

ANNUAL FINANCIAL STATEMENTS

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

For the Fiscal Years Ended June 30, 2017 and 2016



Bill DeBlasio, Mayor
Carmen Fariña, Chancellor

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ANNUAL FINANCIAL STATEMENTS

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

For the Fiscal Years Ended June 30, 2017 and 2016



Prepared by the Division of Financial Operations

Raymond J. Orlando, Chief Financial Officer
John Wall, Chief Administrator

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ANNUAL FINANCIAL STATEMENTS

The Department of Education of The City of New York

For the Fiscal Years Ended June 30, 2017 and 2016

INTRODUCTORY SECTION

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Transmittal Letter



DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK
Carmen Fariña, *Chancellor*
OFFICE OF THE CHANCELLOR
52 Chambers Street, New York, New York 10007

November 28, 2017

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, 2017

The Annual Financial Statements for the Department of Education of The City of New York (the “DOE”) for the fiscal year ended June 30, 2017 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 Chief Financial Officer, and the Deputy Chancellor of Operations. 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.

Management adopted and reported on GASB newly implementation of (OPEB) Other Post-Employment Benefits: Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of Statement No. 75 had no impact on the DOE’s governmental fund financial statements. However, the adoption has resulted in the restatement of the DOE’s Fiscal Year 2016 government-wide financial statements to reflect the reporting of net OPEB liabilities, deferred inflows of resources, deferred outflows of resources and the recognition of OPEB expense in accordance with the provisions of the Statement.

Grant Thornton LLP has audited the 2017 financial statements included in this report; their opinion is expressed on page 18. The auditor’s report on the basic financial statements includes an emphasis of matter paragraph related to the restatement of the 2016 net deficit 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 auditor’s 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 identified a material weakness in the internal control over financial reporting related to the restatement of 2016 net deficit. This report also indicates that their tests did not disclose any instances or 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.

New York City public schools receive their primary support from a geographically-based Field Support Center (FSC). These centers provide integrated support to schools across the areas of instruction, operations and student services and serve as critical partners for superintendents.

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 and pension cost.

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.).

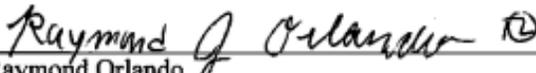
Federal and State Categorical Funds — This category includes revenues received from the Federal and New York State governments under programs that are categorical in nature and whose expenditures are restricted by terms and conditions designated by the funding agency. Reimbursement claims for such revenues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

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.

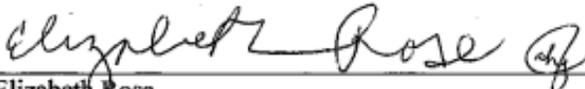
In accordance with the DOE's status as a dependent school district, revenues received for school purposes are required to be deposited into The City's Treasury, which is maintained for the General Fund. As revenues are collected, they are recorded to a series of designated revenue codes established for 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 The City's Financial Management System ("FMS"), which synchronizes with the DOE's financial system. FMS continues to maintain the official accounting records for The City.

The New York City Comptroller on behalf of the DOE makes disbursements for expenditures. The actual vouchers and supporting documentation are maintained and reviewed at the schools or the central processing bureaus of the DOE.

Respectfully submitted by,



Raymond Orlando
Chief Financial Officer



Elizabeth Rose
Deputy Chancellor, Operations



John Wall
Chief Administrator, Division of Financial Operations

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ANNUAL FINANCIAL STATEMENTS

The Department of Education of The City of New York

For the Fiscal Years Ended June 30, 2017 and 2016

FINANCIAL SECTION

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Department of Education of The City of New York (the “DOE”) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the DOE’s basic financial statements as listed in the table of contents.

Management’s responsibility for the financial statements

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

Auditor’s responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the DOE’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DOE’s internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department of Education of The City of New York as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1A, the financial statements of the DOE are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of The City of New York (The City) that is attributable to the transactions of the DOE. They do not purport to, and do not, present fairly the financial position of The City as of June 30, 2017, and the changes in its financial position, for the year then ended in conformity with the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1B, the 2016 financial statements of the Governmental Activities have been restated to reflect the changes due to the adoption of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 23-33, the Schedule of DOE's Proportional Share of Net Pension Liabilities of Cost-Sharing Multiple-Employer Pension Plans on page 90, the Schedule of DOE Contributions for TRS and BERS Pension Plans on pages 92-96, and the Schedule of DOE'S Proportional Share of the Net OPEB Liability on pages 91 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance

on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DOE's basic financial statements. The Supplemental Financial Schedules of the General Fund on pages 100-108 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

The Introductory Section on pages 1-2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 28, 2017, on our consideration of the DOE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the DOE's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the DOE's internal control over financial reporting and compliance.

Grant Thornton LLP

New York, New York
November 28, 2017

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Department of Education of The City of New York (the “DOE”) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the DOE’s basic financial statements, and have issued our report thereon dated November 28, 2017.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the DOE’s internal control over financial reporting (“internal control”) to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the DOE’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the DOE’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during

our audit we did not identify any deficiencies in the DOE's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether the DOE's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the DOE's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the DOE's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



New York, New York
November 28, 2017

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Management's Discussion and Analysis (Unaudited)

This section of the DOE's Annual Financial Statements discusses and analyzes the DOE's financial performance for the fiscal years ended June 30, 2017 and 2016. Please read it in conjunction with the transmittal letter at the beginning of these financial statements and with the DOE's financial statements, which immediately follow this section.

Financial Highlights

- Net position (deficit) at June 30, 2017 and 2016 was \$0. The DOE has no net position (deficit) of its own as the (deficit) is treated as Due from The City of New York.
- Total assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported in the governmental funds at June 30, 2017 were \$3.5 billion, an increase of \$683 million from fiscal year 2016.
- Total assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported in the governmental funds at June 30, 2016 were \$2.9 billion, a decrease of \$444 million from fiscal year 2015.
- General Fund total revenues available and spent during fiscal year 2017 were \$23.5 billion, an increase of \$1.1 billion over that of fiscal year 2016.
- General Fund total revenues available and spent during fiscal year 2016 were \$22.4 billion, an increase of \$1.4 billion over that of fiscal year 2015.
- In fiscal year 2017, there was a write down of prior year payables of \$145 million, of which \$70.2 million was from fiscal year 2016, and a write down of prior receivables of \$72 million. This resulted in a net increase of \$73 million.
- In fiscal year 2016, there was a write down of prior year payables of \$400 million and a write down of prior receivables of \$199 million. This resulted in a net increase of \$201 million.

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.

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

	Department-wide Statements	Fund Financial Statements Governmental Funds	Fiduciary Funds
Scope	Entire DOE (except fiduciary funds)	The activities of the DOE that are not fiduciary, such as special education and building maintenance	Instances in which the DOE holds and administers resources on behalf of someone else, such as student activities monies
Required financial information	Statement of Net Position and Statement of Activities	Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources measurement focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	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 Position includes all the DOE's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when the cash is received or paid.

The Department-wide Financial Statements include all activities of the DOE in one category: Governmental Activities. These activities 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 Charter and Contract Schools.

Fund Financial Statements

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

The DOE has two kinds of funds:

- **Governmental funds** are those by which most 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 2017, total net position is \$0. DOE has no net deficit of its own because the net deficit represents an additional, long-term amount of resources to be provided by The City, and thus should be treated as Due from The City of New York. The amount is included in current and other assets.

Net positions, as of June 30, 2017, June 30, 2016 and June 30, 2015 are summarized below for all governmental activities.

Figure 1

	Governmental Activities (000's Omitted)		
	2017	2016	2015
		As Restated*	As Restated*
Current and other assets	\$ 1,929,215	\$ 2,314,956	\$ 2,429,148
Due from The City of New York	27,429,018	28,351,596	31,337,703
Capital assets (Net of depreciation)	<u>26,988,964</u>	<u>25,763,643</u>	<u>24,730,754</u>
Total assets	<u>56,347,197</u>	<u>56,430,195</u>	<u>58,497,605</u>
Deferred outflow of resources	<u>3,211,749</u>	<u>5,745,470</u>	<u>2,217,243</u>
Long-term liabilities	49,486,123	55,488,632	51,526,104
Other liabilities	<u>3,830,672</u>	<u>3,154,858</u>	<u>3,675,483</u>
Total liabilities	<u>53,316,795</u>	<u>58,643,490</u>	<u>55,201,587</u>
Deferred inflows of resources	<u>\$ 6,242,151</u>	<u>\$ 3,532,175</u>	<u>\$ 5,513,261</u>
Net position (deficit):			
Net investment in capital assets	\$ 26,988,964	\$ 25,763,643	\$ 24,730,754
Unrestricted deficit	<u>(26,988,964)</u>	<u>(25,763,643)</u>	<u>(24,730,754)</u>
Total net position (deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*See Note 1B to the Financial Statements for restatement related to the adoption of GASB Statement No. 75.

** In prior year financial statements, the 2015 financial statements of the Governmental Activities were restated to reflect a zero net position consistent with the General Fund financial statements reporting.

In fiscal year 2017, total assets decreased by \$83 million from \$56.4 billion as of June 30, 2016 to \$56.3 billion as of June 30, 2017. In addition, capital assets net of depreciation increased by \$1.2 billion due to a transfer from the School Construction Authority (“SCA”).

In fiscal year 2016, assets decreased by \$2.1 billion from \$58.5 billion as of June 30, 2015 to \$56.4 billion as of June 30, 2016. In addition, capital assets net of depreciation increased by \$1.0 billion due to a transfer from the SCA.

In fiscal year 2017, liabilities and deferred inflows of resources decreased by approximately \$2.6 billion from \$62.2 billion as of June 30, 2016 to \$59.6 billion as of June 30, 2017, which was primarily due to a decrease in pension liability of \$3.3 billion and decrease in the other postemployment benefits (OPEB) liabilities of \$3.0 billion, due to new calculation assumptions and the implementation of GASB 74/75.

Accounts payable and accrued expenses increased by \$634 million, other liabilities increased by \$56.7 million, which is an increase in deferred revenue and due to other entities. Deferred inflows of resources increased by \$2.7 billion. Additionally, there was an increase in both capital lease obligations of \$17.5 million and accrued judgments and claims of \$13.5 million with a decrease in pollution remediation of \$13.9 million.

In fiscal year 2016, liabilities and deferred inflows of resources increased by approximately \$1.5 billion from \$60.7 billion as of June 30, 2015 to \$62.2 billion as of June 30, 2016, which was primarily due to an increase in pension liability of \$5.6 billion a decrease in the estimate of other postemployment benefits (OPEB) liabilities of \$1.7 billion, due to new implementation of GASB 74/75.

Accounts payable and accrued expenditures decreased by \$438 million, other liabilities decreased by \$31.4 million, which were offset by an increase in grant advances and decrease in deferred inflows from pension and other post-employment benefit of \$2.0 billion. Additionally, there was an increase in capital lease obligations of \$17.1 million, and decreases in both accrued judgments and claims of \$22.3 million and pollution remediation of \$34.0 million.

