

ANNUAL FINANCIAL STATEMENTS

Department of Education of The City of New York

**52 Chambers Street
New York, New York 10007**

For the Fiscal Year Ended June 30, 2011

DRAFT VIII

12/15/2011



**Michael R. Bloomberg, Mayor
Dennis M. Walcott, Chancellor**

ANNUAL FINANCIAL STATEMENTS

Department of Education of The City of New York
52 Chambers Street, New York, New York 10007

For the Fiscal Year Ended June 30, 2011

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The seal of the City of New York is centered on the page. It features a shield with a plow and a sheaf of wheat, flanked by a Native American and a figure holding a staff. Above the shield is an eagle with wings spread. The shield is encircled by a wreath and the Latin motto "SIGILLUM CIVITATIS NOVI EBORACI" with the year "1625" at the bottom.

Prepared by the Division of Financial Operations

Michael Tragale, *Deputy Chief Financial Officer*

John Wall, *Chief Administrator*
Division of Financial Operations

Department of Education of The City of New York
Annual Financial Statements
For the Fiscal Years Ended June 30, 2011 and 2010

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ANNUAL FINANCIAL STATEMENTS

Department of Education of The City of New York

For the Fiscal Year Ended June 30, 2011

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I Introductory Section

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DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Dennis M. Walcott, Chancellor

OFFICE OF THE CHANCELLOR

52 Chambers Street, New York, New York 10007

October 27, 2011

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, 2011

The Annual Financial Statements for the Department of Education of The City of New York (the "DOE") for the fiscal year ended June 30, 2011 are submitted herewith and include a Management's Discussion and Analysis, Financial Statements, Notes to the Financial Statements and supplemental schedules. We believe it is complete and accurate in all material aspects; that it is 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, the Deputy Chancellor of Operations, The Chief Financial Officer, and the Deputy Chief Financial Officer. The Chief Administrator of the Office of Accounting of the Division of Financial Operations, who is responsible for the data presented herein, prepares the Annual Financial Statements.

Deloitte & Touche LLP has audited the 2011 financial statements included in this report; their opinion is expressed on page 1. The auditors' report on the basic financial statements is unqualified and states that the financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, known as Generally Accepted Accounting Principles (GAAP). The auditors' report on internal controls over financial reporting and on compliance and other matters, based on an audit of the financial statements performed in accordance with *Government Auditing Standards*, is also included. This report indicates that the auditors' tests did not identify any deficiencies in internal control over financial reporting that are considered to be material weaknesses nor did their tests disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the Management's Discussion and Analysis is included as supplementary information required by GAAP. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, no audit opinion is expressed on it. The Supplemental Financial Schedules of the General Fund are presented for purposes of additional analysis and are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

On June 12, 2002, Governor George Pataki signed school governance legislation that removed accountability for the oversight of The City's public schools from an appointed seven member Board of Education to the Mayor. As a result of this governance change, the Board of Education is now known as the Department of Education of The City of New York, with a Chancellor who is appointed by the Mayor and who is accountable to him. Although there has been a change in the title of our public school system and its reporting relationship, the legal entity remains as the Board of Education of The City of New York.

As of spring 2010, all New York City public schools receive their primary support from a team of about 15 staff members called a Children First Network (CFN). Each CFN team provides expert support, technical assistance, and quality control for a group of approximately 25 schools: they offer training and coaching for principals and teachers, share instructional resources to meet each school's needs, and help schools across the network collaborate with each other. CFN teams also help schools recruit and hire teachers, spend their budgets effectively, conduct all daily operations, use data and technology, and cultivate partnerships with community-based organizations and cultural institutions. In addition, CFN teams help schools deliver effective services to students with disabilities and English language learners. Because the same team supports each school in all of these different areas, principals can feel confident that every decision will be made strategically, with the school's instructional goals in mind.

There are 60 CFN teams across New York City that are grouped into five Clusters. Each principal, in consultation with the School Leadership Team (a group of teachers, school leaders, and parents), selects the CFN team that he or she believes will best meet the needs and goals of the school. Some network teams support groups of schools that share a specific instructional philosophy or approach. Other networks support mostly small schools, elementary schools, schools with large populations of English language learners, or other common traits. Schools can change networks as often as once a year. However, the vast majority of New York City schools have been with their current network team for several years of partnership.

In addition to the support provided through the network structure, each school is supervised by a superintendent based on the community school district in which the school is located or, in the case of high schools, the borough. Network leaders and superintendents work closely together to provide coherent support and supervision for schools. Superintendents play critical roles related to principal selection and evaluation, teacher tenure decisions, community engagement, and the resolution of issues and complaints.

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 costs and pension costs (allocated for the Teachers Retirement System and the Board of Education Retirement System) for tax levy funded employee services.

The DOE has two basic sources of funding:

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


The DOE maintains, for its reporting purposes, a computerized accounting system to interface with The City's Financial Management System (FMS). The DOE Financial Accounting Management Information System (FAMIS) provides a relational database technology allowing the DOE to take advantage of current technology to conduct business in the most cost-effective and user-friendly manner. All of the DOE's financial transactions are recorded in the Department's accounting system (FAMIS) and interface with The City's accounting system (FMS). These transactions are subject to all FMS system edit controls. According to the citywide initiative of fiscal year 2010 DOE integrated with FMS. As a result the DOE's Other Than Personal Services (OTPS) and Personal Services (PS) expenditures are now synchronized between FAMIS and FMS. FMS maintains the official accounting records for The City.

Management of the DOE is responsible for establishing and maintaining an internal control structure. In developing and evaluating the DOE's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of controls should not exceed the benefits expected to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

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 value of the 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's Office of Management and Budget ("OMB") for review and approval. Approved budgets and budget modifications are entered by OMB into FMS; the DOE enters budgets and budget modifications into its accounting system (FAMIS).

The DOE is responsible for pre-auditing its own expenditures, which are then transmitted electronically from FAMIS to FMS. Based on the electronic transmission of expenditure data, and FMS pre-approval of OTPS transactions, the New York City Comptroller on behalf of the DOE makes disbursements for these expenditures. The actual vouchers and supporting documentation are maintained and reviewed at the schools or the central processing bureaus of the DOE. On an ongoing basis, and at the closing of the fiscal year, the two accounting systems (FAMIS and FMS) are reconciled.

Respectfully submitted by,



Kathleen Grimm
Deputy Chancellor of Operations



Veronica Conforme
Chief Financial Officer



Michael Tragale
Deputy Chief Financial Officer

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ANNUAL FINANCIAL STATEMENTS

Department of Education of The City of New York

For the Fiscal Year Ended June 30, 2011

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II Financial Section

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INDEPENDENT AUDITORS' REPORT

The Department of Education
of The City of New York

We have audited the accompanying financial statements of the governmental activities, each major governmental 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, 2011 and 2010, which collectively comprise the DOE's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the DOE's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

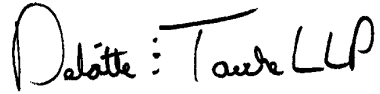
As discussed in Note 1A, the financial statements of the DOE are intended to present the financial position, and the changes in financial position, where applicable, of only that portion of the governmental activities, each major governmental fund, and the aggregate remaining fund information of The 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, 2011 and 2010, and the changes in its financial position, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major governmental fund, and the aggregate remaining fund information of the DOE, as of June 30, 2011 and 2010, and the respective changes in financial position thereof, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 4 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the DOE's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the DOE's basic financial statements. The accompanying supplementary information listed as the Introductory Section and the Supplemental Financial Schedules of the General Fund, in the foregoing table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of the DOE's management. The Supplemental Financial Schedules of the General Fund have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section, in the foregoing table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2011, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte : Touche LLP

October 27, 2011

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Department of Education
of The City of New York

We have audited the financial statements of the Department of Education of The City of New York (the "DOE") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. As discussed in Note 1A, the financial statements of the DOE are intended to present the financial position, and changes in financial position, where applicable, of only that portion of the governmental activities, each major governmental 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, 2011, and the changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the DOE is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the DOE's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the DOE's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the DOE's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

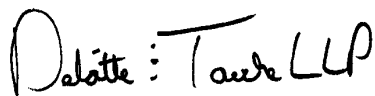
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the DOE's financial statements are free of 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*.

We noted certain matters that we reported to management of the DOE in a separate letter dated October 27, 2011.

This report is intended solely for the information and use of The New York City Audit Committee, management of the DOE and The City of New York, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



October 27, 2011

Department of Education of The City of New York Management's Discussion and Analysis

This section of the DOE's Annual Financial Statements discusses and analyzes the DOE's financial performance for the fiscal years ended June 30, 2011 and 2010. 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 deficit at June 30, 2011 was \$8.7 billion, a change in net assets of \$2.2 billion over that of fiscal year 2010.

Net deficit at June 30, 2010 was \$6.5 billion, a change in net assets of \$797 million over that of fiscal year 2009.

- Total assets and liabilities reported in the governmental funds at June 30, 2011 were \$3.7 billion, an increase of about \$428 million from fiscal year 2010.

Total assets and liabilities reported in the governmental funds at June 30, 2010 were \$3.3 billion, an increase of about \$404 million from that of fiscal year 2009.

- General Fund total revenues available and spent during fiscal year 2011 were \$18.9 billion, an increase of 2.4 percent over that of fiscal year 2010.

General Fund total revenues available and spent during fiscal year 2010 were \$18.4 billion, an increase of 3.3 percent over that of fiscal year 2009.

- In fiscal year 2011 a net surplus of \$45.6 million was returned to The City, as part of the DOE's dependent relationship, to supplement revenues received from federal, state and private sources.

In fiscal year 2010 a net surplus of \$60.1 million was returned to The City, as part of the DOE's dependent relationship, to supplement revenues received from Federal, State and Private sources.

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.

- The first four statements are "Department-wide Financial Statements" that provide both short-term and long-term information about the DOE's overall financial status.
- The remaining statements are "Fund Financial Statements" that focus on individual parts of the DOE, reporting its operations in more detail than the Department-wide financial statements.

The fund financial statements report the results of operations of two funds:

- The governmental funds statements explain how basic services such as regular and special education were financed in the short term.
- 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 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.

**Department of Education of The City of New York
Management’s Discussion and Analysis**

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 administers resources on behalf of someone else, such as student activities monies
Required financial information	Statement of Net Assets and Statement of Activities	Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Fiduciary Net Assets
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	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

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 Assets includes all the DOE’s assets and liabilities. 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 include School Leadership, Instruction and Special Education Support; School Support Services (i.e., system-wide); the School Support Organization (i.e., superintendent, student enrollment planning and operations); Central Administration; and Non-Public 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.

**Department of Education of The City of New York
Management's Discussion and Analysis**

The DOE has two kinds of funds:

- **Governmental funds:** are those by which most functions of the DOE are financed. 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 and transfers from The City are 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 most of 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 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.

Financial Analysis of the Department-wide Financial Statements

At the close of fiscal year 2011, total liabilities of the DOE exceeded total assets by \$8.7 billion, a change in net assets of \$2.2 billion from that at the close of fiscal year 2010. Net deficits, as of June 30, 2011, June 30, 2010 and June 30, 2009 are summarized below for all governmental activities.

At the close of fiscal year 2010, total liabilities of the DOE exceeded total assets by \$6.5 billion, a change in net assets of \$797 million from that at the close of fiscal year 2009.

Figure 1

	Governmental Activities (000's)		
	<u>FY2011</u>	<u>FY2010</u>	<u>FY2009</u>
Current and Other Assets	\$ 3,724,661	\$ 3,296,170	\$ 2,894,284
Capital Assets	21,417,586	20,217,220	17,923,698
Total Assets	<u>\$ 25,142,247</u>	<u>\$ 23,513,390</u>	<u>\$ 20,817,982</u>
Long-Term Liabilities	\$ 29,788,094	\$ 26,496,579	\$ 23,387,219
Other Liabilities.....	<u>4,065,197</u>	<u>3,542,872</u>	<u>3,159,448</u>
Total Liabilities	<u>\$ 33,853,291</u>	<u>\$ 30,039,451</u>	<u>\$ 26,546,667</u>
Net Assets:			
Investment in Capital Assets, net of Related Debt	\$ 21,417,586	\$ 20,217,220	\$ 17,923,698
Unrestricted Deficit	<u>(30,128,630)</u>	<u>(26,743,281)</u>	<u>(23,652,383)</u>
Total Net Assets (Deficit).....	<u>\$ (8,711,044)</u>	<u>\$ (6,526,061)</u>	<u>\$ (5,728,685)</u>

Department of Education of The City of New York Management's Discussion and Analysis

In fiscal year 2011, assets increased almost \$1.6 billion from \$23.5 billion as of June 30, 2010 to \$25.1 billion as of June 30, 2011 primarily due to capital expenditures of \$2.1 billion offset by depreciation expenses of \$814 million resulting in an increase of the net value of capital assets of \$1.2 billion. Capital assets were increased due to buildings transferred from the School Construction Authority (SCA) for the DOE's use, \$2.7 billion and offset by increase in net depreciation expense of \$132.7 million. The amounts due from the City increased by \$496 million. This account is affected primarily by changes in accounts payable and accounts receivables because of the DOE's dependent fiscal relationship with The City.

