
Other deposit	<u>145</u>	<u>185</u>
Total additions	<u>46,849</u>	<u>76,499</u>
<b>DEDUCTIONS:</b>		
Payments for school activities	43,229	74,686
Benefit payments for scholarships	35	57
Other	<u>919</u>	<u>961</u>
Total deductions	<u>44,183</u>	<u>75,704</u>
Net increase in fiduciary net position	2,666	795
<b>NET POSITION:</b>		
Restricted for student activities and scholarships		
Beginning of year	<u>35,793</u>	<u>34,998</u>
End of year	<u>\$ 38,459</u>	<u>\$ 35,793</u>

See accompanying notes to financial statements.

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## DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

### Notes to the Financial Statements as of and for the Years Ended June 30, 2020 and 2019

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#### 1. Summary of Significant Accounting Policies

##### A. Reporting Entity

The DOE is fiscally dependent on The City and, accordingly, is included in The City's Comprehensive Annual Financial Report ("CAFR"). The DOE does not have the authority to levy taxes or issue debt and is dependent upon The City for a substantial portion of its appropriations (i.e., spending authority). In addition, The City incurs certain costs on behalf of the DOE that are not allocated to the DOE and, accordingly, are not reflected in the accompanying financial statements. Such costs include current payments for debt service. Thus, the revenues and expenditures and related budget data included in the accompanying financial statements are not indicative of the level of expenditures, as if the DOE were an independent school system.

The City School District of the City of New York (the New York City public schools) is the largest school system in the United States, with over 1.1 million students taught in more than 1,800 separate schools. The Department covers all five boroughs of New York City. The Department is run by the Panel for Educational Policy and New York City Schools Chancellor. The current chancellor is Richard A. Carranza. The Department of Education has an annual budget of approximately \$28 billion and employs full time 135,000 pedagogic and non-pedagogic staff.

The financial statements of the DOE are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major governmental fund, and the aggregate remaining fund information of The City that is attributable to the transactions of the DOE. This results in a non-standard reporting framework, an explanation of which follows:

The DOE does not maintain financial or other resources separate and apart from those of The City, and therefore, the DOE's reported General Fund ("GF") balance is always zero. The net impact of the DOE's annual operations are a portion of the overall net impact on The City's operations, thus the amount of Funding Provided by The City of New York reported on the DOE's Statements of Revenues, Expenditures and Changes in Fund Balance in the GF is a calculated amount; it is the difference between that year's total DOE GF expenditures and the total of all other DOE GF revenue for the year. Any difference between the calculated Funding Provided by The City of New York and actual liquidated expenditures made by The City on behalf of the DOE during the year is reported as Due from The City of New York on the DOE's GF balance sheets.

Similarly, as illustrated on the GF's reconciliations of the balance sheets to the Statements of Net Position, the net position (deficit) of the DOE is the difference between (1) long-term assets and deferred outflows and (2) long-term liabilities and deferred inflows. Any changes in net position are similarly reflected as changes to the amount Due from The City of New York on the DOE's Statements of Net Position.

## **B. Basis of Presentation**

**Department-wide Financial Statements** - The Department-wide financial statements consist of the Statements of Net Position and the Statements of Activities. The DOE has no net position (deficit) of its own, and Due from The City of New York is a calculated amount. The Statements of Net Position present the difference between the DOE's total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources.

The Statements of Activities present a comparison between direct expenses and program revenues for each function and program of the DOE's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (i) charges for services such rental revenues; and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Other revenues not recorded as program revenues are reported as general revenues.

**Description of Functions in the Statements of Activities** - The Statements of Activities summarize program expenses by major functions, as follows:

- *School Leadership, Instruction and Special Education Support* - which includes district, high school, special education instructional support and special education services expenditures, such as salary costs of teachers, principals, paraprofessionals and other costs directly and indirectly associated with the classroom.
- *School Support Services* - includes school facilities, pupil transportation, food, school safety, energy and leases.
- *School Support Organization* - includes instructional and oversight offices.
- *Central Administration* - includes central office support services for system-wide maintenance, and for development of agency-wide budgeting, purchasing, accounting and student demographic information applications.
- *Non-public, Charter, and Contract Schools* - represents the amount of funding passing through the DOE to schools not directly managed by the DOE.

**Fund Financial Statements** - The fund financial statements provide information about the DOE's funds, including fiduciary funds. Separate financial statements are provided for governmental and fiduciary funds. The DOE has no governmental funds that are considered non-major. The accounts of the DOE are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, and revenues and expenditures where applicable. Government resources are allotted to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The DOE's funds are grouped in the financial statements in two fund categories, as follows:

**Governmental Fund** - The acquisition, use and balance of the expendable available financial resources and the related liabilities are accounted for through governmental funds. The following is the DOE's governmental fund, which is considered a major fund:

- *General Fund* - The General Fund is the general operating fund of the DOE. It is used to account for all financial resources except those required to be accounted for in another fund.

**Fiduciary Funds** - Fiduciary Funds are used to account for assets held by the DOE in a custodial capacity. These funds are used to account for assets held by the DOE as a custodian for student activities, individuals and private organizations. The DOE does not have any Fiduciary Funds other than custodial funds that are reported in the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position.

**New Accounting Standards Adopted** - In Fiscal Year 2020, the DOE adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*

Statement No. 84 establishes specific criteria for identifying fiduciary activities and the requirements for financial statement reporting. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Statement No. 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. In addition, recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred which compels the government to disburse fiduciary resources should also be reported.

The DOE continues to meet the fiduciary criteria by classifying assets held in a custodial capacity and the related activities as fiduciary. In connection with the adoption of GASB 84, items previously reported as part of the agency fund classification of the Fiduciary Funds statements were reviewed to evaluate if they met the new custodial funds criteria. The DOE identified certain custodial accounts in the General Fund and recategorized them as fiduciary funds. As a result, for the fiscal year ended June 30, 2020, the net activities of the custodial accounts of \$581,000 was reported as part of the Statement of Fiduciary Net Position.

The reclassification prompted the DOE to restate the Statement of Fiduciary Net Position as of June 2019 as follows:

	Fiscal Year June 30, 2019 <u>Original</u>	GASB Statement No. 84 <u></u>	Fiscal Year June 30, 2019 <u>(Restated)</u>
Cash and cash equivalents	\$ 35,205	\$ 588	\$ 35,793

The reclassification did not have a material impact on the DOE’s Department-wide Statement of Net Position or General Fund Balance Sheet, and therefore, the Statement of Net Position and Balance Sheet have not been restated for the fiscal year ended June 30, 2019.

*Statement No. 95* provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The DOE has implemented GASB 95, with the exception of the adoption of Statement No. 84 mentioned above.

**Pronouncements Issued But Not Yet Effective** - GASB has issued the following pronouncements that may affect future financial position, results of operations, or financial presentation of the DOE upon implementation. Management has not yet evaluated the effect of implementation of these standards.

<b>GASB Statement No.</b>	<b>GASB Accounting Standard</b>	<b>Effective Fiscal Year</b>
87	<i>Leases</i>	2022
89	<i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	2022
91	<i>Conduit Debt Obligations</i>	2023
92	<i>Omnibus 2020</i>	2022
93	<i>Replacement of Interbank Offered Rates</i>	2022
94	<i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i>	2023
96	<i>Subscription-Based Information Technology Arrangements</i>	2023
97	<i>Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensations Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32</i>	2022

### **C. Basis of Accounting**

The basis of accounting determines when transactions are reported on the financial statements. The Department-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the DOE either gives or receives value without directly receiving or giving equal value in exchange, include, for example, grants, entitlements, and donations and are recorded on the accrual basis of accounting. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Accounts Receivable** - includes certain aged receivables from State and Federal sources.

**Inventory** - Total materials and donated commodities on hand at June 30, 2020 and 2019, amounted to \$9.0 million and \$8.2 million, respectively, based on the moving average and the FIFO method used to account for ending inventories, and are included in the accompanying Statements of Net Position. Inventories are recorded as expenditures in governmental funds at the time of purchase and, accordingly, have not been reported on the governmental funds balance sheet.

**Donated Commodities** - The DOE participates in various Federal and State funded food programs. Many of these programs provide for commodities to be supplied to the DOE in lieu of, or in addition to, cash. The value of these donated commodities received as of June 30, 2020 and 2019 is \$38.8 million and \$41.8 million and is included in Federal aid in the accompanying Statements of Revenues, Expenditures and Changes in Governmental Fund Balances. The value of donated commodities used for the years ended June 30, 2020 and 2019 totaled \$37.7 million and \$41.8 million, respectively, and is included in School Food Services in the accompanying Statements of Revenues, Expenditures and Changes in Governmental Fund Balances.

**Restricted Cash** - Restricted cash consists of resources controlled by The Department of Education, to be used for specific purposes as outlined within the agreements that established their existence. (see Note 3A).

**Capital Assets** - include all land, buildings, equipment (including software) with an initial minimum useful life of five years. The DOE's baseline eligibility criteria stipulate that capital assets must have a minimum cost threshold of more than \$35,000, and having been appropriated in the Capital Budget (see Note 3C). Capital assets, which are used for general governmental purposes and are not available for expenditure, are accounted for and reported in the Department-wide financial statements.

Capital assets are generally stated at historical cost, or at estimated historical cost based on appraisals or on other acceptable methods, when historical cost is not available. Donated capital assets are reported at their acquisition value. Capital lease assets and leasehold improvements are amortized over the term of the lease or the life of the asset, whichever is less. (see Note 3D).

Accumulated depreciation and amortization are reported as reductions of capital assets. Depreciation is computed using the straight-line method based upon estimated useful lives of generally 25 to 50 years for new construction, 10 to 25 years for betterments and/or reconstruction, 5 to 15 years for equipment (including software), and 15 to 40 years for infrastructure. Capital lease assets and leasehold improvements are amortized over the term of the lease or the life of the asset, whichever is less.

**Deferred Outflow and Inflows of Resources** - In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the DOE reports deferred outflows of resources in the Statements of Net Position in a separate section following assets. Similarly, the DOE reports deferred inflows of resources in the Statements of Net Position in a separate section following liabilities.

**Encumbrances** - Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriation, is used by the General Fund during the fiscal year to control expenditures. Cost of goods received and services rendered on or before June 30 are recognized as expenditures. Encumbrances that do not result in expenditures by year-end lapse.

**Accounts Payable and Accrued Expenditures** - all payments of bills and payrolls after fiscal year-end and accruals for payments to be made in the future, which apply to liabilities incurred as of fiscal year-end. Also included in accounts payable and accrued expenditure are all payments that have been processed, but had not yet cleared as of fiscal year-end, as well as all prior year accruals which had not been liquidated as of fiscal year-end.

**Salaries** - Most instructional personnel are employed under annual employment contracts covering the period from September through the following August. Since all services required under the annual contracts generally are performed prior to June 30, salaries which are disbursed for the months of July and August are accrued at June 30. The values of these services accrued as of June 30, 2020 and 2019 were \$2.4 billion and \$2.3 billion, respectively.

**Long-Term Liabilities** - For long-term liabilities, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. All long-term liabilities are reported in the Department-wide Statement of Net Position.

**Pollution Remediation Obligations** - Pollution remediation obligations consist of costs that are identified through an evaluation process for asbestos removal, lead paint removal, and soil contamination remediation project work to be performed at New York City Public Schools. Such obligations are associated with capital assets of the DOE and, accordingly, are recorded in the DOE financial statements.

**Accrued Vacation and Sick Leave** - Earned vacation and sick leave and Cumulative Absence Reserve (“CAR”) are recorded as expenditures in the period when they are payable from current financial resources in the fund financial statements. Under the terms of various labor contracts, the DOE employees are granted vacation and sick leave and CAR in varying amounts. The estimated value of vacation and sick leave and CAR earned by employees, which may be used in subsequent years or paid upon termination or retirement, and therefore, payable from future resources, is recorded as a liability in the Department-wide financial statements.

**Judgments and Claims** - The City and the DOE are uninsured with respect to most risks including, but not limited to, property damage, and personal injury, and workers’ compensation. In the fund financial statements, expenditures for judgments and claims (other than workers’ compensation) are recorded by The City and the DOE on the basis of settlements reached, or judgments entered into, within the current fiscal year. Expenditures for workers’ compensation are recorded when paid. In the Department-wide financial statements, the estimated liability for all judgments and claims incurred, but not yet expended, is recorded as a non-current liability (see Note E.1).

**Pensions** – pensions are recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The provision for pension contributions for the DOE is recorded in The City’s financial statements. That provision includes normal costs, interest on prior pension costs not funded, and amortization of past service costs as determined by the actuary employed by the Boards of Trustees of The City’s major pension systems (see Note 4D). Annual pension cost is calculated in accordance with GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*.