Figure 2

Condensed Statement of Activities

	Governmental Activities (000's Omitted)		
	2017	2016	2015
		As Restated*	As Restated**
Revenues:			
Program revenues:			
Charges for services	\$ 157,103	\$ 83,842	\$ 85,870
Operating grants and contributions	12,276,858	11,731,978	11,183,459
General revenues:			
City funded	11,028,596	10,557,700	9,684,731
Other	45,481	48,041	45,306
Total revenues	<u>23,508,038</u>	<u>22,421,561</u>	<u>20,999,366</u>
Expenses:			
School leadership, instruction and special education support	17,213,787	17,492,301	16,378,246
School support services	4,109,792	3,823,907	3,763,530
School support organization	478,640	460,716	491,051
Central administration	442,149	443,600	431,916
Non-public Charter and Contract Schools	3,262,935	3,031,610	2,860,024
Total expenses	<u>25,507,303</u>	<u>25,252,134</u>	<u>23,924,767</u>
Net revenue (expenses)	(1,999,265)	(2,830,573)	(2,925,401)
Remaining net expense to be funded long term from The City	<u>1,999,265</u>	<u>2,830,573</u>	<u>2,925,401</u>
Change in net position	-	-	-
Net position (deficit) — beginning	<u>-</u>	<u>-</u>	<u>-</u>
Net position (deficit) — ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*See Note 1B to the Financial Statements for restatement.

**In prior year financial statements, the 2015 financial statements of the Governmental Activities were restated to reflect a zero net position consistent with the General Fund financial statements reporting.

The key elements of these changes are as follows:

Federal program revenues increased 1.1%, from \$1.74 billion in fiscal year 2016 to \$1.76 billion in fiscal year 2017 and the State program revenues increased 5.3%, from \$9.74 billion in fiscal year 2016 to \$10.26 billion in fiscal year 2017, most notably in Foundation Aid.

Expenses include liabilities incurred by The City on behalf of the DOE, which are not recorded on the fund financial statements, 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 Post Employment Benefits (6) change in Pollution Remediation Obligations; and (7) Employer Pension Obligations.

In fiscal year 2017, due to the net changes of the cost allocation of long term liabilities, the category of School Leadership, Instruction and Special Education Support decreased 1.59% from \$17.5 billion in fiscal year 2016 to \$17.2 billion in fiscal year 2017; School Support Services increased \$286 million from \$3.8 billion in fiscal year 2016 to \$4.1 billion in fiscal year 2017; School Support Organization increased from \$461 million to \$479 million, and Central Administration decreased by \$1.4 million. Non-public Charter and Contract Schools had an increase of \$231 million due to Charter and Carter case increases in obligation costs.

In fiscal year 2016, due to the increases and decreases in the changes of the cost allocation of long-term liabilities along with OPEB and pension expense, the category of School Leadership, Instruction and Special Education Support increased about 6.8% from \$16.4 billion in fiscal year 2015 to \$17.5 billion in fiscal year 2016; School Support Services increased about \$60.3 million from \$3.8 billion in fiscal year 2015 to \$3.8 billion in fiscal year 2016; School Support Organization decreased from \$491 million to \$460 million, and Central Administration increased by \$12 million. Non-public Charter and Contract Schools had an increase of \$172 million due to Charter and Carter case increases in obligation costs.

Financial Analysis of the Governmental Funds

Total assets, plus deferred outflows of resources and total liabilities plus deferred inflows of resources increased by \$683 million, 24.0%, for fiscal year 2017 compared to fiscal year 2016 while total assets plus deferred outflow of resources and total liabilities and deferred inflows of resources decreased \$444 million, 13.49%, as follows:

Figure 3 (000's Omitted)	Governmental Funds			Amount Change		Percentage Change	
	2017	2016	2015	2016-2017	2015-2016	2016-2017	2015-2016
General Fund							
(Balance sheet as reported)							
Assets:							
Cash	\$ 3,049	\$ 21,539	\$ 19,846	(18.5)	1.7	(85.84)%	8.53%
Accounts Receivable							
Federal	659,686	938,971	970,705	(279.30)	(31.7)	(29.74)%	(3.27)%
State	1,136,575	1,219,241	1,328,228	(82.70)	(109)	(6.78)%	(8.21)%
Non-Governmental	124,254	129,013	104,064	(4.80)	24.9	(3.69)%	23.98%
Due from The City of New York	<u>1,609,127</u>	<u>541,385</u>	<u>871,746</u>	<u>1,068</u>	<u>(330)</u>	197.22 %	(37.90)%
Total	<u>\$ 3,532,691</u>	<u>\$ 2,850,149</u>	<u>\$ 3,294,589</u>	<u>\$ 683</u>	<u>\$ (444)</u>	23.95 %	(13.49)%
Liabilities and deferred inflows of resources:							
A/P and Accrued Expenses	3,405,459	2,771,428	3,209,472	634	(438)	22.88 %	(13.65)%
Other Liabilities	104,760	48,108	79,551	56.70	(31)	117.76 %	(39.53)%
Deferred inflows of resources	<u>22,472</u>	<u>30,613</u>	<u>5,566</u>	<u>(8.14)</u>	<u>25</u>	(26.60)%	450.00 %
Total	<u>3,532,691</u>	<u>2,850,149</u>	<u>3,294,589</u>	<u>683</u>	<u>(444)</u>	23.95 %	(13.49)%

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

Changes in total assets for fiscal year 2017: There was a net increase of \$1.1 billion of amounts due from The City to pay for outstanding liabilities in the General Fund. There were also decreases in the accounts receivable from federal sources of \$279 million, state sources of \$82.7 million and a decrease in non-governmental sources of \$5 million. At year end, there were decreases in the balances of cash of \$18.5 million.

Changes in total assets for fiscal year 2016: There was a net decrease of \$330.4 million of amounts due from The City to pay for outstanding liabilities in the General Fund. There were also decreases in the accounts receivable from federal sources of \$31.7 million, state sources of \$109 million and an increase in non-governmental sources of \$24.9 million. At year end, there were increases in the balances of cash of \$1.7 million.

Changes in total liabilities and deferred inflows of resources for fiscal year 2017: Governmental Fund liabilities plus deferred inflows of resources increased \$683 million due to increases of almost \$634 million in accounts payable and accrued expenses in the General Fund. There was an increase of \$57 million in the balance of the other liabilities in the General Fund and a decrease of \$8 million in the deferred inflows of resources.

Changes in total liabilities and deferred inflows of resources for fiscal year 2016: Governmental Fund liabilities plus deferred inflows of resources decreased \$444 million due to decreases of almost \$438 million in accounts payable and accrued expenses in the General Fund. There was a decrease of \$31 million in the balance of the other liabilities in the General Fund and an increase of \$25 million in the deferred inflows of resources.

In fiscal year 2017, total revenues and expenditures increased \$1.1 billion, 4.9%, compared to June 30, 2016. Total revenues and expenditures increased \$1.4 billion, 6.7%, for the year ended June 30, 2016 compared to June 30, 2015.

Figure 4

Changes in Revenue and Expenditures (in millions of dollars)	General Fund			Percentage	Percentage
	2017	2016	2015	Change	Change
Revenues:					
Federal aid	\$ 1,762.4	\$ 1,738.5	\$ 1,711.1	1.4 %	1.6 %
State aid	10,262.9	9,737.4	9,191.7	5.4 %	5.9 %
Funding by the City	11,074.1	10,605.8	9,730.0	4.4 %	9.0 %
Other	<u>408.6</u>	<u>339.9</u>	<u>366.5</u>	20.2 %	(7.3)%
Total revenues	<u>\$ 23,508.0</u>	<u>\$ 22,421.6</u>	<u>\$ 20,999.3</u>	4.9 %	6.8 %
Expenditures:					
School leadership, instruction and special education support	\$ 15,585.8	\$ 15,100.1	\$ 13,903.1	3.2 %	8.6 %
School support services	3,821.5	3,497.1	3,436.3	9.3 %	1.8 %
School support organization	433.3	397.9	419.5	8.9 %	(5.2)%
Central administration Non-public, Charter, and Contract Schools	<u>3,262.9</u>	<u>3,031.6</u>	<u>2,860.2</u>	7.6 %	6.0 %
Total expenditures	<u>\$ 23,508.0</u>	<u>\$ 22,421.6</u>	<u>\$ 20,999.3</u>	4.9 %	6.8 %

In fiscal year 2017, the overall Federal program revenues increased 1.4% from \$1.74 billion in fiscal year 2016 to \$1.76 billion in fiscal year 2017, State program revenues increased 5.4% from \$9.7 billion in fiscal year 2016 to \$10.2 billion in fiscal year 2017, and City revenues increased 4.4 % from \$10.6 billion in 2016 to \$11.1 billion in 2017.

In fiscal year 2016, the overall Federal program revenues increased 1.6% from \$1.71 billion in fiscal year 2015 to \$1.74 billion in fiscal year 2016, State program revenues increased 5.9% from \$9.2 billion in fiscal year 2015 to \$9.7 billion in fiscal year 2016, and City revenues increased 9.0 % from \$9.7 billion in 2015 to \$10.6 billion in 2016.

In fiscal year 2017, State revenue sources reflecting major revenue increases included \$427 million for Foundation Aid, \$76 million for building aid, \$43 million for high cost special education aid, \$28 million for charter schools, \$21 million for Transportation Aid, \$18 million for Occupational Education Aid and

\$18 million for summer school services to special education students. These increases were offset by a \$77 million decrease in Special Education Pre-Kindergarten services.

Federal programs with revenue growth included Medicaid, with a \$23 million increase from FY 2016, and IDEA, which increased by \$24 million. Federal decreases included \$14 million in FEMA funding attributable to Hurricane Sandy emergency protective measure revenues realized in FY 2016.

In fiscal year 2016, Federal Race to the Top (RTTT) decreased, which was a multi-year grant that reached the end of its grant period in FY 2016, in which \$3.3 million in revenues were recognized, \$22.6 million less than the FY 2015 revenue level of \$25.9 million. Other revenue decreases occurred in State Transportation and High Cost aids, down from FY 2015 by \$23.4 million and \$30.0 million, respectively, and pollution remediation, with revenues \$24.3 million less than FY 2015. These decreases were more than offset by increases to State revenue sources including Foundation Aid of \$467.9 million, Private Excess Cost Aid for school age special education students of \$40.4 million, preschool special education of \$43.1 million, building aid of \$29.8 million and Central program reimbursement of \$12.2 million. Revenue increases attributable to federal categorical grants included \$14.9 million for (IDEA – Individuals with Disabilities Education Act) and \$11.6 million for the Title III funds serving students with limited English proficiency.

In fiscal year 2017, total fund expenditures, increased 4.8% or \$1.1 billion. Expenditures in the area of School Leadership, Instruction and Special Education Support increased \$485 million, more than 3.2% mainly due to increases in collective bargaining and contractual services. School Support Services increased \$324 million, 9.3% mainly for the increased costs of other liabilities. Expenditures in the area of School Support Organization increased about \$35 million, 8.9% due to allocation of liabilities changes. Central Administration increased overall by \$10 million, 2.4% due to increases of supplies, equipment and contractual services. Non-public Charter and Contract Schools expenditures, increased \$231 million, 7.6% due to Charter and Carter case increases in obligation costs.

In fiscal year 2016, total fund expenditures, increased 6.7% or \$1.4 billion. Expenditures in the area of School Leadership, Instruction and Special Education Support increased \$1.2 billion, more than 8.6% mainly due to increases in collective bargaining and contractual services. School Support Services increased \$61 million, 1.8% mainly for the increased costs of other liabilities. Expenditures in the area of School Support Organization decreased about \$22 million, 5.2% due to allocation of liabilities changes. Central Administration increased overall by \$15 million, 3.9% due to increases of supplies, equipment and contractual services. Non-public Charter and Contract Schools expenditures, increased \$171 million, 6.0% due to Charter and Carter case increases in obligation costs.

