

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, 2019 and 2018



Bill DeBlasio, Mayor
Richard A. Carranza, Chancellor

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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, 2019 and 2018



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, 2019 and 2018

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 6, 2019

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, 2019

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, 2019, 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 1,126,000 students from 3K to grade 12, in 32 school districts in over 1,800 schools, 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, 2019:

Student Demographics - Fiscal Year 2019	
Pre-K	73,904
K - 5	488,000
6 - 8	237,488
9 - 12	<u>327,109</u>
Total	<u>1,126,501</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. To better align supervision and support for every school, superintendents, borough and citywide executive directors report to nine executive superintendents, who are overseen by the First Deputy Chancellor. This support and supervision system builds on the current structure in which strong 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.

Economic Condition and Outlook

Local Economy

According to *The State of the City's Economy and Finances* issued by The City's Office of the Comptroller on December 14, 2018, for the first time in four years, The City's economic growth was less than the nationwide economic growth. Notwithstanding, private sector jobs in the City averaged a record high, mostly in low-wage industries. Despite the higher cost of living in The City, its economy had a higher percentage of low-wage job growth than the U.S. as a whole. In addition, The City's unemployment rate was the lowest on record; the average number of unemployed fell; and the labor force increased. Moreover, The City's average employment-to-population ratio reached a record high.

Economic Outlook

According to the *New York City Office of Management and Budget Quarterly Report on Current Economic Conditions - August 2019*, the U.S. economy's expansion became the longest recovery in the post-WWII period. However, both gross domestic product ("GDP") and job growth were sluggish compared to prior expansions. GDP decelerated in the second quarter as fiscal stimulus fades and transitory factors that boosted first quarter growth diminished. While the labor market maintained a robust pace, other indicators have started to weaken, buffeted by worsening trade frictions and slowing global growth.

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

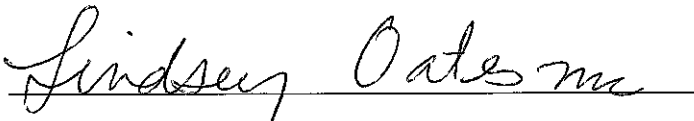
In accordance with the DOE's status as a dependent school district, revenues received for school purposes are required to be deposited into The City's Treasury, which is maintained for the General Fund. As revenues are collected, they are recorded to a series of designated revenue codes established for 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,



Lindsey Oates
Chief Financial Officer

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, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, and the respective changes in financial position and the respective 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, 2019 and 2018, 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 26-36, the Schedule of the Net OPEB Liability on page 84, the Schedule of DOE's Proportional Share of Net Pension Liabilities of Cost-Sharing Multiple Employer Pension Plans on page 85, and the Schedule of DOE Contributions for TRS and BERS Pension Plans on pages 87-91 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 95-103 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 audit 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 audit 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 6, 2019, 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 6, 2019

GRANT THORNTON LLP757 Third Avenue, 9th Floor
New York, NY 10017**D** +1 212 599 0100**F** +1 212 370 4520**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, 2019, 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 6, 2019.

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") to design 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002 that we consider to be significant deficiencies 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

DOE's response to findings

The DOE's response to our findings, 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 6, 2019

The Department of Education of The City of New York
Schedule of Findings and Responses
June 30, 2019

Finding #: 2019-001

Internal Controls over Financial Reporting (Significant Deficiency)

Criteria:

Government Auditing Standards 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:

Accounting for 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.

In connection with our audit procedures over the fiscal 2019 fiduciary fund cash account balances, we identified errors in the amounts reported related to four of the twelve accounts selected for testing. In response to such errors, DOE management undertook a review of the untested population and identified additional errors, collectively aggregating to approximately \$1.2 million. Consequently, an adjustment was recorded to effectively reduce the fiduciary fund cash account balance, as well as the corresponding liability by that amount.

Cause, Effect and Recommendation:

While the DOE has procedures in place to communicate and provide instruction and training to the individual schools on how to properly perform bank reconciliations and report the appropriate reconciled cash balances; and, on a sample basis also conducts an after-the-fact review of such reported balances, nevertheless the fiscal 2019 contained errors as indicated above.

Accordingly, we recommend that established processes and practices be strengthened, including additional training and oversight be conducted at those schools where errors occurred.

Identification as a Repeat Finding:

A similar finding was identified in the prior year.

Views of responsible officials:

The DOE will continue to provide schools detailed instructions and training on account reconciliation and reporting; expand its review of year-end school bank account balances for accuracy; and actively monitor and support schools with reporting errors.

The Department of Education of The City of New York

Schedule of Findings and Responses

June 30, 2019

Finding #: 2019-002

Internal Controls over Financial Reporting (Significant Deficiency)

Criteria:

Government Auditing Standards require that entities design and implement an internal control environment which achieves 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:

Accounting for Capital Assets

During fiscal 2019, the School Construction Authority ("SCA") and DOE performed a detailed review over all fixed assets, which led to the identification of approximately \$1.5 billion of capital assets that were placed in service (being used by the DOE) in prior years but were not being depreciated. This condition resulted from a systems' requirement whereby all fixed assets must be assigned a valid location identifier ("ID") when they are placed in service so that they are effectively transferred from construction-in-progress ("CIP") to the respective fixed asset category, thereby, allowing the system to recognize that an asset is in use and henceforth automatically begin calculating annual depreciation expense.

In response to this matter, the DOE and the SCA performed a comprehensive review of all available capital asset details to properly identify all fixed assets that were included within CIP, but had been completed and placed in service prior to June 30, 2019. After validating the completeness and accuracy of the fixed asset information, system location IDs were assigned and, the DOE recorded a transfer of such assets from CIP to the appropriate fixed asset category, and recorded the related accumulated depreciation in its fiscal 2019 financial statements.

Cause, Effect and Recommendation:

While the costs associated with capital project work performed and equipment purchased, as well as the dates the assets were placed in service in the CIP account are tracked, there was no formal process or procedure in place to ensure proper transfer of completed assets from CIP to the appropriate fixed asset category and also to ensure that depreciation expense was recorded at the respective placed-in-service date. Accordingly, we recommend the DOE improve inter-agency communications and establish controls and reconciliation procedures that will timely identify capital assets with missing or invalid location IDs such that all placed-in-service assets are transferred to the correct fixed asset category and depreciated in the proper period.

Identification as a Repeat Finding:

Not applicable.

Views of responsible officials:

As a result of this undertaking, the DOE has developed a process, which will be implemented for fiscal year 2020, to enhance the review over assets transferred from CIP to DOE's fixed asset ledger. The DOE has also established appropriate internal and external communication protocols to ensure timely transfer of assets.

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Management's Discussion and Analysis (Unaudited)

This section of the DOE's Annual Financial Statements discusses and analyzes the DOE's financial performance for the Fiscal Years ended June 30, 2019 and 2018. 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, 2019 and 2018 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, 2019 were \$4.0 billion, an increase of \$290 million from Fiscal Year 2018.
- Total assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported in the governmental funds at June 30, 2018 were \$3.8 billion, an increase of \$222 million from Fiscal Year 2017.
- 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.
- General Fund total revenues available and spent during Fiscal Year 2018 were \$25.0 billion, an increase of \$1.7 billion over that of Fiscal Year 2017.

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, 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.

The DOE has two kinds of funds:

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 of the DOE's 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.

	Department-wide Statements	Fund Financial Statements Governmental Funds	Fiduciary Funds
Scope	Entire DOE (except fiduciary funds)	The activities of the DOE that are not fiduciary, such as special education and building maintenance	Instances in which the 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
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 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, 2019, 2018 and 2017 (\$000 omitted):

Figure 1 Condensed Statement of Net Position	Governmental Activities		
	2019	2018	2017
Current and other assets	\$ 2,842,716	\$ 2,642,228	\$ 1,929,215
Due from The City of New York	34,671,798	30,995,072	27,429,018
Capital assets (Net of depreciation)	<u>27,350,247</u>	<u>27,590,086</u>	<u>26,988,964</u>
Total assets	<u>\$ 64,864,761</u>	<u>\$ 61,227,386</u>	<u>\$ 56,347,197</u>
Deferred outflow of resources	<u>\$ 4,519,684</u>	<u>\$ 2,893,123</u>	<u>\$ 3,211,749</u>
Long-term liabilities	\$ 52,898,613	\$ 51,584,843	\$ 49,486,123
Other liabilities	<u>4,290,926</u>	<u>4,002,373</u>	<u>3,830,672</u>
Total liabilities	<u>\$ 57,189,539</u>	<u>\$ 55,587,216</u>	<u>\$ 53,316,795</u>
Deferred inflows of resources	<u>\$ 12,194,906</u>	<u>\$ 8,533,293</u>	<u>\$ 6,242,151</u>
Net position:			
Net investment in capital assets	\$ 27,350,247	\$ 27,590,086	\$ 26,988,964
Unrestricted deficit	<u>(27,350,247)</u>	<u>(27,590,086)</u>	<u>(26,988,964)</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

At the close of Fiscal Year 2019 and 2018, total net position was \$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 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.

In Fiscal Year 2018, total assets increased by \$4.9 billion from \$56.3 billion as of June 30, 2017 to \$61.2 billion as of June 30, 2018. In addition, capital assets (net of depreciation) increased by \$601 million due to a transfer from the School Construction Authority ("SCA").

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.

In Fiscal Year 2018, liabilities and deferred inflows of resources increased by \$4.5 billion from \$59.6 billion as of June 30, 2017 to \$64.1 billion as of June 30, 2018. This was primarily due to a decrease in net pension liability of \$4.9 billion that arose from changes in actuarial assumptions, deferred inflows of resources or deferred outflows of resources during the period offset by an increase in the OPEB liabilities of \$7.2 billion due to benefit payments and changes in assumptions. Accounts payable and accrued expenses, other liabilities and due to other entities due within one year had a net increase of \$172 million for outstanding obligations. Deferred inflows of resources for pension and OPEB increased by \$2.3 billion due to the difference between actual and expected returns. Additionally, there was an increase in capital lease obligations of \$20 million due to the increase of pre-K seats, and a decrease in accrued judgments and claims of \$478 million, offset by an increase in pollution remediation of \$28.5 million.