In fiscal year 2010, assets increased almost \$2.7 billion from \$20.8 billion as of June 30, 2009 to \$23.5 billion as of June 30, 2010 primarily due to the increase of the net value of capital assets of \$2.3 billion. Capital assets were increased due to buildings transferred from the School Construction Authority (SCA) for the DOE's use, \$3.5 billion and offset by increases in net depreciation expense of \$94.5 million. The amounts due from The City decreased by (\$401 million). This account is affected primarily by changes in accounts payable and because of the DOE's dependent fiscal relationship with The City.

In fiscal year 2011, liabilities increased about \$3.8 billion from \$30.0 billion as of June 30, 2010 to \$33.8 billion as of June 30, 2011, primarily due to increases in the estimate of Other Postemployment Benefits (OPEB) liabilities of \$2.9 billion. Additionally, there were changes in the Accounts Payable and Accrued Expenditures of \$445 million, Capital Lease Obligations \$96 million and Accrued Judgments and Claims \$446 million.

In fiscal year 2010, liabilities increased about \$3.5 billion from \$26.5 billion as of June 30, 2009 to \$30.0 billion as of June 30, 2010, primarily due to increases in the estimate of Other Postemployment Benefits (OPEB) liabilities of \$3.1 billion. Additionally, there were changes in the Accounts Payable and Accrued Expenditures of \$423 million and the liabilities for Accrued Vacation and Sick Leave \$48 million, Capital Lease Obligations \$27 million and Accrued Judgments and Claims \$16 million.

The unrestricted deficit results primarily from long-term liabilities for which there are no corresponding capital assets, such as, pollution remediation, accrued vacation and sick leave, accrued judgments and claims and the unfunded retirement health and related benefits.

**Department of Education of The City of New York
Management's Discussion and Analysis**

In fiscal year 2011, the DOE's net deficit increased by \$2.2 billion from July 1, 2010 to June 30, 2011 and in fiscal year 2010, the DOE's net deficit increased by \$797.3 million from July 1, 2009 to June 30, 2010. The key elements of these changes are as follows:

Figure 2

	Governmental Activities (000's Omitted)		
	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
<u>Revenues</u>			
<u>Program Revenues:</u>			
Charges for Services.....	\$ 74,868	\$ 72,892	\$ 65,381
Operating Grants and Contributions.....	11,147,054	11,276,517	10,610,110
<u>General Revenues:</u>			
City Funded	7,685,936	7,122,517	7,213,437
Other.....	<u>31,040</u>	<u>27,212</u>	<u>14,134</u>
Total Revenues.....	<u>18,938,898</u>	<u>18,499,138</u>	<u>17,903,062</u>
<u>Expenses</u>			
School Leadership, Instruction and Special Education Support.....	16,712,462	16,108,646	14,124,538
School Support Services.....	3,510,339	3,354,157	3,043,183
School Support Organization	267,866	411,981	352,850
Central Administration	456,718	475,664	450,258
Non-Public Schools.....	<u>2,174,310</u>	<u>1,901,515</u>	<u>1,565,041</u>
Total Expenses	<u>23,121,695</u>	<u>22,251,963</u>	<u>19,535,870</u>
Net Revenue (Expenses).....	(4,182,797)	(3,752,825)	(1,632,808)
Net Change in Capital Assets and Inventory.....	<u>1,997,814</u>	<u>2,955,449</u>	<u>2,896,817</u>
Change in Net Assets (Deficit).....	(2,184,983)	(797,376)	1,264,009
Net Assets (Deficit)—Beginning.....	(6,526,061)	(5,728,685)	(6,846,942)
Restatement of Beginning Balance.....	<u>-</u>	<u>-</u>	<u>(145,752)</u>
Net Assets (Deficit)—Ending.....	<u>\$ (8,711,044)</u>	<u>\$ (6,526,061)</u>	<u>\$ (5,728,685)</u>

Department of Education of The City of New York Management's Discussion and Analysis

In fiscal year 2011, the DOE received \$1.01 billion as a result of The American Recovery and Reinvestment Act (ARRA) of 2009. Federal program revenues decreased (5.9 percent) from \$2.95 billion in fiscal year 2010 to \$2.78 billion in fiscal year 2011 and the State program revenues funding remained at \$8.1 billion for 2011 and 2010.

Expenditures include liabilities incurred by The City on behalf of the DOE which are not recorded on the modified accrual basis, but are included in full accrual accounting. Figure 2 expenses include changes in amounts due for: (1) vacation and sick leave; (2) capital leases obligations; (3) accrued judgments and claims; (4) depreciation expense; (5) the liability associated with Other Postemployment Benefits Obligations; and (6) change in Pollution Remediation Obligations.

In fiscal year 2011, the full accrual expenses include \$18.9 billion of modified accrual expenses and over \$4.2 billion of additional expenses incurred by The City to report a full accrual expense of \$23.1 billion, an increase of 3.9 percent, from fiscal year 2010. In fiscal year 2010, the full accrual expenses include \$18.5 billion of modified accrual expenses and over \$3.7 billion of additional expenses incurred by The City to report a full accrual expense of \$22.2 billion, an increase of 13.9 percent, or \$2.7 billion from fiscal year 2009.

In fiscal year 2009, the full accrual expenses include \$17.9 billion of modified accrual expenses and over \$1.6 billion of additional expenses incurred by The City to report a full accrual expense of \$19.5 billion, a decrease of (0.5 percent), or (\$93 million) from fiscal year 2008.

In fiscal year 2011, the category of School Leadership, Instruction and Special Education Support increased about 3.8 percent from \$16.1 billion in fiscal year 2010 to \$16.7 billion in fiscal year 2011 due to increase spending in supplies, equipment, special education teachers, special education related service expenses, along with an increase in health and OPEB allocation costs. School Support Services increased 4.7 percent or \$156 million in fiscal year 2011 due to costs of the allocation of OPEB expenses and increased energy, leases, transportation and health expense allocation. Central Administration decreased by (3.9 percent) or (\$19 million) due to central supervisory support personnel being aligned to school leadership. Non-Public Schools had increases of \$273 million due to costs of in-state contract schools, Carter case expenditures, Pre-K transportation, itinerant services and tuition obligations.

In fiscal year 2010, the category of School Leadership, Instruction and Special Education Support increased about 14 percent from \$14.1 billion in fiscal year 2009 to \$16.1 billion in fiscal year 2010; contractual services, supplies and equipment. School Support Services increased 10.2 percent or \$311 million in fiscal year 2010 due to costs of the allocation of OPEB expenses \$187 million, energy and consumer price index increases to the school bus contracts. Central Administration increased by 5.6 percent or \$25 million, primarily due to contractual services and fixed charges. Non-Public Schools had increases of \$336 million resulting from increases in charter school expenditures, tuition for Pre-K and school age special education and in Pre-K transportation.

The increase in net deficit each fiscal year was primarily the result of the increase in long-term liabilities for which there were no corresponding capital assets exceeding the increased net value of capital assets.

**Department of Education of The City of New York
Management's Discussion and Analysis**

Financial Analysis of The Governmental Funds

Total assets and liabilities increased \$428 million, 13 percent, for fiscal year 2011 compared to fiscal year 2010 where assets and liabilities increased \$404 million, 14.1 percent, as follows:

Figure 3

Condensed Balance Sheet (in millions of dollars)

	Governmental Activities			Amount Change		Percentage Change	
	<u>June 30, 2011</u>	<u>June 30,2010</u>	<u>June 30,2009</u>	<u>2010-2011</u>	<u>2009- 2010</u>	<u>2010-2011</u>	<u>2009-2010</u>
Assets							
General Fund	\$ 3,717	\$ 3,289	\$ 2,885	\$ 428	\$ 404	13%	14.1%
Capital Projects Fund.....	-	-	-	-	-	-	-
Total Assets	<u>\$ 3,717</u>	<u>\$ 3,289</u>	<u>\$ 2,885</u>	<u>\$ 428</u>	<u>\$ 404</u>	<u>13%</u>	<u>14.1%</u>
Liabilities							
General Fund	\$ 3,717	\$ 3,289	\$ 2,885	\$ 428	\$ 404	13%	14.1 %
Capital Projects Fund.....	-	-	-	-	-	-	-
Total Liabilities	<u>\$ 3,717</u>	<u>\$ 3,289</u>	<u>\$ 2,885</u>	<u>\$ 428</u>	<u>\$ 404</u>	<u>13%</u>	<u>14.1%</u>

Changes in total governmental fund assets resulted mainly from two offsetting factors:

Changes in Total Assets for fiscal year 2011: First, there was a net increase of \$496 million of amounts due from The City to pay for outstanding liabilities in the General Fund. At year end there were increases in the balances of Cash of \$1.8 million; a decrease in the accounts receivable from Federal sources of (\$264 million); and increases in State of \$200 million; and a decrease in non-governmental sources (\$6 million).

Changes in Total Assets for fiscal year 2010: First, there was a net decrease of (\$402 million) of amounts due from The City to pay for outstanding liabilities in the General Fund. At year end there were increases in the balances of Cash of \$3.2 million; an increase in the accounts receivable from Federal sources of \$501 million; and increases in State of \$315 million; and a decrease in non-governmental sources (\$14 million).

Changes in Total Liabilities for fiscal year 2011: Governmental fund liabilities increased \$428 million due to increases of almost \$445 million in accounts payable in the General Fund. Also, there was a decrease of (\$17 million) in the balance of the deferred revenue in the General Fund.

Changes in Total Liabilities for fiscal year 2010: Governmental fund liabilities increased \$404 million due to increases of almost \$422 million in accounts payable in the General Fund and an increase in the Capital Projects Fund of \$0.6 million. Also, there was a decrease of (\$19 million) in the balance of the deferred revenue in the General Fund.

**Department of Education of The City of New York
Management's Discussion and Analysis**

In fiscal year 2011 total revenues and expenditures increased \$440 million, 2.4 percent, compared to June 30, 2010. Total revenues and expenditures increased \$595 million, 3.3 percent, for the year ended June 30, 2010 compared to June 30, 2009.

Figure 4

Changes in Revenue and Expenditures (in millions of dollars)

	<u>General Funds</u>			Percentage Change	Percentage Change
	<u>FY2011</u>	<u>FY2010</u>	<u>FY2009</u>	<u>2010-2011</u>	<u>2009-2010</u>
Revenues					
Federal Aid	\$ 2,780.4	\$ 2,953.7	\$ 1,729.7	(5.9%)	70.1%
State Aid	8,135.2	8,079.6	8,654.4	1.0%	(6.7%)
Funding by The City	7,717.0	7,149.1	7,227.6	7.9%	(1.1%)
Other	306.2	316.1	291.4	(3.1%)	8.5%
Total Revenues	<u>\$ 18,938.8</u>	<u>\$ 18,498.5</u>	<u>\$ 17,903.1</u>	2.4%	3.2%
Expenditures					
School Leadership, Instruction and Special Education Support	\$ 13,088.6	\$ 12,824.3	\$ 12,753.6	2.1%	0.6%
School Support Services	3,088.3	3,045.4	2,851.5	1.4%	6.8%
School Support Organization	209.3	325.1	318.2	(35.7%)	2.1%
Central Administration	378.3	402.2	414.7	(5.9%)	(3.1)%
Non-Public Schools	2,174.3	1,901.5	1,565.1	14.4%	21.5%
Total Expenditures	<u>\$ 18,938.8</u>	<u>\$ 18,498.5</u>	<u>\$ 17,903.1</u>	2.4%	3.2%

Although the DOE does not maintain a fund balance at the end of each fiscal year, strong financial performance is exhibited in its ability to secure additional revenues from State and City sources to provide additional personnel, programs or facilities to the school system.

In fiscal year 2011, the overall Federal program revenues decreased (5.9 percent) from \$2.9 billion in fiscal year 2010 to \$2.8 billion in fiscal year 2011, State program revenues remained at from \$8.1 billion in 2011 and 2010, and City revenues increased 7.9 percent from \$7.15 billion in 2010 to \$7.71 billion in 2011.

In fiscal year 2010, the overall Federal program revenues increased 70.1 percent from \$1.73 billion in fiscal year 2009 to \$2.9 billion in fiscal year 2010, State program revenues decreased (6.7 percent) from \$8.7 billion in 2009 to \$8.1 billion in 2010, and City revenues decreased (1.1 percent) from \$7.23 billion in 2009 to \$7.15 billion in 2010.