General Fund Budgetary Highlights

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

- Intra-city adjustments of \$17.2 million to Tax-Levy budgets and \$19.3 million to Reimbursable Program budgets.
- Executive and Adopted Budget action which increase Tax-Levy budgets by \$98.5 million increased Reimbursable Program budgets by \$11.3 million.
- November and January Plan Actions, which increased Tax-Levy budgets by \$89.7 million and decreased Reimbursable Program budgets by \$25 thousand.

- Final fiscal year Close Actions which decreased Tax-Levy budgets by \$40.1 million and increased Reimbursable Program budgets by \$46.9 million.
- Additional fiscal year Close Actions, which includes an increase to Tax-Levy budgets of \$79.3 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 \$285.6 million.

Capital Assets

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

Figure 5	Governmental Activities (000's Omitted)		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land*	\$ 448,956	\$ 448,956	\$ 448,956
Buildings	23,504,674	22,512,016	21,786,640
Equipment	31,627	35,335	40,368
Construction in progress*	<u>3,003,707</u>	<u>2,767,336</u>	<u>2,454,790</u>
Total	<u>\$ 26,988,964</u>	<u>\$ 25,763,643</u>	<u>\$ 24,730,754</u>

*Not depreciable/amortizable

In fiscal year 2017, capital assets, net of accumulated depreciation, increased from fiscal year 2016 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 \$2.3 billion. The SCA completed 25 new schools and additions, which resulted in the creation of 8,390 seat openings.

In fiscal year 2016, capital assets, net of accumulated depreciation, increased from fiscal year 2015 by \$1.0 billion, primarily due to capital assets (completed new construction and equipment) that were transferred to the DOE from the SCA in the amount of \$2.1 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. In 2006, the United States Court of Appeals for the Second Circuit dismissed the claims against the State. In December 2012, the District Court decided a controlling legal question against The City. On February 4, 2013, the Second Circuit affirmed the District Court’s decision. The District Court has appointed a Special Master to oversee claimants’ individualized hearings both as to damages and eligibility for Board of Education employment. (See Note 4E)

On October 27, 2014, a lawsuit under the False Claims Act against The City and Computer Sciences Corporation, a contractor that participated in the submission of claims for Medicaid reimbursement was unsealed in the United States District Court for the Southern District of New York.

Contacting the Department's Financial Management

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

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

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

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ANNUAL FINANCIAL STATEMENTS

The Department of Education of The City of New York

For the Fiscal Years Ended June 30, 2017 and 2016

Department-Wide Financial Statements

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statement of Net Position as of June 30, 2017

(\$000 Omitted)

	<u>Governmental Activities</u>
ASSETS:	
Cash	\$ 3,049
Accounts receivable	
Federal	659,686
State	1,136,575
Non-governmental	124,254
Inventories	5,651
Due from The City of New York	27,429,018
Capital assets (net of accumulated depreciation \$17,779,724)	
Land	448,956
Buildings	23,504,674
Equipment (including software)	31,627
Construction in progress	3,003,707
Total assets	<u>56,347,197</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources - from pension	3,043,746
Deferred outflows of resources - from OPEB	168,003
Total deferred outflows of resources	<u>3,211,749</u>
LIABILITIES:	
Accounts payable and accrued expenditures	3,405,459
Other liabilities	57,822
Due to SCA	21,916
Due to NYCSSS	25,022
Other postemployment benefit obligations	22,964,527
Employer pension obligations	23,372,049
Pollution remediation obligations: Due within one year	62,070
Pollution remediation obligations: Due in more than one year	138
Accrued vacation and sick leave: Due within one year	53,358
Accrued vacation and sick leave: Due in more than one year	2,197,626
Capital lease obligations: Due within one year	23,257
Capital lease obligations: Due in more than one year	296,562
Accrued judgments and claims: Due within one year	181,768
Accrued judgments and claims: Due in more than one year	655,221
Total liabilities	<u>53,316,795</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows - from pension	3,762,875
Deferred inflows - from OPEB	2,456,804
Grant advances	22,472
Total deferred inflows of resources	<u>\$ 6,242,151</u>
NET POSITION:	
Net investment in capital assets	\$ 26,988,964
Unrestricted deficit	(26,988,964)
Total net position (deficit)	<u>\$ -</u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statement of Net Position as of June 30, 2016

As Restated*

(\$000 Omitted)

	<u>Governmental Activities</u>
ASSETS:	
Cash	\$ 21,539
Accounts receivable	
Federal	938,971
State	1,219,241
Non-governmental	129,014
Inventories	6,191
Due from The City of New York	28,351,596
Capital assets (net of accumulated depreciation \$16,402,439)	
Land	448,956
Buildings	22,512,016
Equipment (including software)	35,335
Construction in progress	<u>2,767,336</u>
Total assets	<u>56,430,195</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources - from pension	5,717,461
Deferred outflows of resources - from OPEB	<u>28,009</u>
Total deferred outflows of resources	<u>5,745,470</u>
LIABILITIES:	
Accounts payable and accrued expenditures	2,771,428
Other liabilities	48,108
Other postemployment benefit obligations	25,931,952
Employer pension obligations	26,661,473
Pollution remediation obligations: Due within one year	75,946
Pollution remediation obligations: Due in more than one year	177
Accrued vacation and sick leave: Due within one year	67,795
Accrued vacation and sick leave: Due in more than one year	1,960,773
Capital lease obligations: Due within one year	22,662
Capital lease obligations: Due in more than one year	279,641
Accrued judgments and claims: Due within one year	168,919
Accrued judgments and claims: Due in more than one year	<u>654,616</u>
Total liabilities	<u>58,643,490</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows - from pension	3,473,419
Deferred inflows - from OPEB	28,143
Grant advances	<u>30,613</u>
Total deferred inflows of resources	<u>\$ 3,532,175</u>
NET POSITION:	
Net investment in capital assets	25,763,643
Unrestricted deficit	<u>(25,763,643)</u>
Total net position (deficit)	<u>\$ -</u>

See accompanying notes to financial statements.

*See Note 1B to financial statements for restatement.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statement of Activities for the Year Ended June 30, 2017

(\$000 Omitted)

Function/Programs:	Program Expenses	Program Revenue		Net (Expenses) Revenue
		Charges for Services	Operating Grants and Contributions	
School leadership, Instruction and Special Education Support	\$17,213,787	\$ 9,094	\$ 9,856,527	\$ (7,348,166)
School Support Services	4,109,792	48,750	1,818,774	(2,242,268)
School Support Organization	478,640	-	-	(478,640)
Central Administration	442,149	-	-	(442,149)
Non-public, Charter, and Contract Schools	<u>3,262,935</u>	<u>99,259</u>	<u>601,557</u>	<u>(2,562,119)</u>
Total department activities	<u>\$25,507,303</u>	<u>\$ 157,103</u>	<u>\$12,276,858</u>	(13,073,342)
General revenues:				
City Funded				11,028,596
Intra-city Sales				45,481
Other adjustments				
Net expense to be funded long term from The City				<u>1,999,265</u>
Change in net position				-
Net position (deficit) - beginning				-
Net position (deficit) - ending				<u>\$ -</u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statement of Activities for the Year Ended June 30, 2016

***As Restated**
(\$000 Omitted)

Function/Programs	Program Expenses	Program Revenue		Net (Expenses) Revenue
		Charges for Services	Operating Grants and Contributions	
School leadership, Instruction and Special Education Support	\$ 17,492,301	\$ 8,283	\$ 9,235,544	\$ (8,248,474)
School Support Services	3,823,907	51,504	1,799,975	(1,972,428)
School Support Organization	460,716	-	-	(460,716)
Central Administration	443,600	-	-	(443,600)
Non-public Charter and Contract Schools	<u>3,031,610</u>	<u>24,055</u>	<u>696,459</u>	<u>(2,311,096)</u>
Total department activities	<u>\$ 25,252,134</u>	<u>\$ 83,842</u>	<u>\$ 11,731,978</u>	(13,436,314)
General revenues:				
City Funded				10,557,700
Intra-city Sales				48,041
Other adjustments				
Net expense to be funded long term from The City				<u>2,830,573</u>
Change in net position				-
Net position (deficit) - beginning				<u>-</u>
Net Position (deficit) - ending				<u>\$ -</u>

See accompanying notes to financial statements.

*See Note 1B to the financial statements for restatement.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Balance Sheet as of June 30, 2017

(\$000 Omitted)

	<u>General Fund</u>
ASSETS	
Cash	\$ 3,049
Accounts Receivable:	
Federal	659,686
State	1,136,575
Non-governmental	124,254
Due from The City of New York	<u>1,609,127</u>
Total assets	<u><u>\$ 3,532,691</u></u>
LIABILITIES	
Accounts Payable and Accrued Expenditures	\$ 3,405,459
Other liabilities	<u>104,760</u>
Total liabilities	<u>3,510,219</u>
DEFERRED INFLOWS OF RESOURCES	
Grant advances	<u>22,472</u>
Total deferred inflows of resources	<u>22,472</u>
FUND BALANCE	
Total fund balance	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 3,532,691</u></u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Balance Sheet as of June 30, 2016

(\$000 Omitted)

	<u>General Fund</u>
ASSETS	
Cash	\$ 21,539
Accounts Receivable:	
Federal	938,971
State	1,219,241
Non-governmental	129,013
Due from The City of New York	<u>541,385</u>
Total assets	<u>\$ 2,850,149</u>
LIABILITIES	
Accounts Payable and Accrued Expenditures	\$ 2,771,428
Other liabilities	<u>48,108</u>
Total liabilities	<u>2,819,536</u>
DEFERRED INFLOWS OF RESOURCES	
Grant advances	<u>30,613</u>
Total deferred inflows of resources	<u>30,613</u>
FUND BALANCE	<u>-</u>
Total fund balance	
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,850,149</u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

**Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position
(Deficit) as of June 30, 2017**

(\$000 Omitted)

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

Total fund balance — governmental funds	\$	-
Inventories used in governmental activities are not financial resources and therefore, are not reported in governmental fund		5,651
Due from The City of New York		25,819,891
Capital asset net of depreciation used in governmental activities are not financial resources and therefore, are not reported in governmental funds		26,988,964
Deferred outflows of resources from - pension		3,043,746
Deferred outflows of resources from - OPEB		168,003
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 (OPEB)		(22,964,527)
Employer pension obligations		(23,372,049)
Accrued vacation and sick leave		(2,250,984)
Pollution remediation obligations		(62,208)
Capital lease obligations		(319,819)
Accrued judgments and claims		(836,989)
Deferred inflows of resources - from pension		(3,762,875)
Deferred inflows of resources - from OPEB		(2,456,804)
Net position (deficit) of governmental activities	<u>\$</u>	<u>-</u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position (Deficit) as of June 30, 2016

***As Restated
(\$000 Omitted)**

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

Total fund balance — governmental funds	\$ -
Inventories used in governmental activities are not financial resources and therefore, are not reported in governmental fund	6,191
Due from The City of New York	27,810,211
Capital asset net of depreciation used in governmental activities are not financial resources and therefore, are not reported in governmental funds	25,763,643
Deferred outflows of resources - from pension	5,717,461
Deferred outflows of resources - from OPEB	28,009
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 (OPEB)	(25,931,952)
Employer pension obligations	(26,661,473)
Accrued vacation and sick leave	(2,028,568)
Pollution remediation obligations	(76,122)
Capital lease obligations	(302,303)
Accrued judgments and claims	(823,535)
Deferred inflows of resources - from pension	(3,473,419)
Deferred inflows of resources - from OPEB	<u>(28,143)</u>
Net position (deficit) of governmental activities	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