The following provides a summary of changes in the DOE's net position for all activities as of June 30, 2019, 2018, and 2017 (\$000 omitted):

Figure 2 Condensed Statement of Activities	Governmental Activities		
	2019	2018	2017
Revenues:			
Program revenues:			
Charges for services	\$ 104,429	\$ 65,620	\$ 157,103
Operating grants and contributions	13,399,722	12,821,217	12,276,858
General revenues:			
City-funded	13,553,855	12,196,078	11,028,596
Other	50,633	61,094	45,481
Total revenues	<u>27,108,639</u>	<u>25,144,009</u>	<u>23,508,038</u>
Expenses:			
School leadership, instruction and special education support	21,160,859	18,139,086	17,213,787
School support services	4,563,206	4,176,394	4,109,792
School support organization	546,635	516,064	478,640
Central administration	505,142	464,290	442,149
Non-public charter and contract schools	3,831,880	3,560,775	3,262,935
Total expenses	<u>30,607,722</u>	<u>26,856,609</u>	<u>25,507,303</u>
Net revenue (expenses)	(3,499,083)	(1,712,600)	(1,999,265)
Remaining net expense to be funded long term from The City of New York	<u>3,499,083</u>	<u>1,712,600</u>	<u>1,999,265</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 increased 5.6% from \$1.8 billion in Fiscal Year 2018 to \$1.9 billion in Fiscal Year 2019 and State program revenues increased 4.7%, from \$10.7 billion in Fiscal Year 2018 to \$11.2 billion in Fiscal Year 2019 and City-funded revenues increased by \$1.3 billion. These increases are a function of collective bargaining increases.
- 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 approximately \$400 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.
- In Fiscal Year 2018, School Leadership, Instruction and Special Education Support increased by 5.4% from \$17.2 billion in Fiscal Year 2017 to \$18.1 billion in Fiscal Year 2018; School Support Services increased \$67 million from \$4.1 billion in Fiscal Year 2017 to \$4.2 billion in Fiscal Year 2018; School Support Organization increased from \$479 million to \$516 million; Central Administration increased by \$22 million, and non-public, charter, and contract schools had an overall increase of \$298 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, 2019, 2018 and 2017 (\$000 omitted):

Figure 3

General Fund	Governmental Funds			Amount Change		Percentage Change	
	2019	2018	2017	2018-2019	2017-2018	2018-2019	2017-2018
Assets:							
Cash	\$ 5,529	\$ 7,367	\$ 3,049	\$ (1,838)	\$ 4,318	(24.9)%	141.6 %
Accounts receivable							
Federal	739,002	777,358	659,686	(38,356)	117,672	(4.9)%	17.8%
State	1,985,583	1,742,055	1,136,575	243,528	605,480	14.0%	53.3%
Non-governmental	104,435	106,704	124,254	(2,269)	(17,550)	(2.1)%	(14.1)%
Due from The City of New York	<u>1,209,646</u>	<u>1,121,027</u>	<u>1,609,127</u>	<u>88,619</u>	<u>(488,100)</u>	7.9 %	(30.3)%
Total	\$ 4,044,195	\$ 3,754,511	\$ 3,532,691	\$ 289,684	\$ 221,820	7.7%	6.3%
Liabilities and deferred inflows of resources:							
Accounts payable and accrued expenses	\$ 3,977,612	\$ 3,636,787	\$ 3,405,459	\$ 340,825	\$ 231,328	9.4%	6.8%
Other liabilities	63,710	110,455	104,760	(46,745)	5,695	(42.3)%	5.4%
Deferred inflows of resources							
Grant advances	<u>2,873</u>	<u>7,269</u>	<u>22,472</u>	<u>(4,396)</u>	<u>(15,203)</u>	(60.5)%	(67.7)%
Total	\$ 4,044,195	\$ 3,754,511	\$ 3,532,691	\$ 289,684	\$ 221,820	7.7%	6.3%

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

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 assets for Fiscal Year 2018: The net increase in accounts receivable: federal sources of \$118 million, state sources of \$605 million, offset by a decrease in non-governmental sources of \$18 million gave rise to a net decrease of \$488 million in amounts due from The City to pay for outstanding liabilities in the General Fund. At year-end, there was a decrease in the cash balance of \$4 million.

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.

Changes in total liabilities and deferred inflows of resources for Fiscal Year 2018: Governmental Fund liabilities plus deferred inflows of resources increased \$222 million due to increases of \$231 million in accounts payable and accrued expenses in the General Fund. There was an increase of \$6 million in the balance of the other liabilities in the General Fund and a decrease of \$15 million in the deferred inflows of resources.

The following provides a summary of changes in revenues and expenditures as of June 30, 2019, 2018 and 2017 (\$000 omitted):

Figure 4

Changes in Revenue and Expenditures	General Fund			Percentage Change	
	2019	2018	2017	2018–2019	2017–2018
Revenues:					
Federal aid	\$ 1,928,356	\$ 1,826,044	\$ 1,762,405	5.6 %	3.6 %
State aid	11,219,206	10,712,460	10,262,946	4.7 %	4.4 %
Funding by the City	13,487,962	12,182,620	10,955,739	10.7 %	11.2 %
Other	<u>311,733</u>	<u>305,269</u>	<u>336,512</u>	2.1 %	(9.3)%
Total revenues	<u>\$ 26,947,257</u>	<u>\$ 25,026,393</u>	<u>\$ 23,317,602</u>	7.7 %	7.3 %
Expenditures:					
School leadership, instruction and special education support	\$ 18,179,769	\$ 16,724,647	\$ 15,585,803	8.7 %	7.3 %
School support services	4,185,453	3,951,256	3,821,526	5.9 %	3.4 %
School support organization	468,818	475,207	433,281	(1.3)%	9.7 %
Central administration	442,720	432,123	404,493	2.5 %	6.8 %
Non-public, Charter, and Contract Schools	3,831,879	3,560,776	3,262,935	7.6 %	9.1 %
Intra-city sales	<u>(50,633)</u>	<u>(61,094)</u>	<u>(45,481)</u>	(17.1)%	34.3 %
Subtotal	27,058,006	25,082,915	23,462,557	7.9 %	6.9 %
Net change in estimate of prior payables	<u>(110,749)</u>	<u>(56,522)</u>	<u>(144,955)</u>	95.9 %	(61.0)%
Total expenditures	<u>\$ 26,947,257</u>	<u>\$ 25,026,393</u>	<u>\$ 23,317,602</u>	7.7 %	7.3 %

In Fiscal Year 2019, total revenues increased \$1.9 billion primarily due to an increase in State Aid of \$507 million and \$1.3 billion in funding provided by The City. Increases in state revenue sources 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.

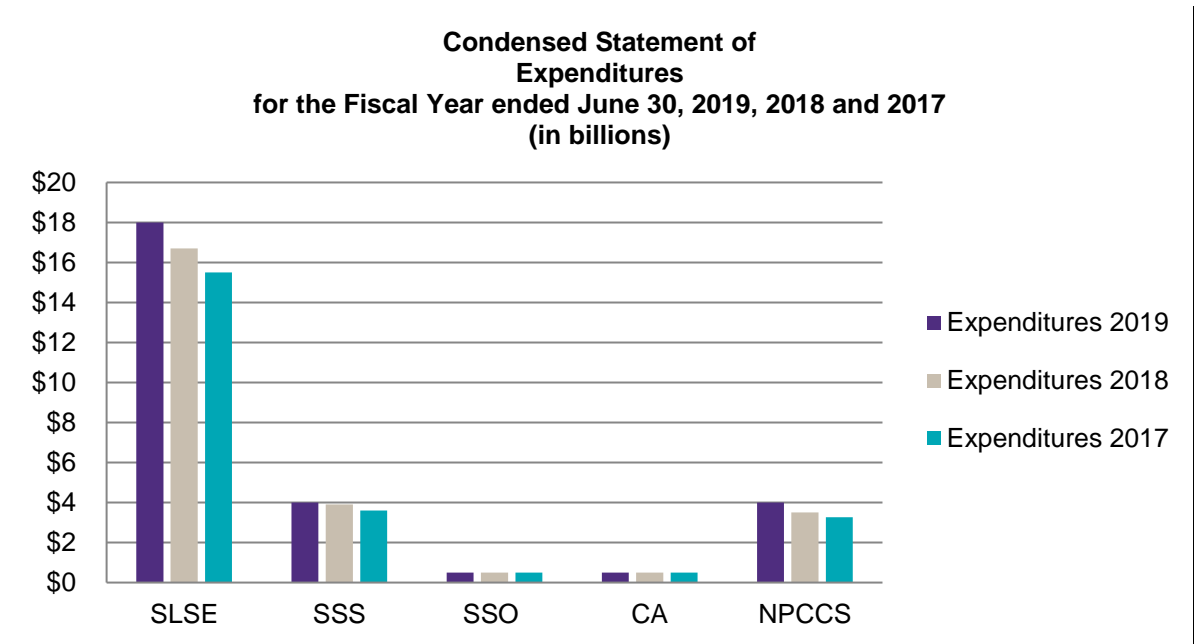
Federal Programs increased \$102 million primarily due to revenue growth in Individual with Disabilities Act by \$28 million, in-kind commodities by \$42 million, Title IV Student Support and Enhancement by \$26 million, and Magnet Schools Aid by \$5 million.

In Fiscal Year 2018, state revenue sources reflecting major revenue increases included \$338 million for Foundation Aid, \$83 million for Charter School Tuition, \$32 million for Transportation Aid and \$29 million for Special Education Pre-Kindergarten Services. These increases were partially offset by a \$41 million decrease in Building Aid.

Federal programs with major revenue growth included School Food programs, with an \$81 million increase from Fiscal Year 2017 and Medicaid with a \$56 million increase. Federal decreases included \$37 million in Title I, \$27 million in Title IIA and \$18 million in Individuals with Disabilities Education Act (“IDEA”), pursuant to state law and corresponding appropriation changes.

The following chart summarizes expenses by category for Fiscal Years 2019, 2018 and 2017:

Figure 5



<u>Functions/Program</u>	
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 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, or 2.5%. Non-public, charter, and contract schools expenditures increased \$271 million, a 7.6% increase, due to charter and Carter case student population increases.

In Fiscal Year 2018, total fund expenditures increased 7.3% or \$1.7 billion. Expenditures in the area of School Leadership, Instruction and Special Education instructional programs increased by \$1.1 billion, more than 7.3%, compared to Fiscal Year 2017, mainly due to increases in instructional program costs from collective bargaining. School Support Services increased \$130 million, or 3.4%, due to the NYC School Support Services (“NYCSSS”) contract costs, and School Support Organization increased \$42 million, or 9.7%. Central Administration increased overall by \$28 million, or 6.8%, due to increases of supplies and technology upgrades. Non-public, charter, and contract schools expenditures increased by \$298 million, a 9.1% 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:

- Intra-city adjustments of \$17.8 million to Tax-levy budgets and \$24.2 million to Reimbursable Program budgets.
- Executive and Adopted Budget Actions which increased Tax-levy budgets by \$552.9 million and decreased Reimbursable Program budgets by \$55.4 million. The Tax-levy increases were primarily due to non-controllable Carter case costs and city-funded collective bargaining payments.
- November and January Plan Actions, which increased Tax-levy budgets by \$850.2 million and Reimbursable Program budgets by \$33 million. The Tax-levy increases were primarily due to city-funded collective bargaining payments.
- Final Fiscal Year Close Actions, which decreased Tax-levy budgets by \$25.2 million and Reimbursable Program budgets by \$7.4 million.
- Additional Fiscal Year Close Actions, which include an increase to Tax-levy budgets of \$85.4 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 \$1.4 billion.