DOE recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, measured as of the City’s fiscal year-end or the City’s proportionate share thereof in the case of a cost-sharing multiple-employer plan. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources, depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience, are amortized over the weighted average remaining service life of all participants, including retirees, in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

**Other Postemployment Benefits Obligations** - Other postemployment benefits (OPEB) account for the cost for retiree healthcare and similar, non-pension retiree benefits and are required to be measured and disclosed using the accrual basis of accounting (see Note 4C) regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is calculated in accordance with GASB Statement No. 75.

**Estimates and Assumptions** - A number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenditures and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with U.S. GAAP accounting principles generally accepted in the United States of America. Significant estimates include accrued expenses and other liabilities, depreciable lives of buildings and equipment assuming normal maintenance, amortization of leasehold improvements, accrued vacation and sick leave, accrued judgments and claims, pension, and OPEB obligations and pollution remediation obligations. Actual results could differ from those estimates.

**School Fiduciary Activity Funds** - General school funds are established by individual schools to account for monies received from students and organizations for programs independent of the DOE. These monies are raised primarily through school or student non-classroom activities to finance approved activities. Since the community school districts and the individual schools function solely as custodians in the collection and disbursement of these monies, the monies are reported as fiduciary funds in the accompanying statements. The cash in the custodial fiduciary fund includes the balances of approximately 1,600 separate school activity funds held in bank accounts.

**Program Revenue** - Program revenue is derived from federal, state, and private aid sources.

**Reconciliation of Department-wide and Fund Financial Statements** - A summary reconciliation of the differences between the total fund balance as reflected on the DOE's fund balance sheets and total net position as reflected on the Department-wide statement of net position is presented in the accompanying statements to the governmental fund balance sheets. The asset and liability elements that comprise the differences are related to the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting, while the Department-wide financial statements use the economic resources measurement focus and accrual basis of accounting.

**Reconciliation of the Statement of Revenue, Expenditures and Statement of Activities** - A summary reconciliation of the differences between net changes in long-term liability, depreciation expense and net expense to be funded long-term from The City. These are reflected on the fund Statements of Revenues, Expenditures, and Changes in Fund Balances and the program activities as shown on the Department-wide Statements of Activities presented in an accompanying statements, as well.

**Program Expenses** - Program expenses denote the use of funds derived from federal and state aid sources, charges for services and funding from The City. The total program expenses included in the Statement of Activities for the year ended June 30, 2020 is \$30.8 billion which differs from the total expenditures and other uses included in the Statement of Revenues, Expenditures and Changes in Fund Balance in the amount of \$27.9 billion, because of the net change in long-term liabilities and accumulated depreciation necessary to convert expenditures from the modified accrual basis of accounting to the full accrual basis (as outlined in the Management's Discussion and Analysis section).

The following schedule reconciles these two accounting bases (\$000 omitted):

	<u>Amount</u>
Total expenditures net of intra-city sales (from the statement of revenues, expenditures and changes in fund balance)	\$ 27,940,992
Add back intra-city sales (which are included in general revenue in statements of activities)	51,432
Depreciation expense	1,843,629
Net change in estimated prior payables	111,795
Long-term liabilities per full accrual basis:	
Net change in pollution remediation obligations	(2,228)
Net change in sick leave and vacation balances	397,502
Net change in capital leases	(582)
Net change in judgments and claims	22,792
Net change in employer pension obligations and pension related deferred outflows and inflows of resources	(1,341,720)
Net change in other postemployment benefit obligations and other postemployment deferred outflows and inflows of resources	<u>1,758,502</u>
Total program expenses (from the statement of activities)	<u>\$ 30,782,114</u>

The total program expenses included in the Statement of Activities for the year ended June 30, 2019 is \$30.6 billion which differs from the total expenditures and other uses included in the Statement of Revenues, Expenditures and Changes in Fund Balance in the amount of \$26.9 billion, because of the net change in long-term liabilities and accumulated depreciation necessary to convert expenditures from the modified accrual basis of accounting to the full accrual basis (as outlined in the Management's Discussion and Analysis section).

The following schedule reconciles these two accounting bases (\$000 omitted):

	<u>Amount</u>
Total expenditures net of intra-city sales (from the statement of revenues, expenditures and changes in fund balance)	\$ 26,947,257
Add back intra-city sales (which are included in general revenue in statement of activities)	50,633
Depreciation expense	1,783,847
Net change in estimated prior payables	110,749
Long-term liabilities per full accrual basis:	
Net change in pollution remediation obligations	(311)
Net change in sick leave and vacation balances	154,186
Net change in capital leases	17,223
Net change in judgments and claims	2,311
Net change in employer pension obligations and pension related deferred outflows and inflows of resources	(330,620)
Net change in other postemployment benefit obligations and other postemployment deferred outflows and inflows of resources	<u>1,872,447</u>
Total program expenses (from the statement of activities)	<u>\$ 30,607,722</u>

## 2. Stewardship, Compliance, and Accountability

### A. Budgetary Data

The revenue and expenditure budget is in accordance with GAAP with respect to those elements that are the DOE's responsibility, and such a budget is to be balanced by following mandatory requirements of The City Charter. Annual expenditure budget appropriations are adopted as described below for the general fund. During the year, decreases or increases to the budget, including amounts rolled to the subsequent fiscal year, adjust the final modified budget. Unused budget amounts lapse at the fiscal year-end.

Appropriations are also made in a capital budget to authorize the expenditure of funds for various capital projects. Capital appropriations, unless modified or rescinded, remain in effect until the completion of each project. The budget of the DOE consists of units of appropriation. Each unit of appropriation represents an area of instructional costs, a service program, or a division within the DOE. The City Council, through the adopted budget of The City, appropriates funds to these units of appropriation.

Distinct units of appropriation are required for personal service expenditures and other than personal service expenditures. Each unit of appropriation is delineated further by budget codes, which designate individual functions within a unit of appropriation (office, bureau or type of service). For personal service expenditures, line numbers further refine budget codes identifying specifically the titles funded. For other than personal service expenditures, object codes further refine budget codes identifying specifically the types of goods or services funded (supplies, equipment, contractual services, etc.).

The Divisions of Finance, School Budgetary Planning and Operations monitor expenditures throughout the fiscal year to ensure that spending remains within the amount of funds authorized in each unit of appropriation. Budget modifications are processed as required to transfer funds from one unit of appropriation, budget code, line number or object code to another as needed. Budget modifications require City Council approval if cumulative modifications are greater than or equal to 5% of the adopted budget for the unit of appropriation. The appropriation for heat, light, and power is determined by other City agencies.

### B. Appropriations Modifications

The following schedule summarizes budget modifications for the year ended June 30, 2020 (\$000 omitted):

	<b>Originally Adopted Budget</b>	<b>Net Modifications</b>	<b>Modified Budget</b>
Tax-levy programs	\$ 25,467,458	\$ 955,523	\$ 26,422,981
Reimbursable programs	<u>1,764,980</u>	<u>(117,716)</u>	<u>1,647,264</u>
Subtotal	27,232,438	837,807	28,070,245
Less: Intra-city sales	<u>(9,976)</u>	<u>(45,437)</u>	<u>(55,413)</u>
Total	<u>\$ 27,222,462</u>	<u>\$ 792,370</u>	<u>\$ 28,014,832</u>

Tax-levy modifications included the following (\$000 omitted):

	<u>Tax Levy</u>	<u>Reimbursable</u>
Intra-city purchases	\$ 29,081	\$ 16,356
Executive and adoption	2,839	(39,389)
November and January plan actions	1,039,414	43,249
Year-end closing actions	(209,434)	(137,932)
GASB No. 49 - Pollution remediation	<u>93,623</u>	<u>-</u>
Total net modifications	<u>\$ 955,523</u>	<u>\$ (117,716)</u>

The following schedule summarizes budget modifications for the year ended June 30, 2019 (\$000 omitted):

	<u>Originally Adopted Budget</u>	<u>Net Modifications</u>	<u>Modified Budget</u>
Tax-levy programs	\$ 23,877,279	\$ 1,481,138	\$ 25,358,417
Reimbursable programs	<u>1,715,891</u>	<u>(5,633)</u>	<u>1,710,258</u>
Subtotal	25,593,170	1,475,505	27,068,675
Less: Intra-city sales	<u>(10,011)</u>	<u>(42,004)</u>	<u>(52,015)</u>
Total	<u>\$ 25,583,159</u>	<u>\$ 1,433,501</u>	<u>\$ 27,016,660</u>

Tax-levy modifications included the following (\$000 omitted):

	<u>Tax Levy</u>	<u>Reimbursable</u>
Intra-city purchases	\$ 17,838	\$ 24,166
Executive and adoption	552,902	(55,457)
November and January plan actions	850,193	33,050
Year-end closing actions	(25,174)	(7,392)
GASB No. 49 - Pollution remediation	<u>85,379</u>	<u>-</u>
Total net modifications	<u>\$ 1,481,138</u>	<u>\$ (5,633)</u>

### 3. Detailed Notes on Accounts

#### A. Cash

Bank balances are maintained with banks that are members of the Federal Deposit Insurance Corporation (“FDIC”). The FDIC insures bank balances up to a maximum of \$250,000 in the aggregate for each bank for all funds. As the DOE’s General Fund cash balance is part of The City’s cash management system, which is considered one depositor for FDIC purposes, and as the agency funds include over 1,600 accounts maintained at the school level, the DOE cannot determine the amounts that are insured or collateralized. The City’s June 30, 2020 and 2019 General Fund bank balances, which includes the DOE’s General Fund bank deposits, were uninsured but were collateralized with securities held by The City’s agent in The City’s name.

#### Unrestricted and Restricted cash

DOE-controlled accounts that are used for minor expenditures (known as imprest accounts) are established and approved by The City and are classified as unrestricted cash. Certain cash designated by donors for specific purpose to award scholarships to students as well as resources set aside for contract payments are classified as restricted cash. The DOE generally uses restricted amounts first when both restricted and unrestricted resources are available.

The following is a summary of the unrestricted and restricted cash as of June 30, 2020.

	<b>Fiscal Year 2020</b>
<b>Unrestricted and restricted cash:</b>	
Unrestricted cash	\$ 7,583
Restricted cash	<u>6,257</u>
Total unrestricted and restricted cash	<u>\$ 13,840</u>

#### B. Investments

In accordance with New York State Education Law, substantially all General Fund revenues are paid directly to and deposited with The City. Such amounts are commingled and invested with The City’s funds and are not included in the accompanying balance sheets. The City’s investment of cash in its Governmental Fund Types is currently limited to U.S. Government guaranteed securities and U.S. Government agency securities purchased directly and through repurchase agreements from primary dealers as well as commercial paper rated A1 and P1 by Standard & Poor’s Corporation and Moody’s Investors Service, Inc., respectively. The repurchase agreements must be collateralized by U.S. Government guaranteed securities, U.S. Government agency securities, or eligible commercial paper in a range of 100% to 102% of the matured value of the repurchase agreements.

The DOE’s regulations permit schools to deposit and invest student activity funds in banks authorized to do business in New York State, including making investments in time deposits and certificates of deposit. A school cannot open unappropriated allowed accounts without the approval of the Department of Education.