*See Note 1B to financial statements for restatement.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

**Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Fund
Type for the Year Ended June 30, 2017
(\$000 Omitted)**

	<u>General Fund</u>
REVENUES:	
Federal aid	\$ 1,762,405
State aid	10,262,946
Universal services fund	6
Other assistance	156,691
Charges for services:	
School construction authority	103,904
Student lunches	13,858
Rentals	34,892
Other	<u>99,259</u>
Subtotal	12,433,961
Net change in estimate of prior receivables	<u>(72,098)</u>
Subtotal	12,361,863
Funding provided by The City of New York	<u>10,955,739</u>
Total revenues and other financing sources	<u>23,317,602</u>
EXPENDITURES:	
General education instruction and school leadership	7,776,623
Special education instruction and school leadership	1,664,679
Charter school	1,674,373
School support organization	307,275
Citywide education instruction and school leadership	1,025,811
Special education instructional support	575,541
School facilities	1,185,764
Pupil transportation	1,200,540
School food services	490,623
School safety	345,283
Energy and leases	480,573
Central administration	354,119
Fringe benefits	3,127,340
Pre-kindergarten contracts	706,408
Contract schools and foster care payments	807,361
Non-public schools	<u>74,793</u>
Subtotal	21,797,106
Reimbursable — categorical programs	1,710,932
Intracity sales	<u>(45,481)</u>
Subtotal	23,462,557
Net change in estimate of prior payables	<u>(144,955)</u>
Total expenditures	23,317,602
Excess of revenues and other financing sources over expenditure and other financing uses	<u>-</u>
FUND BALANCE	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

**Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Fund
Type for the Year Ended June 30, 2016
(\$000 Omitted)**

	<u>General Fund</u>
REVENUES:	
Federal aid	\$ 1,738,488
State aid	9,737,435
Universal services fund	18
Other assistance	178,734
Charges for services:	
School construction authority	85,586
Student lunches	13,832
Rentals	37,673
Other	24,054
Subtotal	<u>11,815,820</u>
Net change in estimate of prior receivables	<u>(198,960)</u>
Subtotal	11,616,860
Funding provided by The City of New York	<u>10,356,829</u>
Total revenues and other financing sources	<u>21,973,689</u>
EXPENDITURES:	
General education instruction and school leadership	7,632,965
Special education instruction and school leadership	1,564,233
Charter school	1,493,653
School support organization	282,448
Citywide education instruction and school leadership	993,276
Special education instructional support	536,889
School facilities	947,988
Pupil transportation	1,143,283
School food services	461,079
School safety	327,491
Energy and leases	439,199
Central administration	351,121
Fringe benefits	3,019,277
Pre-kindergarten contracts	762,245
Contract schools and foster care payments	709,674
Non-public schools	66,038
Subtotal	<u>20,730,859</u>
Reimbursable — categorical programs	1,690,701
Intracity sales	<u>(48,041)</u>
Subtotal	22,373,519
Net change in estimate of prior payables	<u>(399,830)</u>
Total expenditures	21,973,689
Excess of revenues and other financing sources over expenditure and other financing uses	<u>-</u>
FUND BALANCE	<u><u>\$ -</u></u>

See accompanying notes to 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, 2017
(\$000 Omitted)**

**Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because**

Excess of revenues and other financing sources over expenditures and other financing uses - Governmental funds	\$ -
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.	(1,377,284)
Net expense to be funded long term from The City	1,999,265

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 employer pension obligations and pension related deferred outflows and inflows of resources	\$ 326,253	
Change in other postemployment benefit obligations and other postemployment deferred outflows and inflows of resources	(708,763)	
Change in sick leave and vacation liability	(222,416)	
Change in pollution remediation obligations	13,915	
Change in capital lease obligations	(17,516)	
Change in judgments and claims liability	<u>(13,454)</u>	
		<u>(621,981)</u>
Change in net position - governmental activities		<u><u>\$ -</u></u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities for the Year Ended June 30, 2016

As Restated*

(\$000 Omitted)

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Excess of revenues and other financing sources over expenditures and other financing uses - Governmental funds	\$	-
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.		(1,321,890)
Net expense to be funded long term from The City		2,830,573
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 employer pension obligations and pension related deferred outflows and inflows of resources	\$	(142,436)
Change in other postemployment benefit obligations and other postemployment deferred outflows and inflows of resources		(1,302,113)
Change in sick leave and vacation liability		(103,329)
Change in pollution remediation obligations		34,017
Change in capital lease obligations		(17,102)
Change in judgments and claims liability		<u>22,280</u>
		<u>(1,508,683)</u>
Change in net position - governmental activities	\$	<u><u>-</u></u>

*See Not 1B to the financial statements for restatement.

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, 2017**

(\$000 Omitted)

	<u>Adopted Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable)</u>
REVENUES:				
Federal aid	\$ 1,702,046	\$ 1,762,405	\$ 1,762,405	\$ -
State aid	10,244,100	10,262,946	10,262,946	-
Universal services fund	-	6	6	-
Other assistance	57,680	156,691	156,691	-
Charges for services:				-
School construction authority	49,490	103,904	103,904	-
Student lunches	12,750	12,750	13,858	1,108
Rentals	28,000	36,500	34,892	(1,608)
Other	15,174	99,475	99,259	(216)
Subtotal	<u>12,109,240</u>	<u>12,434,677</u>	<u>12,433,961</u>	<u>(716)</u>
Net change in estimate of prior receivables	<u>-</u>	<u>-</u>	<u>(72,098)</u>	<u>(72,098)</u>
Subtotal	<u>12,109,240</u>	<u>12,434,677</u>	<u>12,361,863</u>	<u>(72,814)</u>
Funding provided by The City of New York	<u>11,070,073</u>	<u>11,030,276</u>	<u>10,955,739</u>	<u>(74,537)</u>
Total revenues and other financing sources	<u>23,179,313</u>	<u>23,464,953</u>	<u>23,317,602</u>	<u>(147,351)</u>
EXPENDITURES:				
General education instruction and school leadership	7,889,976	7,784,073	7,776,623	7,450
Special education instruction and school leadership	1,557,888	1,664,992	1,664,679	313
Charter Schools	1,711,375	1,674,373	1,674,373	0
School support organization	310,836	308,401	307,275	1,126
Citywide education instruction and school leadership	1,029,371	1,025,811	1,025,811	0
Special education instructional support	544,914	572,734	575,541	(2,807)
School facilities	1,003,320	1,200,042	1,185,764	14,278
Pupil transportation	1,131,170	1,200,540	1,200,540	-
School food services	517,922	490,623	490,623	-
School safety	357,191	345,283	345,283	-
Energy and leases	477,905	489,115	480,573	8,542
Central administration	350,836	370,029	354,119	15,910
Fringe benefits	3,066,394	3,127,340	3,127,340	-
Pre-kindergarten contracts	854,198	731,028	706,408	24,620
Contract schools and foster care payments	677,366	729,775	807,361	(77,586)
Non-public schools	65,036	76,189	74,793	1,396
Subtotal	<u>21,545,698</u>	<u>21,790,348</u>	<u>21,797,106</u>	<u>(6,758)</u>
Reimbursable — categorical programs	1,643,842	1,721,392	1,710,932	10,460
Intracity sales	<u>(10,227)</u>	<u>(46,787)</u>	<u>(45,481)</u>	<u>(1,306)</u>
Subtotal	<u>23,179,313</u>	<u>23,464,953</u>	<u>23,462,557</u>	<u>2,396</u>
Net change in estimate of prior payables	<u>-</u>	<u>-</u>	<u>(144,955)</u>	<u>144,955</u>
Total expenditures	<u>23,179,313</u>	<u>23,464,953</u>	<u>23,317,602</u>	<u>147,351</u>
Excess of revenues over expenditures and other financing uses	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

**Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual –
General Fund for the Year Ended June 30, 2016**

(\$000 Omitted)

	<u>Adopted Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable)</u>
REVENUES:				
Federal aid	\$ 1,729,630	\$ 1,738,488	\$ 1,738,488	\$ -
State aid	9,724,279	9,737,435	9,737,435	-
Universal services fund	-	18	18	-
Other assistance	56,327	178,734	178,734	-
Charges for services:				
School construction authority	67,126	85,586	85,586	-
Student lunches	12,750	12,750	13,832	1,082
Rentals	28,000	37,000	37,673	673
Other	15,174	23,078	24,054	976
Subtotal	11,633,286	11,813,089	11,815,820	2,731
Net change in estimate of prior receivables	-	-	(198,960)	(198,960)
Subtotal	11,633,286	11,813,089	11,616,860	(196,229)
Funding provided by The City of New York	10,261,189	10,560,533	10,356,830	(203,703)
Total revenues and other financing sources	21,894,475	22,373,622	21,973,690	(399,932)
EXPENDITURES:				
General education instruction and school leadership	7,415,031	7,628,701	7,632,965	(4,264)
Special education instruction and school leadership	1,408,512	1,564,689	1,564,233	456
Charter Schools	1,476,588	1,494,480	1,493,653	827
School support organization	286,181	284,121	282,448	1,673
Citywide education instruction and school leadership	977,153	995,022	993,276	1,746
Special education instructional support	506,888	536,889	536,889	-
School facilities	750,166	947,988	947,988	-
Pupil transportation	1,146,456	1,143,283	1,143,283	-
School food services	485,989	461,079	461,079	-
School safety	335,714	327,491	327,491	-
Energy and leases	498,066	453,768	439,199	14,569
Central administration	338,926	354,183	351,121	3,062
Fringe benefits	3,043,660	3,019,277	3,019,277	-
Pre-kindergarten contracts	909,862	763,781	762,245	1,536
Contract schools and foster care payments	652,496	681,454	709,674	(28,220)
Non-public schools	66,691	67,160	66,038	1,122
Subtotal	20,298,379	20,723,366	20,730,859	(7,493)
Reimbursable — categorical programs	1,611,331	1,698,579	1,690,701	7,878
Intracity sales	(15,235)	(48,323)	(48,040)	(283)
Subtotal	21,894,475	22,373,622	22,373,520	102
Net change in estimate of prior payables	-	-	(399,830)	399,830
Total expenditures	21,894,475	22,373,622	21,973,690	399,932
Excess of revenues over expenditures and other financing uses	-	-	-	-
FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statement of Fiduciary Net Position as of June 30, 2017

(\$000 Omitted)

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 35,144
Total assets	<u>\$ 35,144</u>
LIABILITIES	
Due to students/teachers	\$ 34,476
Holding accounts payable	175
Due to tax agents	<u>493</u>
Total liabilities	<u>\$ 35,144</u>

See accompanying notes to the financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statement of Fiduciary Net Position as of June 30, 2016

(\$000 Omitted)

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 85,762
Total assets	<u>\$ 85,762</u>
LIABILITIES	
Due to students/teachers	\$ 33,599
Holding accounts payable	48,321
Due to tax agents	<u>3,842</u>
Total liabilities	<u>\$ 85,762</u>

See accompanying notes to the financial statements.

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Notes to the Financial Statements
as of and for the Years Ended June 30, 2017 and 2016

1. Summary of Significant Accounting Policies

A. Reporting Entity

The DOE continues to be fiscally dependent on The City and, accordingly, is included in The City's financial statements. 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. Thus, the revenues and expenditures, and related budget data included in the accompanying financial statements are not indicative of the level of expenditures, as if the DOE were an independent school system.