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):

Figure 6	Governmental Activities		
	2019	2018	2017
Land*	\$ 448,963	\$ 448,963	\$ 448,956
Buildings	25,027,399	24,498,478	23,504,674
Equipment	290,557	28,186	31,627
Construction in progress*	<u>1,583,328</u>	<u>2,614,459</u>	<u>3,003,707</u>
Total	<u>\$ 27,350,247</u>	<u>\$ 27,590,086</u>	<u>\$ 26,988,964</u>

*Not depreciable/amortizable

In Fiscal Year 2019, buildings and equipment increased by \$791 million offset by a \$1 billion decrease in construction in progress due to a bulk transfer from the School Construction Authority (“SCA”). This resulted in a \$240 million decrease in total capital assets (net of accumulated depreciation).

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.

In Fiscal Year 2018, the SCA completed 15 new schools, which resulted in the creation of 4,748 seat openings for the 2018/2019 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.

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, 2019 and 2018

Basic Financial Statements

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statements of Net Position as of June 30, 2019 and 2018

(\$000 Omitted)

	Governmental Activities	
	2019	2018
ASSETS:		
Cash	\$ 5,529	\$ 7,367
Accounts receivable:		
Federal	739,002	777,358
State	1,985,583	1,742,055
Non-governmental	104,435	106,704
Inventories	8,167	8,744
Due from The City of New York	34,671,798	30,995,072
Capital assets (net of accumulated depreciation):		
Land	448,963	448,963
Buildings	25,027,399	24,498,478
Equipment (including software)	290,557	28,186
Construction in progress	1,583,328	2,614,459
Total assets	<u>64,864,761</u>	<u>61,227,386</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows from pension	657,857	1,445,081
Deferred outflows from OPEB	3,861,827	1,448,042
Total deferred outflows of resources	<u>4,519,684</u>	<u>2,893,123</u>
LIABILITIES:		
Accounts payable and accrued expenditures	3,977,612	3,636,787
Other liabilities	62,622	96,044
Due to SCA	1,088	14,131
Due to NYCSSS	-	280
Pollution remediation obligations	81,400	89,713
Accrued vacation and sick leave	56,764	59,990
Capital lease obligations	29,906	26,123
Accrued judgments and claims	81,534	79,305
Noncurrent liabilities:		
Pollution remediation obligations	9,044	1,042
Accrued vacation and sick leave	2,535,088	2,377,676
Capital lease obligations	327,113	313,673
Accrued judgments and claims	279,996	279,914
Employer pension obligations	14,999,606	18,444,495
Other postemployment benefit obligations	34,747,766	30,168,043
Total liabilities	<u>57,189,539</u>	<u>55,587,216</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows from pension	8,457,616	6,130,571
Deferred inflows from OPEB	3,734,417	2,395,453
Grant advances	2,873	7,269
Total deferred inflows of resources	<u>12,194,906</u>	<u>8,533,293</u>
NET POSITION:		
Net investment in capital assets	27,350,247	27,590,086
Unrestricted deficit	(27,350,247)	(27,590,086)
Total net position (deficit)	<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, 2019

(\$000 Omitted)

	<u>Program Revenue</u>			Net (Expenses) Revenues
	<u>Program Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Function/Programs:				
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)
General revenues:				
City funded				13,553,855
Intra-city sales				50,633
Other adjustments:				
Net expense to be funded long term from The City of New York				<u>3,499,083</u>
Change in net position				-
Net position (deficit) - beginning				<u>-</u>
Net position (deficit) - 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, 2018

(\$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>	
Function/Programs:				
School leadership, instruction and special education support	\$ 18,139,086	\$ 10,705	\$ 10,322,743	\$ (7,805,638)
School support services	4,176,394	36,056	1,876,396	(2,263,942)
School support organization	516,064	-	-	(516,064)
Central administration	464,290	-	-	(464,290)
Non-public, charter, and contract schools	<u>3,560,775</u>	<u>18,859</u>	<u>622,078</u>	<u>(2,919,838)</u>
Total department activities	<u>\$ 26,856,609</u>	<u>\$ 65,620</u>	<u>\$ 12,821,217</u>	(13,969,772)
General revenues:				
City funded				12,196,078
Intra-city sales				61,094
Other adjustments:				
Net expense to be funded long term from The City of New York				<u>1,712,600</u>
Change in net position				-
Net position (deficit) - beginning				<u>-</u>
Net position (deficit) - ending				<u>\$ -</u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Balance Sheets as of June 30, 2019 and 2018

(\$000 Omitted)

	General Fund	
	2019	2018
ASSETS		
Cash	\$ 5,529	\$ 7,367
Accounts receivable:		
Federal	739,002	777,358
State	1,985,583	1,742,055
Non-governmental	104,435	106,704
Due from The City of New York	<u>1,209,646</u>	<u>1,121,027</u>
Total assets	<u>\$ 4,044,195</u>	<u>\$ 3,754,511</u>
LIABILITIES		
Accounts payable and accrued expenditures	\$ 3,977,612	\$ 3,636,787
Other liabilities	62,622	96,044
Due to SCA	1,088	14,131
Due to NYCSSS	<u>-</u>	<u>280</u>
Total liabilities	<u>4,041,322</u>	<u>3,747,242</u>
DEFERRED INFLOWS OF RESOURCES		
Grant advances	<u>2,873</u>	<u>7,269</u>
Total deferred inflows of resources	<u>2,873</u>	<u>7,269</u>
FUND BALANCE		
	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 4,044,195</u>	<u>\$ 3,754,511</u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Reconciliations of the Balance Sheets of Governmental Fund to the Statements of Net Position as of June 30, 2019 and 2018
(\$000 Omitted)

Amounts reported for governmental activities in the Statements of Net Position are different because:	2019	2018
Total fund balance - governmental funds	\$ -	\$ -
Inventories used in governmental activities are not financial resources and therefore, are not reported in governmental fund	8,167	8,744
Due from The City of New York	33,462,152	29,874,045
Capital assets net of depreciation used in governmental activities are not financial resources and, therefore, are not reported in governmental funds	27,350,247	27,590,086
Other long-term assets and deferred outflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds:		
Deferred outflows from pension	657,857	1,445,081
Deferred outflows from OPEB	3,861,827	1,448,042
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	(90,444)	(90,755)
Accrued vacation and sick leave	(2,591,852)	(2,437,666)
Capital lease obligations	(357,019)	(339,796)
Accrued judgments and claims	(361,530)	(359,219)
Employer pension obligations	(14,999,606)	(18,444,495)
Other postemployment benefit obligations (OPEB)	(34,747,766)	(30,168,043)
Deferred inflows from pension	(8,457,616)	(6,130,571)
Deferred inflows from OPEB	(3,734,417)	(2,395,453)
Net position (deficit) - 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, 2019 and 2018
(\$000 Omitted)**

	General Fund	
	2019	2018
REVENUES:		
Federal aid	\$ 1,928,356	\$ 1,826,044
State aid	11,219,206	10,712,460
Universal services fund	11	42,232
Other assistance	160,242	180,673
Charges for services:		
School Construction Authority	105,098	70,513
Student lunches	1,060	1,207
Rentals	37,604	34,849
Other	52,574	18,859
Subtotal	<u>13,504,151</u>	<u>12,886,837</u>
Net change in estimate of prior receivables	(44,856)	(43,064)
Subtotal	13,459,295	12,843,773
Funding provided by The City of New York	<u>13,487,962</u>	<u>12,182,620</u>
Total revenues	<u>26,947,257</u>	<u>25,026,393</u>
EXPENDITURES:		
General education instruction and school leadership	9,030,396	8,331,254
Special education instruction and school leadership	2,172,667	1,884,290
Charter schools	2,109,148	1,880,740
School support organization	340,091	340,888
Citywide education instruction and school leadership	1,323,225	1,132,545
Special education instructional support	646,574	624,004
School facilities	1,201,484	1,239,439
Pupil transportation	1,372,210	1,206,567
School food services	561,060	501,160
School safety	395,200	378,057
Energy and leases	541,808	517,724
Central administration	382,939	377,924
Fringe benefits	3,604,606	3,301,960
Pre-kindergarten contracts	734,378	743,659
Contract schools and foster care payments	911,860	858,979
Non-public schools	76,493	77,397
Subtotal	<u>25,404,139</u>	<u>23,396,587</u>
Reimbursable - categorical programs	1,704,500	1,747,422
Intra-city sales	(50,633)	(61,094)
Subtotal	<u>27,058,006</u>	<u>25,082,915</u>
Net change in estimate of prior payables	(110,749)	(56,522)
Total expenditures	<u>26,947,257</u>	<u>25,026,393</u>
Excess of revenues over expenditures	-	-
FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>

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 Fund Balances to the Statements of Activities for the Years Ended June 30, 2019 and 2018
(\$000 Omitted)

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	2019	2018
Excess of revenues and other financing sources over expenditures and other financing uses - Governmental funds	\$ -	\$ -
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	(1,783,847)	(1,582,195)
Net expense to be funded long term from The City of New York	3,499,083	1,712,600
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental fund:		
Change in pollution remediation obligations	311	(28,547)
Change in sick leave and vacation liability	(154,186)	(186,681)
Change in capital lease obligations	(17,223)	(19,977)
Change in judgments and claims liability	(2,311)	477,770
Change in employer pension obligations and pension - related deferred outflows and inflows of resources	330,620	961,195
Change in other postemployment benefit obligations and other postemployment deferred outflows and inflows of resources	(1,872,447)	(1,334,165)
Change in net position - governmental activities	\$ -	\$ -

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

**Statement of Revenues, Expenditures, and Changes in 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>
REVENUES:				
Federal aid	\$ 1,944,397	\$ 1,886,565	\$ 1,928,356	\$ 41,791
State aid	11,108,003	11,219,206	11,219,206	-
Universal services fund	-	11	11	-
Other assistance	57,680	160,242	160,242	-
Charges for services:				
School Construction Authority	73,549	105,098	105,098	-
Student lunches	1,000	1,000	1,060	60
Rentals	36,500	36,500	37,604	1,104
Other	15,174	50,174	52,574	2,400
Subtotal	13,236,303	13,458,796	13,504,151	45,355
Net change in estimate of prior receivables	-	-	(44,856)	(44,856)
Subtotal	13,236,303	13,458,796	13,459,295	499
Funding provided by The City of New York	12,346,856	13,557,864	13,487,962	(69,902)
Total revenues	25,583,159	27,016,660	26,947,257	(69,403)
EXPENDITURES:				
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	78,482	78,995	76,493	2,502
Subtotal	23,877,279	25,358,417	25,404,139	(45,722)
Reimbursable - categorical programs	1,715,891	1,710,258	1,704,500	5,758
Intra-city sales	(10,011)	(52,015)	(50,633)	(1,382)
Subtotal	25,583,159	27,016,660	27,058,006	(41,346)
Net change in estimate of prior payables	-	-	(110,749)	110,749
Total expenditures	25,583,159	27,016,660	26,947,257	69,403
Excess of revenues over expenditures	-	-	-	-
FUND BALANCE	<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 Fund Balance Budget and Actual -
General Fund for the Year Ended June 30, 2018**