In fiscal year 2011, major programs that benefited from increased individual revenues included: Federal Aid increases of \$4.5 million for Universal Pre-K; \$2.1 million for Community Learning Centers (offset by Federal Aid decreases of (\$11.7 million) for Title VI Handicapped Children; and State Aid decreases of (\$17.5 million) for Transportation Aid).

Department of Education of The City of New York Management's Discussion and Analysis

In fiscal year 2010, major programs that benefited from increased individual revenues included: Federal Aid increases of \$4.4 million for Universal Pre-K; \$2.1 million for Occupational Education Aid (offset by Federal Aid decreases of (\$18.9 million) for Title I Disadvantaged Children; and (\$6.6 million) for Reading First and (\$17.7 million) for Transportation Aid; and (\$16.2 million) for Private Excess Cost Aid).

In fiscal year 2011, total expenditures, under modified accrual accounting, increased 2.4 percent or \$440 million. Expenditures in the area of School Leadership, Instruction and Special Education Support increased \$264 million, 2.1 percent, due to increased spending in supplies, equipment, special education teachers, special education related service expenses and CFN network support reorganization. School Support Services increased \$43 million, 1.4 percent mainly for: Pupil Transportation and in the areas of energy and leases. Expenditures in the area of School Support Organization decreased about (\$116 million), (35.7 percent) due to reorganization, such as the CFN network support being directly aligned to school leadership. Central Administration decreased overall by (\$23.9 million), (5.9 percent). Non-Public Schools expenditures increased \$273 million, 14.4 percent due to increased costs of both in-state contract schools and Carter case expenditures in addition to the rise in Pre-K transportation, itinerant services and tuition obligations.

In fiscal year 2010, total expenditures, under modified accrual accounting, increased 3.2 percent or \$595 million. Expenditures in the area of School Leadership, Instruction and Special Education Support increased \$71 million, 1 percent, mainly for personal services costs (salaries) for teachers in the classroom and the respective fringe costs for these salaries. School Support Services increased \$194 million, 6.8 percent, mainly for: Pupil Transportation, whose school bus contracts contain an annual adjustment based on consumer price index; Expenditures in the area of School Support Organization increased about \$6.9 million, 2.1 percent, as a result from Children First Reform agenda. Central Administration decreased overall by (\$12.5 million), (3.1 percent). Non-Public Schools expenditures increased \$336 million, 21.5 percent, mainly from increases in charter school expenditures, tuition for Pre-K and school age special education and in Pre-K transportation.

General Fund Budgetary Highlights

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

- Intra-city adjustments of \$19 million to Tax-levy budgets and \$3.4 million to Reimbursable Program Budgets.
- City Council adjustments of \$0.1 million to Tax-levy budgets.
- Executive and Adopted Budget Actions which increased Tax-levy budgets by \$26 million and Reimbursable Program Budgets by \$56.6 million.
- Tax-levy surpluses of \$32 million were rolled from FY2011 to FY2012 as part of the Deferred Program Planning Initiative (DPPI).
- July, November and February Plan Actions, which decreased Tax-levy Budgets by (\$1.2) million and increased Reimbursable Program Budgets by \$199.3 million.
- Final fiscal year Close Actions, which decreased Tax-levy budgets by (\$67.1) million and Reimbursable Program Budgets by (\$23.3) million.
- Additional fiscal year Close Actions, which include an increase to Tax-levy budgets of \$131.9 million, are attributable to the effects of GASB Statement No. 49 requirements.

As a result of the above, the DOE made net modifications to the adopted budget of over \$322.3 million.

**Department of Education of The City of New York
Management's Discussion and Analysis**

Capital Assets

The DOE's investment in capital assets includes land, buildings, equipment and construction in progress, which are detailed as follows (net of accumulated depreciation):

Figure 5

Governmental Activities			
(000's Omitted)			
	<u>FY2011</u>	<u>FY2010</u>	<u>FY2009</u>
Land.....	\$ 446,997	\$ 446,997	\$ 446,997
Buildings	18,079,169	16,201,258	13,376,275
Equipment	65,703	73,334	76,294
Construction in Progress	<u>2,825,717</u>	<u>3,495,631</u>	<u>4,024,132</u>
Total	<u>\$ 21,417,586</u>	<u>\$ 20,217,220</u>	<u>\$ 17,923,698</u>

In fiscal year 2011, capital assets, net of accumulated depreciation, increased from fiscal year 2010 by \$1.2 billion, primarily due to capital assets (completed new construction and equipment) that were transferred to the DOE from the SCA in the amount of \$2.7 billion. In fiscal year 2010, capital assets, net of accumulated depreciation, increased from fiscal year 2009 by \$2.3 billion, primarily due to capital assets that were transferred to the DOE from the SCA in the amount of \$3.5 billion.

Factors Bearing on the Department's Future

In 1996, a class action was brought against The City and the State under Title VII of the Civil Rights Act of 1964 alleging that the use by The City Board of Education of two teacher certification examinations mandated by the State had a disparate impact on minority candidates. The lower court dismissed the case. Plaintiffs appealed, and in 2006, the United States Court of Appeals for the Second Circuit reversed the lower court's ruling, dismissed the claims against the State, and remanded the matter for further proceedings. The State has advised The City that there are approximately 3,500 members of the class and has calculated potential damages, based on the difference in salary between a certified public school teaching position and an uncertified parochial or private school teaching position, of approximately \$455 million.

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 the Executive Director of the Division of Financial Operations, 65 Court Street, Room 1701A, Brooklyn, New York 11201.

Department of Education of The City of New York
Statement of Net Assets (Deficit)
As of June 30, 2011
(\$000 Omitted)

	Governmental Activities
ASSETS:	
Cash	\$ 20,072
Accounts Receivable	
Federal	726,586
State	1,963,045
Non-Governmental	50,331
Due from The City of New York	957,393
Inventories	7,234
Capital Assets (Net of Accumulated Depreciation)	
Land	446,997
Buildings	18,079,169
Equipment (Including Software)	65,703
Construction in Progress	2,825,717
	<u>\$ 25,142,247</u>
LIABILITIES:	
Accounts Payable and Accrued Expenditures	\$ 3,673,607
Deferred Revenue	43,820
Other Postemployment Benefit Obligations	27,151,197
Pollution Remediation Obligations	
Due within one year	96,538
Due in more than one year	10,727
Accrued Vacation and Sick Leave	
Due within one year	47,106
Due in more than one year	1,764,107
Capital Lease Obligations	
Due within one year	17,517
Due in more than one year	269,227
Accrued Judgments and Claims	
Due within one year	186,609
Due in more than one year	592,836
	<u>\$ 33,853,291</u>
NET ASSETS:	
Investment in Capital Assets, net of Related Debt	21,417,586
Unrestricted Deficit	(30,128,630)
TOTAL NET ASSETS (DEFICIT)	\$ (8,711,044)

See accompanying notes to the financial statements.

Department of Education of The City of New York
Statement of Net Assets (Deficit)
As of June 30, 2010
(\$000 Omitted)

	Governmental Activities
ASSETS:	
Cash	\$ 18,297
Accounts Receivable	
Federal	990,502
State	1,763,352
Non-Governmental	55,871
Due from The City of New York	461,247
Inventories	6,901
Capital Assets (Net of Accumulated Depreciation)	
Land	446,997
Buildings	16,201,258
Equipment (Including Software)	73,334
Construction in Progress	3,495,631
	<u>\$ 23,513,390</u>
LIABILITIES:	
Accounts Payable and Accrued Expenditures	\$ 3,228,819
Deferred Revenue	60,450
Other Postemployment Benefit Obligations	24,264,152
Pollution Remediation Obligations	
Due within one year	108,059
Due in more than one year	12,007
Accrued Vacation and Sick Leave	
Due within one year	45,772
Due in more than one year	1,796,441
Capital Lease Obligations	
Due within one year	13,511
Due in more than one year	176,929
Accrued Judgments and Claims	
Due within one year	86,261
Due in more than one year	247,050
	<u>\$ 30,039,451</u>
NET ASSETS:	
Investment in Capital Assets, net of Related Debt	20,217,220
Unrestricted Deficit	(26,743,281)
TOTAL NET ASSETS (DEFICIT)	<u>\$ (6,526,061)</u>

See accompanying notes to the financial statements.

Department of Education of The City of New York
Statement of Activities
For the Year Ended June 30, 2011
(\$000 Omitted)

<u>Function/Programs</u>	<u>Program Expenses</u>	<u>Program Revenue</u>		<u>Net (Expenses) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
School Leadership, Instruction and Special Education Support	\$ 16,712,462	\$ 6,618	\$ 8,784,508	\$ (7,921,336)
School Support Services	3,510,339	54,904	1,625,285	(1,830,150)
School Support Organization	267,866	-	-	(267,866)
Central Administration	456,718	-	-	(456,718)
Non-Public Schools	2,174,310	13,346	737,261	(1,423,703)
Total Department Activities	<u>\$ 23,121,695</u>	<u>\$ 74,868</u>	<u>\$ 11,147,054</u>	<u>(11,899,773)</u>
General Revenues				
City Funded				7,685,936
Intra-city Sales				31,040
Other Adjustments				
Net Change in Capital Assets and Inventory				<u>1,997,814</u>
CHANGE IN NET ASSETS				(2,184,983)
Net Assets (Deficit) - Beginning				<u>(6,526,061)</u>
Net Assets (Deficit) - Ending				<u><u>\$ (8,711,044)</u></u>

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12/15/2011

See accompanying notes to the financial statements.

Department of Education of The City of New York
Statement of Activities
For the Year Ended June 30, 2010
(\$000 Omitted)

<u>Function/Programs</u>	<u>Program Expenses</u>	<u>Program Revenue</u>		<u>Net (Expenses) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
School Leadership, Instruction and Special Education Support	\$ 16,108,646	\$ 4,775	\$ 9,110,811	\$ (6,993,060)
School Support Services	3,354,157	55,379	1,622,479	(1,676,299)
School Support Organization	411,981	-	-	(411,981)
Central Administration	475,664	-	-	(475,664)
Non-Public Schools	1,901,515	12,738	543,227	(1,345,550)
Total Department Activities	<u>\$ 22,251,963</u>	<u>\$ 72,892</u>	<u>\$ 11,276,517</u>	<u>(10,902,554)</u>
General Revenues				
				7,122,517
				27,212
Other Adjustments				
				2,955,449
CHANGE IN NET ASSETS				
				(797,376)
				(5,728,685)
				<u>\$ (6,526,061)</u>

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12/15/2011

See accompanying notes to the financial statements.

Department of Education of The City of New York
Balance Sheet
As of June 30, 2011
(\$000 Omitted)

	<u>Governmental Fund Types</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
ASSETS:			
Cash	\$ 20,072	\$ -	\$ 20,072
Accounts Receivable			
Federal	726,586	-	726,586
State	1,963,045	-	1,963,045
Non-Governmental	50,331	-	50,331
Due from The City of New York	<u>957,393</u>	<u>-</u>	<u>957,393</u>
 Total Assets	 <u>\$ 3,717,427</u>	 <u>\$ -</u>	 <u>\$ 3,717,427</u>
LIABILITIES:			
Accounts Payable and Accrued Expenditures	\$ 3,673,607	\$ -	\$ 3,673,607
Deferred Revenue	43,820	-	43,820
Total Liabilities	<u>3,717,427</u>	<u>-</u>	<u>3,717,427</u>
FUND BALANCE:			
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 3,717,427</u>	<u>\$ -</u>	<u>\$ 3,717,427</u>

Note: The reconciliation of the fund balance of the governmental funds to the net assets of the governmental activities of the Statement of Net Assets is presented in an accompanying schedule.

See accompanying notes to the financial statements.

Department of Education of The City of New York
Balance Sheet
As of June 30, 2010
(\$000 Omitted)

	<u>Governmental Fund Types</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
ASSETS:			
Cash	\$ 18,297	\$ -	\$ 18,297
Accounts Receivable			
Federal	990,502	-	990,502
State	1,763,352	-	1,763,352
Non-Governmental	55,871	-	55,871
Due from The City of New York	460,614	633	461,247
Total Assets	<u>\$ 3,288,636</u>	<u>\$ 633</u>	<u>\$ 3,289,269</u>
LIABILITIES:			
Accounts Payable and Accrued Expenditures	\$ 3,228,186	\$ 633	\$ 3,228,819
Deferred Revenue	60,450	-	60,450
Total Liabilities	<u>3,288,636</u>	<u>633</u>	<u>3,289,269</u>
FUND BALANCE:			
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 3,288,636</u>	<u>\$ 633</u>	<u>\$ 3,289,269</u>

Note: The reconciliation of the fund balance of the governmental funds to the net assets of the governmental activities of the Statement of Net Assets is presented in an accompanying schedule.