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

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

Similarly, as illustrated on the Reconciliations of The General Fund Balance Sheet to the Statement of Net Position, the net position (deficit) of DOE is the difference between (1) long-term assets and deferred outflows and (2) long-term liabilities and deferred inflows. Any changes in net position are similarly reflected as changes to the amount *Due from the City of New York* on the DOE Statement of Net Position.

B. Basis of Presentation

Department-wide Financial Statements — The Department-wide Financial Statements consist of the Statement of Net Position and the Statement of Activities. The Statement of Net Position presents the difference between the DOE's total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources. 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.

In accordance with Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, The DOE reports deferred outflows of resources in the *Statement of Net Position* in a separate section following Assets.

Similarly, The City reports deferred inflows of resources in the *Statement of Net Position* in a separate section following Liabilities.

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* — school facilities, pupil transportation, food, school safety, energy and leases.
- *School Support Organization* — instructional and oversight offices.
- *Central Administration* — central office support services for system-wide maintenance, and for development of agency-wide budgeting, purchasing, accounting and student demographic information applications.
- *Non-public Charter and Contract Schools* — represents the amount of funding passing through the DOE to schools.

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

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

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

Fiduciary Funds — Fiduciary Funds are used to account for assets held by the DOE in a custodial capacity. These funds are used to account for assets held by the DOE as an agent for student activities, individuals and private organizations. The DOE does not have any Fiduciary Funds, other than agency funds.

New Accounting Standards Adopted

In Fiscal Year 2017, the DOE adopted four new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*
- *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*
- *Statement No. 80, Blending Requirement for Certain Component Units—An Amendment of GASB Statement No. 14.*
- *Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68 and No. 73.*

Statement No. 74 establishes accounting and financial reporting standards, but not funding or budgetary standards, for state and local governmental other postemployment benefit (“OPEB”) plans. The statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*.

The adoption of Statement No. 74 had no impact on the DOE’s governmental fund financial statements. However, the adoption also resulted in no changes to the presentation of the financial statements of the City’s Pension and Other Employee Benefit Trust Funds. In the City’s comprehensive annual financial report, certain changes in Note disclosures and Required Supplementary Information (RSI) were incorporated to comply with Statement No. 74.

Statement No. 75 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for OPEB that is provided to the employees of state and local governmental employers through OPEB Plans that are administered through trusts or equivalent arrangements meeting certain criteria. This statement also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/ expenditure. It replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*.

For defined benefit OPEB plans the statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information are addressed.

The adoption of Statement No. 75 had no impact on the DOE’s governmental fund financial statements, but did impact the department-wide financial statements. The adoption has resulted in the restatement of the DOE’s Fiscal Year 2016 government-wide financial statements to reflect the reporting of net OPEB liabilities, deferred inflows of resources, deferred outflows of resources and the recognition of OPEB expense in accordance with the provisions of the Statement. The adoption of Statement No. 75 had no effect on the net position or change in net position of the DOE for Fiscal Year 2016. Refer to Note 4B for more information regarding the DOE’s OPEB.

Statement No. 82 addresses certain issues raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans— an amendment of GASB Statement No. 25*; GASB No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 and GASB Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This

Statement specifically addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. There was no material impact on the DOE’s financial statements as a result of the implementation of Statement No. 82.

- *Statement No. 80 Blending Requirement for Certain Component Units—An Amendment of GASB Statement No. 14.*

Pronouncements Issued But Not yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, or financial presentation of the DOE upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB		
Statement Number	GASB Accounting Standard	Effective Fiscal Year
83	Certain Asset Retirement Obligations	2019
84	Fiduciary Activities	2020
85	Omnibus 2017	2018
86	Certain Debt Extinguishment Issues	2018
87	Leases	2021

Reclassification

Certain items in the 2016 financial statement have been reclassified to correspond to the 2017 presentation. The reclassification had no effect on the net position or change in net position in the 2016 financial statements.

C. Basis of Accounting

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

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 position for the DOE activities statement as shown on the Department-wide Statement of Net Position 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 position for activities statement 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 State and Federal sources, such receivables have not been deemed uncollectible. The total of the receivables from the balance sheet is \$1.9 billion.

Accounts Payable — Accounts Payable includes all payments of bills and payrolls since June 30, 2017 and accruals for payments to be made in the future, which applies to liabilities incurred as of June 30, 2017. Further, included in accounts payable are all payments that have been processed but not yet cleared. In addition, included are all prior year accruals which have not been liquidated.

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.

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 fiscal year 2017 was approximately \$39.5 million.

The value of these donated commodities received and still on hand, as of June 30, 2017 and 2016 was \$0.8 and \$1.1 million, respectively.

Materials and Supplies — Inventories on hand at June 30, 2017, amounted to approximately \$5.7 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, 2016, this value was \$6.2 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. Encumbrances that do not result in expenditures by year-end lapse.

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 2017 was \$2.2 billion. As of June 30, 2016, the value of these services was \$1.6 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 and sick 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, and is recorded as a liability in the government-wide financial statements.

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

Pensions — The provision for pension contributions 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 4C.)

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 America. Significant estimates include accrued expenses and other liabilities, depreciable lives of buildings and equipment – assuming normal maintenance, amortization of leasehold improvements, accrued vacation and sick leave, accrued judgments and claims, Pension, and OPEB obligations and Pollution Remediation Obligations. Actual results could differ from those estimates.

School Activity Funds — General school funds are established by individual schools to account for monies received from students and organizations for programs independent of the DOE. These monies are raised primarily through school or student non-classroom activities to finance approved activities. Since the community school districts and the individual schools function solely as an agent in the collection and disbursement of these monies, the monies are reported as Fiduciary Funds in the accompanying statements. The cash in the agency fund includes the balances of 1,653 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, 2017 of \$25.5 billion differ from the total expenditures and other uses included in the Statement of Revenues, Expenditures and Changes in Fund Balance in the amount of \$23 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 (\$000 omitted):

	<u>Amount</u>
Total expenditures net of intracity sales (from the statement of revenues, expenditures and changes in fund balance)	\$ 23,462,557
Add back intra-city sales (which are included in general revenue in statement of activities)	45,481
Depreciation expense	1,377,284
Long-term liabilities per full accrual basis:	
Net change in employer pension obligations and pension related deferred outflows and inflows of resources	(326,253)
Net change in other postemployment benefit obligations and other postemployment deferred outflows and inflows of resources	708,763
Net change in sick leave and vacation balances	222,416
Net change in pollution remediation obligations	(13,915)
Net change in capital leases	17,516
Net change in judgments and claims	13,454
Total program expenses (from the statement of activities)	<u>\$ 25,507,303</u>

The total program expenses included in the Statement of Activities for the year ended June 30, 2016 of \$25 billion differ from the total expenditures and other uses included in the Statement of Revenues, Expenditures and Changes in Fund Balance in the amount of \$22 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 (\$000 omitted):

	<u>Amount</u>
Total expenditures net of intracity sales (from the statement of revenues, expenditures and changes in fund balance)	\$ 22,373,519
Add back intra-city sales (which are included in general revenue in statement of activities)	48,041
Depreciation expense	1,321,891
Long-term liabilities per full accrual basis:	
Net change in employer pension obligations and pension related deferred outflows and inflows of resources	142,436
Net change in other postemployment benefit obligations and other postemployment deferred outflows and inflows of resources	1,302,113
Net change in sick leave and vacation balances	103,329
Net change in pollution remediation obligations	(34,017)
Net change in capital leases	17,102
Net change in judgments and claims	(22,280)
Total program expenses (from the statement of activities)	<u>\$ 25,252,134</u>

2. Stewardship, Compliance, and Accountability

A. Budgetary Data

The revenue and expenditure budget is in accordance with GAAP with respect to those elements that are The DOE's responsibility, and such 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 made up of Units of Appropriation. Each Unit of Appropriation represents an area of instructional costs, a service program or a division within the DOE. The City Council, through the Adopted Budget of The City, appropriates funds to these Units of Appropriation.

Distinct Units of Appropriation are required for Personal Service expenditures and 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 Divisions of Finance, Budgetary Strategy and Reporting monitor expenditures throughout the fiscal year to ensure that spending remains within the amount of funds authorized in each Unit of Appropriation. Budget modifications are processed as required to transfer funds from one Unit of Appropriation, Budget Code, Line Number or Object Code to another as needed. Budget modifications require City Council approval if cumulative modifications are greater than or equal to 5 percent of the adopted budget for the Unit of Appropriation. The appropriation for heat, light and power is determined by other City agencies.

B. Appropriations Modifications

The following schedule summarizes budget modifications for the year ended June 30, 2017.

(\$000 omitted):

	Originally Adopted Budget	Net Modifications	Modified Budget
Tax levy programs	\$ 21,545,697	\$ 244,651	\$ 21,790,348
Reimbursable programs	<u>1,643,842</u>	<u>77,549</u>	<u>1,721,391</u>
Subtotal	23,189,539	322,200	23,511,739
Less intracity sales	<u>(10,226)</u>	<u>(36,560)</u>	<u>(46,786)</u>
Total	<u>\$ 23,179,313</u>	<u>\$ 285,640</u>	<u>\$ 23,464,953</u>

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

	<u>Tax Levy</u>	<u>Reimbursable</u>
Intracity purchases	\$ 17,236	\$ 19,323
Executive and Adoption	98,491	11,304
November and January plan actions	89,701	(25)
Year-end closing Actions	(40,098)	46,947
GASB No. 49 — Pollution remediation	79,321	-
	<u> </u>	<u> </u>
Total net modifications	<u>\$ 244,651</u>	<u>\$ 77,549</u>

The following schedule summarizes budget modifications for the year ended June 30, 2016.
(\$000 omitted):

	<u>Originally Adopted Budget</u>	<u>Net Modifications</u>	<u>Modified Budget</u>
Tax levy programs	\$ 20,298,378	\$ 424,989	\$ 20,723,367
Reimbursable programs	1,611,331	87,248	1,698,579
	<u> </u>	<u> </u>	<u> </u>
Subtotal	21,909,709	512,237	22,421,946
Less intracity sales	(15,234)	(33,090)	(48,324)
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 21,894,475</u>	<u>\$ 479,147</u>	<u>\$ 22,373,622</u>

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

	<u>Tax Levy</u>	<u>Reimbursable</u>
Intracity purchases	\$ 16,970	\$ 16,120
Executive and adoption	238,864	22,245
November and January plan actions	31,715	-
Central programs	(22,538)	8,328
Year-end closing actions	54,225	40,555
GASB No. 49 — Pollution remediation	105,753	-
	<u> </u>	<u> </u>
Total net modifications	<u>\$ 424,989</u>	<u>\$ 87,248</u>

3. Detailed Notes on Accounts

Cash — Bank balances are maintained with banks that are members of the Federal Deposit Insurance Corporation “FDIC”. The FDIC insures bank balances up to a maximum of \$250,000 in the aggregate for each bank for all funds. As the DOE’s General Fund cash balance is part of The City’s cash management system, which is considered one depositor for FDIC purposes, and as the Agency Funds include over 1,653 accounts maintained at the school level, the DOE cannot determine the amounts that are insured or collateralized. The City’s June 30, 2017 and 2016 General Fund bank balances, which includes the DOE’s General Fund bank deposits, were uninsured and collateralized with securities held by The City’s agent in The City’s name.

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

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

Lease Commitments — The DOE leases various types of property and equipment. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, are recorded in the government-wide financial statements. Capital leases are classified as capital assets in amounts equal to the lesser of the fair market value or the present value of the minimum lease payments at the inception of the lease. Total lease expenditures for the years ended June 30, 2017 and 2016, were approximately \$228 million and \$209 million, respectively.