## C. Capital Assets

The DOE receives funding for assets from various sources, some of which are combined for the same fixed asset. In addition, many fixed assets are donated or sold to the DOE from private sources. Further, the receipt of these assets could be at any of the many central offices or one of the over 1,600 school locations. The changes in the various classes of capital assets for the years ended June 30, 2020 and 2019 were as follows (\$000 omitted):

<b>Capital Assets</b>	<b>Balance June 30, 2019</b>	<b>Additions</b>	<b>Transfers</b>	<b>Deletions</b>	<b>Balance June 30, 2020</b>
Capital assets not being depreciated:					
Land and site improvement	\$ 448,963	\$ -	\$ -	\$ -	\$ 448,963
Construction in progress	<u>1,583,328</u>	<u>2,555,310</u>	<u>(2,278,225)</u>	<u>-</u>	<u>1,860,413</u>
Total capital assets not being depreciated	<u>2,032,291</u>	<u>2,555,310</u>	<u>(2,278,225)</u>	<u>-</u>	<u>2,309,376</u>
Capital assets being depreciated:					
Building and additions	46,738,157	35,794	2,179,959	(4,612)	48,949,298
Equipment (including software)	<u>864,074</u>	<u>1,985</u>	<u>98,266</u>	<u>(17,294)</u>	<u>947,031</u>
Gross balance capital assets	<u>47,602,231</u>	<u>37,779</u>	<u>2,278,225</u>	<u>(21,906)</u>	<u>49,896,329</u>
Less accumulated depreciation:					
Building and additions	21,710,758	1,758,132	-	(4,612)	23,464,278
Equipment	<u>573,517</u>	<u>107,376</u>	<u>-</u>	<u>(17,267)</u>	<u>663,626</u>
Total accumulated depreciation	<u>22,284,275</u>	<u>1,865,508</u>	<u>-</u>	<u>(21,879)</u>	<u>24,127,904</u>
Net capital assets being depreciated	<u>25,317,956</u>	<u>(1,827,729)</u>	<u>2,278,225</u>	<u>(27)</u>	<u>25,768,425</u>
Total capital assets	<u>\$ 27,350,247</u>	<u>\$ 727,581</u>	<u>\$ -</u>	<u>\$ (27)</u>	<u>\$ 28,077,801</u>
<b>Capital Assets</b>	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Transfers</b>	<b>Deletions</b>	<b>Balance June 30, 2019</b>
Capital assets not being depreciated:					
Land and site improvement	\$ 448,963	\$ -	\$ -	\$ -	\$ 448,963
Construction in progress	<u>2,614,459</u>	<u>2,638,690</u>	<u>(3,669,821)</u>	<u>-</u>	<u>1,583,328</u>
Total capital assets not being depreciated	<u>3,063,422</u>	<u>2,638,690</u>	<u>(3,669,821)</u>	<u>-</u>	<u>2,032,291</u>
Capital assets being depreciated:					
Building and additions	43,572,910	44,861	3,120,992	(606)	46,738,157
Equipment (including software)	<u>315,672</u>	<u>2,580</u>	<u>548,829</u>	<u>(3,007)</u>	<u>864,074</u>
Gross balance capital assets	<u>43,888,582</u>	<u>47,441</u>	<u>3,669,821</u>	<u>(3,613)</u>	<u>47,602,231</u>
Less accumulated depreciation:					
Building and additions	19,074,432	1,692,906	944,026	(606)	21,710,758
Equipment	<u>287,486</u>	<u>94,546</u>	<u>194,484</u>	<u>(2,999)</u>	<u>573,517</u>
Total accumulated depreciation	<u>19,361,918</u>	<u>1,787,452</u>	<u>1,138,510</u>	<u>(3,605)</u>	<u>22,284,275</u>
Net capital assets being depreciated	<u>24,526,664</u>	<u>(1,740,011)</u>	<u>2,531,311</u>	<u>(8)</u>	<u>25,317,956</u>
Total capital assets	<u>\$ 27,590,086</u>	<u>\$ 898,679</u>	<u>\$ (1,138,510)</u>	<u>\$ (8)</u>	<u>\$ 27,350,247</u>

**New York City School Construction Authority (SCA).** In December 1988, the State of New York Legislation created the School Construction Authority (“SCA”) to design, construct, reconstruct, improve, rehabilitate and repair the New York City public schools. All costs incurred are capitalized into construction-in-progress. SCA is governed by a three-member Board of Trustees, all of whom are appointed by the Mayor, including the City’s Department of Education (DOE) Chancellor, who serves as the Chairperson. As SCA is a pass-through entity, in existence for the sole purpose of constructing capital projects, all costs incurred are capitalized by the DOE and recorded as construction-in-progress. Upon completion of projects, the assets are transferred to DOE and recorded to the appropriate capital asset category.

SCA’s operations are funded by appropriations made by The City. Such appropriations are based on Five-Year Capital Plans developed by the DOE. The City’s appropriations for the five-year capital plan for the Fiscal Years 2020 through 2024 totaled \$17.6 billion and for Fiscal Years 2015 through 2019 totaled \$16.6 billion.

Capital Expenditures made on behalf of the DOE amounted to \$2.1 billion and \$2.8 billion in Fiscal Years 2020 and 2019, respectively. Such expenditures were incurred by the SCA. Upon substantial completion of capital assets, the SCA transfers such assets to the DOE. In Fiscal Years 2020 and 2019, the SCA transferred \$2.3 billion and \$3.7 billion, respectively, in completed assets to the DOE. The SCA capital assets are an integral part of the DOE capital assets. In addition, the DOE implements technology upgrades and performs some capital eligible work which generated revenues from SCA totaling \$87.4 million and \$105 million in Fiscal Years 2020 and 2019, respectively.

Included in land and buildings as of June 30, 2020 and 2019 are certain leased properties aggregating \$546 million and \$517 million, respectively. Included in equipment are expenditures for technological upgrades. Included in accumulated depreciation - buildings and additions at June 30, 2020 and 2019 was accumulated depreciation for leasehold improvements of \$190 million and \$160 million, respectively.

For Fiscal Years 2020 and 2019, The City’s Comprehensive Annual Financial Report identifies capital expenditures for education amounting to \$2.9 billion and \$2.8 billion. The capital expenditures incurred by the SCA on behalf of the DOE totaled \$2.6 billion and \$3.1 billion inclusive of GASB Statement No. 49 expenditures of \$91 million and \$85 million and the liability to SCA for \$159 million and \$295 million.

#### **D. Lease Commitments**

The DOE leases various types of property and equipment. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, are recorded in the Department-wide financial statements. Other leased property not having elements of ownership are classified as operating leases. Both capital and operating lease payments are recorded as expenditures when payable. Total lease expenditures for the years ended June 30, 2020 and 2019, were \$286 million and \$256 million, respectively.

As of June 30, 2020, the DOE had future minimum rental obligations under capital and operating leases with a remaining term in excess of one year as follows (\$000 omitted):

Year(s) Ending June 30	<u>Total Amount</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2021	\$ 221,826	\$ 48,370	\$ 173,456
2022	219,258	47,657	171,601
2023	214,251	46,769	167,482
2024	210,328	45,557	164,771
2025	194,033	37,925	156,108
2026 - 2030	764,091	133,287	630,804
2031 - 2035	492,069	73,964	418,105
2036 - 2040	139,281	21,890	117,391
2041 - 2045	25,014	8,071	16,943
2046 - 2050	<u>11,499</u>	<u>-</u>	<u>11,499</u>
Total minimum lease payments	<u>\$ 2,491,650</u>	<u>\$ 463,490</u>	<u>\$ 2,028,160</u>
Less imputed interest		<u>(107,053)</u>	
Present value of net minimum lease payments		<u>\$ 356,437</u>	

#### E. Pollution Remediation Obligations

The Pollution Remediation Obligations (“PRO”) as of June 30, 2020 and 2019, summarized by obligating event and pollution type, respectively, were as follows (\$000 omitted):

Obligating Event	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Voluntary commencement	<u>\$ 88,215</u>	<u>100.00</u>	<u>\$ 90,444</u>	<u>100.00</u>
Total	<u>\$ 88,215</u>	<u>100.00</u>	<u>\$ 90,444</u>	<u>100.00</u>
Pollution Type	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Asbestos removal	\$ 78,437	88.92	\$ 79,761	88.19
Lead paint removal	1,402	1.59	676	0.75
Soil remediation	4,517	5.12	4,744	5.25
Other	<u>3,859</u>	<u>4.37</u>	<u>5,263</u>	<u>5.81</u>
Total	<u>\$ 88,215</u>	<u>100.00</u>	<u>\$ 90,444</u>	<u>100.00</u>

SCA has reported and identified pollution remediation obligations, such as asbestos removal, lead paint removal, soil contamination remediation, mold remediation and transportation and disposal of hazardous waste and materials, are for some of the work performed at New York City Public Schools. Such costs are associated with capital assets of the DOE and, accordingly, are recorded in the DOE’s financial statements.

The PRO liability is derived from registered multi-year contracts which offsets cumulative expenditures (liquidated/unliquidated) against original encumbered contractual amounts. The potential for changes to existing PRO estimates is recognized due to such factors as: additional remediation work arising during the remediation of an existing pollution project; remediation activities may find unanticipated site conditions resulting in necessary modifications to work plans; changes in methodology during the course of a project may cause cost estimates to change, e.g., the new ambient air quality standard for lead considered a drastic change will trigger the adoption of new/revised technologies for compliance purposes; and changes in the quantity which is paid based on actual field measured quantity for unit price items measured in cubic meters, linear meters, etc. Consequently, changes to original estimates are processed as change orders. Further, regarding pollution remediation liabilities that are not yet recognized because they are not reasonably estimable, the Law Department relates that the City has approximately 30 cases involving hazardous substances, including spills from above and underground storage tanks, and other contamination on, or caused by facilities on City-owned property. Due to the uncertainty of the legal proceedings, future liabilities cannot be estimated.

## F. Long-Term Liabilities

Long-term liabilities include capital leases entered into by the DOE, pension, and the DOE's portion of various other long-term liabilities, payment for which The City is responsible. Funding for these allocated liabilities will be provided through future appropriations of The City.

Changes in the various components of the DOE's long-term liabilities for the Fiscal Years ended June 30, 2020 and 2019 were as follows (\$000 omitted):

	<b>Balance June 30, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2020</b>	<b>Due within One Year</b>
Pollution remediation	\$ 90,444	\$ 91,394	\$ (93,623)	\$ 88,215	\$ 79,393
Accrued vacation and sick leave	2,591,852	730,993	(333,491)	2,989,354	333,491
Capital lease obligations	357,019	33,687	(34,269)	356,437	33,305
Accrued judgments and claims	361,530	92,360	(69,568)	384,322	84,130
Employer pension obligation	14,999,606	8,514,201	(8,109,362)	15,404,445	-
OPEB obligations	<u>34,747,766</u>	<u>2,241,709</u>	<u>(1,531,617)</u>	<u>35,457,858</u>	<u>-</u>
Total	<u>\$ 53,148,217</u>	<u>\$ 11,704,344</u>	<u>\$ (10,171,930)</u>	<u>\$ 54,680,631</u>	<u>\$ 530,319</u>

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2019</b>	<b>Due within One Year</b>
Pollution remediation	\$ 90,755	\$ 85,067	\$ (85,378)	\$ 90,444	\$ 81,400
Accrued vacation and sick leave	2,437,666	210,950	(56,764)	2,591,852	56,764
Capital lease obligations	339,796	44,665	(27,442)	357,019	29,906
Accrued judgments and claims	359,219	70,635	(68,324)	361,530	81,534
Employer pension obligation	18,444,495	7,647,653	(11,092,542)	14,999,606	-
OPEB obligations	<u>30,168,043</u>	<u>5,467,420</u>	<u>(887,697)</u>	<u>34,747,766</u>	<u>-</u>
Total	<u>\$ 51,839,974</u>	<u>\$ 13,526,390</u>	<u>\$ (12,218,147)</u>	<u>\$ 53,148,217</u>	<u>\$ 249,604</u>

#### **4. Other Information**

##### **A. Non-Public Schools and Fashion Institute of Technology**

Expenditures for non-public elementary and secondary schools located within The City, special education pre-school tuition, related services and transportation, and the Fashion Institute of Technology (“FIT”) are reflected under the financial statement caption non-public schools. Expenditures for non-public elementary and secondary schools are related primarily to textbook purchases, transportation, and school lunch programs that are funded, in part, by federal and state aid.

FIT receives, through appropriations provided by The City, a grant from the DOE to partially subsidize its operations. The amounts paid to FIT in Fiscal Year 2020 and 2019 were \$59.7 million and \$57.9 million, respectively.

##### **B. New York City School Support Service (“NYCSSS”)**

NYCSSS is a Type C not-for-profit corporation organized under the Not-for-Profit Corporation Law of the State of New York and is governed by a Board of Directors consisting of five members, two of whom serve ex-officio (NYC Department of Education’s Chief Administrative Officer and NYC Office of Management and Budget’s Associate Budget Director for Education and City University of New York (CUNY)). NYCSSS was incorporated for the purpose of providing staffing of custodial helpers for the DOE. NYCSSS’ initial contract with the City was registered on April 28, 2016. The DOE is in the process of renewing the contract with NYCSSS. Under this contract, NYCSSS receives monthly payments that cover its projected expenses for the forthcoming month, and these contractual payments are NYCSSS’ sole source of revenue

##### **C. Other Post-Employment Benefits (“OPEB”)**

The OPEB Plan is a fiduciary component unit of The City and is composed of: (1) the New York City Retiree Health Benefits Trust (“RHBT”) which is used to receive, hold, and disburse assets accumulated to pay for some of the OPEB provided by The City to its retired employees, and (2) OPEB paid for directly by The City out of its general resources rather than through RHBT. RHBT was established for the exclusive benefit of The City’s retired employees and their eligible spouses and dependents, to fund some of the OPEB provided in accordance with The City’s various collective bargaining agreements and The City’s Administrative Code. Amounts contributed to RHBT by The City are held in an irrevocable trust and may not be used for any other purpose than to fund the costs of health and welfare benefits of its eligible participants. Consequently, the OPEB Plan is presented as an Other Employee Benefit Trust Fund in The City’s financial statements.

**Program Description** - Post-employment benefits other than pensions (OPEB) provided to eligible retirees of The City and their eligible beneficiaries and dependents (hereafter referred to collectively as “Retiree Participants”) include health insurance, Medicare Part B Premium reimbursements, and welfare fund contributions. OPEB are funded by the OPEB Plan, a single employer plan.