See accompanying notes to the financial statements.

**Department of Education of The City of New York
 Reconciliation of the Balance Sheet of Governmental Funds
 To The Statement of Net Assets (Deficit)
 As of June 30, 2011**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balance - Governmental Funds	\$	-
Inventories used in governmental activities are not financial resources and therefore, are not reported in governmental funds.		7,234
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.		21,417,586
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the governmental funds. These are:		
Other Postemployment Benefit Obligations		(27,151,197)
Accrued Vacation and Sick Leave		(1,811,213)
Pollution Remediation Obligations		(107,265)
Capital Lease Obligations		(286,744)
Accrued Judgements and Claims		<u>(779,445)</u>
Net assets (deficit) of governmental activities	\$	<u><u>(8,711,044)</u></u>

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12/15/2011

See accompanying notes to the financial statements.

**Department of Education of The City of New York
 Reconciliation of the Balance Sheet of Governmental Funds
 To The Statement of Net Assets (Deficit)
 As of June 30, 2010**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balance - Governmental Funds	\$	-
Inventories used in governmental activities are not financial resources and therefore, are not reported in governmental funds.		6,901
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.		20,217,220
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the governmental funds. These are:		
Other Postemployment Benefit Obligations		(24,264,152)
Accrued Vacation and Sick Leave		(1,842,213)
Pollution Remediation Obligations		(120,066)
Capital Lease Obligations		(190,440)
Accrued Judgements and Claims		(333,311)
Net assets (deficit) of governmental activities	\$	<u>(6,526,061)</u>

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See accompanying notes to the financial statements.

12/15/2011

Department of Education of The City of New York
Statement of Revenues, Expenditures and Changes in Fund Balance
All Governmental Fund Types
For the Year Ended June 30, 2011
(\$000 Omitted)

	<u>Government Fund Types</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
REVENUES			
Federal Aid	\$ 2,780,448	\$ -	\$ 2,780,448
State Aid	8,135,200	-	8,135,200
Universal Services Fund	3,006	-	3,006
Other Assistance	184,017	-	184,017
Charges for Services:			
School Construction Authority	51,001	-	51,001
Student Lunches	18,652	-	18,652
Rentals	36,252	-	36,252
Other	13,346	-	13,346
Subtotal	<u>11,221,922</u>	<u>-</u>	<u>11,221,922</u>
Net Change in Estimate of Prior Receivables	<u>(43,951)</u>	<u>-</u>	<u>(43,951)</u>
Subtotal	<u>11,177,971</u>	<u>-</u>	<u>11,177,971</u>
Funding Provided by The City of New York	<u>7,729,888</u>	<u>-</u>	<u>7,729,888</u>
Total Revenues and Other Financing Sources	<u>18,907,859</u>	<u>-</u>	<u>18,907,859</u>
EXPENDITURES			
General Education Instruction and School Leadership	6,006,307	-	6,006,307
Special Education Instruction and School Leadership	1,049,159	-	1,049,159
School Support Organization	133,920	-	133,920
Citywide Education Instruction and School Leadership	771,154	-	771,154
Special Education Instructional Support	509,872	-	509,872
School Facilities	763,697	-	763,697
Pupil Transportation	1,017,219	-	1,017,219
School Food Services	379,990	-	379,990
School Safety	297,900	-	297,900
Energy and Leases	468,567	-	468,567
Central Administration	334,426	-	334,426
Fringe Benefits	2,588,266	-	2,588,266
Pre-Kindergarten Contracts	943,426	-	943,426
Charter and Contract Schools and Foster Care Payments	1,161,576	-	1,161,576
Non-Public Schools	69,308	-	69,308
Collective Bargaining	12,309	-	12,309
Capital Outlay	-	-	-
Subtotal	<u>16,507,096</u>	<u>-</u>	<u>16,507,096</u>
Reimbursable:			
Categorical Programs	2,431,803	-	2,431,803
Intracity Sales	<u>(31,040)</u>	<u>-</u>	<u>(31,040)</u>
Subtotal	<u>18,907,859</u>	<u>-</u>	<u>18,907,859</u>
Net Change in Estimate of Prior Payables	<u>(45,624)</u>	<u>-</u>	<u>(45,624)</u>
Total Expenditures	<u>18,862,235</u>	<u>-</u>	<u>18,862,235</u>
Other Financing Uses - Transfer to The City of New York	<u>45,624</u>	<u>-</u>	<u>45,624</u>
Total Expenditures and Other Uses	<u>18,907,859</u>	<u>-</u>	<u>18,907,859</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	-	-	-
FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: The reconciliation of the fund balance of the governmental funds to the change in net assets of the governmental activities of the Statement of Activities is presented in an accompanying schedule.

See accompanying notes to the financial statements.

Department of Education of The City of New York
Statement of Revenues, Expenditures and Changes in Fund Balance
All Governmental Fund Types
For the Year Ended June 30, 2010
(\$000 Omitted)

	<u>Government Fund Types</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
REVENUES			
Federal Aid	\$ 2,953,694	\$ -	\$ 2,953,694
State Aid	8,079,611	-	8,079,611
Universal Services Fund	870	-	870
Other Assistance	216,487	-	216,487
Charges for Services:			
School Construction Authority	30,500	-	30,500
Student Lunches	18,883	-	18,883
Rentals	36,494	-	36,494
Other	12,870	-	12,870
Subtotal	<u>11,349,409</u>	<u>-</u>	<u>11,349,409</u>
Net Change in Estimate of Prior Receivables	<u>(44,592)</u>	<u>-</u>	<u>(44,592)</u>
Subtotal	<u>11,304,817</u>	<u>-</u>	<u>11,304,817</u>
Funding Provided by The City of New York	<u>7,166,476</u>	<u>633</u>	<u>7,167,109</u>
Total Revenues and Other Financing Sources	<u>18,471,293</u>	<u>633</u>	<u>18,471,926</u>
EXPENDITURES			
General Education Instruction and School Leadership	6,052,113	-	6,052,113
Special Education Instruction and School Leadership	1,007,085	-	1,007,085
School Support Organization	212,717	-	212,717
Citywide Education Instruction and School Leadership	742,219	-	742,219
Special Education Instructional Support	470,332	-	470,332
School Facilities	776,720	-	776,720
Pupil Transportation	995,662	-	995,662
School Food Services	402,077	-	402,077
School Safety	294,679	-	294,679
Energy and Leases	422,748	-	422,748
Central Administration	355,644	-	355,644
Fringe Benefits	2,502,862	-	2,502,862
Pre-Kindergarten Contracts	852,591	-	852,591
Charter and Contract Schools and Foster Care Payments	977,903	-	977,903
Non-Public Schools	71,021	-	71,021
Collective Bargaining	33,967	-	33,967
Capital Outlay	-	633	633
Subtotal	<u>16,170,340</u>	<u>633</u>	<u>16,170,973</u>
Reimbursable:			
Categorical Programs	2,328,165	-	2,328,165
Intracity Sales	<u>(27,212)</u>	<u>-</u>	<u>(27,212)</u>
Subtotal	<u>18,471,293</u>	<u>633</u>	<u>18,471,926</u>
Net Change in Estimate of Prior Payables	<u>(60,085)</u>	<u>-</u>	<u>(60,085)</u>
Total Expenditures	<u>18,411,208</u>	<u>633</u>	<u>18,411,841</u>
Other Financing Uses - Transfer to The City of New York	<u>60,085</u>	<u>-</u>	<u>60,085</u>
Total Expenditures and Other Uses	<u>18,471,293</u>	<u>633</u>	<u>18,471,926</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: The reconciliation of the fund balance of the governmental funds to the change in net assets of the governmental activities of the Statement of Activities is presented in an accompanying schedule.

See accompanying notes to the financial statements.

Department of Education of The City of New York
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2011
(\$000 Omitted)

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

Total Fund Balance - 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.		-
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.		(797,115)
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 funds:		
Change in Other Postemployment Benefit Obligations		(2,887,045)
Change in Sick Leave and Vacation Liability		31,000
Change in Pollution Remediation Obligations		12,801
Change in Capital Lease Obligations		(96,304)
Change in Judgments and Claims Liability		<u>(446,134)</u>
Net changes in capital assets and inventory where neither revenues nor expenses are incurred by the Department, net of Department costs.		<u>1,997,814</u>
Change in Net Assets - governmental activities	\$	<u><u>(2,184,983)</u></u>

See accompanying notes to the financial statements.

Department of Education of The City of New York
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2010
(\$000 Omitted)

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

Total Fund Balance - 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.		633
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.		(664,444)
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 funds:		
Change in Other Postemployment Benefit Obligations		(3,055,293)
Change in Sick Leave and Vacation Liability		(48,223)
Change in Pollution Remediation Obligations		30,480
Change in Capital Lease Obligations		27
Change in Judgments and Claims Liability		<u>(16,005)</u>
Net changes in capital assets and inventory where neither revenues nor expenses are incurred by the Department, net of Department costs.		<u>2,955,449</u>
Change in Net Assets - governmental activities	\$	<u><u>(797,376)</u></u>

See accompanying notes to the 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, 2011
(\$'000 Omitted)

	<u>Adopted Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Favorable / (Unfavorable)</u>
REVENUES				
Federal Aid	\$ 2,568,369	\$ 2,780,448	\$ 2,780,448	\$ -
State Aid	7,982,622	8,135,200	8,135,200	-
Universal Services Fund	-	3,006	3,006	-
Other Assistance	74,804	184,017	184,017	-
Charges for Services:				
School Construction Authority	8,000	51,001	51,001	-
Student Lunches	20,075	20,073	18,652	(1,421)
Rentals	28,000	35,000	36,252	1,252
Other	9,800	9,800	13,346	3,546
Subtotal	<u>10,691,670</u>	<u>11,218,545</u>	<u>11,221,922</u>	<u>3,377</u>
Net Change in Estimate of Prior Receivables	-	-	(43,951)	(43,951)
Subtotal	<u>10,691,670</u>	<u>11,218,545</u>	<u>11,177,971</u>	<u>(40,574)</u>
Funding Provided by The City of New York	<u>7,897,979</u>	<u>7,693,393</u>	<u>7,729,888</u>	<u>36,495</u>
Total Revenues and Other Financing Sources	<u>18,589,649</u>	<u>18,911,938</u>	<u>18,907,859</u>	<u>(4,079)</u>
EXPENDITURES				
General Education Instruction and School Leadership	6,085,706	6,006,307	6,006,307	-
Special Education Instruction and School Leadership	1,046,567	1,051,951	1,049,159	2,792
School Support Organization	191,380	133,943	133,920	23
Citywide Education Instruction and School Leadership	784,914	772,637	771,154	1,483
Special Education Instructional Support	522,204	509,872	509,872	-
School Facilities	543,137	759,261	763,697	(4,436)
Pupil Transportation	1,011,664	1,017,219	1,017,219	-
School Food Services	390,971	379,990	379,990	-
School Safety	295,621	298,021	297,900	121
Energy and Leases	467,884	484,235	468,567	15,668
Central Administration	297,998	337,708	334,426	3,282
Fringe Benefits	2,619,156	2,588,725	2,588,266	459
Pre-Kindergarten Contracts	964,313	943,635	943,426	209
Charter and Contract Schools and Foster Care Payments	1,114,926	1,161,576	1,161,576	-
Non-Public Schools	71,396	69,308	69,308	-
Collective Bargaining	25,801	12,309	12,309	-
Subtotal	<u>16,433,638</u>	<u>16,526,697</u>	<u>16,507,096</u>	<u>19,601</u>
Reimbursable:				
Categorical Programs	2,164,795	2,416,451	2,431,803	(15,352)
Intracity Sales	(8,784)	(31,210)	(31,040)	(170)
Subtotal	<u>18,589,649</u>	<u>18,911,938</u>	<u>18,907,859</u>	<u>4,079</u>
Net Change in Estimate of Prior Payables	-	-	(45,624)	45,624
Total Expenditures	<u>18,589,649</u>	<u>18,911,938</u>	<u>18,862,235</u>	<u>49,703</u>
Other Financing Uses - Transfer to The City of New York	-	-	45,624	(45,624)
Total Expenditures and Other Uses	<u>18,589,649</u>	<u>18,911,938</u>	<u>18,907,859</u>	<u>4,079</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	-	-	-	-
FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the 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, 2010
(\$'000 Omitted)