As of June 30, 2017, the DOE had future minimum rental obligations under capital and operating leases with a remaining term in excess of one year as follows (\$000 omitted):

Year(s) Ending June 30	Total Amount	Capital Leases	Operating Leases
2018	\$ 187,909	\$ 37,507	\$ 150,402
2019	176,326	37,242	139,084
2020	167,933	37,629	130,304
2021	158,007	34,844	123,163
2022	154,334	34,027	120,307
2023-2027	636,491	130,922	505,569
2028-2032	383,233	76,957	306,276
2033-2037	175,729	31,505	144,224
2038-2042	53,037	18,342	34,695
2043-2047	14,054	2,099	11,955
2048-2050	6,482	-	6,482
Total minimum lease payments	<u>\$ 2,113,535</u>	441,074	<u>\$ 1,672,461</u>
Less imputed interest		<u>(121,255)</u>	
Present value of net minimum lease payments		<u>\$ 319,819</u>	

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 were due in fiscal years 2017 and 2016 and funds have been appropriated for such payments.

Changes in the various components of the long-term liabilities for fiscal year 2017 are as follows. (\$000 omitted):

	Balance As Restated* June 30, 2016	Additions	Deletions	Balance June 30, 2017	One Year
Accrued vacation and sick leave	\$ 2,028,568	\$ 275,774	\$ (53,358)	\$ 2,250,984	\$ 53,358
Capital lease obligations	302,303	41,038	(23,522)	319,819	23,257
Accrued judgments and claims	823,535	165,888	(152,434)	836,989	181,768
Pollution remediation	76,123	79,304	(93,219)	62,208	62,070
Employer pension obligation	26,661,473	9,711,675	(13,001,099)	23,372,049	-
OPEB obligations*	<u>25,931,952</u>	<u>2,062,667</u>	<u>(5,030,092)</u>	<u>22,964,527</u>	<u>-</u>
Total	<u>\$ 55,823,954</u>	<u>\$ 12,336,346</u>	<u>\$ (18,353,724)</u>	<u>\$ 49,806,576</u>	<u>\$ 320,453</u>

* The adoption of Statement No. 75 has resulted in the restatement of the DOE's Fiscal Year 2016 government-wide financial statements to reflect the reporting of net OPEB liabilities.

Changes in the various components of the long-term liabilities for fiscal year 2016 are as follows.

(\$000 omitted):

	Balance As Restated* June 30, 2015	Additions	Deletions	Balance As Restated* June 30, 2016	One Year
Accrued vacation and sick leave	\$ 1,925,239	\$ 171,124	\$ (67,795)	\$ 2,028,568	\$ 67,795
Capital lease obligations	285,201	39,350	(22,248)	302,303	22,662
Accrued judgments and claims	845,815	147,180	(169,460)	823,535	168,919
Pollution remediation	110,140	105,748	(139,765)	76,123	75,946
Employer pension obligation	21,084,820	5,576,653	-	26,661,473	-
OPEB obligations*	<u>24,629,839</u>	<u>2,135,864</u>	<u>(833,751)</u>	<u>25,931,952</u>	<u>-</u>
Total	<u>\$ 48,881,054</u>	<u>\$ 8,175,919</u>	<u>\$ (1,233,019)</u>	<u>\$ 55,823,954</u>	<u>\$ 335,322</u>

* The adoption of Statement No. 75 has resulted in the restatement of the DOE's Fiscal Year 2016 government-wide financial statements to reflect the reporting of net OPEB liabilities.

Pollution Remediation Obligations — The Pollution Remediation Obligations (“PRO”) at June 30, 2017 and June 30, 2016, summarized by obligating event and pollution type, respectively, are as follows:

Obligating Event	Fiscal Year 2017		Fiscal Year 2016	
	Amount (000's)	Percentage	Amount (000's)	Percentage
Imminent endangerment	\$ -	%	\$ -	%
Violation of pollution prevention-related permit or license	-	-	-	-
Named by regulator as a potentially responsible party	-	-	-	-
Voluntary commencement	<u>62,208</u>	<u>100</u>	<u>76,123</u>	<u>100</u>
Total	<u>\$ 62,208</u>	<u>100.0%</u>	<u>\$ 76,123</u>	<u>100.0%</u>
Pollution Type	Amount (000's)	Percentage	Amount (000's)	Percentage
Asbestos removal	\$ 61,078	98.18%	\$ 74,162	97.40%
Lead paint removal	57	0.09	138	0.20
Soil remediation	<u>1,073</u>	<u>1.73</u>	<u>1,823</u>	<u>2.40</u>
Total	<u>\$ 62,208</u>	<u>100.0%</u>	<u>\$ 76,123</u>	<u>100.0%</u>

As described in Note 3 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 removal, lead paint removal, 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.

There are no expected recoveries to reduce the liability. The PRO liability is derived from registered multi-year contracts which offsets cumulative expenditures (liquidated/unliquidated) against original encumbered contractual amounts. The potential for changes to existing PRO estimates is recognized due to such factors as: additional remediation work arising during the remediation of an existing pollution project; remediation activities may find unanticipated site conditions resulting in necessary modifications to work plans; changes in methodology during the course of a project may cause cost estimates to change, e.g., the new ambient air quality standard for lead considered a drastic change will trigger the adoption of new/revised technologies for compliance purposes; and changes in the amount which is paid based on actual field measured quantity for unit price items measured in cubic meters, linear meters, etc. Consequently, changes to original estimates are processed as change orders. Further, regarding pollution remediation liabilities that are not yet recognized because they are not reasonably estimable, the Law Department relates that The City have approximately 14 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 is also one case involving environmental review and land use. Due to the uncertainty of the legal proceedings we cannot estimate a future liability.

Capital Assets — The DOE receives funding for assets from various sources, some of which are combined for the same fixed asset. In addition, many fixed assets are donated or sold to the DOE from

private sources. Further, the receipt of these assets could be at any of the many central offices or at one of the over 1,500 school locations. However, the overall changes in the various classes of Capital Assets occurring during fiscal year 2017 can be reported, as follows (\$000's omitted):

Capital Assets	Balance June 30, 2016	Additions	Transfers	Deletions	Balance June 30, 2017
Capital assets not being depreciated:					
Land and site improvement	\$ 448,956	\$ -	\$ -	\$ -	\$ 448,956
Construction in progress	<u>2,767,336</u>	<u>2,583,238</u>	<u>(2,346,867)</u>	<u>-</u>	<u>3,003,707</u>
Total capital assets not being depreciated	<u>3,216,292</u>	<u>2,583,238</u>	<u>(2,346,867)</u>	<u>-</u>	<u>3,452,663</u>
Capital assets being depreciated:					
Building and additions	38,638,395	41,026	2,346,867	(23,655)	41,002,633
Equipment (including software)	<u>311,396</u>	<u>1,996</u>	<u>-</u>	<u>-</u>	<u>313,392</u>
Gross balance capital assets	<u>38,949,791</u>	<u>43,022</u>	<u>2,346,867</u>	<u>(23,655)</u>	<u>41,316,025</u>
Less accumulated depreciation:					
Building and additions	16,126,378	1,395,236	-	(23,655)	17,497,959
Equipment	<u>276,061</u>	<u>5,704</u>	<u>-</u>	<u>-</u>	<u>281,765</u>
Total accumulated depreciation	<u>16,402,439</u>	<u>1,400,940</u>	<u>-</u>	<u>(23,655)</u>	<u>17,779,724</u>
Net capital assets being depreciated	<u>22,547,352</u>	<u>(1,357,918)</u>	<u>2,346,867</u>	<u>-</u>	<u>23,536,301</u>
Total capital assets	<u>\$ 25,763,644</u>	<u>\$ 1,225,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,988,964</u>

Capital assets include all land, buildings, equipment (including software), with an initial minimum useful life of five years, having a cost of more than \$35 thousand, and having been appropriated in the Capital Budget.

Capital assets, which are used for general governmental purposes and are not available for expenditure, are accounted for and reported in the government-wide financial statements.

Capital assets are generally stated at historical cost, or at estimated historical cost. Accumulated depreciation and amortization are reported as reductions of capital assets. The overall changes substantial in the various classes of Capital Assets occurring during fiscal year 2016 can be reported, as follows (\$000's omitted):

Capital Assets	Balance June 30, 2015	Additions	Transfers	Deletions	Balance June 30, 2016
Capital assets not being depreciated:					
Land and site improvement	\$ 448,956	\$ -	\$ -	\$ -	\$ 448,956
Construction in progress	<u>2,454,790</u>	<u>2,325,086</u>	<u>(2,012,540)</u>	<u>-</u>	<u>2,767,336</u>
Total capital assets not being depreciated	<u>2,903,746</u>	<u>2,325,086</u>	<u>(2,012,540)</u>	<u>-</u>	<u>3,216,292</u>
Capital assets being depreciated:					
Building and additions	36,599,054	38,579	2,012,540	(11,778)	38,638,395
Equipment (including software)	<u>308,502</u>	<u>2,894</u>	<u>-</u>	<u>-</u>	<u>311,396</u>
Gross balance capital assets	<u>36,907,556</u>	<u>41,473</u>	<u>2,012,540</u>	<u>(11,778)</u>	<u>38,949,791</u>
Less accumulated depreciation:					
Building and additions	14,812,414	1,325,742	-	(11,778)	16,126,378
Equipment	<u>268,134</u>	<u>7,927</u>	<u>-</u>	<u>-</u>	<u>276,061</u>
Total accumulated depreciation	<u>15,080,548</u>	<u>1,333,669</u>	<u>-</u>	<u>(11,778)</u>	<u>16,402,439</u>
Net capital assets being depreciated	<u>21,827,008</u>	<u>(1,292,196)</u>	<u>2,012,540</u>	<u>-</u>	<u>22,547,352</u>
Total capital assets	<u>\$ 24,730,754</u>	<u>\$ 1,032,890</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,763,644</u>

In December 1988, the State of New York Legislation created the SCA for the purposes of designs, construct, reconstruct, improve, rehabilitate and repair the New York City public schools. All costs incurred are capitalized into construction-in-progress. 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 2015 through 2019 totaled \$15.25 billion.

Capital Expenditures made on behalf of the DOE amounted to \$2.7 billion and \$2.7 billion in fiscal year 2017 and 2016, 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 2017 and 2016, the SCA transferred \$2.3 billion and \$2.0 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, 2017, are certain leased properties aggregating approximately \$439 million. Included in equipment are expenditures made from various units of appropriation in the General Fund. Included in Accumulated Depreciation — Buildings and Additions at June 30, 2017, was accumulated depreciation for lease hold improvement of \$120 million.

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

For fiscal year 2017, The City's Comprehensive Annual Financial Report identifies capital expenditures for education amounting to \$2.7 billion. The capital expenditures incurred by the SCA on behalf of the DOE totaled \$2.7 billion offset by GASB Statement No. 49 expenditures of \$79 million and the liability to SCA in the amount of \$23 million.

New York City School Support Service (NYCSSS). NYCSSS is a Type C not-for-profit corporation organized under the Not-for-Profit Corporation Law of the State of New York. NYCSSS was incorporated for the purpose of providing staffing of custodial helpers for the DOE. NYCSSS' contract with the City was registered on April 28, 2016. Pursuant to this contract, NYCSSS receives monthly payments that cover its projected expenses for the forthcoming month and these contractual payments are NYCSSS' sole source of revenue. NYCSSS is governed by a Board of Directors consisting of five members, two of whom serve ex-officio.