(\$000 Omitted)

	<u>Adopted Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable)*</u>
REVENUES:				
Federal aid	\$ 1,788,700	\$ 1,826,044	\$ 1,826,044	\$ -
State aid	10,682,744	10,712,460	10,712,460	-
Universal services fund	-	42,232	42,232	-
Other assistance	57,680	180,673	180,673	-
Charges for services:				
School Construction Authority	80,907	70,513	70,513	-
Student lunches	12,750	1,000	1,207	207
Rentals	36,500	36,500	34,849	(1,651)
Other	15,174	15,174	18,859	3,685
Subtotal	<u>12,674,455</u>	<u>12,884,596</u>	<u>12,886,837</u>	<u>2,241</u>
Net change in estimate of prior receivables	-	-	(43,064)	(43,064)
Subtotal	<u>12,674,455</u>	<u>12,884,596</u>	<u>12,843,773</u>	<u>(40,823)</u>
Funding provided by The City of New York	<u>11,642,213</u>	<u>12,196,549</u>	<u>12,182,620</u>	<u>(13,929)</u>
Total revenues	<u>24,316,668</u>	<u>25,081,145</u>	<u>25,026,393</u>	<u>(54,752)</u>
EXPENDITURES:				
General education instruction and school leadership	8,122,310	8,331,254	8,331,254	-
Special education instruction and school leadership	1,706,002	1,884,877	1,884,290	587
Charter schools	1,946,994	1,880,752	1,880,740	12
School support organization	328,195	340,888	340,888	-
Citywide education instruction and school leadership	1,057,592	1,135,867	1,132,545	3,322
Special education instructional support	585,662	624,003	624,004	(1)
School facilities	1,058,559	1,239,439	1,239,439	-
Pupil transportation	1,142,457	1,206,567	1,206,567	-
School food services	565,029	501,160	501,160	-
School safety	367,800	378,057	378,057	-
Energy and leases	509,851	522,673	517,724	4,949
Central administration	367,999	380,514	377,924	2,590
Fringe benefits	3,255,637	3,302,354	3,301,960	394
Pre-kindergarten contracts	841,008	743,659	743,659	-
Contract schools and foster care payments	707,476	845,988	858,979	(12,991)
Non-public schools	78,241	79,196	77,397	1,799
Subtotal	<u>22,640,812</u>	<u>23,397,248</u>	<u>23,396,587</u>	<u>661</u>
Reimbursable — categorical programs	1,688,044	1,747,422	1,747,422	-
Intra-city sales	(12,188)	(63,525)	(61,094)	(2,431)
Subtotal	<u>24,316,668</u>	<u>25,081,145</u>	<u>25,082,915</u>	<u>(1,770)</u>
Net change in estimate of prior payables	-	-	(56,522)	56,522
Total expenditures	<u>24,316,668</u>	<u>25,081,145</u>	<u>25,026,393</u>	<u>54,752</u>
Excess of revenues over expenditures	-	-	-	-
FUND BALANCE	<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, 2019 and 2018

(\$000 Omitted)

	Agency Funds	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 35,205	\$ 34,998
Total assets	<u>\$ 35,205</u>	<u>\$ 34,998</u>
LIABILITIES		
Due for students/teachers	\$ 35,018	\$ 34,386
Holding accounts payable	187	160
Due to tax agents	<u>-</u>	<u>452</u>
Total liabilities	<u>\$ 35,205</u>	<u>\$ 34,998</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, 2019 and 2018

1. Summary of Significant Accounting Policies

A. Reporting Entity

The DOE continues to be 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 Carranza. The Department of Education has an annual budget of approximately \$27 billion and employs almost 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, 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 presents 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 as revenues from providing school lunches and 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.

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 an agent for student activities, individuals and private organizations. The DOE does not have any Fiduciary Funds other than agency funds.

New Accounting Standards Adopted

In Fiscal Year 2019, the DOE adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.
- Statement No. 90, Majority Equity Interest - an Amendment of GASB Statements No. 14 and No. 61.

Statement No. 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. Details of the City's implementation with respect to Statement No. 88 is included in Long-Term Liabilities.

Statement No. 90, Majority Equity Interest - an Amendment of GASB Statements No. 14 and No. 61 establishes reporting requirements for governments that hold a majority equity interest in a legally separate organization. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit measurable right to the net resources of the organization. A government has a majority equity interest in a legally separate organization if: (1) a government's holding of the equity interest meets the definition of an investment in paragraph 64 of GASB Statement No. 72; or (2) a government's holding of the equity interest *does not* meet the definition of investment; or (3) a government acquires 100 percent equity interest. The adoption of Statement No. 90 had no impact on the City's financial statements.

The adoption of Statement No. 88 and Statement No. 90 had no impact on the DOE's Department-wide, governmental fund, or fiduciary fund financial statements.

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.

GASB

Statement Number	GASB Accounting Standard	Effective Fiscal Year
84	Fiduciary Activities	2020
87	Leases	2021
89	Accounting for Interest Cost Incurred before the End of a Construction Period	2021
91	Conduit Debt Obligations	2021

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, 2019 and 2018, amounted to \$8.2 million and \$8.7 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 donation or 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 and used is included in Federal aid and School Food Services in the accompanying Statements of Revenue, Expenditures and Changes in Fund Balance. Donated commodities for the years ended June 30, 2019 and 2018 totaled \$41.8 million and \$31.8 million, respectively.

Capital Assets - include all land, buildings, equipment (including software), with an initial minimum useful life of five years, having a cost of more than \$35 thousand, 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. Capital leases are classified as capital assets in amounts equal to the lesser of the fair market value or the net present value of net minimum lease payments at the inception of the lease (see Note 3D).

Accumulated depreciation is reported as a reduction of capital assets. Depreciation is computed using the straight-line method based upon the estimated useful lives of generally 25 to 50 years for new construction, 10 to 25 years for betterments and/or reconstruction, and 5 to 15 years for equipment.

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 - include 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, 2019 and 2018 were \$2.3billion and \$2.2 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 - identified pollution remediation costs 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 F.1).

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, *Statement No. 67, Financial*

Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68 as amended.

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 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 an agent in the collection and disbursement of these monies, the monies are reported as fiduciary funds in the accompanying statements. The cash in the agency fund includes the balances of approximately 1,900 separate school activity funds held in bank accounts. All bank accounts are maintained by the schools except for two which are maintained in a central office for the benefit of the schools.

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, 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 \$27.1 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)	\$ 27,058,006
Add back intra-city sales (which are included in general revenue in statement of activities)	50,633
Depreciation expense	1,783,847
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>

The total program expenses included in the Statement of Activities for the year ended June 30, 2018 of \$26.9 billion differ from the total expenditures and other uses included in the Statement of Revenues, Expenditures and Changes in Fund Balance in the amount of \$25.1 billion, because of adjustments 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)	\$ 25,082,915
Add back intra-city sales (which are included in general revenue in statement of activities)	61,094
Depreciation expense	1,582,195
Long-term liabilities per full accrual basis:	
Net change in pollution remediation obligations	28,547
Net change in sick leave and vacation balances	186,681
Net change in capital leases	19,977
Net change in judgments and claims	(477,770)
Net change in employer pension obligations and pension-related deferred outflows and inflows of resources	(961,195)
Net change in other postemployment benefit obligations and other postemployment deferred outflows and inflows of resources	<u>1,334,165</u>
Total program expenses (from the statement of activities)	<u>\$ 26,856,609</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, Budgetary Strategy and Reporting 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 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, 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>

The 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>

The following schedule summarizes budget modifications for the year ended June 30, 2018
(\$000 omitted):

	Originally Adopted Budget	Net Modifications	Modified Budget
Tax-levy programs	\$ 22,640,812	\$ 756,436	\$ 23,397,248
Reimbursable programs	<u>1,688,044</u>	<u>59,378</u>	<u>1,747,422</u>
Subtotal	24,328,856	815,814	25,144,670
Less: Intra-city sales	<u>(12,188)</u>	<u>(51,337)</u>	<u>(63,525)</u>
Total	<u>\$ 24,316,668</u>	<u>\$ 764,477</u>	<u>\$ 25,081,145</u>

The modifications included the following (\$000 omitted):

	Tax Levy	Reimbursable
Intra-city purchases	\$ 26,187	\$ 25,150
Executive and adoption	591,840	20,960
November and January plan actions	30,480	1,621
Year-end closing actions	7,787	11,647
GASB No. 49 - Pollution remediation	<u>100,142</u>	<u>-</u>
Total net modifications	<u>\$ 756,436</u>	<u>\$ 59,378</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 1,900 accounts maintained at the school level, the DOE cannot determine the amounts that are insured or collateralized. The City’s June 30, 2019 and 2018 General Fund bank balances, which includes the DOE’s General Fund bank deposits, were uninsured and collateralized with securities held by The City’s agent in The City’s name.

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, 2019 and 2018 were as follows (\$000 omitted):

Capital Assets	Balance June 30, 2018	Additions	Transfers	Deletions	Balance June 30, 2019
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>
Capital Assets	Balance June 30, 2017	Additions	Transfers	Deletions	Balance June 30, 2018
Capital assets not being depreciated:					
Land and site improvement	\$ 448,956	\$ 7	\$ -	\$ -	\$ 448,963
Construction in progress	<u>3,003,707</u>	<u>2,141,607</u>	<u>(2,530,855)</u>	<u>-</u>	<u>2,614,459</u>
Total capital assets not being depreciated	<u>3,452,663</u>	<u>2,141,614</u>	<u>(2,530,855)</u>	<u>-</u>	<u>3,063,422</u>
Capital assets being depreciated:					
Building and additions	41,002,633	51,456	2,530,855	(12,034)	43,572,910
Equipment (including software)	<u>313,392</u>	<u>2,280</u>	<u>-</u>	<u>-</u>	<u>315,672</u>
Gross balance capital assets	<u>41,316,025</u>	<u>53,736</u>	<u>2,530,855</u>	<u>(12,034)</u>	<u>43,888,582</u>
Less accumulated depreciation:					
Building and additions	17,497,959	1,588,507	-	(12,034)	19,074,432
Equipment	<u>281,765</u>	<u>5,721</u>	<u>-</u>	<u>-</u>	<u>287,486</u>
Total accumulated depreciation	<u>17,779,724</u>	<u>1,594,228</u>	<u>-</u>	<u>(12,034)</u>	<u>19,361,918</u>
Net capital assets being depreciated	<u>23,536,301</u>	<u>(1,540,492)</u>	<u>2,530,855</u>	<u>-</u>	<u>24,526,664</u>
Total capital assets	<u>\$ 26,988,964</u>	<u>\$ 601,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,590,086</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 2015 through 2019 totaled \$16.6 billion.

Capital Expenditures made on behalf of the DOE amounted to \$2.8 billion and \$2.4 billion in Fiscal Years 2019 and 2018, 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 2019 and 2018, the SCA transferred \$3.7 billion and \$2.5 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 \$105 million and \$70.5 million in Fiscal Years 2019 and 2018, respectively.