	<u>Adopted Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Favorable / (Unfavorable)</u>
REVENUES				
Federal Aid	\$ 2,746,105	\$ 2,953,694	\$ 2,953,694	\$ -
State Aid	8,186,177	8,079,611	8,079,611	-
Universal Services Fund	-	870	870	-
Other Assistance	42,804	216,451	216,487	36
Charges for Services:				
School Construction Authority	8,000	30,500	30,500	-
Student Lunches	20,075	20,073	18,883	(1,190)
Rentals	28,000	35,500	36,494	994
Other	9,800	9,800	12,870	3,070
Subtotal	<u>11,040,961</u>	<u>11,346,499</u>	<u>11,349,409</u>	<u>2,910</u>
Net Change in Estimate of Prior Receivables	-	-	(44,592)	(44,592)
Subtotal	<u>11,040,961</u>	<u>11,346,499</u>	<u>11,304,817</u>	<u>(41,682)</u>
Funding Provided by The City of New York	<u>7,331,326</u>	<u>7,126,714</u>	<u>7,166,476</u>	<u>39,762</u>
Total Revenues and Other Financing Sources	<u>18,372,287</u>	<u>18,473,213</u>	<u>18,471,293</u>	<u>(1,920)</u>
EXPENDITURES				
General Education Instruction and School Leadership	5,821,575	6,052,374	6,052,113	261
Special Education Instruction and School Leadership	1,388,825	1,019,603	1,007,085	12,518
School Support Organization	208,862	212,572	212,717	(145)
Citywide Education Instruction and School Leadership	732,914	748,430	742,219	6,211
Special Education Instructional Support	492,250	489,180	470,332	18,848
School Facilities	544,743	743,870	776,720	(32,850)
Pupil Transportation	1,004,986	996,180	995,662	518
School Food Services	393,220	408,603	402,077	6,526
School Safety	290,137	295,455	294,679	776
Energy and Leases	442,595	422,810	422,748	62
Central Administration	360,854	359,127	355,644	3,483
Fringe Benefits	2,484,103	2,501,844	2,502,862	(1,018)
Pre-Kindergarten Contracts	764,658	852,653	852,591	62
Charter and Contract Schools and Foster Care Payments	853,845	978,050	977,903	147
Non-Public Schools	63,969	71,317	71,021	296
Collective Bargaining	320,774	33,967	33,967	-
Subtotal	<u>16,168,310</u>	<u>16,186,035</u>	<u>16,170,340</u>	<u>15,695</u>
Reimbursable:				
Categorical Programs	2,212,761	2,315,467	2,328,165	(12,698)
Intracity Sales	(8,784)	(28,289)	(27,212)	(1,077)
Subtotal	<u>18,372,287</u>	<u>18,473,213</u>	<u>18,471,293</u>	<u>1,920</u>
Net Change in Estimate of Prior Payables	-	-	(60,085)	60,085
Total Expenditures	<u>18,372,287</u>	<u>18,473,213</u>	<u>18,411,208</u>	<u>62,005</u>
Other Financing Uses - Transfer to The City of New York	-	-	60,085	(60,085)
Total Expenditures and Other Uses	<u>18,372,287</u>	<u>18,473,213</u>	<u>18,471,293</u>	<u>1,920</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	-	-	-	-
FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

Department of Education of The City of New York
Statement of Fiduciary Net Assets
As of June 30, 2011
(\$000 Omitted)

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ <u>76,590</u>
Total Assets	\$ <u><u>76,590</u></u>
LIABILITIES:	
Due To Students/Teachers	\$ 29,806
Holding Accounts Payable	37,148
Due to Tax Agents	<u>9,636</u>
Total Liabilities	\$ <u><u>76,590</u></u>

See accompanying notes to the financial statements.

DRAFT VIII
12/15/2011

Department of Education of The City of New York
Statement of Fiduciary Net Assets
As of June 30, 2010
(\$000 Omitted)

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ <u>71,834</u>
Total Assets	\$ <u><u>71,834</u></u>
LIABILITIES:	
Due To Students/Teachers	\$ 29,812
Holding Accounts Payable	35,395
Due to Tax Agents	<u>6,627</u>
Total Liabilities	\$ <u><u>71,834</u></u>

See accompanying notes to the financial statements.

DRAFT VIII
12/15/2011

Department of Education of The City of New York
Notes to the Financial Statements
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On June 12, 2002, Governor George Pataki signed school governance legislation that removed accountability for the oversight of The City's public schools from an appointed seven member Board of Education to the Mayor. As a result of governance law, the Board of Education is now known as the Department of Education of The City of New York (DOE), with a Chancellor who is appointed by the Mayor and who is accountable to him. Although there has been a change in the title of our public school system and its reporting relationship, the legal entity remains as the Board of Education of The City of New York.

The DOE is organized and administered in accordance with the provisions of the State of New York Education Law. As of spring 2010, all New York City public schools receive their primary support from a team of about 15 staff members called a Children First Network (CFN). Each CFN team provides expert support, technical assistance, and quality control for a group of approximately 25 schools: they offer training and coaching for principals and teachers, share instructional resources to meet each school's needs, and help schools across the network collaborate with each other. CFN teams also help schools recruit and hire teachers, spend their budgets effectively, conduct all daily operations, use data and technology, and cultivate partnerships with community-based organizations and cultural institutions. In addition, CFN teams help schools deliver effective services to students with disabilities and English language learners. Because the same team supports each school in all of these different areas, principals can feel confident that every decision will be made strategically, with the school's instructional goals in mind.

There are 60 CFN teams across New York City that are grouped into five Clusters. Each principal, in consultation with the School Leadership Team (a group of teachers, school leaders, and parents), selects the CFN team that he or she believes will best meet the needs and goals of the school. Some network teams support groups of schools that share a specific instructional philosophy or approach. Other networks support mostly small schools, elementary schools, schools with large populations of English language learners, or other common traits. Schools can change networks as often as once a year. However, the vast majority of New York City schools have been with their current network team for several years of partnership.

In addition to the support provided through the network structure, each school is supervised by a superintendent, who is determined based on the community school district in which the school is located or, in the case of high schools, the borough. Network leaders and superintendents work closely together to provide coherent support and supervision for schools. Superintendents play critical roles related to principal selection and evaluation, teacher tenure decisions, community engagement, and the resolution of issues and complaints.

The DOE continues to be fiscally dependent on The City and, accordingly, is included in The City's financial statements. As such, 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 budget 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 and pension costs for Tax-levy funded employees. Thus, the revenues and expenditures, and related budget data included in the accompanying financial statements are not indicative of the level of appropriations, as if the DOE were an independent school system.

Department of Education of The City of New York
Notes to the Financial Statements
June 30, 2011

2. Basis of Presentation

Department-wide Financial Statements — The Department-wide Financial Statements consist of the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets presents the difference between the DOE's total assets and total liabilities. The Statement of Activities presents a comparison between direct expenses and program revenues for each function 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 revenue.

Upon substantial completion of capital assets, the School Construction Authority (SCA) transfers such assets to the DOE. In fiscal years 2011 and 2010, the SCA transferred \$2.7 billion and \$3.5 billion, respectively, in completed assets to the DOE.

Description of Functions in the Statement of Activities —The Statement of Activities summarizes 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** — which includes the costs of school facilities, pupil transportation, food, school safety, energy and leases.
- **School Support Organization** — which includes operations of CFN offices.
- **Central Administration** — which 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 Schools** — which represents the amount of funding passing through the DOE to independent non-public 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. Major individual governmental funds are reported as separate columns in the fund financial statements. 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, liabilities, 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 Funds — Governmental funds are those by which most functions of the DOE are financed. The acquisition, use and balance of the expendable available financial resources and the related liabilities are accounted for through governmental funds. The following are the DOE's governmental funds, both of which are considered major funds:

- **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.

Department of Education of The City of New York
Notes to the Financial Statements
June 30, 2011

- **Capital Projects Fund** — The Capital Projects Fund was used to account for financial resources used for school improvements and other facility related expenditures. These amounts do not reflect capital expenditures and commitments by the SCA on behalf of the DOE. The SCA commitment and expenditure activity is included in The City's basic financial statements.

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.

Newly Adopted Accounting Standards

In fiscal year 2011, the DOE adopted two new statements issued by the Governmental Accounting Standards Board (GASB):

—Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

—Statement No. 59, *Financial Instruments Omnibus*

Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Governments are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required. Governments are also required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Statement No. 54 also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the Notes to the Financial Statements. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Fund balance reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balances for fiscal year 2010.

There was no impact on the DOE's financial statements as a result of the implementation of GASB statement No. 54.

Statement No. 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

Statement No. 59 includes the following guidance:

- Emphasizes the applicability of U.S. Securities and Exchange Commission requirements to certain external investment pools—known as 2a7-like pools—to provide users more consistent information on qualifying pools.
- Addresses the applicability of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, to certain financial instruments to clarify which financial instruments are within the scope of that pronouncement and to provide greater consistency in financial reporting.

Department of Education of The City of New York
Notes to the Financial Statements
June 30, 2011

- Applies the reporting provisions for interest-earning investment contracts of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, to unallocated insurance contracts to improve the consistency of reporting by pension and OPEB plans.

There was no impact on the DOE's financial statements as a result of the implementation of Statement No. 59.

3. 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. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements use the current financial resources measurement focus. This focus is on the determination of, and changes in financial position. These funds use the modified accrual basis of accounting, whereby revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Revenues from categorical and other grants are generally considered available if received within one year after the fiscal year end, except those indicated below in Note 1 - Accounts Receivable. Expenditures are recorded when the related liability is incurred and payment is due.

The fiduciary funds use the accrual basis of accounting and do not measure the results of operations.

Reconciliation of Department-wide and Fund Financial Statements — A summary reconciliation of the difference between the total fund balance as reflected on the DOE Fund Balance Sheet and total net assets for the DOE activities as shown on the Department-wide Statement of Net Assets is presented in an accompanying statement to the DOE Fund Balance Sheet.

A summary reconciliation of the difference between net changes in fund balance as reflected on the Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and changes in net assets for activities as shown on the Department-wide Statement of Activities is presented in an accompanying statement, as well.

Program Revenue — Program revenue is derived from Federal, State, and Private aid sources, as well as charges for services and funding from The City.

Accounts Receivable — Accounts Receivable includes certain aged receivables from the State which extend beyond the normal period of collection used to determine availability for revenue recognition purposes. However, since payments are being made by the Federal and State sources, such receivables have not been deemed uncollectible.

Accounts Payable — Accounts Payable includes all payments of bills and payrolls since June 30, 2011 and accruals for payments to be made in the future, which applies to liabilities incurred as of June 30, 2011. Further, included in accounts payable are all payments that were processed through the DOE's accounting system, but not yet cleared The City's accounting system. In addition, included are all prior year accruals which have not been liquidated through The City's accounting system.

School Supplies and Textbooks — Expenditures for school supplies and textbooks are charged as expenses to the individual community school districts and schools when school supplies and textbooks are received.

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Donated Commodities — The DOE participates in various Federal and State aided 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 during the year was approximately \$27.7 million.

The value of these donated commodities received and still on hand, as of June 30, 2011 and 2010 was \$0.5 million.

Materials and Supplies — Inventories on hand at June 30, 2011, amounted to approximately \$6.7 million based on the moving average cost method. Inventories are recorded as expenditures in governmental funds at the time of purchase and, accordingly, have not been reported on the governmental funds balance sheet. As of June 30, 2010, this value was \$6.4 million.

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.

Deferred Revenue — Deferred revenue represents cash advances of \$43.8 million received by the DOE against which qualifying expenditures have not yet been incurred, as of June 30, 2011. As of June 30, 2010, cash advances amounted to \$60.4 million.

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 value of these services paid in July and August 2011 was \$1.9 billion. As of June 30, 2010, the value of these services was \$1.8 billion.

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

Judgments and Claims — The City and the DOE is 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 on the basis of settlements reached, or judgments entered into, within the current fiscal year. Expenditures for workers' compensation are recorded when paid.

Pensions — The provision for pension costs for the DOE is recorded in The City's General Fund. 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 4.B.)

Changes in Estimates of Prior Year Payables and Receivables — Changes in estimated prior year payables and receivables result in changes in transfers from and to The City. These changes, including the net transfer from and to The City, have no net effect on the excess of revenues over expenditures.

Estimates and Assumptions — A number of estimates and assumptions relating to the reporting of revenues, expenditures, assets and liabilities and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with accounting principles generally accepted in the United States of

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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, 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 extra-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 1,614 separate school activity funds. All but three of these bank accounts are maintained by the schools under the responsibility of the respective principals. Three bank accounts are maintained in the central office for the benefit of the schools.