**Annual OPEB Cost and Net OPEB Obligations** - The City’s annual OPEB cost (expense) is calculated based on the Entry Age Normal Cost Method of the employer, an amount that is actuarially determined by using the Entry Age Actuarial Cost Method.

## Changes in Net OPEB Liability

The following table presents DOE's proportionate share of the net OPEB liability for the Fiscal Years ended June 30, (\$000 omitted):

	<u>2020</u>	<u>2019</u>
<b>Beginning balance at June 30,</b>	\$ 34,747,766	\$ 30,168,043
<b>Changes for the year:</b>		
Service cost	2,256,111	1,846,013
Interest	1,397,377	1,043,843
Difference between expected and actual experience	(2,480,729)	3,018,900
Change of assumption	1,068,950	(441,351)
Contribution - employer	(877,774)	(855,270)
Net investment income	(32,450)	(32,483)
Administrative expenses	-	15
Other changes	(621,393)	56
<b>Net changes</b>	<u>710,092</u>	<u>4,579,723</u>
<b>Net ending balance at June 30,</b>	<u>\$ 35,457,858</u>	<u>\$ 34,747,766</u>

### Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

a. 1% Decrease	\$ 55,302,010
b. 1% Increase	\$ 39,880,321

### Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

a. 1% Decrease	\$ 38,500,285
b. 1% Increase	\$ 57,445,535

DOE's proportionate share of OPEB Deferred Outflows of Resources and Deferred Inflows of Resources for the Fiscal Years ended June 30, were as follows (\$000 omitted):

	<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$ 3,506,898	\$ 2,147,871
Changes in assumptions	1,522,472	3,851,628
Net difference between projected and Actual Earning on OPEB Plan Investment	<u>90,167</u>	<u>-</u>
Total	<u>\$ 5,119,537</u>	<u>\$ 5,999,499</u>

	<u>2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$ 3,210,757	\$ 15,986
Changes in assumptions	574,085	3,718,431
Net difference between projected and Actual Earning on OPEB Plan Investment	<u>76,985</u>	<u>-</u>
Total	<u>\$ 3,861,827</u>	<u>\$ 3,734,417</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year ending June 30,</u>	<u>Amount</u>
2021	\$ (334,961)
2022	(346,470)
2023	(227,902)
2024	253,073
2025	(11,674)
Thereafter	(212,029)

**Funded Status and Funding Progress.** As of June 30, 2020, the most recent actuarial measurement date, the funded status was 3.4%. The total OPEB liability for benefits was \$113.3 billion, and the plan fiduciary net position was \$3.8 billion, resulting in a net OPEB liability of \$109.5 billion. The covered employee payroll (annual payroll of active employees covered) was \$28.2 billion, and the ratio of the net OPEB liability to the covered employee payroll was 388.1%. Actuarial valuations of an ongoing plan involve estimates of the value of reported and future amounts based on assumptions about the probability of the severity and occurrence of events far into the future. The determined actuarial valuations of OPEB incorporated the use of demographic and economic assumptions among others as reflected below. Amounts determined regarding the funded status and the annual expense of the City vary from year to year as actual results are compared with past expectations and new estimates are made about the future. The schedule of changes in the net OPEB liability and related ratios shown in the Required Supplementary Information (RSI) section immediately following the notes to financial statements, present GASB Statement No. 75 results of OPEB valuations for Fiscal Years 2020 and 2019.

**Actuarial Methods and Assumptions.** The actuarial assumptions used in the Fiscal Years 2020 and 2019 OPEB valuations are a combination of those used in the New York City Retirement Systems (NYCRS) pension valuations and those specific to the OPEB valuations. NYCRS consist of: (i) New York City Employees' Retirement System (NYCERS); (ii) New York City Teachers' Retirement System of The City of New York (TRS); (iii) New York City Board of Education Retirement System (BERS); (iv) New York City Police Pension Fund (POLICE); and (v) New York City Fire Pension Fund (FIRE). The OPEB valuations incorporate only the use of certain NYCRS demographic and economic assumptions. The assumptions used in the Fiscal Year 2020 OPEB valuation have not changed from the prior valuation, with the only exception being the discount rate. For Fiscal Year 2019, the Office of the Actuary (OA) conducted a full review of the actuarial assumptions and methods used to fund the NYCRS. These reviews led to formalized recommendations titled "Proposed Changes in Actuarial Assumptions and Methods Used in Determining Employer Contributions for Fiscal Years Beginning on and After July 1, 2018 for [NYCRS]," and were adopted by all five of the NYCRS Boards. These are available on the Reports page of the OA

website ([www.nyc.gov/actuary](http://www.nyc.gov/actuary)). Chapter 3 of the Laws of 2013 enacted those actuarial assumptions and methods that require New York State Legislation.

The OPEB-specific actuarial assumptions used in the Fiscal Year 2020 OPEB valuation of the Plan are as follows:

Valuation Date ..... June 30, 2019

Measurement Date..... June 30, 2020

Discount Rate ..... 2.68%<sup>(1)</sup> for benefits provided by the City, 2.66% for benefits provided by Component Units. Results as of the June 30, 2019 Measurement Date are presented at 2.82% for benefits provided by the City, and 2.79% for Component Units.

The projection of cash flows used to determine the discount rate assumed that the City will contribute at a rate equal to the pay-as-you-go amounts plus the average of contributions made over the most recent five-year period in excess of the pay-as-you-go amounts. The contributions apply first to service cost of future plan members based on projection of overall payroll at 3.0% and normal cost rate for Tier 6 members of each of the NYCRS. Remaining contributions are applied to the current and past service costs for current plan members.

Based on those assumptions, the City’s OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees until 2029. After that time, benefit payments will be funded on a pay-as-you go basis. The discount rate is the single equivalent rate which results in the same present value as discounting future benefit payments made from assets at the long-term expected rate of return and discounting future benefit payments funded on a pay-as-you-go basis at the Municipal Bond 20-year Index Rate. The long-term expected rate of return of 4.00%, net of expenses, includes an inflation rate of 2.50%.

Results for the OPEB plans for Component Units are presented using a discount rate of the Municipal Bond 20-year Index Rate, since there is no pre-funding assumed for these plans.

(1) As required under GASB 75, this is a weighted blend of the 4.00% return on assets for OPEB plan investments and the S&P Municipal Bond 20-Year High Grade Index yield as of June 30, 2020 of 2.66%.

Actuarial Cost Method ..... Entry Age Normal cost method, level percent of pay calculated on an individual basis.

Per-Capita Claims Costs..... EBCBS and GHI plans are insured via a Minimum Premium arrangement while the HIP and many of the other HMOs are

community rated. Costs reflect age-adjusted premiums for all plans.

Initial monthly premium rates used in valuation are shown below:

<b>Plan</b>	<b>Monthly Health Insurance Costs</b>
	<b>FY2020</b>
<b>HIP HMO</b>	
Non-Medicare Single	\$ 753.40
Non-Medicare Family	1,845.83
Medicare	174.52
<b>GHI/EBCBS</b>	
Non-Medicare Single	710.74
Non-Medicare Family	1,866.41
Medicare	188.20
<b>Others<sup>(1)</sup></b>	
Non-Medicare Single	1,102.40
Non-Medicare Family	2,521.20
Medicare Single	307.58
Medicare Family	607.20

1) Other HMO premiums represent the total premium for medical (not prescription drug) coverage, including retiree contributions

Additionally, the individual monthly rates at age 65 used in the valuation are shown below:

<b>Plan</b>	<b>Monthly Costs @Age 65 FY2020</b>
<b>HIPHMO</b>	
Non-Medicare	\$1,697.18
Medicare	\$ 174.52
<b>GHI/EBCBS</b>	
Non-Medicare	\$1,631.78
Medicare	\$ 185.90
Other HMOs	Varies by system

Welfare Funds..... The Welfare Fund contribution reported as of the valuation date, June 30, 2019, (including any reported retroactive amounts) was used as the per capita cost for valuation purposes.

The calculations reflect an additional one-time \$100 contribution for Fiscal Year 2019 in July 2018 and Fiscal Year 2020 in July 2019.

Reported annual contribution amounts for the last three years are shown in the Fiscal Year 2020 GASB 74/75 report in Section VII, Tables VII-H to VII-I. Welfare Fund rates are based on actual reported Union Welfare Fund code for current retirees. Weighted average annual contribution rates used for future retirees, based on Welfare Fund enrollment of recent retirees, are shown in the following table.

NYCERS	\$1,897
TRS	1,824
BERS	1,934

Medicare Part B Premiums.....	<u>Calendar Year</u>	<u>Monthly Premium</u>
	2013-15	\$104.90
	2016	109.97
	2017	113.63
	2018	125.85
	2019	134.43
	2020	143.21

Medicare Part B Premium reimbursement amounts have been updated to reflect actual premium rates announced for calendar years through 2020. Due to limited cost-of-living adjustment in Social Security benefits for Calendar Years 2018, 2019, and 2020, some Medicare Part B participants will not be charged the Medicare Part B premium originally projected or ultimately announced for those years. Thus, the valuation uses a blended estimate as a better representation of future Part B premium costs.

For the Fiscal Year 2020 OPEB valuation the annual premium used was \$1,665.84, which is equal to 12 times an average of the Calendar Year 2019 and 2020 monthly premiums shown.

For Calendar Year 2020, the monthly premium of \$143.21 was determined as follows:

- 3.5% of the basic \$104.90 monthly hold-harmless amount, assuming that there would be no claims made for the slight increase in Part B premiums for continuing retirees, and
- 96.5% of the announced premium of \$144.60 for Calendar Year 2020, representing the proportion of the Medicare population that will pay the announced amount.

The Calendar Year 2019 premium of \$134.43 was determined similarly, using 3.5% of the \$104.90 hold harmless and 96.5% of the \$135.50 rate that was in effect for Calendar Year 2019.

Overall Medicare Part B Premium amounts are assumed to increase by the following percentages to reflect the income related increases in Medicare Part B Premiums for high income individuals.

<b>Fiscal Year</b>	<b>Income-related Medicare Part B Increase</b>
2020	5.2
2021	5.3
2022	5.4
2023	5.5
2024	5.6
2025	5.8
2026	5.9
2027 and later	6.0

Medicare Part B Premium Reimbursement Assumption.....90% of Medicare participants are assumed to claim reimbursement; based on historical data.

Health Care Cost Trend Rate (“HCCTR”) .....No changes were made to the Medicare Part B premium Welfare Fund contributions, or medical trends for the Fiscal Year 2020 valuation.

<b>Year Ending</b>	<b>Pre-Medicare Plans</b>	<b>Medicare Plans</b>	<b>Medicare Part B Premium</b>	<b>Welfare Fund Contributions</b>
2020	7.00%	5.00%	5.74% <sup>(1)</sup>	3.50%
2021	6.75	4.90	5.00	3.50
2022	6.50	4.90	5.00	3.50
2023	6.25	4.80	5.00	3.50
2024	6.00	4.80	5.00	3.50
2025	5.75	4.70	5.00	3.50
2026	5.50	4.70	5.00	3.50
2027	5.25	4.60	5.00	3.50
2028	5.00	4.60	5.00	3.50
2029	4.75	4.50	5.00	3.50
2030 and later	4.50	4.50	5.00	3.50

(1) Medicare Part B premium trend reflects actual calendar year premium for the first 6 months of FY21 (July 2020 to December 2020) and 5.0% trend for the remaining 6 months.

Age- and Gender-Related Morbidity..... The premiums are age- and gender-adjusted for HIP, GHI/EBCBS, and Other HMO participants. The assumed relative costs of coverage are consistent with information presented in the 2013 study *Health Care Costs - From Birth to Death*, sponsored by the Society of Actuaries.

For non-Medicare costs, a sample of factors used is:

<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
20	0.170	0.225	45	0.355	0.495
25	0.146	0.301	50	0.463	0.576
30	0.181	0.428	55	0.608	0.671
35	0.227	0.466	60	0.783	0.783
40	0.286	0.467	64	0.957	0.917

Children costs assumed a factor of 0.229.

Medicare costs prior to age 65 assume an additional disability-related morbidity factor. A sample of factors used is:

<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
20	0.323	0.422	60	1.493	1.470
25	0.278	0.565	65	0.919	0.867
30	0.346	0.804	70	0.946	0.885
35	0.432	0.876	75	1.032	0.953
40	0.545	0.878	80	1.122	1.029
45	0.676	0.929	85	1.217	1.116
50	0.883	1.082	90	1.287	1.169
55	1.159	1.260	95	1.304	1.113
			99 +	1.281	0.978

The age adjustment for the non-Medicare GHI/EBCBS premium reflects a 4.0% reduction in the GHI portion of the monthly premium (with the GHI portion representing \$334.14 out of \$710.74 for single coverage, and \$887.27 out of \$1,866.41 for family coverage for Fiscal Year 2020 rates) and a 2.5% reduction in the EBCBS portion of the premium (with the EBCBS portion representing the remainder of the premiums) for the estimated margin anticipated to be returned.