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

For Fiscal Year 2019, The City’s Comprehensive Annual Financial Report identifies capital expenditures for education amounting to \$2.8 billion. The capital expenditures incurred by the SCA on behalf of the DOE totaled \$3.1 billion inclusive of GASB Statement No. 49 expenditures of \$85 million and the liability to SCA for \$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. Total lease expenditures for the years ended June 30, 2019 and 2018, were \$256 million and \$235 million, respectively.

As of June 30, 2019, 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>
2020	\$ 201,986	\$ 45,019	\$ 156,967
2021	192,331	42,342	149,989
2022	188,855	41,583	147,272
2023	183,962	40,665	143,297
2024	179,899	39,423	140,476
2025 - 2029	692,162	140,693	551,469
2030 - 2034	436,800	89,401	347,399
2035 - 2039	129,137	23,368	105,769
2040 - 2044	35,083	12,242	22,841
2045 - 2049	12,412	-	12,412
2050	<u>1,464</u>	<u>-</u>	<u>1,464</u>
Total minimum lease payments	<u>\$ 2,254,091</u>	474,736	<u>\$ 1,779,355</u>
Less imputed interest		<u>(117,717)</u>	
Present value of net minimum lease payments		<u>\$ 357,019</u>	

E. Pollution Remediation Obligations

The Pollution Remediation Obligations (“PRO”) as of June 30, 2019 and 2018, summarized by obligating event and pollution type, respectively, were as follows (\$000 omitted):

Obligating Event	<u>2019</u>		<u>2018</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Voluntary commencement	\$ 90,444	100.00	\$ 90,755	100.00
Total	<u>\$ 90,444</u>	<u>100.00</u>	<u>\$ 90,755</u>	<u>100.00</u>
Pollution Type	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Asbestos removal	\$ 79,761	88.19	\$ 85,326	94.02
Lead paint removal	676	0.75	201	0.22
Soil remediation	4,744	5.25	5,228	5.76
Other	<u>5,263</u>	<u>5.81</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 90,444</u>	<u>100.00</u>	<u>\$ 90,755</u>	<u>100.00</u>

There were no liabilities associated with imminent endangerment, violation of pollution remediation-related permit, licenses or named by regulators as a potentially responsible party.

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 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 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 and recorded in the year the change is identified. 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 condemnation on, or caused by facilities on City-owned property, and there is also one case involving environmental review and land use. 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, 2019 and 2018 were as follows (\$000 omitted):

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due within One Year
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>

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due within</u> <u>One Year</u>
Pollution remediation	\$ 62,208	\$ 128,670	\$ (100,123)	\$ 90,755	\$ 89,713
Accrued vacation and sick leave	2,250,984	246,672	(59,990)	2,437,666	59,990
Capital lease obligations	319,819	45,160	(25,183)	339,796	26,123
Accrued judgments and claims	836,989	30,331	(508,101)	359,219	79,305
Employer pension obligation	23,372,049	5,954,252	(10,881,806)	18,444,495	-
OPEB obligations	<u>22,964,527</u>	<u>8,039,666</u>	<u>(836,150)</u>	<u>30,168,043</u>	<u>-</u>
Total	<u>\$ 49,806,576</u>	<u>\$ 14,444,751</u>	<u>\$ (12,411,353)</u>	<u>\$ 51,839,974</u>	<u>\$ 255,131</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 2019 and 2018 were \$57.9 million and \$57.7 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. NYCSSS was incorporated for the purpose of providing staffing of custodial helpers for the DOE. NYCSSS’ contract with the City was registered on April 28, 2016. 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. The term of the contract is three years terminating on June 30, 2019, with an additional year for renewal through fiscal year 2020. The DOE is in the process of renewing the contract with NYCSSS. NYCSSS is governed by a Board of Directors consisting of five members, two of whom serve ex-officio.

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.

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>2019</u>	<u>2018</u>
Beginning balance at June 30,	\$ 30,168,043	\$ 22,964,527
Changes for the year:		
Service cost	1,846,013	1,489,090
Interest	1,043,843	959,284
Difference between expected and actual experience	3,018,900	702,742
Change of assumption	(441,351)	4,888,473
Contribution - employer	(855,270)	(821,391)
Net investment income	(32,483)	(14,735)
Administrative expenses	15	13
Other changes	<u>56</u>	<u>40</u>
Net changes	<u>4,579,723</u>	<u>7,203,516</u>
Net ending balance at June 30,	<u>\$ 34,747,766</u>	<u>\$ 30,168,043</u>
Sensitivity of the Net OPEB Liability to Changes in the Discount Rate		
a. 1% Decrease	\$ 41,076,068	
b. 1% Increase	\$ 29,775,047	
Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
a. 1% Decrease	\$ 28,419,374	
b. 1% Increase	\$ 43,665,607	

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

	2019	
	Deferred of Resources	Deferred Inflows of Resources
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>

	2018	
	Deferred of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 712,665	\$ 20,594
Changes in assumptions	657,703	2,374,859
Net difference between projected and Actual Earning on OPEB Plan Investment	<u>77,674</u>	<u>-</u>
Total	<u>\$ 1,448,042</u>	<u>\$ 2,395,453</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>
2020	\$ (101,935)
2021	(110,161)
2022	(118,866)
2023	(29,183)
Thereafter	487,556

Funded Status and Funding Progress. As of June 30, 2019, the most recent actuarial measurement date, the funded status was 4.2%. The total OPEB liability for benefits was \$112.4 billion, and the plan fiduciary net position was \$4.7 billion, resulting in a net OPEB liability of \$107.8 billion. The covered payroll (annual payroll of active employees covered) was \$27.7 billion, and the ratio of the net OPEB liability to the covered payroll was 389.3%. 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 RSI section immediately following the notes to financial statements, present GASB Statement No. 75 results of OPEB valuations for Fiscal Years 2019 and 2018.

Actuarial Methods and Assumptions. The actuarial assumptions used in the Fiscal Years 2019 and 2018 OPEB valuations are classified as those used in the New York City Retirement Systems (“NYCRS”) pension valuations and those specific to the OPEB valuations of the DOE. The DOE retirement systems consist of: (i) NYCERS; (ii) New York City Teachers’ Retirement System of The City of New York (“TRS”); and (iii) New York City Board of Education Retirement System (“BERS”). The OPEB valuations incorporate only the use of certain NYCRS demographic and economic assumptions. The assumptions used in this OPEB valuation have changed from the prior valuation. 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). 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 2019 OPEB valuation of the Plan are as follows:

Valuation Date June 30, 2018

Measurement Date..... June 30, 2019

Discount Rate2.82% ⁽¹⁾ for benefits provided by The City, 2.79% for benefits provided by Component Units. Results as of the June 30, 2018 Measurement Date are presented at 3.01% for benefits provided by The City, and 2.98% 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.

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.

(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, 2019 of 2.79%.

Initial monthly premium rates used in valuation are shown below:

Plan	Monthly Health Insurance Costs
	FY2019
HIP HMO	
Non-Medicare Single	\$ 729.97 ⁽¹⁾
Non-Medicare Family	1,783.60 ⁽¹⁾
Medicare	170.84 ⁽¹⁾
GHI/EBCBS	
Non-Medicare Single	741.40 ⁽¹⁾
Non-Medicare Family	1,947.32 ⁽¹⁾
Medicare	191.64
Others⁽²⁾	
Non-Medicare Single	1,075.01
Non-Medicare Family	2,409.82
Medicare Single	338.86
Medicare Family	668.49

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

Plan	Monthly Costs @ Age 65 FY2019
HIPHMO	
Non-Medicare	\$1,641.20
Medicare	\$ 170.84
GHI/EBCBS	
Non-Medicare	\$1,690.38
Medicare	\$ 187.24
Other HMOs	Varies by system

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

Welfare Funds..... The Welfare Fund contribution reported as of the valuation date, June 30, 2017, (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 2019 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	\$1,870
TRS	1,823
BERS	1,926

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

Medicare Part B Premium reimbursement amounts have been updated to reflect actual premium rates announced for calendar years through 2019. Due to limited cost-of-living adjustment in Social Security benefits for Calendar Years 2017, 2018, and 2019, 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 2019 OPEB valuation the annual premium used was \$1,561.68, which is equal to 12 times an average of the Calendar Year 2018 and 2019 monthly premiums shown.

For Calendar Year 2019, the monthly premium of \$134.43 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 \$135.50 for Calendar Year 2019, representing the proportion of the Medicare population that will pay the announced amount.

The Calendar Year 2018 premium of \$125.85 was determined similarly, using 28% of the \$104.90 hold harmless and 72% of the \$134 rate that was in effect for Calendar Year 2018.

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.

<u>Fiscal Year</u>	<u>Income-related Medicare Part B Increase</u>
2019	5.0%
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")Health trend information from various sources was reviewed, including City premium trend experience for HIP HMO and GHI/EBCBS, public sector benchmark survey for other large plan sponsors. The Medicare Trustees' Report, and the SOA Getzen model. Based on the review, no trend changes were made to the Medicare Part B premium and Welfare Fund contributions, but the medical trends were updated for the Fiscal Year 2019 valuation.

<u>Year Ending</u>	<u>Pre-Medicare Plans</u>	<u>Medicare Plans</u>	<u>Medicare Part B Premium</u>	<u>Welfare Fund Contributions</u>
2019 ⁽¹⁾	7.00%	5.00%	5.88%	3.50%
2020	7.00	5.00	5.00	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 FY20 (July 2019 to December 2019) and 5.0% trend for the remaining 6 months.

Age- and Gender-Related Morbidity The premiums are age- and gender-adjusted for HIP HMO, 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 were assumed to represent a relative 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 5% reduction in the GHI portion of the monthly premium (with the GHI portion representing \$349.58 out of \$741.40 for single coverage, and \$928.59 out of \$1,947.32 for family coverage for Fiscal Year 2019 rates) and a 3% 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..... Participation assumptions were updated as part of the Fiscal Year 2017 valuation to reflect recent experience. The OA reviewed recent experience to confirm these assumptions were still reasonable for the Fiscal Year 2019 valuation.

Actual elections 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.

This assumption was used for the first time in the Fiscal Year 2017 valuation.

NYCERS	10%
TRS	6%
BERS	12%

Participants who do not qualify for coverage because they were working less than 20 hours a week at termination are assumed to be reflected in waivers and non-filers.

Detailed assumptions for future Program retirees are presented below:

<u>Benefits</u>	<u>NYCERS</u>	<u>TRS</u>	<u>BERS</u>
<u>Pre-Medicare</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.	—	40	67
Waiver	—	—	—
To GHI	—	—	—
@ 65	—	—	—
To HIP @ 65	—	40	—

Dependent Coverage Noncontributory Basic Medical Coverage and Part B premium reimbursement 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. The assumptions were updated as part of the Fiscal Year 2017 valuation. The OA reviewed recent experience to confirm these assumptions were still reasonable for the Fiscal Year 2019 valuation.