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, 2011 (\$23.1 billion) differs from the total expenditures and other uses included in the Statement of Revenues, Expenditures and Changes in Fund Balance (\$18.9 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 basis:

Figure 1

	Amount (\$000 Omitted)
Total Expenditures and Other Uses (from the Statement of Revenues, Expenditures and Changes in Fund Balance)	\$ 18,907,859
Add back Intra-City Sales (which are included in General Revenue in Statement of Activities).....	31,040
Depreciation Expense	797,115
Long-term liabilities per full accrual basis:	
Other Postemployment Benefit Obligations	2,887,045
Sick Leave and Vacation Balances	(31,000)
Pollution Remediation Obligations.....	(12,801)
Capital Leases.....	96,303
Judgments and Claims	<u>446,134</u>
Total Program Expenses (from the Statement of Activities)	<u>\$ 23,121,695</u>

The total program expenses included in the Statement of Activities for the year ended June 30, 2010 (\$22.3 billion) differs from the total expenditures and other uses included in the Statement of Revenues, Expenditures and Changes in Fund Balance (\$18.4 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 basis:

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Figure 2

	Amount <u>(\$000 Omitted)</u>
Total Expenditures and Other Uses (from the Statement of Revenues, Expenditures and Changes in Fund Balance).....	\$ 18,471,293
Add back Intra-City Sales (which are included in General Revenue in Statement of Activities).....	27,212
Depreciation Expense	664,444
Long-term liabilities per full accrual basis:	
Other Postemployment Benefit Obligations	3,055,293
Sick Leave and Vacation Balances	48,223
Pollution Remediation Obligations.....	(30,480)
Capital Leases.....	(27)
Judgments and Claims	<u>16,005</u>
Total Program Expenses (from the Statement of Activities).....	<u>\$ 22,251,963</u>

Pronouncements Issued But Not Yet Effective

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued in November 2010, establishes recognition, measurement and disclosure requirements for Service Concession Arrangements for (SCA) both transferors and governmental operators. A SCA is an arrangement between a transferor (government) and an operator (governmental or nongovernmental entity) in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and the operator collects and is compensated by fees from third parties. A transferor reports the facility subject to SCA capital assets. New facilities constructed or acquired by the operator or improvements to existing facilities made by the operator are reported at fair value by the transferor. A liability is recognized, for the present value of significant contractual obligations to sacrifice financial resources imposed on the transferor, along with a corresponding deferred flow of resources. Revenues are recognized by the transferor on a systematic and rational manner over the term of the arrangement. A governmental operator reports an intangible asset at costs for its right to access the facility and collect third-party fees and amortizes the intangible asset over the term of the arrangement. For revenue sharing arrangements, operators must report all revenues and expenses and transferors must report their portion of the shared revenues.

The requirements of Statement No. 60 are effective for financial statements for periods beginning after December 15, 2011. The DOE has not completed the process of evaluating the impact Statement No. 60 will have on its financial statements.

Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued in November 2010, improves financial reporting for a governmental financial reporting entity by modifying certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between primary government and the organization for it to be included in the reporting entity as a component unit. For organizations that do not meet the financial accountability criteria for inclusion as component units, but that should be included because the primary government’s management determines that it would be misleading to exclude them, the Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. For Component Units that currently are blended based on “substantively the same governing body” criterion, the Statement required that

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the primary government and the component unit have a financial benefit or burden relationship or management of the primary government have operational responsibility of the activities of the Component Unit. New criteria also are added to require blending of Component Units whose total debt outstanding is expected to be repaid almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended Component Unit have the same financial reporting requirements as a fund of the primary government. Reporting guidance is provided for blending a Component Unit if the primary government is a business-type activity that uses a single column presentation for financial reporting. The Statement requires a primary government to report its equity interest in a Component Unit as an asset.

The requirements of Statement No. 61 are effective for financial statements for periods beginning after June 15, 2012. The DOE has not completed the process of evaluating the impact Statement No. 61 will have on its financial statements.

The objective of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued December 2010, is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30 1989, which do not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

The Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Propriety Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Those entities who chose to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements can continue to apply those pronouncements as other accounting literature.

The requirements of Statement No. 62 are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The DOE has not completed the process of evaluating the impact Statement No. 62 will have on its financial statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement provides financial reporting guidance for deferred outflows of resources, which is a consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources which is an acquisition of net assets by the government that is applicable to a future reporting period. Statement No. 63 also amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The requirements of Statement No. 63 are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The DOE has not completed the process of evaluating the impact Statement No. 63 will have on its financial statements.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions an amendment of GASB Statement No. 53*. This statement clarifies whether an

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effective hedge relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

The requirements of Statement No. 64 are effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. The DOE has not completed the process of evaluating the impact Statement No. 64 will have on its financial statements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

The revenue and expenditure budget is based on GAAP with respect to those elements that are the DOE's responsibility, and such budget is to be balanced in accordance with 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 is categorized into 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 for 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 Division of Finance, Budgetary Strategy and Reporting monitors expenditures throughout the fiscal year to ensure that spending remains within the amount of funds authorized in each Unit of Appropriation. Budget modifications are processed as required to transfer funds from one Unit of Appropriation, Budget Code, Line Number or Object Code to another as needed. Budget modifications require City Council approval if cumulative modifications are greater than or equal to 5 percent of the adopted budget for the Unit of Appropriation. The appropriation for heat, light and power is based upon cost allocation formulas developed by other City agencies.

B. Appropriations Modifications

The following schedule summarizes budget modifications for the year ended June 30, 2011 (\$000 omitted):

Figure 3

	Originally Adopted Budget	Net Modifications	Modified Budget
Tax Levy Programs.....	\$ 16,433,638	\$ 93,059	\$ 16,526,697
Reimbursable Programs	2,164,795	251,656	2,416,451
Sub Total.....	18,598,433	344,715	18,943,148
Less: Intracity Sales	(8,784)	(22,426)	(31,210)
Total	<u>\$ 18,589,649</u>	<u>\$ 322,289</u>	<u>\$ 18,911,938</u>

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

Figure 4

	Tax Levy	Reimbursable
Intra-city Purchases	\$ 19,014	\$ 3,413
City Council Actions	135	-
Executive & Adoption	25,990	56,639
July, Nov. & Feb. Plan Actions	(1,248)	199,314
Year - end Closing Actions.....	(67,110)	(23,311)
GASB No. 49 – Pollution Remediation.....	131,879	-
Transfer to Reimbursable.....	(15,601)	15,601
Total Net Modifications.....	\$ 93,059	\$ 251,656

The following schedule summarizes budget modifications for the year ended June 30, 2010 (\$000 omitted):

Figure 5

	Originally Adopted Budget	Net Modifications	Modified Budget
Tax Levy Programs.....	\$ 16,168,310	\$ 17,725	\$ 16,186,035
Reimbursable Programs.....	2,212,761	102,706	2,315,467
Sub Total.....	18,381,071	120,431	18,501,502
Less: Intracity Sales	(8,784)	(19,505)	(28,289)
Total.....	\$ 18,372,287	\$ 100,926	\$ 18,473,213

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

Figure 6

	Tax Levy	Reimbursable
Intra-city Purchases.....	\$ 5,663	\$ 13,842
City Council Actions.....	1,183	-
Executive and Adoptions	(165,822)	41,311
Nov. & Jan. Plan Actions.....	18,632	31,846
School Food Program	12,566	1,960
Year End Closing Actions	(25,369)	13,747
GASB No. 49 – Pollution Remediation	170,872	-
Total Net Modifications.....	\$ 17,725	\$ 102,706

3. DETAILED NOTES ON ALL FUNDS

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 by the FDIC 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 1,614 accounts maintained at the school level, the DOE cannot determine the amounts that are insured or collateralized. The City's June 30, 2011 and June 30, 2010 General Fund bank balances, which includes the DOE's General Fund bank deposits, were uninsured and uncollateralized with securities held by The City's agent in The City's name.

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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.

C. Lease Commitments

The DOE leases various types of property and equipment. Total lease expenditures for the year ended June 30, 2011 and June 30, 2010, were approximately \$153 million and \$143 million, respectively. As of June 30, 2011, the DOE has future minimum rental obligations on leases with a remaining term in excess of one year as follows (\$000 omitted):

Figure 7

Year(s) Ending June 30,	Total Amount	Capital Leases	Operating Leases
2012	\$ 116,550	\$ 33,121	\$ 83,429
2013	112,049	32,979	79,070
2014	106,646	31,958	74,688
2015	104,827	31,935	72,892
2016	101,929	32,019	69,910
2017-2021	399,205	129,712	269,493
2022-2026	224,452	77,510	146,942
2027-2031	97,482	21,939	75,543
2032-2036	73,352	11,092	62,260
2037-2041	33,168	-	33,168
2042-2050	20,718	-	20,718
Total minimum lease payments	<u>\$ 1,390,378</u>	<u>\$ 402,265</u>	<u>\$ 988,113</u>
Less imputed interest		(115,521)	
Present value of net minimum lease payments		<u>\$ 286,744</u>	

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D. Long-Term Liabilities

The long-term liabilities include capital leases entered into by the DOE as well as 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. Payments for certain amounts of these liabilities are due in fiscal years 2011 and 2010 and funds have been appropriated for such payments.

Changes in the various components of the long-term liabilities for fiscal year 2011 are as follows (\$000 omitted):

Figure 8

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Accrued Vacation and Sick Leave ..\$	1,842,213	\$ 16,106	\$ (47,106)	\$ 1,811,213	\$ 47,106
Capital Lease Obligations	190,440	113,821	(17,517)	286,744	17,517
Accrued Judgments and Claims	333,311	498,624	(52,490)	779,445	186,609
Pollution Remediation.....	120,066	119,077	(131,878)	107,265	96,538
OPEB Obligations.....	24,264,152	3,322,773	(435,728)	27,151,197	-
TOTALS	\$ 26,750,182	\$ 4,070,401	\$ (684,719)	\$ 30,135,864	\$ 347,770

Changes in the various components of the long-term liabilities for fiscal year 2010 are as follows (\$000 omitted):

Figure 9

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
Accrued Vacation and Sick Leave.. \$	1,793,990	\$ 93,995	\$ (45,772)	\$ 1,842,213	\$ 45,772
Capital Lease Obligations.....	190,467	13,484	(13,511)	190,440	13,511
Accrued Judgments and Claims.....	317,306	77,025	(61,020)	333,311	86,261
Pollution Remediation.....	150,546	140,392	(170,872)	120,066	108,059
OPEB Obligations.....	21,208,859	3,502,987	(447,694)	24,264,152	-
TOTALS.....	\$ 23,661,168	\$ 3,827,883	\$ (738,869)	\$ 26,750,182	\$ 253,603

As described in Note 3E of the financial statements, SCA was created for the purpose of designing, constructing, reconstructing, improving, rehabilitating and repairing the New York City public schools. SCA has reported, and identified Pollution remediation costs as asbestos abatement, lead paint abatement, and soil contamination remediation project work performed at New York City Public Schools. Such costs were associated with capital assets of the DOE and, accordingly are recorded in the DOE financial statements.

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E. Pollution Remediation Obligations

The Pollution Remediation Obligations (PRO) at June 30, 2011 and June 30, 2010, summarized by obligating event and pollution type, respectively, are as follows:

Obligating Event

	<u>Fiscal Year 2011</u>		<u>Fiscal Year 2010</u>	
	<u>Amount</u> <u>(000's)</u>	<u>Percentage</u>	<u>Amount</u> <u>(000's)</u>	<u>Percentage</u>
Imminent endangerment	\$ 32,080	30.0%	\$ 36,020	30.0%
Violation of pollution prevention-related permit or license	3,007	3.0%	4,002	3.3%
Named by regulator as a potentially responsible party	3,007	3.0%	1,001	0.8%
Voluntary commencement	<u>69,171</u>	<u>64.0%</u>	<u>79,043</u>	<u>65.9%</u>
Total	<u>\$ 107,265</u>	<u>100.0%</u>	<u>\$ 120,066</u>	<u>100.0%</u>

Pollution Type

	<u>Amount</u>		<u>Amount</u>	
	<u>(000's)</u>	<u>Percentage</u>	<u>(000's)</u>	<u>Percentage</u>
Asbestos removal	\$ 97,679	91.0%	\$ 88,541	73.7%
Lead paint removal	522	0.5%	1,784	1.5%
Soil remediation	5,740	5.4%	29,177	24.3%
Other	<u>3,324</u>	<u>3.1%</u>	<u>564</u>	<u>0.5%</u>
Total	<u>\$ 107,265</u>	<u>100.0%</u>	<u>\$ 120,066</u>	<u>100.0%</u>

There are no expected recoveries deemed not yet realized or realizable to reduce the liability. The PRO liability is derived from registered multi-year contracts which offset cumulative expenditures (liquidated/unliquidated) against original encumbered contractual amounts. The potential for changes to existing PRO estimates is recognized due to such factors as: additional remediation work arising during the remediation of an existing pollution project; remediation activities may find unanticipated site conditions resulting in necessary modifications to work plans; changes in methodology during the course of a project may cause cost estimates to change, e.g., the new ambient air quality standard for lead considered a drastic change will trigger the adoption of new/revised technologies for compliance purposes; and changes in the quantity which is paid based on actual field measured quantity for unit price items measured in cubic meters, linear meters, etc. Consequently, changes to original estimates are processed as change orders. Further, regarding pollution remediation liabilities that are not yet recognized because they are not reasonably estimable, the Law Department relates that we have approximately 20 cases involving hazardous substances, including spills from above and underground storage tanks, and other condemnation on, or caused by facilities on city-owned property. There are also three cases involving environmental land review, two cases involving polychlorinated biphenyls caulk in the public schools and one case involving clean-up in a public park. Due to the uncertainty of the legal proceedings we cannot estimate a future liability.