Participation Rates..... Participation assumptions are based on recent experience.

Actual elections are used for current retirees. Some current retirees not eligible for Medicare are assumed to change elections upon attaining age 65 based on patterns of elections of Medicare-eligible retirees.

For current retirees who appear to be eligible for health coverage but have not made an election (non-filers), the valuation reflects single GHI/EBCBS coverage and Part B premium benefits only, to approximate the obligation if these individuals were to file for coverage. For future retirees, the portion assumed not to file for future benefits, and therefore valued similarly, are as follows.

NYCERS	10%
TRS	6%
BERS	12%

This non-filer group also include some participants who do not qualify for coverage because they were working less than 20 hours a week at termination.

Detailed assumptions for future Program retirees are presented below:

PLAN PARTICIPATION ASSUMPTIONS

<u>Benefits</u>			
<u>Pre-Medicare</u>	<u>NYCERS</u>	<u>TRS</u>	<u>BERS</u>
GHI/EBCBS	72%	80%	70%
HIP HMO	20	8	16
Other HMO	4	2	2
Waiver	4	10	12
<u>Medicare</u>			
GHI	72	90	78
HIP HMO	20	6	16
Other HMO	4	2	2
Waiver	4	2	4
<u>Post-Medicare Migration</u>			
Other HMO to GHI	—	—	—
HIP HMO to GHI	—	25	—
Pre-Med. Waiver	—	—	—
To GHI @ 65	—	40	67
To HIP @ 65	—	40	—

Dependent Coverage .....Noncontributory Basic Medical Coverage and Part B premium reimbursements for dependents are assumed to terminate when an employee or retiree dies, except for Line of Duty survivors.

Dependents .....Male retirees were assumed to be four years older than their wives, and female retirees were assumed to be two years younger than their husbands.

Child dependents of current retirees are assumed to receive coverage until age 26.

Children are assumed to be covered for eight years after retirement plus an additional five years for service retirements of NYCERS retirees who were eligible to retire based only on service and no minimum age.

Dependent allocation assumptions are shown below and are based on recent experience.

<b>Dependent Coverage Assumptions</b>			
<u>Group</u>	<u>NYCERS</u>	<u>TRS</u>	<u>BERS</u>
<u>Male</u>			
Single Coverage	35 %	50 %	45 %
Spouse	35	30	45
Child/No Spouse	5	5	2
Spouse and Child	<u>25</u>	<u>15</u>	<u>8</u>
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>
<u>Female</u>			
Single Coverage	70 %	60 %	60 %
Spouse	20	30	35
Child/No Spouse	5	5	2.5
Spouse and Child	<u>5</u>	<u>5</u>	<u>2.5</u>
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Demographic Assumption ..... The actuarial assumptions used in the Fiscal Year 2020 and the Fiscal Year 2019 OPEB valuations are a combination of those used in the NYCERS pension actuarial valuations and those specific to the OPEB valuations.

For Fiscal Year 2019, the OA conducted a full review of the actuarial assumptions and methods used to fund the NYCERS. These reviews led to formalized recommendations titled *Proposed Changes in Actuarial Assumptions and Methods Used in Determining Employer Contributions for Fiscal Years Beginning on and After July 1, 2018 for [NYCERS]*, and were adopted by all five of the NYCERS Boards. These are available on the Reports page of the OA website ([www.nyc.gov/actuary](http://www.nyc.gov/actuary)).

COBRA Benefits..... There is no cost to the City for COBRA beneficiaries who enroll in community-rated HMO's, including HIP, since these individuals pay their full community rate. However, there is a cost under the experience-rated GHI/EBCBS coverage.

The valuation assumes 15% of employees not eligible for OPEB elect COBRA coverage for 15 months based on experience of other large employers. A lump-sum COBRA cost of \$1,250 was assumed for terminations during Fiscal Year 2020. This amount is increased by the Pre-Medicare HCCTR for future years but is not adjusted for age-related morbidity.

Cadillac Tax ..... The Cadillac Tax was repealed in December 2019 and therefore is not included in the liabilities as of June 30, 2020.

Actives Off Payroll (AOP) Liabilities ..... 40% of the measured liability of the AOP population, which is roughly equivalent to assuming 60% of the AOP members, will terminate membership prior to vesting and not receive OPEB.

Stabilization Fund.....A 0.4% load is applied on all City GASB 75 obligations to reflect certain benefits paid on behalf of retirees directly from the Stabilization Fund which is unchanged from the Fiscal Year 2019 OPEB valuation based on recent data. The load is not applicable to Component Units. This amount is based on the historical five-year average allocation between active and retired participants in the Fiscal Years 2016 through 2020 Stabilization Fund benefits provided by OLR. The allocation takes into consideration retirees on average are older and have costlier medical benefits than actives, and also separates out Welfare Fund contribution reimbursements from other Stabilization Fund benefits.

Also, since Welfare Fund contributions reimbursed by the Stabilization Fund are considered a part of Welfare Fund benefits, they are not included in the determination of this load.

The separate annual financial statements of the OPEB Plan are available at the Office of the Comptroller, Bureau of Accountancy - Room 200 South, 1 Centre Street, New York, New York 10007, or on the website of the Comptroller.

#### **D. Pensions**

**Plan Description** - On behalf of the DOE, The City sponsors or participates in pension trusts providing benefits to its employees. Each of the trusts administers a qualified pension plan (“QPP”) and tax-deferred annuity programs (“TDA Programs”). The TDA Programs supplement the pension benefits provided by the QPP. The QPPs combine features of defined benefit pension plans with those of defined contribution pension plans. The QPP plan are considered defined benefit plans for financial reporting purposes. The TDA Programs are considered defined contribution plans for financial reporting purposes. A brief description of each of the NYCTRS’ and BERS’ contributions to the TDA program are made on a voluntary basis by certain members of the QPP. TDA Members who elect to participate in a fixed return fund investment program accounts are credited with the statutory annual rate of interest, currently 7% for members represented by the United Federation of Teachers and 8.25% for all other members. Members can also elect to participate in a variable return fund program.

The majority of the DOE’s employees are members of one of the following two major pension systems:

1. New York City Teachers’ Retirement System of The City of New York (“TRS”) administers the TRS QPP and the TRS TDA Program. The TRS QPP is a cost-sharing, multiple-employer pension plan for pedagogical employees in the public schools of The City and certain Charter Schools and certain other specified school and CUNY employees. The TRS TDA Program was established and is administered pursuant to Internal Revenue Code Section 403(b) and Chapter 4 of Title 13 of ACNY. The TRS TDA Program provides a means of deferring income tax payments on members’ voluntary pre-tax contributions and earnings thereon until the periods after retirement or upon withdrawal of contributions. Members of the TRS QPP have the option to participate in the TRS TDA Program.

2. New York City BERS administers the BERS QPP and the BERS TDA Program. The BERS QPP is a cost-sharing, multiple-employer pension plan for non-pedagogical employees of the Department of Education and certain Charter Schools and certain employees of the School Construction Authority. The BERS TDA Program was established and is administered pursuant to Internal Revenue Code Section 403(b), the New York State Education law and the BERS rules and regulations. The BERS TDA Program provides a means of deferring income tax payments on members' voluntary pre-tax contributions and earnings thereon until the periods after retirement or upon withdrawal of contributions. Members of the BERS QPP have the option to participate in the BERS TDA Program.

TRS and BERS publish separate annual financial statements that may be obtained from the Office of the Comptroller, Bureau of Accountancy, Pension Accounting Division - Room 200 South, 1 Centre Street, New York, New York 10007 and at their websites.

**Qualified Pension Plan Programs** - Statutory Contributions for the TRS and BERS, determined by the Actuary in accordance with State statutes and City laws, are generally funded by the employers within the appropriate Fiscal Year. The Statutory Contributions are determined under the One-Year Lag Methodology ("OYLM"). Under OYLM, the actuarial valuation date is used for calculating the Employer Contributions for the second following Fiscal Year. For example, the June 30, 2018 actuarial valuation was used for determining the Fiscal Year 2020 Statutory Contributions. Statutory Contributions are determined annually to be an amount that, together with member contributions and investment income, provides for QPP assets to be sufficient to pay benefits when due. The aggregate Statutory Contributions due to each QPP from participating employers for Fiscal Years 2020 and 2019 and the amount of The City's contribution to each QPP for such Fiscal Years are as follows (\$000 omitted):

<b>Annual Pension Costs</b>	<b>Aggregate Statutory Contribution 2020</b>	<b>Aggregate Statutory Contribution 2019</b>	<b>Aggregate Statutory Contribution 2018</b>
TRS	\$ 3,441	\$ 3,548	\$ 3,734
BERS	<u>246</u>	<u>258</u>	<u>305</u>
Total	<u>\$ 3,687</u>	<u>\$ 3,806</u>	<u>\$ 4,039</u>

Member contributions are established by law and vary by QPP. In general, Tier I and Tier II member contribution rates are dependent upon the employee's age at membership and retirement plan election. In general, Tier III and Tier IV members make basic contributions of 3.0% of salary regardless of age at membership. Effective October 1, 2000, in accordance with Chapter 126 of the Laws of 2000, these members, except for certain Transit Authority employees, are not required to make basic contributions after the tenth anniversary of their membership date or completion of ten years of credited service, whichever is earlier. Effective December 2000, certain Transit Authority Tier III and Tier IV members make basic member contributions of 2.0% of salary in accordance with Chapter 10 of the Laws of 2000. Certain members of the TRS QPP and BERS QPP also make additional member contributions. Tier VI members contribute 3.0% and 6.0% of salary, depending on salary level.

**Tax-deferred Annuity Programs** - Benefits provided under the TRS and BERS TDA Programs are derived from members' accumulated contributions. A participant may withdraw all or part of the balance of his or her account at the time of retirement or termination of employment. Beginning January 1, 1989, the tax laws restricted withdrawals of tax-deferred annuity contributions and accumulated earnings thereon for reasons other than retirement or termination. Contributions made after December 31, 1988 and investment earnings credited after December 31, 1988 may only be withdrawn upon attainment of age 59-1/2 or for reasons of hardship (as defined by Internal Revenue Service regulations). Hardship withdrawals are limited to contributions only.

Contributions to the TDA Programs are made by the members only and are voluntary. Active members of the respective QPP are required to submit a salary reduction agreement and an enrollment request to make contributions. A participant may elect to exclude an amount (within the maximum allowed by the Internal Revenue Service) of his or her compensation from current taxable income by contributing it to the TDA Programs. This maximum is determined annually by the IRS for each calendar year. Additionally, members can elect either a fixed or variable investment program for investment of their contributions. No employer contributions are made to the TDA Programs. However, the TDA Programs offer the fixed return investment option as discussed above which could increase The City's contribution to the respective QPPs.

**Changes in Net Pension Liability - TRS and BERS QPPs** - Net Changes in the DOE's net pension liability for the TRS and BERS QPPs for the Fiscal Years ended June 30, 2020 and 2019 were as follows (\$000 omitted):

	TRS - Net Pension Liability		BERS - Net Pension Liability	
	2020	2019	2020	2019
<b>Balance at June 30,</b>	\$ 14,737,303	\$ 17,964,681	\$ 262,303	\$ 479,814
Service cost	1,491,042	1,622,940	159,112	161,170
Interest	4,637,529	4,716,347	352,872	350,156
Difference between expected and actual experience	(32,896)	(1,140,325)	(44,430)	145,540
Change of assumption	-	(793,903)	-	(300,819)
Contribution - employer	(3,441,460)	(3,547,598)	(245,646)	(257,906)
Contribution - other employer	(59,180)	(59,992)	-	-
Contribution - employees	(217,481)	(208,445)	(47,475)	(44,289)
Net investment income	(3,748,499)	(5,490,568)	(348,925)	(389,176)
Payment of interest on TDA fixed funds	1,769,380	1,647,445	148,578	135,530
Administrative expenses	61,848	61,698	21,184	16,602
Other changes	(38,195)	(27,515)	7,608	(34,074)
Net changes	<u>422,088</u>	<u>(3,219,516)</u>	<u>2,878</u>	<u>(217,266)</u>
Subtotal at June 30	<u>15,159,391</u>	<u>14,745,166</u>	<u>265,181</u>	<u>262,548</u>
Change in proportionate share	<u>(19,431)</u>	<u>(7,862)</u>	<u>(696)</u>	<u>(245)</u>
<b>Net balance at June 30</b>	<u>\$ 15,139,960</u>	<u>\$ 14,737,303</u>	<u>\$ 264,485</u>	<u>\$ 262,303</u>

**DOE's Proportion of Net Pension Liability - TRS and BERS QPPs** - The following table presents the DOE's proportionate share of the net pension liability of the TRS and BERS QPPs at June 30, 2020 and 2019 and the proportion percentage of the aggregate net pension liability of each QPP allocated to the DOE (\$000 omitted):

	June 30, 2020		June 30, 2019	
	TRS	BERS	TRS	BERS
DOE's proportion of the net pension liability	95.8%	95.4%	96.0%	95.7%
DOE's proportionate share of the net pension liability	\$ 15,139,960	\$ 264,485	\$ 14,737,303	\$ 262,303

The DOE's proportion of the respective QPP's net pension liability was based on actual required contributions of each of the participating employers for the Fiscal Year.