Dependent Coverage Assumptions			
<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 2018 and the Fiscal Year 2017 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).

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 \$1,100 was assumed for terminations during Fiscal Year 2019. This amount is increased by the Pre-Medicare HCCTR for future years but is not adjusted for age-related morbidity.

Cadillac Tax.....The OPEB valuation includes an explicit calculation of the high-cost plan excise tax (Cadillac Tax) that will be imposed beginning in 2022 under HCR.

The tax is 40% of the excess of (a) over (b) where (a) is the cost of medical coverage, and (b) is the statutory limits (\$10,200 for single coverage and \$27,500 for family coverage), adjusted for the following:

- For Pre-Medicare retirees above the age of 55, the limit will be increased by \$1,650 for single coverage; \$3,450 for family coverage.
- The dollar limits are increased by chained CPI+1% (e.g. 3.25%) for 2019 and by Chained CPI (e.g. 2.25%) for subsequent years. Indexing of limits starts in 2018; tax first applies in 2022.

The impact of the Cadillac Tax for the NYCHBP benefits is calculated based on the following assumptions about the cost of medical coverage:

- The cost for each benefit option without age adjustment (GHI, HIP, or other HMO, combined with the average cost of Medicare Part B Premium reimbursement, if applicable) was separately compared to the applicable limit.
- The additional Cadillac Tax due to the riders or optional benefit arrangements is assumed to be reflected in the contribution required for the rider or optional benefit.
- The additional Cadillac Tax due to amounts provided by Welfare Fund benefits is assumed to be absorbed by the Welfare Fund or by lower net Welfare Fund contribution amounts.
- Pre-Medicare retirees under age 55 are not assumed to have the higher limits that apply to employees engaged in high-risk professions because the majority of employees included in this valuation are not in such professions.

Actives/Inactives Liabilities40% of the measured liability of the Active/Inactive 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 2018 OPEB valuation based on recent data. The load is not applicable to Component Units.

Educational Construction FundThe actuarial assumptions used for determining GASB 75 obligations for ECF are shown starting on page 135 of the Fiscal Year 2019 GASB 74/75 Report dated September 13, 2019. The Report is available at the Office of the Comptroller, Bureau of Accountancy - Room 200 South, 1 Centre Street, New York, New York 10007 and on the website of the New York City Office of the Actuary (www.nyc.gov/actuary).

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”) that supplement the pension benefits provided by the QPP. The QPPs combine features of a defined benefit pension plans with those of a defined contribution pension plans; however, they 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, 2017 actuarial valuation was used for determining the Fiscal Year 2019 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 2019 and 2018 and the amount of The City’s contribution to each QPP for such Fiscal Years are as follows (\$000 omitted):

Annual Pension Costs	Aggregate Statutory Contribution 2019	Aggregate Statutory Contribution 2018	Aggregate Statutory Contribution 2017
TRS	\$ 3,548	\$ 3,734	\$ 3,888
BERS	<u>258</u>	<u>305</u>	<u>288</u>
Total	<u>\$ 3,806</u>	<u>\$ 4,039</u>	<u>\$ 4,176</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, 2019 and 2018 were as follows (\$000 omitted):

	TRS - Net Pension Liability		BERS - Net Pension Liability	
	2019	2018	2019	2018
Balance at June 30,				
Actuarial adjustment**	\$ 17,964,681	\$ 22,444,293	\$ 479,814	\$ 927,756
	-	3,498	-	49
Revised balance	17,964,681	22,447,791	479,814	927,805
Changes for the year:				
Service cost	1,622,940	1,379,281	161,170	168,533
Interest	4,716,347	4,869,078	350,156	335,899
Difference between expected and actual experience				
	(1,140,325)	(2,146,447)	145,540	(157,506)
Change of assumption	(793,503)	-	(300,819)	-
Contribution - employer	(3,547,598)	(3,734,445)	(257,906)	(304,937)
Contribution - other employer*	(59,992)	(57,585)	-	-
Contribution - employees	(208,445)	(187,449)	(44,289)	(39,089)
Net investment income	(5,490,568)	(6,024,675)	(389,176)	(541,246)
Payment of interest on TDA fixed funds	1,647,445	1,531,787	135,530	122,467
Administrative expenses	61,698	62,479	16,602	12,644
Other changes	(27,515)	(28,006)	(34,074)	(48,829)
Net changes	(3,219,516)	(4,335,982)	(217,266)	(452,064)
Subtotal at June 30	14,745,165	18,111,809	262,548	475,741
Change in proportionate share	(7,862)	(147,128)	(245)	4,073
Net balance at June 30	\$ 14,737,303	\$ 17,964,681	\$ 262,303	\$ 479,814

* Includes amounts for members portion of Additional Member Contributions and supplemental contributions for the ASAF and ASF Funds.

** The Beginning with Children Charter School (BWC) closed in 2016. Balances for BWC have been included with the results for the Department of Education.

DOE 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, 2019 and 2018 and the proportion percentage of the aggregate net pension liability of each QPP allocated to the DOE (\$000 omitted):

	June 30, 2019		June 30, 2018	
	TRS	BERS	TRS	BERS
DOE's proportion of the net pension liability	95.97%	95.65%	96.01%	95.70%
DOE's proportionate share of the net pension liability	\$ 14,737,303	\$ 262,303	\$ 17,964,681	\$ 479,814

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.

QPPs is calculated with the discount rate of 7.0%, as well as what The City's proportionate share of the respective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.0% or 1-percentage-point higher 8.0% than the current rate. The following table presents The City's proportionate share of net pension liability for the TRS and BERS (\$000 omitted):

	Fiscal Year 2019			Fiscal Year 2018		
	1%	Current	1% increase	1%	Current	1% increase
	Discount (6.0%)	Discount Rate (7.0%)	(8.0%)	Discount (6.0%)	Discount Rate (7.0%)	(8.0%)
TRS QPP	\$ 22,973	\$ 14,929	\$ 5,568	\$ 26,485	\$ 18,185	\$ 11,158
BERS QPP	928	274	(275)	1,142	501	(44)
Total	<u>\$ 23,901</u>	<u>\$ 15,203</u>	<u>\$ 5,293</u>	<u>\$ 27,627</u>	<u>\$ 18,686</u>	<u>\$ 11,114</u>

The above amounts include all participants of TRS and BERS.

Deferred inflows of resources by source reported by the DOE at June 30, 2019 and 2018 for each QPP were as follows (\$000 omitted):

	2019		2018	
	TRS	BERS	TRS	BERS
Difference between Expected and Actual Experience	\$ 2,591,511	\$ 103,605	\$ 1,871,614	\$ 134,909
Net difference between projected and Actual Earning on Pension Plan Investment	692,677	250,005	3,584,488	533,758
Change of Assumptions	4,367,233	447,634	-	-
Change in Proportion and Differences between Employer Contribution and Porportion Share	6,211	(1,260)	7,668	(1,866)
Deferred inflows of Resources	<u>\$ 7,657,632</u>	<u>\$ 799,984</u>	<u>\$ 5,463,770</u>	<u>\$ 666,801</u>

Deferred outflows of resources by source reported by the DOE at June 30, 2019 and 2018 for each QPP were as follows (\$000 omitted):

	2019		2018	
	TRS	BERS	TRS	BERS
Difference between Expected and Actual Experience	\$ 564,425	\$ 128,960	\$ 957,338	\$ 11,699
Net difference between projected and Actual Earning on Pension Plan Investment	-	-	-	-
Change of Assumptions	-	-	510,952	10,469
Change in Proportion and Differences between Employer Contribution and Porportion Share	(27,693)	(7,835)	(33,996)	(11,381)
Deferred outflows of Resources	<u>\$ 536,732</u>	<u>\$ 121,125</u>	<u>\$ 1,434,294</u>	<u>\$ 10,787</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2019 will be recognized as pension expenses as follows (\$000 omitted):

Year ending June 30:	TRS	BERS
2020	\$ 1,841,934	\$ 234,860
2021	2,219,219	248,335
2022	1,300,454	126,585
2023	798,243	67,857
Thereafter	<u>514,299</u>	<u>25,229</u>
Total	<u>\$ 6,674,149</u>	<u>\$ 702,866</u>

The above amounts include all participants of TRS and BERS inclusive of DOE.

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, 2019 and 2018 were as follows (\$000 omitted):

	2019		
	TRS	BERS	Total
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	3,471,634	63,241	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>\$ 14,737,302</u>	<u>\$ 262,304</u>	<u>\$ 14,999,606</u>
	2018		
	TRS	BERS	Total
Net pension liability at June 30, 2017	\$ 22,444,293	\$ 927,755	\$ 23,372,048
Actuary adjustment*	<u>3,498</u>	<u>49</u>	<u>3,547</u>
Revised balance at June 30, 2017	22,447,791	927,804	23,375,595
Employer contribution	(3,734,445)	(304,937)	(4,039,382)
Other employer contribution	(57,585)	-	(57,585)
Pension expense**	3,127,437	4,789	3,132,226
Deferred outflows of resources (net)	(1,544,575)	(54,089)	(1,598,664)
Deferred inflows from pension (net)	<u>(2,273,942)</u>	<u>(93,753)</u>	<u>(2,367,695)</u>
Net pension liability at June 30, 2018	<u>\$ 17,964,681</u>	<u>\$ 479,814</u>	<u>\$ 18,444,495</u>

* The Beginning with Children Charter School (BWC) closed in 2016. Balances for BWC have been included with the results for the Department of Education.

** Pension expense was adjusted for TRS by \$409 million and BERS \$59 million to tie to Actuary Report.

E. Superstorm Sandy

Government Assistance (See Note F) - On October 29, 2012, Superstorm Sandy made landfall in The City and hit the Mid-Atlantic East Coast. The storm caused widespread damage to the coastal and other low lying areas of The City and power failures in various parts of The City, including most of downtown Manhattan. On January 29, 2013, President Obama signed legislation providing for approximately \$50.5 billion in storm-related aid for the region affected by the storm. Although it is not possible for the City to quantify the full, long-term impact of the storm on The City and its economy, the current estimate of the direct costs to The City, NYC Health+Hospitals, and NYCHA is approximately \$10.7 billion (comprised of approximately \$1.8 billion of expense costs and approximately \$8.9 billion of capital project costs). Such direct costs represent funding for emergency response, debris removal, emergency protective measures, repair of damaged infrastructure, and long-term hazard mitigation investments. In addition, The City is delivering SuperStorm Sandy-related disaster recovery assistance services, benefiting impacted communities, businesses, homeowners and renters, which The City anticipates will be fully reimbursed by federal funds.