F. 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 reception of these assets could be at any of the many central the DOE offices or at one of the over 1,500 school locations. Therefore, a fixed assets schedule by source, location, or use is not presented in this report. However, the overall changes in the various classes of Capital Assets occurring during fiscal year 2011 can be reported, as follows (\$000's omitted):

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Figure 10

CAPITAL ASSETS					
	Balance				Balance
	June 30, 2010	Additions	Transfers	Deletions	June 30, 2011
Capital Assets Not Being Depreciated:					
Land and Site Improvement	\$ 446,997	\$ -	\$ -	\$ -	\$ 446,997
Construction In Progress	3,495,631	2,015,322	(2,685,236)	-	2,825,717
Total Capital Assets					
Not Being Depreciated	3,942,628	2,015,322	(2,685,236)	-	3,272,714
Capital Assets Being Depreciated:					
Building and Additions	25,733,783	-	2,685,236	(25,496)	28,393,523
Equipment (Including Software)	285,104	7,849	-	(193)	292,760
Gross Balance Capital Assets	26,018,887	7,849	2,685,236	(25,689)	28,686,283
Less Accumulated Depreciation:					
Building and Additions	9,532,525	807,325	-	(25,496)	10,314,354
Equipment	211,770	15,287	-	-	227,057
Total Accumulated Depreciation	9,744,295	822,612	-	(25,496)	10,541,411
Net Capital Assets Being Depreciated	16,274,592	(814,763)	2,685,236	(193)	18,144,872
Total All Capital Assets	\$ 20,217,220	\$ 1,200,559	\$ -	\$ (193)	\$ 21,417,586

The overall changes substantial in the various classes of Capital Assets occurring during fiscal year 2010 can be reported, as follows (\$000's omitted):

Figure 11

CAPITAL ASSETS					
	Balance				Balance
	June 30, 2009	Additions	Transfers	Deletions	June 30, 2010
Capital Assets Not Being Depreciated:					
Land and Site Improvement	\$ 446,997	\$ -	\$ -	\$ -	\$ 446,997
Construction In Progress	4,024,132	2,953,167	(3,481,668)	-	3,495,631
Total Capital Assets					
Not Being Depreciated	4,471,129	2,953,167	(3,481,668)	-	3,942,628
Capital Assets Being Depreciated:					
Building and Additions	22,258,217	-	3,481,668	(6,102)	25,733,783
Equipment (Including Software)	274,203	11,016	-	(115)	285,104
Gross Balance Capital Assets	22,532,420	11,016	3,481,668	(6,217)	26,018,887
Less Accumulated Depreciation:					
Building and Additions	8,881,942	656,684	-	(6,101)	9,532,525
Equipment (Including Software)	197,909	13,960	-	(99)	211,770
Total Accumulated Depreciation	9,079,851	670,644	-	(6,200)	9,744,295
Net Capital Assets Being Depreciated	13,452,569	(659,628)	3,481,668	(17)	16,274,592
Total All Capital Assets	\$ 17,923,698	\$ 2,293,539	\$ -	\$ (17)	\$ 20,217,220

Department of Education of The City of New York
Notes to the Financial Statements
June 30, 2011

In December 1988, the State of New York Legislation created the SCA for the purposes of designing, constructing, reconstructing, improving, rehabilitating and repairing the New York City public schools. Operations are funded by appropriations made by The City. Such appropriations are guided by Five-Year Capital Plans, developed by the DOE. The City's appropriations for the Five-Year Capital Plan for the fiscal years 2010 through 2014 totaled \$10.89 billion.

Capital Expenditures made on behalf of the DOE amounted to \$2 billion and \$2.9 billion in fiscal year 2011 and 2010 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 2011 and 2010, the SCA transferred \$2.7 billion and \$3.5 billion, respectively, in completed assets to the DOE. The SCA capital assets are an integral part of the DOE capital assets.

Included in land and buildings at June 30, 2011, are certain leased properties aggregating approximately \$380 million. Included in equipment are expenditures made from various units of appropriation in the General Fund. Included in Accumulated Depreciations - Buildings and Additions at June 30, 2011, was accumulated depreciation for leases of \$93 million.

Accumulated depreciation is reported as reductions of fixed 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 for betterments and/or reconstruction, and 5 to 15 years for equipment.

For fiscal year 2011, The City's Comprehensive Annual Financial Report identifies capital expenditures for education amounting to \$2.1 billion. The capital expenditures incurred by the SCA and DDC on behalf of the DOE totaled \$2.3 billion offset by GASB Statement No. 49 expenditures of \$132 million.

4. OTHER INFORMATION

A. Non-Public Schools and Fashion Institute of Technology (FIT)

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 and 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 2011 and 2010 were approximately \$45.6 million and \$45.5 million, respectively.

B. Pensions

Plan Description — On behalf of the DOE, The City sponsors or participates in pension systems providing benefits to the DOE employees. The pension systems function in accordance with existing State statutes and City laws. Each system combines features of a defined benefit pension plan with those of a defined contribution pension plan. Contributions are made by the employer and the employees.

Department of Education of The City of New York
Notes to the Financial Statements
June 30, 2011

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

1. New York City Teacher's Retirement System-Qualified Pension Plan (TRS), a cost sharing, multiple-employer public employee retirement system, for pedagogical employees in the public schools of The City and Charter Schools and certain other specified school employees of the DOE.
2. New York City Board of Education Retirement System-Qualified Pension Plan (BERS) is a cost sharing, multiple-employer public employee retirement system, for non-pedagogical employees of the DOE and Charter Schools and certain employees of the SCA.

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.

Funding Policy — The City's funding policy is to contribute statutorily-required contributions (Statutory Contributions). Together with member contributions and investments income, these Statutory Contributions would ultimately be sufficient to pay benefits when due.

Statutory Contributions, determined by the Actuary in accordance with State statute and City laws are generally funded by the employers within the appropriate fiscal year.

Member contributions are established by law and vary by Plan. In general Tier I and Tier II member contribution rates are dependent upon the member's age at membership and retirement plan election. In general, Tiers III and IV members make basic contributions of 3 percent of their 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 contributions after the 10th 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 percent of their salary in accordance with Chapter 10 of the Laws of 2000. Certain members of NYCERS, BERS and TRS also make additional member contributions.

The City contributes to the above pension systems on behalf of all City-funded personnel positions. The total City actual statutory pension contribution, for the fiscal year ended June 30, 2011, for all City pension systems was \$7 billion; \$2.6 billion for the two major DOE systems. The pension costs are not allocated to the DOE or reflected in its financial statements, except that contributions for positions funded through Federal and State programs aggregating approximately \$124 million were allocated to the DOE and charged to reimbursable program expenditures.

The annual pension costs for fiscal years ended June 30, 2011, 2010 and 2009 were as follows:

Figure 12

Annual Pension Costs
(In millions)

	2011	2010	2009
TRS.....	\$ 2,469	\$ 2,484	\$ 2,223
BERS	180	147	134
Total Pension Costs	<u>\$ 2,649</u>	<u>\$ 2,631</u>	<u>\$ 2,357</u>

Department of Education of The City of New York
Notes to the Financial Statements
June 30, 2011

C. Other Post-Employment Benefits

Program Description: The New York City Health Benefits Program (Program) is a single-employer defined benefit healthcare plan funded by the New York City Retiree Health Benefits (PLAN), an Other Employee Benefit Trust Fund of The City, which provides Other Postemployment Benefits (OPEB) to eligible retirees and beneficiaries.

OPEB includes: health insurance, Medicare Premium Part B reimbursements, and welfare fund contributions. PLAN issues a publicly available financial report that includes financial statements and required supplementary information for funding PLAN's OPEB and the report is available at: Office of the Comptroller, Bureau of Accountancy—Room 200 South, 1 Centre Street, New York, New York 10007.

Annual OPEB Cost and Net OPEB Obligations: The City's annual OPEB cost (expenses) is calculated based on the annual required contribution of the employer, an amount that was actuarially determined by using the Frozen Entry Age Actuarial Cost Method. For fiscal year 2011, the annual OPEB required contribution for The City was determined to be \$85.5 billion of which The City contributed \$1.6 billion to the PLAN. The Net OPEB Obligation, after City Contributions, was \$84 billion. For the DOE, the allocated Net OPEB Obligation for fiscal year 2010 was \$2.9 billion. This amount was allocated to Programs Activities' expenses in presenting full accrual accounting within the Statement of Activities. This amount, when added to the allocated amount for last year (\$24.3 billion), was also included as a long term liability in the Statement of Net Assets (\$27.2 billion).

D. Contingencies

As explained in Note 1, 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 a significant number of lawsuits pertaining to material matters, including claims asserted which are incidental to performing routine educational services and other functions. Such litigation includes, but is not limited to, actions commenced and claims asserted against the DOE arising out of alleged torts, breaches of contracts and violations of law.

In 1996, a class action was brought against The City and the State under Title VII of the Civil Rights Act of 1964 alleging that the use by The City Board of Education of two teacher certification examinations mandated by the State had a disparate impact on minority candidates. The lower court dismissed the case. Plaintiffs appealed, and in 2006, the United States Court of Appeals for the Second Circuit reversed the lower court's ruling, dismissed the claims against the State, and remanded the matter for further proceedings. The trial court on remand has received extensive briefing from the parties on the issue of City liability and on the City's motion to decertify the class based on the United States Supreme court's decision in *Wal-Mart Stores, inc. v Dukes*, 131 S. Ct. 2541 (2011). The State has advised The City that there are approximately 3,500 members of the class and has calculated potential damages, based on the difference in salary between a certified public school teaching position and an uncertified parochial or private school teaching position, of approximately \$455 million.

(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.

* * * * *

**Department of Education of The City of New York
Supplemental Financial Schedules of the General Fund
June 30, 2011**

The General Fund is the general operating fund of the 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 2006 through fiscal year 2011, as of June 30, 2011. 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. (See Note 2 of the Notes to the Financial Statements).

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Department of Education of The City of New York
General Fund
Schedule of Aged Receivables
As of June 30, 2011
With Comparative Totals to June 30, 2010
(\$000 Omitted)

	<u>Federal Grants Categorical</u>	<u>State Aid and Categorical Grants</u>	<u>Non- Governmental Grants</u>	<u>Total Receivables As of June 30, 2011</u>	<u>Comparative Total, as of June 30, 2010</u>
Fiscal Year 2011	\$ 684,903	\$ 1,312,541	\$ 31,674	\$ 2,029,118	\$ -
Fiscal Year 2010	32,687	266,176	4,364	303,227	2,163,465
Fiscal Year 2009	8,996	170,822	13,709	193,527	378,678
Fiscal Year 2008	-	155,427	584	156,011	163,041
Fiscal Year 2007	-	57,961	-	57,961	64,279
Fiscal Year 2006	-	118	-	118	40,092
Fiscal Year 2005	-	-	-	-	170
Total Receivables:	<u>\$ 726,586</u>	<u>\$ 1,963,045</u>	<u>\$ 50,331</u>	<u>\$ 2,739,962</u>	<u>\$ 2,809,725</u>

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Department of Education of The City of New York
General Fund
Schedule of Budgeted and Actual Expenditures
For the Year Ended June 30, 2011