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 2017 and 2016 were approximately \$54.8 million and \$45.7 million, respectively.

B. Other Post-Employment Benefits

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

Annual OPEB Cost and Net OPEB Obligations —The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount that was actuarially determined by using the Entry Age Actuarial Cost Method. For fiscal year 2017, the total OPEB liability for The City was determined to be \$93.1 billion, and the plan fiduciary net position was \$4.7 billion resulting in the Net OPEB Obligation \$88.4 billion. For the DOE, the Net OPEB obligation for Fiscal Year 2017 was \$23.0 billion. This was a decrease of \$2.9 billion from Fiscal Year 2016.

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.

Changes in Net OPEB Liability

The following table presents DOE's proportionate share of the Net OPEB Liability for the Fiscal Years ended June 30, 2017 and June 30, 2016.

(\$ amounts are in thousands)

	<u>2017</u>	<u>2016</u>
Beginning balance at June 30	\$ 25,931,952	\$ 24,629,839
Changes for the year:		
Service cost	1,174,458	1,403,277
Interest	752,953	732,550
Difference between expected and actual experien	135,226	(32,972)
Change of assumption	(4,239,769)	-
Contribution - employer	(784,736)	(795,136)
Contribution - employees	-	-
Net investment income	(5,588)	(5,643)
Actual Benefit Payment	-	-
Administrative expenses	11	11
Other changes	20	26
Net Changes	<u>(2,967,425)</u>	<u>1,302,113</u>
Net ending balance at June 30	<u>\$ 22,964,527</u>	<u>\$ 25,931,952</u>

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

a. 1% Decrease	\$ 27,376,484,571
b. 1% Increase	\$ 19,518,061,705

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

a. 1% Decrease	\$ 18,758,885,844
b. 1% Increase	\$ 28,958,537,759

DOE's proportionate share of OPEB Deferred Outflows of Resources and Deferred Inflows of Resources for the Fiscal Years ended June 30, 2017 and June 30, 2016 are as follows:

	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>	<u>of Resources</u>	<u>of Resources</u>
Difference between Expected and Actual Experience	\$ -	\$ 2,456,804	\$ -	\$ 28,143
Net difference between projected and Actual Earning on OPEB Plant Investment	168,003	-	28,009	-
Total	<u>\$ 168,003</u>	<u>\$ 2,456,804</u>	<u>\$ 28,009</u>	<u>\$ 28,143</u>

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

<u>Fiscal Year ended June 30</u>	<u>Amount</u>
2018.....	\$ (388,975,891)
2019.....	(388,975,891)
2020.....	(388,975,892)
2021.....	(395,601,511)
2022.....	(402,611,894)
Thereafter.....	(323,043,760)

Funded Status and Funding Progress. As of June 30, 2017, the most recent actuarial measurement date, the funded status was 5.0%. The total OPEB liability for benefits was \$24.2 billion, and the plan fiduciary net position was \$1.2 billion, resulting in a net OPEB liability of \$23.0 billion. The covered payroll (annual payroll of active employees covered) was \$6.5 billion, and the ratio of the net OPEB liability to the covered payroll was 351.0%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The determined actuarial valuations of OPEB incorporated the use of demographic and salary increase assumptions among others as reflected below. Amounts determined regarding the funded status and the annual expense of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of changes in the net OPEB liability and related ratios shown in the RSI section immediately following the notes to financial statements, disclosures required by GASB Statement No. 74 for OPEB Plan reporting (replacing GASB 43), presents GASB Statement No. 75 (replacing GASB 45) results of OPEB valuations for Fiscal Years 2017 and 2016.

Actuarial Methods and Assumptions. The actuarial assumptions used in the Fiscal Years 2017 and 2016 OPEB valuations are classified as those used in the New York City Retirement Systems (NYCRS) pension valuations and those specific to the OPEB valuations. NYCRS consist of: (i) New York City Employees' Retirement System (NYCERS); (ii) Teachers' Retirement System of The City of New York (TRS); (iii) New York City Board of Education Retirement System (BERS); (iv) New York City Police Pension Fund (POLICE); and (v) New York City Fire Pension Fund (FIRE). The OPEB valuations incorporate only the use of certain NYCRS demographic and salary increase assumptions. The NYCRS demographic and salary scale assumptions are unchanged from the prior OPEB valuation. For purposes of determining pension obligations, the demographic and salary scale assumptions requiring NYCRS Board

approval (available on the website of the Office of the Actuary at www.nyc.gov/actuary) were adopted by each respective Board of Trustees during fiscal year 2012 (the Silver Books), with revisions proposed by the Actuary and adopted by each respective Board of Trustees in fiscal year 2016. Chapter 3 of the Laws of 2013 enacted those actuarial assumptions and methods that require New York State Legislation.

The OPEB-specific actuarial assumptions used in the Fiscal Year 2017 OPEB valuation of the Plan are as follows:

Valuation Date June 30, 2016

Measurement Date June 30, 2017

Discount Rate 3.17% per annum¹ for the June 30, 2017 measurement date (3.13% for ECF and SCA). Results as of the June 30, 2016 measurement date are presented at 2.75% (2.71% for ECF and SCA).

Actuarial Cost Method..... Entry Age calculated on an individual basis with the Actuarial Value of Projected Benefits allocated on a level basis over earnings from hire through age of exit.

Per-Capita Claims Costs EBCBS and GHI plans are insured via a Minimum Premium arrangement while the HIP and many of the other HMOs are community rated. Costs reflect age adjusted premiums for all plans. HIP HMO and GHI/EBCBS non-Medicare premiums have been adjusted for Health Savings Agreement changes.

Age adjustment based on assumed age distribution of covered population used for non-Medicare retirees and HIP and Other HMO Medicare retirees.

Age adjustment based on actual age distribution of the GHI/EBCBS Medicare covered population.

All reported premiums assumed to include administrative costs.

¹ As required under GASB 75 this is a weighted blend of the 4.00% return on assets for OPEB plan investments and the S&P Municipal Bond 20 Year High Grade Index yield as of June 30, 2017 of 3.13%.

Initial monthly premium rates used in valuation are shown below:

<u>Plan</u>	<u>Monthly Rates</u>
	<u>FY'17</u>
HIP HMO	
Non-Medicare Single	\$ 600.18 ⁽¹⁾
Non-Medicare Family	1,470.45 ⁽¹⁾
Medicare	160.83 ⁽¹⁾
GHI/EBCBS	
Non-Medicare Single	567.48 ⁽¹⁾
Non-Medicare Family	1,487.47 ⁽¹⁾
Medicare	168.35

Others ⁽²⁾	
Non-Medicare Single	
Non-Medicare Family	2,226.45
Medicare Single	276.18
Medicare Family	546.28

⁽¹⁾ For the Fiscal Year 2017 valuation, HIP HMO premiums are decreased by 5.10% and GHI/EBCBS Pre-Medicare premiums are decreased by 0.82% to reflect Fiscal Year 2018 Health Savings agreement changes announced during Fiscal Year 2017.

⁽²⁾ Other HMO premiums represent the total premium for medical (not prescription) coverage including retiree contributions.

Welfare Funds.....The Welfare Fund contribution reported as of the valuation date, June 30, 2016, (including any reported retroactive amounts) was used as the per capita cost for valuation purposes.

The calculations reflect an additional one time \$100 contribution for Fiscal Year 2017 in July 2016. Projected contributions reflect \$25 increases at July 1, 2016 and July 1, 2017.

Reported annual contribution amounts for the last two years are shown in the Fiscal Year 2017 GASB 74/75 report in Appendix B, Tables 2a to 2e. Welfare Fund rates are based on actual reported Union Welfare Fund code for current retirees. Weighted average annual contribution rates used for future retirees, based on Welfare Fund enrollment of recent retirees, are shown in the following table.

NYCERS	\$1,743
TRS	1,771
BERS	1,713
POLICE	1,593
FIRE	1,729

Medicare Part B Premiums	<u>Calendar Year</u>	<u>Monthly Premium</u>
	2013-15	\$104.90
	2016	109.97
	2017	113.63

Medicare Part B Premium reimbursement amounts have been updated to reflect actual premium rates announced for calendar years through 2017. Due to no cost-of-living adjustment in Social

Security benefits for Calendar Year 2016, and a minimal cost-of-living increase for Calendar Year 2017, most Medicare Part B participants will not be charged the Medicare Part B premium originally projected or ultimately announced for those years. Thus, the valuation uses a blended estimate as a better representation of future Part B premium costs.

For the Fiscal Year 2017 OPEB valuation the annual premium used was \$1,341.60, which is equal to:

- 70% of the basic \$104.90 monthly hold-harmless amount, assuming that there would be no claims made for the slight increase in Part B premiums for continuing retirees, and
- 30% of the announced premiums (6 months at \$121.80 for Calendar Year 2016 and 6 months at \$134.00 for Calendar Year 2017), representing the proportion of the Medicare population that will pay the announced amount.

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

<u>Fiscal Year</u>	<u>Income-related Medicare Part B</u>
2017	4.0
2018	4.5
2019	5.0
2020	5.2
2021	5.3
2022	5.4
2023	5.5
2024	5.6
2025	5.8
2026	5.9
2027 and later	6.0

Medicare Part B Premium

Reimbursement Assumption90% of Medicare participants are assumed to claim reimbursement; based on historical data.

Health Care Cost Trend Rate

(HCCTR)Covered medical expenses are assumed to increase by the following percentages (unchanged from the last valuation). For purposes of measuring entry age calculations, actual historic plan increases are reflected to the extent known.

<u>Year Ending⁽¹⁾</u>	<u>Pre-Medicare</u>	<u>Medicare Plans</u>	<u>Part B Premium</u>
2017 ⁽²⁾	7.84%	2.51%	5.0%
2018	7.5	5.0	5.0
2019	7.0	5.0	5.0
2020	6.5	5.0	5.0
2021	6.0	5.0	5.0
2022	5.5	5.0	5.0
2023 and Later	5.0	5.0	5.0

⁽¹⁾ Fiscal Year for Pre-Medicare Plans and Medicare Plans and Calendar Year for Medicare Part B Premiums.

⁽²⁾ Actual amounts based on the *2015 Health Care Savings Agreement Initiative Report of Status of Healthcare Savings* dated June 19, 2017. Welfare Fund contribution rates assumed to increase based on current pattern bargaining (additional \$25 each for Fiscal Year 2017 and 2018, plus a one-time \$100 in Fiscal Year 2017).

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

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

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

Children costs were assumed to represent a relative factor of 0.229.

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

<u>Age</u>	<u>Males</u>	<u>Females</u>	<u>Age</u>	<u>Males</u>	<u>Females</u>
20	0.323	0.422	60	1.493	1.470

25	0.278	0.565	65	0.919	0.867
30	0.346	0.804	70	0.946	0.885
35	0.432	0.876	75	1.032	0.953
40	0.545	0.878	80	1.122	1.029
45	0.676	0.929	85	1.217	1.116
50	0.883	1.082	90	1.287	1.169
55	1.159	1.260	95	1.304	1.113
			99 +	1.281	0.978

The age adjustment for the non-Medicare GHI/EBCBS premium reflects a 5% reduction in the GHI portion of the monthly premium (with the GHI portion representing \$254.27 out of \$572.19 for single coverage, and \$674.06 out of \$1,499.82 for family coverage for Fiscal Year 2017 rates) and a 3% reduction in the EBCBS portion of the premium (with the EBCBS portion representing the remainder of the premiums) for the estimated margin anticipated to be returned.