Deferred inflows of resources by source reported by the DOE at June 30, 2020 and 2019 for each QPP were as follows (\$000 omitted):

	2020		2019	
	TRS	BERS	TRS	BERS
Difference between Expected and Actual Experience	\$ 2,197,824	\$ 112,585	\$ 2,591,511	\$ 103,605
Change of Assumptions	591,070	198,663	4,367,233	447,634
Net difference between projected and Actual Earning on Pension Plan Investment	3,128,225	290,767	692,677	250,005
Change in Proportion and Differences between Employer Contribution and Porportion Share of Contribution	3,108	(910)	6,211	(1,260)
Deferred inflows of Resources	\$ 5,920,227	\$ 601,105	\$ 7,657,632	\$ 799,984

Deferred outflows of resources by source reported by the DOE at June 30, 2020 and 2019 for each QPP were as follows (\$000 omitted):

	2020		2019	
	TRS	BERS	TRS	BERS
Difference between Expected and Actual Experience	\$ 429,471	\$ 100,420	\$ 564,425	\$ 128,960
Changes in Proportion and Differences Between Employer Contribution and Proportionate Share of Contributions	(55,991)	(5,768)	(27,693)	(7,835)
Deferred outflows of Resources	<u>\$ 373,480</u>	<u>\$ 94,652</u>	<u>\$ 536,732</u>	<u>\$ 121,125</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2020 will be recognized as pension expenses as follows (\$000 omitted):

Year ending June 30:	TRS	BERS
2021	\$ (2,261,732)	\$ (262,064)
2022	(1,342,967)	(140,314)
2023	(840,756)	(81,586)
2024	(556,811)	(38,959)
2025	(492,207)	(2,884)
Thereafter	(231,343)	-
Total	<u>\$ (5,725,816)</u>	<u>\$ (525,807)</u>

**Pension Expense, Employer Contribution, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension** - The DOE's pension expense, employer contribution, deferred outflows, and deferred inflows related to pensions and net pension liabilities recognized by the DOE for the fiscal years ended June 30, 2020 and 2019 were as follows (\$000 omitted):

	<b>2020</b>		
	<b>TRS</b>	<b>BERS</b>	<b>Total</b>
Net pension liability at June 30, 2019	\$ 14,737,303	\$ 262,303	\$ 14,999,606
Employer contribution	(3,441,460)	(245,646)	\$ (3,687,106)
Other employer contribution	(59,180)	-	(59,180)
Pension expense	2,329,143	75,423	2,404,566
Deferred outflows of resources (net)	(163,251)	(26,473)	(189,724)
Deferred inflows from pension (net)	<u>1,737,405</u>	<u>198,878</u>	<u>1,936,283</u>
Net pension liability at June 30, 2020	<u>\$ 15,139,960</u>	<u>\$ 264,485</u>	<u>\$ 15,404,445</u>
	<b>2019</b>		
	<b>TRS</b>	<b>BERS</b>	<b>Total</b>
Net pension liability at June 30, 2018	\$ 17,964,681	\$ 479,814	\$ 18,444,495
Employer contribution	(3,547,598)	(257,905)	(3,805,503)
Other employer contribution	(59,992)	-	(59,992)
Pension expense	3,471,635	63,240	3,534,875
Deferred outflows of resources (net)	(897,562)	110,337	(787,225)
Deferred inflows from pension (net)	<u>(2,193,861)</u>	<u>(133,183)</u>	<u>(2,327,044)</u>
Net pension liability at June 30, 2019	<u>\$ 14,737,303</u>	<u>\$ 262,303</u>	<u>\$ 14,999,606</u>

## **E. Contingencies**

As explained in Note 1A, the DOE is fiscally dependent upon The City. Accordingly, the DOE's liability for loss contingencies is limited to the extent that spending authority has been appropriated by The City. Such liability, including but not limited to property damage, personal injury and grant disallowances, is assumed by and charged to budget appropriations of The City. A description of material contingencies follows:

### **1. Judgments and Claims**

The City is a defendant in lawsuits pertaining to material matters, including claims asserted which are incidental to performing routine governmental and other functions. This litigation includes, but is not limited to: actions commenced and claims asserted against the City arising out of alleged constitutional violations; torts; breaches of contract; other violations of law; and condemnation proceedings.

The estimate of the liability for all judgments and claims has been reported in the Department-wide *Statement of Net Position* under current and noncurrent liabilities. The liability was estimated by using the probable exposure information provided by the New York City Law Department (Law Department), and supplemented by information provided by the Law Department with respect to certain large individual claims and proceedings. The recorded liability is the City's best estimate based on available information and application of the foregoing procedures.

In 1996, a class action was brought against the City Board of Education and the State under Title VII alleging that the use by the Board of Education of two teacher certification examinations mandated by the State had a disparate impact on minority candidates. In 2006, the United States Court of Appeals for the Second Circuit dismissed the claims against the State. In December 2012, the District Court decided a controlling legal question against the City. On February 4, 2013, the Second Circuit affirmed the District Court's decision. The District Court has appointed a Special Master to oversee claimants' individualized hearings both as to damages and eligibility for Board of Education employment. The hearings relate to members of the class that took the Liberal Arts and Science Test ("LAST") from 1996 to 2004. Currently, approximately 4,000 such individuals have submitted claim forms and may be eligible for damages. On June 5, 2015, the Court ruled that a second version of LAST, LAST-2, that was administered from 2004 to 2014, violated Title VII because it did not measure skills necessary to do the job. Currently, up to 700 potential LAST-2 class members have submitted claim forms and may be eligible for damages. In August 2015, the Court found that the State's new teacher certification test, the Academic Literacy Skills Test (ALST), administered since Spring 2014, was not discriminatory and evaluated skills necessary to do the job. Hearings to determine each claimant's damages are ongoing. While some final judgments have been entered, it is too early to permit an accurate estimation of the ultimate potential cost to the City.

On December 21, 2015, the United States Attorney for the Southern District of New York ("USAO-SDNY") sent a findings letter to the DOE indicating various areas in which he alleged that the City elementary schools were not accessible to students with disabilities in violation of the Americans with Disabilities Act of 1990. The City and USAO-SDNY are currently in discussion as to the matters raised in the letter. While the City has an ongoing program to make smaller schools accessible, an acceleration of alterations to City elementary schools to address concerns raised in the findings letter could result in a substantial acceleration of compliance costs to the City but not damages.

## ***2. Other Contingencies***

The DOE has no authority to issue debt obligations. The City issues all debt obligations necessary for educational purposes, principally capital projects. The State Finance Law provides that if The City should default on the payments of principal or interest on bonds or notes issued for school purposes, State aid for education must be withheld by the State and applied to cure such default.

## ***3. Economic Factors and COVID-19***

The outbreak of novel coronavirus disease first identified in 2019 (COVID-19), referred to herein as "COVID-19," has been declared a pandemic by the World Health Organization. The Governor declared a state of emergency in the State on March 7, 2020 and the Mayor declared a state of emergency in the City on March 12, 2020, each of which is still in effect. On March 20, 2020, the Governor ordered the shut-down of all non-essential businesses and mandated that all employees, other than essential workers, remain at home. During the worst three weeks of the pandemic, March 22 to April 11, 2020, the City averaged over 33,000 new cases and 2,500 deaths each week. By September 1, 2020, the City had experienced a total of more than 230,000 COVID-19 cases and suffered more than 23,000 deaths, including those that were both confirmed and probably related to COVID-19, representing approximately 4% of COVID-19 cases in the U.S., 13% of deaths in the U.S., and 3% of deaths globally.

In addition, as a result of the Governor's Executive Order No. 202.4 signed March 16, 2020 which ordered school closures due to the pandemic, the City implemented remote learning for all students from kindergarten to grade 12. To ensure that the City was able to meet the demands that come with remote learning, the Comptroller's Bureau of Accountancy issued Comptroller's Memorandum (CM) #20-01, which amended Comptroller's Internal Control and Accountability Directive #10—Charges to the Capital Projects Fund (Directive #10). Directive #10, § 7.2—Computer Hardware, Software, Networks, and Systems—Eligible Costs includes an eligibility criteria requiring laptops, notebook computers, tablets and other similar products to not leave the building where they are housed. CM #20-01 amends this criteria to allow for remote learning during the state of emergency.

The ultimate impact of the COVID-19 pandemic on the DOE's operations cannot be determined at this time.

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ANNUAL FINANCIAL STATEMENTS  
Department of Education of The City of New York  
For the Fiscal Years Ended June 30, 2020 and 2019

Required Supplementary Information

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Schedule of the Net OPEB Liability (Unaudited)  
(\$000 Omitted):

	<u>2020</u>	<u>2019</u>
<b>Total OPEB Liability</b>		
Service Cost	\$ 2,256,111	\$ 1,846,013
Interest	1,397,377	1,043,843
Differences between Expected and Actual Experience	(2,480,729)	3,048,900
Changes in Assumptions	1,068,950	(364,747)
Benefit Payments	(1,284,893)	(915,493)
Other Changes	(621,468)	-
<b>Net Changes in Total OPEB Liability</b>	<b>\$ 335,348</b>	<b>\$ 4,628,516</b>
<b>Total OPEB Liability - Beginning</b>	<b>\$ 36,256,669</b>	<b>\$ 31,628,153</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 36,592,017</b>	<b>\$ 36,256,669</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 877,774	\$ 855,270
Net Investment Income	32,450	32,483
Benefit Payments	(1,284,893)	(915,493)
Administrative Expenses	-	(15)
Other Changes	(75)	(55)
<b>Net Changes in Plan Fiduciary Net Position</b>	<b>\$ (374,744)</b>	<b>\$ (27,810)</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>\$ 1,508,903</b>	<b>\$ 1,460,110</b>
<b>Plan Fiduciary Net Position - Ending</b>	<b>\$ 1,134,159</b>	<b>\$ 1,508,903</b>
<b>Net OPEB Liability</b>	<b>\$ 35,457,858</b>	<b>\$ 34,747,766</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	<b>3.1%</b>	<b>4.2%</b>
<b>Covered Employee Payroll</b>	<b>\$ 12,022,130</b>	<b>\$ 8,951,220</b>
<b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	<b>294.9%</b>	<b>388.2%</b>

**DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK**

**Schedule of DOE's Proportional Share of the Net Pension Liabilities of Cost-Sharing Multiple Employer Pension Plans (Unaudited)  
(\$000 Omitted):**

	TRS		BERS	
	2020	2019	2020	2019
DOE's proportion of the net pension liability	95.8%	96.0%	95.4%	95.7%
DOE's proportionate share of the net pension liability	\$ 15,139,960	\$ 14,737,303	\$ 264,485	\$ 262,303
DOE's covered-employee payroll	10,573	9,985	1,353	1,209
DOE's proportionate share of the net pension liability as a percentage of its covered-employee payroll	32.9%	35.5%	20.5%	21.7%
Plan fiduciary net position as percentage of the total pension liability	79.0%	79.1%	94.9%	94.8%

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## Schedule of DOE Contributions for TRS and BERS Pension Plans for Years Ended June 30

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited), Continued

(\$000 omitted)	2020	2019	2018	2017	2016	2015	2014	2013	2012 *	2011 *
<b>TRS</b>										
Contractually required contribution	\$ 3,441,460	\$ 3,547,598	\$ 3,734,445	\$ 3,757,321	\$ 3,555,210	\$ 3,150,518	\$ 2,889,355	\$ 2,783,893	\$ 2,673,078	\$ 2,468,973
Contributions in relation to the contractually required contribution	\$ 3,441,460	\$ 3,547,598	\$ 3,734,445	\$ 3,757,321	\$ 3,555,210	\$ 3,150,518	\$ 2,889,355	\$ 2,783,893	\$ 2,673,078	\$ 2,468,973
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
Covered-employee payroll	\$ 10,572,449	\$ 9,984,796	\$ 8,853,962	\$ 8,525,820	\$ 7,951,697	\$ 7,779,802	\$ 7,687,791	\$ 7,618,059	\$ 7,920,935	\$ 7,935,248
Contributions as a percentage of covered-employee payroll	32.99%	35.56%	42.18%	44.07%	44.22%	40.50%	37.58%	36.54%	33.75%	31.11%
<b>BERS</b>										
Contractually required contribution	\$ 245,647	\$ 257,905	\$ 304,937	\$ 274,603	\$ 257,056	\$ 249,253	\$ 205,928	\$ 197,609	\$ 213,651	\$ 180,191
Contributions in relation to the contractually required contribution	\$ 245,647	\$ 257,905	\$ 304,937	\$ 274,603	\$ 257,056	\$ 249,253	\$ 205,928	\$ 197,609	\$ 213,651	\$ 180,191
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
Covered-employee payroll	\$ 1,352,676	\$ 1,209,119	\$ 1,054,562	\$ 1,002,249	\$ 975,460	\$ 976,861	\$ 939,439	\$ 837,793	\$ 879,476	\$ 880,656
Contributions as a percentage of covered-employee payroll	18.16%	21.34%	28.92%	27.40%	25.51%	25.52%	21.92%	23.59%	24.29%	20.46%