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
<u>GENERAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP</u>			
401 Salaries	\$ 5,395,112,381	\$ 5,395,112,392	\$ (11)
402 Supplies	183,755,923	140,755,583	43,000,340
402 Furniture and Equipment	44,243,279	82,250,955	(38,007,676)
402 Textbooks	115,182,058	96,079,375	19,102,683
402 Contractual Services	268,013,679	292,109,026	(24,095,347)
TOTAL	6,006,307,320	6,006,307,331	(11)
<u>SPECIAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP</u>			
403 Salaries	1,048,630,507	1,046,359,890	2,270,617
404 Supplies	1,960,638	778,189	1,182,449
404 Furniture and Equipment	434,483	1,213,678	(779,195)
404 Textbooks	347,020	37,422	309,598
404 Contractual Services	578,166	769,665	(191,499)
TOTAL	1,051,950,814	1,049,158,844	2,791,970
<u>SCHOOL SUPPORT ORGANIZATION</u>			
415 Salaries	120,858,898	120,836,194	22,704
416 Supplies	6,648,477	3,154,230	3,494,247
416 Furniture and Equipment	1,043,294	1,837,327	(794,033)
416 Textbooks	142,426	-	142,426
416 Contractual Services	5,249,539	8,092,178	(2,842,639)
TOTAL	133,942,634	133,919,929	22,705
<u>CITYWIDE EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP</u>			
421 Salaries	752,292,438	752,292,354	84
422 Supplies	5,552,149	6,215,747	(663,598)
422 Furniture and Equipment	4,975,013	5,049,287	(74,274)
422 Textbooks	2,149,995	1,283,261	866,734
422 Contractual Services	7,667,179	6,313,207	1,353,972
TOTAL	772,636,774	771,153,856	1,482,918
<u>SPECIAL EDUCATION INSTRUCTIONAL SUPPORT</u>			
423 Salaries	237,753,275	237,753,274	1
424 Supplies	619,399	1,004,829	(385,430)
424 Furniture and Equipment	762,913	535,118	227,795
424 Textbooks	500	-	500
424 Contractual Services	270,735,685	270,578,549	157,136
TOTAL	509,871,772	509,871,770	2
<u>SCHOOL FACILITIES</u>			
435 Salaries	417,813,565	414,769,560	3,044,005
436 Supplies	35,137,025	29,334,099	5,802,926
436 Furniture and Equipment	606,566	435,211	171,355
436 Pollution remediation	131,878,998	131,878,998	-
436 Contractual Services	173,824,984	187,278,843	(13,453,859)
TOTAL	759,261,138	763,696,711	(4,435,573)

Department of Education of The City of New York
General Fund
Schedule of Budgeted and Actual Expenditures
For the Year Ended June 30, 2011

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
<u>PUPIL TRANSPORTATION</u>			
438 Supplies	\$ 11,122,577	\$ 7,263,960	\$ 3,858,617
438 Equipment	1,928,999	773,160	1,155,839
438 Contractual Services	3,886,500	2,552,248	1,334,252
438 Pupil Transportation	1,000,280,689	1,006,629,397	(6,348,708)
TOTAL	1,017,218,765	1,017,218,765	-
<u>SCHOOL FOOD SERVICES</u>			
439 Salaries	199,748,594	199,748,594	-
440 Supplies	13,154,094	14,554,100	(1,400,006)
440 Food Purchases	141,269,775	136,480,277	4,789,498
440 Furniture and Equipment	1,730,245	3,861,492	(2,131,247)
440 Contractual Services	24,087,588	25,345,832	(1,258,244)
TOTAL	379,990,296	379,990,295	1
442 SCHOOL SAFETY	298,021,484	297,900,228	121,256
444 ENERGY AND LEASES	484,234,713	468,566,930	15,667,783
<u>CENTRAL ADMINISTRATION</u>			
453 Salaries	167,625,150	167,625,150	-
454 Supplies	27,339,661	15,055,908	12,283,753
454 Furniture and Equipment	9,854,082	10,706,016	(851,934)
454 Judgement and Claims	460,822	1,306,435	(845,613)
454 Contractual Services	132,187,801	139,611,411	(7,423,610)
454 Fixed Charges	240,995	121,797	119,198
TOTAL	337,708,511	334,426,717	3,281,794
461 FRINGE BENEFITS	2,588,724,711	2,588,266,354	458,357
470 PRE-KINDERGARTEN CONTRACTS	943,635,023	943,426,079	208,944
472 CHARTER/CONTRACT SCHOOLS AND FOSTER CARE	1,161,575,664	1,161,575,663	1
474 NON-PUBLIC SCHOOLS AND FIT PAYMENTS	69,307,820	69,307,819	1
491 COLLECTIVE BARGAINING	12,309,112	12,309,112	-
TOTAL TAX LEVY	\$ 16,526,696,551	\$ 16,507,096,403	\$ 19,600,148
<u>CATEGORICAL PROGRAMS</u>			
481 Salaries	\$ 1,527,124,722	\$ 1,535,244,242	\$ (8,119,520)
482 Supplies	188,716,487	132,818,750	55,897,737
482 Furniture and Equipment	48,705,400	17,567,967	31,137,433
482 Pension	178,766,910	178,834,516	(67,606)
482 Contractual Services	473,137,387	567,337,199	(94,199,812)
TOTAL CATEGORICAL PROGRAMS	\$ 2,416,450,906	\$ 2,431,802,674	\$ (15,351,768)

**Department of Education of The City of New York
General Fund
Schedule of Budgeted and Actual Expenditures
For the Year Ended June 30, 2011**

	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
TOTAL APPROPRIATIONS EXPENDED	\$ 18,943,147,457	\$ 18,938,899,077	\$ 4,248,380
Intra-City Sales	<u>(31,209,543)</u>	<u>(31,040,277)</u>	<u>(169,266)</u>
Sub-Total	18,911,937,914	18,907,858,800	4,079,114
Net Change in Prior Payables	<u>-</u>	<u>(45,623,968)</u>	<u>45,623,968</u>
Total Expenditures	18,911,937,914	18,862,234,832	49,703,082
Other Financing Uses -			
Transfer to The City of New York	<u>-</u>	<u>45,623,968</u>	<u>(45,623,968)</u>
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 18,911,937,914</u>	<u>\$ 18,907,858,800</u>	<u>\$ 4,079,114</u>

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Department of Education of The City of New York
General Fund
Schedule of Budgeted and Actual Expenditures
For the Year Ended June 30, 2010

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
<u>GENERAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP</u>			
401 Salaries	\$ 5,461,170,935	\$ 5,461,158,447	\$ 12,488
402 Supplies	130,115,255	132,513,223	(2,397,968)
402 Furniture and Equipment	59,004,266	63,082,984	(4,078,718)
402 Textbooks	112,617,537	103,950,829	8,666,708
402 Contractual Services	289,465,982	291,407,967	(1,941,985)
TOTAL	6,052,373,975	6,052,113,450	260,525
<u>SPECIAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP</u>			
403 Salaries	1,013,179,390	1,004,420,662	8,758,728
404 Supplies	3,064,383	1,014,538	2,049,845
404 Furniture and Equipment	301,892	1,011,362	(709,470)
404 Textbooks	479,611	20,013	459,598
404 Contractual Services	2,578,166	618,181	1,959,985
TOTAL	1,019,603,442	1,007,084,756	12,518,686
<u>SCHOOL SUPPORT ORGANIZATION</u>			
415 Salaries	193,377,614	197,803,309	(4,425,695)
416 Supplies	17,280,561	4,061,446	13,219,115
416 Furniture and Equipment	186,673	2,960,069	(2,773,396)
416 Textbooks	142,426	10,250	132,176
416 Contractual Services	1,584,265	7,883,186	(6,298,921)
TOTAL	212,571,539	212,718,260	(146,721)
<u>CITYWIDE EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP</u>			
421 Salaries	726,185,727	726,114,015	71,712
422 Supplies	6,444,746	5,692,565	752,181
422 Furniture and Equipment	4,975,013	3,628,483	1,346,530
422 Textbooks	2,557,398	1,289,566	1,267,832
422 Contractual Services	8,267,179	5,494,535	2,772,644
TOTAL	748,430,063	742,219,164	6,210,899
<u>SPECIAL EDUCATION INSTRUCTIONAL SUPPORT</u>			
423 Salaries	231,802,887	237,981,984	(6,179,097)
424 Supplies	616,664	749,091	(132,427)
424 Furniture and Equipment	762,913	506,671	256,242
424 Textbooks	500	738	(238)
424 Contractual Services	255,997,414	231,093,529	24,903,885
TOTAL	489,180,378	470,332,013	18,848,365
<u>SCHOOL FACILITIES</u>			
435 Salaries	400,683,448	404,509,575	(3,826,127)
436 Supplies	24,098,163	22,582,763	1,515,400
436 Furniture and Equipment	750,170	160,899	589,271
436 Pollution remediation	170,872,000	170,872,000	-
436 Contractual Services	147,466,170	178,595,158	(31,128,988)
TOTAL	743,869,951	776,720,395	(32,850,444)

Department of Education of The City of New York
General Fund
Schedule of Budgeted and Actual Expenditures
For the Year Ended June 30, 2010

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
<u>PUPIL TRANSPORTATION</u>			
438 Supplies	\$ 3,252,001	\$ 2,109,828	\$ 1,142,173
438 Equipment	1,928,999	494,711	1,434,288
438 Contractual Services	3,886,500	3,747,867	138,633
438 Pupil Transportation	987,112,978	989,309,185	(2,196,207)
TOTAL	996,180,478	995,661,591	518,887
<u>SCHOOL FOOD SERVICES</u>			
439 Salaries	211,901,047	206,054,720	5,846,327
440 Supplies	14,481,006	19,839,197	(5,358,191)
440 Food Purchases	135,470,051	146,568,355	(11,098,304)
440 Furniture and Equipment	1,730,045	3,202,809	(1,472,764)
440 Contractual Services	45,020,699	26,411,443	18,609,256
TOTAL	408,602,848	402,076,524	6,526,324
442 SCHOOL SAFETY	295,454,757	294,679,292	775,465
444 ENERGY AND LEASES	422,810,338	422,747,540	62,798
<u>CENTRAL ADMINISTRATION</u>			
453 Salaries	185,604,019	185,591,762	12,257
454 Supplies	24,385,014	11,838,881	12,546,133
454 Furniture and Equipment	8,320,270	9,345,071	(1,024,801)
454 Judgement and Claims	388,217	370,253	17,964
454 Contractual Services	139,737,609	148,328,390	(8,590,781)
454 Fixed Charges	690,826	169,202	521,624
TOTAL	359,125,955	355,643,559	3,482,396
461 FRINGE BENEFITS	2,501,844,421	2,502,861,643	(1,017,222)
470 PRE-KINDERGARTEN CONTRACTS	852,652,868	852,591,377	61,491
472 CHARTER/CONTRACT SCHOOLS AND FOSTER CARE	978,050,140	977,902,789	147,351
474 NON-PUBLIC SCHOOLS AND FIT PAYMENTS	71,317,093	71,021,132	295,961
491 COLLECTIVE BARGAINING	33,966,520	33,966,520	-
TOTAL TAX LEVY	\$ 16,186,034,766	\$ 16,170,340,005	\$ 15,694,761
<u>CATEGORICAL PROGRAMS</u>			
481 Salaries	\$ 1,544,462,688	\$ 1,521,342,121	\$ 23,120,567
482 Supplies	159,390,684	117,290,587	42,100,097
482 Furniture and Equipment	45,867,400	13,137,280	32,730,120
482 Pension	175,412,207	175,385,832	26,375
482 Contractual Services	390,334,388	501,009,243	(110,674,855)
TOTAL CATEGORICAL PROGRAMS	2,315,467,367	2,328,165,063	(12,697,696)

**Department of Education of The City of New York
General Fund
Schedule of Budgeted and Actual Expenditures
For the Year Ended June 30, 2010**

	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
TOTAL APPROPRIATIONS EXPENDED	\$ 18,501,502,133	\$ 18,498,505,068	\$ 2,997,065
Intra-City Sales	<u>(28,288,814)</u>	<u>(27,212,471)</u>	<u>(1,076,343)</u>
Sub-Total	18,473,213,319	18,471,292,597	1,920,722
Net Change in Prior Payables	<u>-</u>	<u>(60,085,318)</u>	<u>60,085,318</u>
Total Expenditures	18,473,213,319	18,411,207,279	62,006,040
Other Financing Uses -			
Transfer to The City of New York	<u>-</u>	<u>60,085,318</u>	<u>(60,085,318)</u>
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 18,473,213,319</u>	<u>\$ 18,471,292,597</u>	<u>\$ 1,920,722</u>

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**Department of Education of The City of New York
Annual Financial Statements
For the Fiscal Years Ended June 30, 2011 and 2010**

GLOSSARY

BERS.....	Board of Education Retirement System
CFN.....	Children First Network
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
FFP	Federal Financial Participation
FIT.....	Fashion Institute of Technology
FMS.....	New York City Financial Management System
FY	Fiscal Year
GAAP.....	Generally Accepted Accounting Principles
GASB.....	Governmental Accounting Standards Board
HHS.....	United States Department of Health and Human Services
OMB	New York City Office of Management and Budget
OPEB	Other Post Employment Benefits
OTPS.....	Other Than Personal Services
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
UOA.....	Unit of Appropriation

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