The Financial Plan assumes that the direct costs described above will largely be paid from non-City sources, primarily the federal government, and that the disaster assistance services costs described above will be fully reimbursed by federal funds. The City expects reimbursements to come from two separate federal sources of funding, FEMA and the U.S. Department of Housing and Urban Development (“HUD”). The City has secured approximately \$10.5 billion in FEMA assistance and other federal emergency response grants. The maximum reimbursement rate from FEMA is 90% of total costs. Other federal emergency response grants may have larger local share percentages. The City expects to use \$734 million of Community Development Block Grant Disaster Recovery funding allocated by HUD to meet the local share requirements of the FEMA funding, as well as recovery work not funded by FEMA or other federal sources. This allocation would be available to fill gaps in such FEMA funding. As of December 31, 2018, The City, NYC Health+Hospitals and NYCHA have received \$3.2 billion in reimbursements from FEMA for the direct costs described above. In addition, HUD has made available over \$4.2 billion, of which over \$3.2 billion has been received through March 31, 2019 for the direct costs and disaster recovery assistance services described above. No assurance can be given that The City will be reimbursed for all of its costs or that such reimbursements will be received within the time periods assumed in the Financial Plan.

In June 2013, The City released a report (the “OneNYC Report”), updated in April 2015, with the release of One New York: the Plan for a Strong and Just City, which analyzed The City’s climate risks and outlined recommendations to address those risks. The City issues progress reports to the OneNYC Report annually and issues an updated report every four years. Building on the recommendations contained in the Report, The City is in the process of implementing, over the next ten years, climate resiliency projects costing in excess of \$20 billion, most of which are dedicated to areas previously affected by SuperStorm Sandy and some of which are directed toward mitigating the risks identified in the NPCC report. Such plans include both stand-alone resiliency projects and the integration of resiliency protection into the City’s ongoing investments. These projects are in various stages of feasibility review, design and construction and/or implementation. Funding for these projects is expected to come from city, state and federal sources. Some projects are expected to require additional funding to the extent that they are in the planning stages or current funding does not provide for the costs of construction. In addition to such projects, The City expects that additional resiliency projects will be identified and implemented in the coming years, including additional projects inside and outside of the areas affected by SuperStorm Sandy and addressing risks identified in the NPCC report including coastal storms, sea level rise, extreme heat and intense rainfall.

F. 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 DOE 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 DOE 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 non-current 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 DOE'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 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.

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's 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 The City's 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.

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ANNUAL FINANCIAL STATEMENTS
Department of Education of The City of New York
For the Fiscal Years Ended June 30, 2019 and 2018

Required Supplementary Information

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

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

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 1,846,013	\$ 1,489,089
Interest	1,043,843	959,284
Differences between Expected and Actual Experience	3,018,900	702,741
Changes in Assumptions	(364,747)	5,105,623
Benefit Payments	<u>(915,493)</u>	<u>(801,791)</u>
Net Changes in Total OPEB Liability	\$ 4,628,516	\$ 7,454,946
Total OPEB Liability - Beginning	\$ 31,628,153	\$ 24,173,207
Total OPEB Liability - Ending	\$ 36,256,669	\$ 31,628,153
Plan Fiduciary Net Position		
Contributions - Employer	\$ 855,270	\$ 821,391
Net Investment Income	32,483	14,735
Benefit Payments	(915,493)	(801,791)
Administrative Expenses	(15)	(13)
Other Changes	<u>(55)</u>	<u>217,108</u>
Net Changes in Plan Fiduciary Net Position	\$ (27,810)	\$ 251,430
Plan Fiduciary Net Position - Beginning	\$ 1,460,110	\$ 1,208,680
Plan Fiduciary Net Position - Ending	\$ 1,508,903	\$ 1,460,110
Net OPEB Liability	\$ 34,747,766	\$ 30,168,043
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	4.2%	4.6%
Covered Employee Payroll	\$ 8,951,220	\$ 8,058,822
Net OPEB Liability as a Percentage of Covered Employee Payroll	388.3%	374.5%

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	
	2019	2018	2019	2018
DOE's proportion of the net pension liability	96.0%	96.0%	95.6%	95.7%
DOE's proportionate share of the net pension liability	\$ 14,737,303	\$ 17,964,681	\$ 262,303	\$ 479,814
DOE's covered-employee payroll	9,985	8,854	1,209	1,055
DOE's proportionate share of the net pension liability as a percentage of its covered-employee payroll	35.5%	42.3%	21.7%	45.5%
Plan fiduciary net position as percentage of the total pension liability	79.1%	74.5%	94.8%	90.3%

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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)	2019	2018	2017	2016	2015	2014	2013	2012 *	2011 *	2010 *
TRS										
Contractually required contribution	\$ 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	\$ 2,484,074
Contributions in relation to the contractually required contribution	\$ 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	\$ 2,484,074
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
Covered-employee payroll	\$ 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	\$ 7,859,999
Contributions as a percentage of covered-employee payroll	35.53%	42.18%	44.07%	44.22%	40.50%	37.58%	36.54%	33.75%	31.11%	31.60%
BERS										
Contractually required contribution	\$ 257,905	\$ 304,937	\$ 274,603	\$ 257,056	\$ 249,253	\$ 205,928	\$ 197,609	\$ 213,651	\$ 180,191	\$ 147,349
Contributions in relation to the contractually required contribution	\$ 257,905	\$ 304,937	\$ 274,603	\$ 257,056	\$ 249,253	\$ 205,928	\$ 197,609	\$ 213,651	\$ 180,191	\$ 147,349
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
Covered-employee payroll	\$ 1,209,119	\$ 1,054,562	\$ 1,002,249	\$ 975,460	\$ 976,861	\$ 939,439	\$ 837,793	\$ 879,476	\$ 880,656	\$ 826,782
Contributions as a percentage of covered-employee payroll	21.33%	28.92%	27.40%	25.51%	25.52%	21.92%	23.59%	24.29%	20.46%	17.82%

*For Fiscal Years 2012, 2011 and 2010, 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 2012, the City-only employer contributions are not comparable over the ten year period.

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 2020 contributions were determined using an actuarial valuation as of June 30, 2018). The methods and assumptions used to determine the actuarially determined and contractually required contributions are as follows:

Fiscal Year	2020	2019	2018	2017	2016	2015	2014
Valuation Dates	June 30, 2018(Lag)	June 30, 2017(Lag)	June 30, 2016 (Lag)	June 30, 2015 (Lag)	June 30, 2014 (Lag)	June 30, 2013 (Lag)	June 30, 2012 (Lag)
Actuarial cost method	Entry Age ⁴	Entry Age ⁴	Entry Age ⁴	Entry Age ⁴	Entry Age ⁴	Entry Age ⁴	Entry Age ⁴
Amortization method for Unfunded Initial 2010 UAL	Increasing Dollar Payments	Increasing Dollar Payments	Increasing Dollar Payments	Increasing Dollar Payments	Increasing Dollar Payments	Increasing Dollar Payments	Increasing Dollar Payments
Post-2010 UALs	Level Dollar Payments	Level Dollar Payments	Level Dollar Payments	Level Dollar Payments	Level Dollar Payments.	Level Dollar Payments.	Level Dollar Payments.
Remaining amortization period:							
Initial 2010 UAL	14 Years (Closed)	15 Years (Closed)	16 Years (Closed)	17 Years (Closed)	18 Years (Closed)	19 Years (Closed)	20 Years (Closed)
2010 ERI	0 Year (Closed)	0 Year (Closed)	0 Year (Closed)	1 Year (Closed)	2 Years (Closed)	3 Years (Closed)	4 Years (Closed)
2011 (G)/L	8 Years (Closed)	9 Years (Closed)	10 Years (Closed)	11 Years (Closed)	12 Years (Closed)	13 Years (Closed)	14 Years (Closed)
2012 (G)/L	9 Years (Closed)	10 Years (Closed)	11 Years (Closed)	12 Years (Closed)	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)
2013 (G)/L	10 Years (Closed)	11 Years (Closed)	12 Years (Closed)	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)	NA
2013 Transit Refunds	0 Years (Closed)	1 Years (Closed)	2 Years (Closed)	3 Years (Closed)	4 Years (Closed)	5 Years (Closed)	NA
2014 (G)/L	11 Years (Closed)	12 Years (Closed)	13Years (Closed)	14 Years (Closed)	15 Years (Closed)	NA	NA
2014 Assumption Change	16 Years (Closed)	17 Years (Closed)	18 Years (Closed)	19 Years (Closed)	20 Years (Closed)	NA	NA
2014 Method Change	16 Years (Closed)	17 Years (Closed)	18 Years (Closed)	19 Years (Closed)	20 Years (Closed)	NA	NA
2015 (G)/L	12 Years (Closed)	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)	NA	NA	NA
2016 (G)/L	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)	NA	NA	NA	NA
2017 (G)/L	14 Years (Closed)	15 Years (Closed)	NA	NA	NA	NA	NA
2017 Assumption Change	19 Years (Closed)	20 Years (Closed)	NA	NA	NA	NA	NA
2018 (G)/L	15 Years (Closed)	NA	NA	NA	NA	NA	NA
Actuarial Asset:							
Valuation Method	6-year moving average of Market Value ⁵	6-year moving average of Market Value ⁵	6-year moving average of Market Value ⁵	6-year moving average of Market Value ⁵	6-year moving average of Market Value ⁵	6-year moving average of Market Value ⁵	6-year moving average of Market Value ⁵
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)	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 2016	Tables adopted by Board of Trustees during Fiscal Year 2016	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

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited), Continued

Notes to Schedule C: (Unaudited)

Fiscal Year	2020	2019	2018	2017	2016	2015	2014
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 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	Tables adopted by Boards of Trustees during Fiscal Year 2012.
Salary Increases	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year ³	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year ³	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year ³	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year ³	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year ³	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year ³	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year ⁴
Cost-of-Living Adjustments ⁴	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	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:

Fiscal Year	2013	2012	2011
Valuation Dates	June 30, 2011 (Lag)	June 30, 2010 (Lag)	June 30, 2009 (Lag)
Actuarial cost method	Entry Age⁴	Entry Age⁴	Frozen Initial Liability¹
Amortization method for Unfunded Accrued Liabilities (UAL):			
Initial 2010 UAL	Increasing Dollar Payments	Increasing Dollar Payments	NA
Post-2010 UALs	Level Dollar Payments	Level Dollar Payments	NA
Remaining amortization period:			
Initial 2010 UAL	21 Years (Closed)	22 Years (Closed)	NA
2010 ERI	5 Years (Closed)	6 Years (Closed)	NA
2011 (G)/L	15 Years (Closed)	NA	NA
2012 (G)/L			
Actuarial Asset:			
Valuation Method	6-year moving average of Market Value	6-year moving average of Market Value	6-year moving average of Market Value
Actuarial assumptions:			
Assumed rate of return	7.0% per annum, net of investment expense (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	8.0% per annum, gross of expense (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	8.0% per annum, gross of expense (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)
Post-retirement mortality	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 2006
Active service: withdrawal, death, disability, service retirement	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 2006

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited), Continued

Notes to Schedule C:

With the exception of fiscal year 2005, 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 2014 contributions were determined using an actuarial valuation as of June 30, 2012). The fiscal year 2005 employer contribution was determined using an actuarial valuation as of the immediate prior fiscal year (June 30, 2004). This change in methodology caused two actuarial valuations to be performed as of June 30, 2004. The methods and assumptions used to determine the actuarially determined and contractually required contributions are as follows:

<u>Fiscal Year</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Post-retirement mortality	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 2006.
Active service: withdrawals, death, disability, service retirement	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 2006.
Salary increases	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year. ⁴	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year. ⁴	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year. ⁴
Cost-of-Living Adjustments ⁴	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.	1.3% per annum

1. Under the Frozen Initial Liability Actuarial Cost Method, the excess of the Actuarial Present Value (APV) of projected benefits of the membership as of the valuation date, over the sum of the Actuarial Value of Assets plus the UAAL, if any, and the APV of future employee contributions is allocated on a level basis over the future earnings of members who are on the payroll of the valuation date. The Initial Liability was reestablished by the Entry Age Actuarial Cost Method as of June 30, 1999 but with the UAAL not less than \$0. Actuarial gains and losses are reflected in the employer normal contribution rate.
2. In conjunction with Chapter 85 of the Laws of 2000 (Chapter 85/100), there is an amortization method. However, the initial pre-2010 UAAL of NYCERS, TRS, BERS, and POLICE equal \$0 and no amortization periods are required.
3. Developed assuming a long-term Consumer Price Inflation assumption of 2.5% per year.
4. 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 to the benefit changes, actuarial assumption changes and /or actuarial method changes are also explicitly identified and amortized.
5. 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.