\*For Fiscal Years 2012 and 2011 reported contributions and covered payroll amounts are those of each retirement system as a whole ( i.e. the sum for all participating employers) City-only covered payroll is not readily available for years prior to 2013, and due to methodological changes during the periods 2005 through

## REQUIRED SUPPLEMENTARY INFORMATION (Unaudited), Continued

### Notes to Schedule C:

The above actuarially determined and contractually required contributions were developed using a One-Year Lag Methodology, under which the actuarial valuation determines the employer contribution for the second following fiscal year (e.g. Fiscal Year 2021 contributions were determined using an actuarial valuation as of June 30, 2019). The methods and assumptions used to determine the actuarially determined and contractually required contributions are as follows:

Fiscal Year	2021	2020	2019	2018	2017
Valuation Dates	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
	(Lag)	(Lag)	(Lag)	(Lag)	(Lag)
Actuarial cost method <sup>1</sup>	Entry Age				
Amortization method for Unfunded					
Initial 2010 UAL	Increasing Dollar Payments				
Post-2010 UALs	Level Dollar Payments				
Remaining amortization period:					
Initial 2010 UAL	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)	16 Years (Closed)	17 Years (Closed)
2010 ERI	0 Year (Closed)	0 Year (Closed)	0 Year (Closed)	0 Year (Closed)	1 Year (Closed)
2011 (G)/L	7 Years (Closed)	8 Years (Closed)	9 Years (Closed)	10 Years (Closed)	11 Years (Closed)
2012 (G)/L	8 Years (Closed)	9 Years (Closed)	10 Years (Closed)	11 Years (Closed)	12 Years (Closed)
2013 (G)/L	9 Years (Closed)	10 Years (Closed)	11 Years (Closed)	12 Years (Closed)	13 Years (Closed)
2013 Transit Refunds	0 Years (Closed)	0 Years (Closed)	1 Years (Closed)	2 Years (Closed)	3 Years (Closed)
2014 (G)/L	10 Years (Closed)	11 Years (Closed)	12 Years (Closed)	13 Years (Closed)	14 Years (Closed)
2014 Assumption Change	15 Years (Closed)	16 Years (Closed)	17 Years (Closed)	18 Years (Closed)	19 Years (Closed)
2015 (G)/L	11 Years (Closed)	12 Years (Closed)	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)
2016 (G)/L	12 Years (Closed)	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)	NA
2017 (G)/L	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)	NA	NA
2017 Assumption Change	18 Years (Closed)	19 Years (Closed)	20 Years (Closed)	NA	NA
2017 Method Change	18 Years (Closed)	19 Years (Closed)	20 Years (Closed)	NA	NA
2018 (G)/L	14 Years (Closed)	15 Years (Closed)	NA	NA	NA
2019 (G)/L	15 Years (Closed)	NA	NA	NA	NA
Actuarial Asset:					
Valuation Method <sup>2</sup>	6-year moving average of Market Value				
Actuarial assumptions:					
Assumed rate of return	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)
Post-retirement mortality	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2016	Tables adopted by Board of Trustees during Fiscal Year 2016

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**REQUIRED SUPPLEMENTARY INFORMATION (Unaudited), Continued**

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**Notes to Schedule C: (Unaudited)**

Fiscal Year	2021	2020	2019	2018	2017
Active service: withdrawal, death disability, service retirement	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012
Salary Increases <sup>3</sup>	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year
Cost-of-Living Adjustments <sup>3</sup>	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited), Continued

Notes to Schedule C:

The above actuarially determined and contractually required contributions were developed using a One-Year Lag Methodology, under which the actuarial valuation determines the employer contribution for the second following fiscal year (e.g. Fiscal Year 2021 contributions were determined using an actuarial valuation as of June 30, 2019). The methods and assumptions used to determine the actuarially determined and contractually required contributions are as follows:

<u>Fiscal Year</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Valuation Dates	June 30, 2014 (Lag)	June 30, 2013 (Lag)	June 30, 2012 (Lag)	June 30, 2011 (Lag)	June 30, 2010 (Lag)
Actuarial cost method <sup>1</sup>	Entry Age				
Amortization method for Unfunded Initial 2010 UAL	Increasing Dollar Payments				
Post-2010 UALs	Level Dollar Payments.				
Remaining amortization period:					
Initial 2010 UAL	18 Years (Closed)	19 Years (Closed)	20 Years (Closed)	21 Years (Closed)	22 Years (Closed)
2010 ERI	2 Years (Closed)	3 Years (Closed)	4 Years (Closed)	5 Years (Closed)	NA
2011 (G)/L	12 Years (Closed)	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)	NA
2012 (G)/L	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)	NA	NA
2013 (G)/L	14 Years (Closed)	15 Years (Closed)	NA	NA	NA
2013 Transit Refunds	4 Years (Closed)	5 Years (Closed)	NA	NA	NA
2014 (G)/L	15 Years (Closed)	NA	NA	NA	NA
2014 Assumption Change	20 Years (Closed)	NA	NA	NA	NA
2015 (G)/L	NA	NA	NA	NA	NA
2016 (G)/L	NA	NA	NA	NA	NA
2017 (G)/L	NA	NA	NA	NA	NA
2017 Assumption Change	NA	NA	NA	NA	NA
2017 Method Change	NA	NA	NA	NA	NA
2018 (G)/L	NA	NA	NA	NA	NA
2019 (G)/L	NA	NA	NA	NA	NA
Actuarial Asset:					
Valuation Method <sup>2</sup>	6-year moving average of Market Value				
Actuarial assumptions:					
Assumed rate of return	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)
Post-retirement mortality	Tables adopted by Board of Trustees during Fiscal Year 2016	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited), Continued

Notes to Schedule C: (Unaudited)

Fiscal Year	2016	2015	2014	2013	2012
Active service: withdrawal, death disability, service retirement	Tables adopted by Board of Trustees during Fiscal Year 2016	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Boards of Trustees during Fiscal Year 2012.	Tables adopted by Boards of Trustees during Fiscal Year 2012.	Tables adopted by Boards of Trustees during Fiscal Year 2012.
Salary Increases <sup>3</sup>	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year
Cost-of-Living Adjustments <sup>3</sup>	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation

- Beginning with the June 30, 2010 (Lag) actuarial valuation under the 2012 A&M, the Entry Age Actuarial Cost Method (EAN) of funding is utilized by the Actuary to calculate the contributions required of the Employer. Under this method, the Actuarial Present Value (APV) of Benefits (APVB) of each individual included in the actuarial valuation is allocated on a level basis over the earnings (or service) of the individual between entry age and assumed exit ages. The employer portion of this APV allocated to a valuation year is the Normal Cost. The portion of this APV not provided for at a valuation date by the APV of Future Normal Costs or future member contributions is the Accrued Liability (AL). The excess, if any, of the AL over the Actuarial Value of Assets (AVA) is the Unfunded Accrued Liability (UAL). Under this method, actuarial gains (losses), as they occur, reduce (increase) the UAL and are explicitly identified and amortized. Increases (decreases) in obligations due to benefit changes, actuarial assumption changes and/or actuarial method changes are also explicitly identified and amortized.
- Market Value Restart as of June 30, 2011. The June 30, 2010 AVA is derived as equal to the June 30, 2011 Market Value of Assets, discounted by the Actuarial Interest Rate assumption (adjusted for cash flow) to June 30, 2010. Beginning with June 30, 2014, the AVA is constrained to be no more than 20% from the Market Value of Assets.
- Developed assuming a long-term Consumer Price Inflation assumption of 2.5% per year.

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# ANNUAL FINANCIAL STATEMENTS

Department of Education of The City of New York

For the Fiscal Years Ended June 30, 2020 and 2019

## Supplemental Schedules

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The General Fund is the general operating fund of DOE that is used to account for all of the financial resources, except those required to be accounted for in another fund. The Schedule of Aged Receivables includes Federal, State and Non-Governmental Grants and other aid from Fiscal Year 2017 through Fiscal Year 2020, as of June 30, 2020. The Schedule of Budget and Actual Expenditures reflects the final modified budget as approved by The City. This budget is modified throughout the year, and then a final modification is submitted by DOE at year-end to distribute surplus balances and to provide additional funding to categories with expenses that are projected to be in excess of budget appropriations.

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**DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK**

**General Fund**

**Schedule of Aged Receivables as of June 30, 2020  
With Comparative Totals to June 30, 2019**

(\$000 Omitted)

<u>BFY</u>	<u>Federal Categorical Grants</u>	<u>State Aid and Categorical Grants</u>	<u>Non- Governmenta l Grants</u>	<u>Total Receivables as of June 30, 2020</u>	<u>Total Receivables as of June 30, 2019</u>
FISCAL YEAR 2020	\$ 589,103	\$ 2,034,133	\$ 85,542	\$ 2,708,778	\$ -
FISCAL YEAR 2019	18,742	386,966	-	405,708	2,485,413
FISCAL YEAR 2018	-	7,163	-	7,163	338,937
FISCAL YEAR 2017	-	-	-	-	4,670
TOTAL RECEIVABLES	<u>\$ 607,845</u>	<u>\$ 2,428,262</u>	<u>\$ 85,542</u>	<u>\$ 3,121,649</u>	<u>\$ 2,829,020</u>

**DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK**

**General Fund**

**Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2020**

**(\$000 Omitted):**

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
GENERAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:			
401 Salaries	\$ 7,092,769	\$ 7,086,731	\$ 6,038
402 Supplies	142,876	125,508	17,368
402 Furniture and equipment	24,564	51,701	(27,137)
402 Textbooks	98,174	54,355	43,819
402 Contractual services	486,978	540,581	(53,603)
Total	<u>7,845,361</u>	<u>7,858,876</u>	<u>(13,515)</u>
SPECIAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:			
403 Salaries	2,158,598	2,158,335	263
404 Supplies	3,271	2,105	1,166
404 Furniture and equipment	706	1,463	(757)
404 Textbooks	347	-	347
404 Contractual services	1,327	1,809	(482)
Total	<u>2,164,249</u>	<u>2,163,712</u>	<u>537</u>
CHARTER SCHOOLS:			
406 Supplies	1,960	2,111	(151)
406 Textbooks	8,437	7,496	941
406 Contractual services	2,403,330	2,403,330	-
Total	<u>2,413,727</u>	<u>2,412,937</u>	<u>790</u>
UNIVERSAL PRE-K:			
407 Salaries	605,215	666,931	(61,716)
408 Supplies	14,848	10,682	4,166
408 Furniture and equipment	8,527	2,140	6,387
408 Textbooks	314	787	(473)
408 Contractual services	437,545	391,997	45,548
Total	<u>1,066,449</u>	<u>1,072,537</u>	<u>(6,088)</u>
EARLY CHILDHOOD PROGRAMS:			
409 Salaries	92,484	81,765	10,719
410 Supplies	10,805	3,898	6,907
410 Furniture and equipment	81	1,183	(1,102)
410 Textbooks	54	778	(724)
410 Contractual services	486,765	505,592	(18,827)
Total	<u>590,189</u>	<u>593,216</u>	<u>(3,027)</u>

(Continued)

**DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK**

**General Fund**

**Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2020**

**(\$000 Omitted):**

	<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
SCHOOL SUPPORT				
ORGANIZATION:				
415	Salaries	\$ 330,976	\$ 330,531	\$ 445
416	Supplies	3,819	3,006	813
416	Furniture and equipment	1,279	1,011	268
416	Textbooks	370	745	(375)
416	Contractual services	<u>27,866</u>	<u>26,309</u>	<u>1,557</u>
	Total	<u>364,310</u>	<u>361,602</u>	<u>2,708</u>
CITYWIDE EDUCATION				
INSTRUCTION AND				
SCHOOL LEADERSHIP:				
421	Salaries	1,298,418	1,345,514	(47,096)
422	Supplies	8,007	6,238	1,769
422	Furniture and equipment	6,239	3,457	2,782
422	Textbooks	1,186	466	720
422	Contractual services	<u>8,180</u>	<u>6,495</u>	<u>1,685</u>
	Total	<u>1,322,030</u>	<u>1,362,170</u>	<u>(40,140)</u>
SPECIAL EDUCATION				
INSTRUCTIONAL SUPPORT:				
423	Salaries	388,248	388,038	210
424	Supplies	618	2,061	(1,443)
424	Furniture and equipment	11,467	1,461	10,006
424	Textbooks	-	-	-
424	Contractual services	<u>240,483</u>	<u>288,483</u>	<u>(48,000)</u>
	Total	<u>640,816</u>	<u>680,043</u>	<u>(39,227)</u>
SCHOOL FACILITIES:				
435	Salaries	195,284	184,491	10,793
436	Supplies	72,129	79,062	(6,933)
436	Furniture and equipment	398	3,627	(3,229)
436	Contractual services	896,516	856,629	39,887
436	Judgments and claims	-	-	-
436	Pollution remediation	<u>93,623</u>	<u>93,623</u>	<u>-</u>
	Total	<u>1,257,950</u>	<u>1,217,432</u>	<u>40,518</u>