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ANNUAL FINANCIAL STATEMENTS

Department of Education of The City of New York

For the Fiscal Years Ended June 30, 2019 and 2018

Supplemental Schedules

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 2015 through Fiscal Year 2019, as of June 30, 2019. 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, 2019
With Comparative Totals to June 30, 2018**

(\$000 Omitted)

<u>BFY</u>	<u>Federal Categorical Grants</u>	<u>State Aid and Categorical Grants</u>	<u>Non- Governmental Grants</u>	<u>Total Receivables as of June 30, 2019</u>
FISCAL YEAR 2019	\$ 708,771	\$ 1,699,058	\$ 77,584	\$ 2,485,413
FISCAL YEAR 2018	25,561	286,525	26,851	338,937
FISCAL YEAR 2017	4,670	-	-	4,670
FISCAL YEAR 2016	-	-	-	-
FISCAL YEAR 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL RECEIVABLES	<u>\$ 739,002</u>	<u>\$ 1,985,583</u>	<u>\$ 104,435</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, 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>

(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>
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	<u>31,855</u>	<u>29,287</u>	<u>2,568</u>
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	<u>8,298</u>	<u>7,937</u>	<u>361</u>
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	<u>272,962</u>	<u>273,860</u>	<u>(898)</u>
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	<u>85,379</u>	<u>85,379</u>	<u>-</u>
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>
	<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	<u>912,133</u>	<u>911,860</u>	<u>273</u>
474 NON-PUBLIC SCHOOLS AND FIT PAYMENTS	<u>78,995</u>	<u>76,493</u>	<u>2,502</u>
 TOTAL TAX LEVY	 <u>25,358,417</u>	 <u>25,404,139</u>	 <u>(45,722)</u>
 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	<u>112,257</u>	<u>112,257</u>	<u>-</u>
Total categorical programs	<u>1,710,258</u>	<u>1,704,500</u>	<u>5,758</u>
 TOTAL APPROPRIATIONS EXPENDED	 <u>27,068,675</u>	 <u>27,108,639</u>	 <u>(39,964)</u>
 INTRA-CITY SALES	 <u>(52,015)</u>	 <u>(50,633)</u>	 <u>(1,382)</u>
 Sub-total	 <u>27,016,660</u>	 <u>27,058,006</u>	 <u>(41,346)</u>
 NET CHANGE IN PRIOR PAYABLES	 <u>-</u>	 <u>(110,749)</u>	 <u>110,749</u>
 Total expenditures	 <u>\$ 27,016,660</u>	 <u>\$ 26,947,257</u>	 <u>\$ 69,403</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, 2018

(\$000 Omitted):

	<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
GENERAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:				
401	Salaries	\$ 6,607,337	\$ 6,607,337	\$ -
402	Supplies	196,480	147,237	49,243
402	Furniture and equipment	36,038	55,900	(19,862)
402	Textbooks	98,819	72,897	25,922
402	Contractual services	492,590	547,893	(55,303)
	Total	<u>7,431,264</u>	<u>7,431,264</u>	<u>-</u>
SPECIAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:				
403	Salaries	1,868,288	1,868,288	-
404	Supplies	2,987	1,986	1,001
404	Furniture and equipment	435	1,322	(887)
404	Textbooks	347	7	340
404	Contractual services	1,323	1,777	(454)
	Total	<u>1,873,380</u>	<u>1,873,380</u>	<u>-</u>
CHARTER SCHOOLS:				
406	Supplies	1,670	1,592	78
406	Textbooks	6,603	6,682	(79)
406	Contractual services	1,872,479	1,872,466	13
	Total	<u>1,880,752</u>	<u>1,880,740</u>	<u>12</u>
UNIVERSAL PRE-K:				
407	Salaries	490,204	490,204	-
408	Supplies	4,336	10,758	(6,422)
408	Furniture and equipment	1,366	902	464
408	Textbooks	313	107	206
408	Contractual services	403,771	398,019	5,752
	Total	<u>899,990</u>	<u>899,990</u>	<u>-</u>
EARLY CHILDHOOD PROGRAMS:				
409	Salaries	8,161	7,733	428
410	Supplies	1,336	246	1,090
410	Furniture and equipment	-	202	(202)
410	Contractual services	2,000	2,729	(729)
	Total	<u>11,497</u>	<u>10,910</u>	<u>587</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, 2018

(\$000 Omitted):

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
SCHOOL SUPPORT ORGANIZATION:			
415 Salaries	\$ 308,830	\$ 308,830	\$ -
416 Supplies	3,650	4,216	(566)
416 Furniture and equipment	941	940	1
416 Textbooks	29	76	(47)
416 Contractual services	<u>27,438</u>	<u>26,826</u>	<u>612</u>
Total	<u>340,888</u>	<u>340,888</u>	<u>-</u>
CITYWIDE EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:			
421 Salaries	1,114,739	1,114,739	-
422 Supplies	6,444	6,851	(407)
422 Furniture and equipment	5,127	3,553	1,574
422 Textbooks	1,186	752	434
422 Contractual services	<u>8,371</u>	<u>6,650</u>	<u>1,721</u>
Total	<u>1,135,867</u>	<u>1,132,545</u>	<u>3,322</u>
INSTRUCTIONAL SUPPORT:			
423 Salaries	330,276	330,276	-
424 Supplies	1,558	5,765	(4,207)
424 Furniture and equipment	2,148	2,720	(572)
424 Textbooks	1	-	1
424 Contractual services	<u>290,020</u>	<u>285,243</u>	<u>4,777</u>
Total	<u>624,003</u>	<u>624,004</u>	<u>(1)</u>
SCHOOL FACILITIES:			
435 Salaries	169,313	169,313	-
436 Supplies	30,104	50,790	(20,686)
436 Furniture and equipment	2,309	2,272	37
436 Contractual services	937,571	916,434	21,137
436 Judgments and claims	-	488	(488)
436 Pollution remediation	<u>100,142</u>	<u>100,142</u>	<u>-</u>
Total	<u>1,239,439</u>	<u>1,239,439</u>	<u>-</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, 2018

(\$000 Omitted):

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
PUPIL TRANSPORTATION:			
438 Supplies	\$ 3,159	\$ 1,744	\$ 1,415
438 Equipment	2,186	797	1,389
438 Contractual services	7,131	7,825	(694)
438 Judgments and claims	6,147	-	6,147
438 Pupil transportation	<u>1,187,944</u>	<u>1,196,201</u>	<u>(8,257)</u>
Total	<u>1,206,567</u>	<u>1,206,567</u>	<u>-</u>
SCHOOL FOOD SERVICES:			
439 Salaries	235,422	235,422	-
440 Supplies	33,390	22,132	11,258
440 Food purchases	204,834	204,261	573
440 Furniture and equipment	7,164	10,260	(3,096)
440 Contractual services	<u>20,350</u>	<u>29,085</u>	<u>(8,735)</u>
	<u>501,160</u>	<u>501,160</u>	<u>-</u>
442 SCHOOL SAFETY	<u>378,057</u>	<u>378,057</u>	<u>-</u>
444 ENERGY AND LEASES	<u>522,673</u>	<u>517,724</u>	<u>4,949</u>
CENTRAL ADMINISTRATION			
453 Salaries	202,537	202,537	-
454 Supplies	37,715	26,802	10,913
454 Furniture and equipment	3,101	4,004	(903)
454 Judgments and claims	98	74	24
454 Contractual services	137,017	144,150	(7,133)
454 Fixed charges	<u>46</u>	<u>357</u>	<u>(311)</u>
Total	<u>380,514</u>	<u>377,924</u>	<u>2,590</u>
461 FRINGE BENEFITS	<u>3,302,354</u>	<u>3,301,960</u>	<u>394</u>
470 PRE-KINDERGARTEN CONTRACTS	<u>743,659</u>	<u>743,659</u>	<u>-</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, 2018

(\$000 Omitted):

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
472 CONTRACT SCHOOLS AND FOSTER CARE	\$ 845,988	\$ 858,979	\$ (12,991)
474 NON-PUBLIC SCHOOLS AND FIT PAYMENTS	79,196	77,397	1,799
491 COLLECTIVE BARGAINING	-	-	-
TOTAL TAX LEVY	<u>23,397,248</u>	<u>23,396,587</u>	<u>661</u>
CATEGORICAL PROGRAMS:			
481 Salaries	1,004,417	1,004,417	-
482 Supplies	99,677	156,925	(57,248)
482 Furniture and equipment	24,652	21,894	2,758
482 Contractual	506,312	451,800	54,512
482 Judgments and claims	-	22	(22)
482 Pension	<u>112,364</u>	<u>112,364</u>	<u>-</u>
Total categorical programs	<u>1,747,422</u>	<u>1,747,422</u>	<u>-</u>
TOTAL APPROPRIATIONS EXPENDED	<u>25,144,670</u>	<u>25,144,009</u>	<u>661</u>
INTRA-CITY SALES	<u>(63,525)</u>	<u>(61,094)</u>	<u>(2,431)</u>
Sub-total	<u>25,081,145</u>	<u>25,082,915</u>	<u>(1,770)</u>
NET CHANGE IN PRIOR PAYABLES	<u>-</u>	<u>(56,522)</u>	<u>56,522</u>
Total expenditures	<u>\$ 25,081,145</u>	<u>\$ 25,026,393</u>	<u>\$ 54,752</u>

(Concluded)

Glossary

ARO	Asset Retirement Obligation
ARRA	American Recovery and Reinvestment Act
BERS	Board of Education Retirement System
CAFR	Comprehensive Annual Financial Report
CMS	Centers of Medical and Medicaid services
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
TRS	Teachers Retirement System
UFT	United Federation of Teachers

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