(Continued)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

**General Fund**

**Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2020**

**(\$000 Omitted):**

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
PUPIL TRANSPORTATION:			
438 Supplies	\$ 3,039	\$ 856	\$ 2,183
438 Equipment	2,891	11	2,880
438 Contractual services	8,986	8,863	123
438 Judgments and claims	-	-	-
438 Pupil transportation	<u>1,237,805</u>	<u>1,242,852</u>	<u>(5,047)</u>
Total	<u>1,252,721</u>	<u>1,252,582</u>	<u>139</u>
SCHOOL FOOD SERVICES:			
439 Salaries	249,223	245,472	3,751
440 Supplies	18,308	19,763	(1,455)
440 Food purchases	189,386	212,214	(22,828)
440 Furniture and equipment	4,551	6,017	(1,466)
440 Contractual services	<u>17,670</u>	<u>24,503</u>	<u>(6,833)</u>
	<u>479,138</u>	<u>507,969</u>	<u>(28,831)</u>
442 SCHOOL SAFETY	<u>403,507</u>	<u>395,184</u>	<u>8,323</u>
444 ENERGY AND LEASES	<u>582,464</u>	<u>576,478</u>	<u>5,986</u>
CENTRAL ADMINISTRATION:			
453 Salaries	234,428	246,903	(12,475)
454 Supplies	27,379	27,134	245
454 Furniture and equipment	3,651	5,307	(1,656)
454 Judgments and claims	448	170	278
454 Contractual services	121,793	126,562	(4,769)
454 Fixed charges	<u>46</u>	<u>602</u>	<u>(556)</u>
Total	<u>387,745</u>	<u>406,678</u>	<u>(18,933)</u>
461 FRINGE BENEFITS:	<u>3,733,798</u>	<u>3,696,039</u>	<u>37,759</u>
470 PRE-KINDERGARTEN CONTRACTS	<u>805,589</u>	<u>763,424</u>	<u>42,165</u>

(Continued)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2020

(\$000 Omitted):

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
472 CONTRACT SCHOOLS AND FOSTER CARE	<u>1,032,212</u>	<u>1,090,833</u>	<u>(58,621)</u>
474 NON-PUBLIC SCHOOLS AND FIT PAYMENTS	<u>80,726</u>	<u>77,913</u>	<u>2,813</u>
TOTAL TAX LEVY	<u>26,422,981</u>	<u>26,489,625</u>	<u>(66,644)</u>
CATEGORICAL PROGRAMS:			
481 Salaries	892,001	876,223	15,778
482 Supplies	228,498	170,720	57,778
482 Furniture and equipment	24,629	15,779	8,850
482 Contractual	389,827	439,553	(49,726)
482 Judgments and claims	-	10	(10)
482 Pension	<u>112,309</u>	<u>112,309</u>	<u>-</u>
Total categorical programs	<u>1,647,264</u>	<u>1,614,594</u>	<u>32,670</u>
TOTAL APPROPRIATIONS EXPENDED	<u>28,070,245</u>	<u>28,104,219</u>	<u>(33,974)</u>
INTRA-CITY SALES	<u>(55,413)</u>	<u>(51,432)</u>	<u>(3,981)</u>
Sub-total	<u>28,014,832</u>	<u>28,052,787</u>	<u>(37,955)</u>
NET CHANGE IN PRIOR PAYABLES	<u>-</u>	<u>(111,795)</u>	<u>111,795</u>
Total expenditures	<u>\$ 28,014,832</u>	<u>\$ 27,940,992</u>	<u>\$ 73,840</u>

(Concluded)

**DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK**

**General Fund**

**Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2019**

**(\$000 Omitted):**

<u>UOA</u>		<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
GENERAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:				
401	Salaries	\$ 7,136,494	\$ 7,136,173	\$ 321
402	Supplies	207,162	154,055	53,107
402	Furniture and equipment	36,421	69,296	(32,875)
402	Textbooks	99,230	68,366	30,864
402	Contractual services	<u>545,517</u>	<u>596,372</u>	<u>(50,855)</u>
	Total	<u>8,024,824</u>	<u>8,024,262</u>	<u>562</u>
SPECIAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:				
403	Salaries	2,083,705	2,083,460	245
404	Supplies	3,245	2,336	909
404	Furniture and equipment	434	1,047	(613)
404	Textbooks	347	23	324
404	Contractual services	<u>1,323</u>	<u>1,479</u>	<u>(156)</u>
	Total	<u>2,089,054</u>	<u>2,088,345</u>	<u>709</u>
CHARTER SCHOOLS:				
406	Supplies	1,737	1,733	4
406	Textbooks	5,353	6,624	(1,271)
406	Contractual services	<u>2,102,130</u>	<u>2,100,791</u>	<u>1,339</u>
	Total	<u>2,109,220</u>	<u>2,109,148</u>	<u>72</u>
UNIVERSAL PRE-K:				
407	Salaries	531,548	567,632	(36,084)
408	Supplies	8,106	12,840	(4,734)
408	Furniture and equipment	3,028	1,185	1,843
408	Textbooks	314	131	183
408	Contractual services	<u>427,103</u>	<u>424,346</u>	<u>2,757</u>
	Total	<u>970,099</u>	<u>1,006,134</u>	<u>(36,035)</u>
EARLY CHILDHOOD PROGRAMS:				
409	Salaries	76,528	62,347	14,181
410	Supplies	15,611	11,043	4,568
410	Furniture and equipment	2,602	3,711	(1,109)
410	Textbooks	54	1,351	(1,297)
410	Contractual services	<u>9,126</u>	<u>5,870</u>	<u>3,256</u>
	Total	<u>103,921</u>	<u>84,322</u>	<u>19,599</u>

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2019

(\$000 Omitted):

UOA	Modified Budget	Expenditures	Favorable (Unfavorable)	
SCHOOL SUPPORT ORGANIZATION:				
415	Salaries	\$ 300,424	\$ 303,942	\$ (3,518)
416	Supplies	5,331	4,483	848
416	Furniture and equipment	952	1,348	(396)
416	Textbooks	290	1,031	(741)
416	Contractual services	31,855	29,287	2,568
	Total	<u>338,852</u>	<u>340,091</u>	<u>(1,239)</u>
CITYWIDE EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:				
421	Salaries	1,301,728	1,301,704	24
422	Supplies	7,706	8,011	(305)
422	Furniture and equipment	6,239	4,957	1,282
422	Textbooks	1,186	616	570
422	Contractual services	8,298	7,937	361
	Total	<u>1,325,157</u>	<u>1,323,225</u>	<u>1,932</u>
INSTRUCTIONAL SUPPORT:				
423	Salaries	367,645	367,760	(115)
424	Supplies	(3,658)	2,722	(6,380)
424	Furniture and equipment	9,766	1,461	8,305
424	Textbooks	1	771	(770)
424	Contractual services	272,962	273,860	(898)
	Total	<u>646,716</u>	<u>646,574</u>	<u>142</u>
SCHOOL FACILITIES:				
435	Salaries	179,208	175,376	3,832
436	Supplies	47,105	54,782	(7,677)
436	Furniture and equipment	1,282	3,279	(1,997)
436	Contractual services	892,352	882,668	9,684
436	Judgments and claims	-	-	-
436	Pollution remediation	85,379	85,379	-
	Total	<u>1,205,326</u>	<u>1,201,484</u>	<u>3,842</u>

(Continued)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2019

(\$000 Omitted):

UOA	Modified Budget	Expenditures	Favorable (Unfavorable)
PUPIL TRANSPORTATION:			
438 Supplies	\$ 3,039	\$ 901	\$ 2,138
438 Equipment	4,521	30	4,491
438 Contractual services	7,192	7,905	(713)
438 Judgments and claims	-	-	-
438 Pupil transportation	<u>1,352,105</u>	<u>1,363,374</u>	<u>(11,269)</u>
Total	<u>1,366,857</u>	<u>1,372,210</u>	<u>(5,353)</u>
SCHOOL FOOD SERVICES:			
439 Salaries	250,306	247,544	2,762
440 Supplies	26,431	67,961	(41,530)
440 Food purchases	207,998	202,025	5,973
440 Furniture and equipment	5,114	11,285	(6,171)
440 Contractual services	<u>35,607</u>	<u>32,245</u>	<u>3,362</u>
Total	<u>525,456</u>	<u>561,060</u>	<u>(35,604)</u>
442 SCHOOL SAFETY	<u>395,871</u>	<u>395,200</u>	<u>671</u>
444 ENERGY AND LEASES	<u>551,576</u>	<u>541,808</u>	<u>9,768</u>
CENTRAL ADMINISTRATION:			
453 Salaries	216,667	222,380	(5,713)
454 Supplies	20,217	19,779	438
454 Furniture and equipment	5,067	5,497	(430)
454 Judgments and claims	98	23	75
454 Contractual services	133,088	134,797	(1,709)
454 Fixed charges	<u>46</u>	<u>463</u>	<u>(417)</u>
Total	<u>375,183</u>	<u>382,939</u>	<u>(7,756)</u>
461 FRINGE BENEFITS:	<u>3,603,629</u>	<u>3,604,606</u>	<u>(977)</u>
470 PRE-KINDERGARTEN CONTRACTS	<u>735,548</u>	<u>734,378</u>	<u>1,170</u>

(Continued)

**DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK**

**General Fund**

**Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2019**

**(\$000 Omitted):**

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
472 CONTRACT SCHOOLS AND FOSTER CARE	\$ 912,133	\$ 911,860	\$ 273
474 NON-PUBLIC SCHOOLS AND FIT PAYMENTS	78,995	76,493	2,502
TOTAL TAX LEVY	25,358,417	25,404,139	(45,722)
CATEGORICAL PROGRAMS:			
481 Salaries	945,783	940,541	5,242
482 Supplies	234,434	179,462	54,972
482 Furniture and equipment	25,940	24,109	1,831
482 Contractual	391,844	448,116	(56,272)
482 Judgments and claims	-	15	(15)
482 Pension	112,257	112,257	-
Total categorical programs	1,710,258	1,704,500	5,758
TOTAL APPROPRIATIONS EXPENDED	27,068,675	27,108,639	(39,964)
INTRA-CITY SALES	(52,015)	(50,633)	(1,382)
Sub-total	27,016,660	27,058,006	(41,346)
NET CHANGE IN PRIOR PAYABLES	-	(110,749)	110,749
Total expenditures	\$ 27,016,660	\$ 26,947,257	\$ 69,403

(Concluded)

## Glossary

ARO	Asset Retirement Obligation
ARRA	American Recovery and Reinvestment Act
BERS	Board of Education Retirement System
CAFR	Comprehensive Annual Financial Report
COVID-19	Coronavirus Disease 2019
CMS	Centers of Medical and Medicaid services
CDBG	Community Development Block Grant
DDC	New York City Department of Design and Construction
DOE	Department of Education of the City of New York
FAMIS	Financial Accounting Management Information System
FDIC	Federal Deposit Insurance Corporation
Federal	One of the agencies of the United States of America
FEMA	Federal Emergency Management Agency
FFP	Federal Financial Participation
FFS	Fund Financial Statement
FIT	Fashion Institute of Technology
FMS	New York City Financial Management System
FSC	Field Support Center
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GWFS	Government Wide Financial Statement
HHC	New York City Health and Hospitals Corporation
HHS	United States Department of Health and Human Services
IDEA	Individuals with Disabilities Education Act
NYCHA	New York City Housing Authority
NYCSSS	New York City School Support Service Inc.
OMB	New York City Office of Management and Budget
OPEB	Other Post Employment Benefits
OTPS	Other Than Personal Services
PRO	Pollutions Remediation Obligations
PS	Personal Services
RHBT	New York City Retiree Health Benefits Trust
RSI	Required Supplementary Information
SCA	School Construction Authority
SED	State Education Department
State	The State of New York
Tax Levy	Appropriations provided by The City of New York
TFA	New York City Transitional Finance Authority
The City	The City of New York

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