Participation.....Participation assumptions have been updated since the prior valuation to reflect recent experience. Actual elections used for current retirees. Some current retirees not eligible for Medicare are assumed to change elections upon attaining age 65 based on patterns of elections of Medicare-eligible retirees.

For current retirees who appear to be eligible for health coverage but have not made an election (non-filers), the valuation reflects single GHI/EBCBS coverage and Part B premium benefits only, to approximate the obligation if these individuals were to file for coverage. For future retirees, the portion assumed not to file for future benefits, and therefore is valued similarly, are as follows. This assumption was used for the first time in the Fiscal Year 2017 valuation.

NYCERS	10%
TRS	6%
BERS	12%
POLICE	1%
FIRE	2%
TIAA	0%

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

Detailed assumptions for future Program retirees are presented below.

PLAN PARTICIPATION ASSUMPTIONS					
<u>Benefits</u>	<u>NYCERS</u>	<u>TRS</u>	<u>BERS</u>	<u>POLICE</u>	<u>FIRE</u>
<u>Pre-Medicare</u>					
-GHI/EBCBS	72%	80%	70%	85%	80%
-HIP HMO	20	8	16	9	12
-Other HMO	4	2	2	4	6
-Waiver	4	10	12	2	2
<u>Medicare</u>					
-GHI	72	90	78	85	80
-HIP HMO	20	6	16	9	12
-Other HMO	4	2	2	4	6
-Waiver	4	2	4	2	2
<u>Post-Medicare Migration</u>					
-Other HMO to GHI	—	—	—	—	—
-HIP HMO to GHI	—	25	—	—	—
-Pre-Med. Waiver					
To GHI @ 65	—	40	67	—	—
To HIP @ 65	—	40	—	—	—

Dependent Coverage Non-contributory Basic Medical Coverage and Part B premium reimbursement for dependents is assumed to terminate when an employee or retiree dies, except for Line of Duty survivors. The valuation also includes an estimate of costs in excess of premium contributions made by other survivors of POLICE, FIRE and uniformed members of the Departments of Correction and Sanitation that are eligible for a lifetime continuation benefit. The valuation assumes that 30% of eligible spouses will elect the lifetime continuation benefit.

Dependents

Male retirees were assumed to be four years older than their wives, and female retirees were assumed to be two years younger than their husbands; for POLICE and FIRE employees, husbands are assumed to be two years older than their wives. Child dependents of current retirees are assumed to receive coverage until age 26. Children are assumed to be covered for eight years after retirement plus an additional five years for service retirements of POLICE, FIRE, and NYCERS retirees who were eligible to retire based only on service and no minimum age. Dependent allocation assumptions are shown below. The assumptions have been updated since the prior valuation to reflect recent experience.

Dependent Coverage Assumptions					
<u>Group</u>	<u>NYCERS</u>	<u>TRS</u>	<u>BERS</u>	<u>POLICE</u>	<u>FIRE</u>
<u>Male</u>					
-Single Coverage	35%	50%	45%	15%	10%
-Spouse	35	30	45	10	20
-Child/No Spouse	5	5	2	10	5
-Spouse and Child	25	15	8	65	65
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
<u>Female</u>					
-Single Coverage	70%	60%	60%	45%	10%
-Spouse	20	30	35	10	20
-Child/No Spouse	5	5	2.5	25	5
-Spouse and Child	5	5	2.5	20	65
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Note: For accidental death, 70% of POLICE and 80% of FIRE members are assumed to have family coverage.

Demographic Assumptions The actuarial assumptions used in the Fiscal Year 2017 and the Fiscal Year 2016 OPEB valuations are a combination of those used in the NYCERS pension actuarial valuations and those specific to the OPEB valuations.

Additional demographic information is provided in the five “Silver Books” available on the Reports page of the OA website (www.nyc.gov/actuary).

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

The valuation assumes 15% of employees not eligible for OPEB elect COBRA coverage for 15 months based on experience of other large employers. A lump-sum COBRA cost of \$1,000 was assumed for terminations during Fiscal Year 2017. This amount is increased by the Pre-Medicare HCCTR for future years but is not adjusted for age-related morbidity.

Census data was not available for surviving spouses of POLICE, FIRE, Corrections or Sanitation members who are entitled to lifetime COBRA continuation coverage, as this benefit is administered directly by the insurance carriers. The number and obligation for the surviving spouses with lifetime coverage were estimated based on current census of POLICE and FIRE retirees and the projected number of deaths that would have occurred since the inception of this benefit on November 13, 2001 (and on August 31, 2010 for the Departments of Correction and Sanitation).

Cadillac Tax The OPEB valuation includes an explicit calculation of the high-cost plan excise tax (Cadillac Tax) that will be imposed beginning in 2020 under HCR.

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

- For Pre-Medicare retirees above the age of 55, the limit will be further increased by \$1,650 for single coverage; \$3,450 for family coverage.
- The dollar limits are increased by CPI+1% (e.g. 3.5%) for 2019 and by CPI (e.g. 2.5%) for subsequent years. Indexing of limits starts in 2018; tax first applies in 2020.

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

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

In cases where the City provides only a portion of the OPEB benefits which give rise to the Cadillac Tax, the calculated Cadillac Tax is allocated in proportion to the OPEB liabilities for relevant OPEB benefits.

Actives/Inactives Liabilities.40% of the measured liability of the Active/Inactive population, which is roughly equivalent to assuming 60% of the Active/Inactive members will terminate membership prior to vesting and not receive OPEB.
Stabilization Fund	A 0.3% load is applied on all City GASB75 obligations to reflect certain benefits paid on behalf of retirees directly from the Stabilization Fund which was decreased from 0.4% in the Fiscal Year 2016 OPEB valuation based on recent data. The load is not applicable to Component Units.

Educational Construction Fund . . .	The actuarial assumptions used for determining GASB 75 obligations for ECF are shown starting on page 24 of the Fiscal Year 2017 GASB 74/75 Report dated September 15, 2017. The Report is available at the Office of the Comptroller, Bureau of Accountancy-Room 200 South, 1 Centre Street, New York, New York 10007 and on the website of the New York City Office of the Actuary (www.nyc.gov/actuary).
CUNY TIAA	The actuarial assumptions used for determining obligations for CUNY TIAA are shown starting on page 26 of the Fiscal Year 2017 GASB 74/75 Report dated September 15, 2017. The Report is available at the Office of the Comptroller, Bureau of Accountancy-Room 200 South, 1 Centre Street, New York, New York 10007 and on the website of the New York City Office of the Actuary (www.nyc.gov/actuary).

C. Pensions — Plan Description — On behalf of the DOE, The City sponsors or participates in five pension trusts providing benefits to its employees. Each of the trusts administers a qualified pension plan (QPP) and tax-deferred annuity programs (TDA Programs) that supplement the pension benefits provided by the QPP. The QPPs combine features of a defined benefit pension plans with those of a defined contribution pension plans; however, they are considered defined benefit plans for financial reporting purposes. The TDA Programs are considered defined contribution plans for financial reporting purposes. A brief description of each of the NYCTRS and BERS follows:

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

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

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

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

Funding Policy — The City’s funding policy is to contribute statutorily-required contributions (Statutory Contributions). Statutory Contributions for the NYCERS, determined by the Actuary in accordance with State statutes and City laws, are generally funded by the employers within the appropriate Fiscal Year. The Statutory Contributions are determined under the One-Year Lag Methodology (OYLM). Under OYLM, the actuarial valuation date is used for calculating the Employer Contributions for the second following Fiscal Year. For example, the June 30, 2015 actuarial valuation was used for determining the Fiscal Year 2017 Statutory Contributions. Statutory Contributions are determined annually to be an amount that, together with member contributions and investment income, provides for QPP assets to be sufficient to pay benefits when due. 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.

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

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

Qualified pension plan programs - Statutory Contributions for the TRS and BERS, determined by the Actuary in accordance with State statutes and City laws, are generally funded by the employers within the appropriate fiscal year. The Statutory Contributions are determined under the One-Year Lag Methodology (“OYLM”). Under OYLM, the actuarial valuation date is used for calculating the Employer Contributions for the second following Fiscal Year. For example, the June 30, 2015 actuarial valuation was used for determining the Fiscal Year 2017 Statutory Contributions. Statutory Contributions are determined annually to be an amount that, together with member contributions and investment income, provides for QPP assets to be sufficient to pay benefits when due. The aggregate Statutory Contributions due to each QPP from participating employers for Fiscal Years 2017 and 2015 and the amount of The City’s contribution to each QPP for such fiscal years are as follows (in millions):

Annual Pension Costs	Aggregate Statutory Contribution 2017	Aggregate Statutory Contribution 2016	Aggregate Statutory Contribution 2015
TRS	\$ 3,888	\$ 3,702	\$ 3,270
BERS	<u>288</u>	<u>266</u>	<u>258</u>
Total	<u>\$ 4,176</u>	<u>\$ 3,968</u>	<u>\$ 3,528</u>

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

Changes in Net Pension Liability—TRS and BERS QPPs

Net Changes in the DOE’s net pension liability for the TRS and BERS QPPs for the fiscal years ended June 30, 2017 and 2016, due to the adoption of GASB Statement No. 68 are as follows:

(\$ amounts are in thousands)	<u>TRS - Net Pension Liability</u>		<u>BERS - Net Pension Liability</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Balance at June 30	\$ 25,321,392	\$ 20,026,194	\$ 1,340,079	\$ 971,734
Changes for the year:				
Service cost	1,339,901	1,223,578	160,657	148,220
Interest	4,973,433	3,966,715	330,136	310,091
Difference between expected and actual experience	974,241	1,180,555	18,996	(73,484)
Change of assumption	-	2,336,023	-	177,814
Contribution - employer	(3,757,187)	(3,611,000)	(274,613)	(257,056)
Contribution - other employer*	(55,434)	-	-	-
Contribution - employees	(174,002)	(166,781)	(37,939)	(37,350)
Net investment income	(7,858,944)	(922,039)	(821,755)	(158,904)
Payment of interest on TDA fixed funds	1,417,146	1,300,296	14,754	12,409
Administrative expenses	58,740	57,004	101,519	91,763
Other changes	44,670	(1,184)	117,144	152,471
Net changes	<u>(3,037,436)</u>	<u>5,363,167</u>	<u>(391,101)</u>	<u>365,974</u>
Subtotal at June 30	22,283,956	25,389,361	948,978	1,337,708
Change in proportionate share	<u>160,337</u>	<u>(67,969)</u>	<u>(21,222)</u>	<u>2,371</u>
Net Balance at June 30	<u>\$ 22,444,293</u>	<u>\$ 25,321,392</u>	<u>\$ 927,756</u>	<u>\$ 1,340,079</u>

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

DOE Proportion of Net Pension Liability—TRS and BERS QPPs

The following table presents DOE’s proportionate share of the net pension liability of the TRS and BERS QPPs at June 30, 2017 and 2016 and the proportion percentage of the aggregate net pension liability of each QPP allocated to the DOE:

(\$ amounts are in millions)	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>TRS</u>	<u>BERS</u>	<u>TRS</u>	<u>BERS</u>
DOE’s proportion of the net pension liability	<u>96.63%</u>	<u>95.27%</u>	<u>96.02%</u>	<u>96.81%</u>
DOE’s proportionate share of the net pension liability	<u>\$ 22,444,293</u>	<u>\$ 927,756</u>	<u>\$ 25,321,392</u>	<u>\$ 1,340,079</u>

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

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

(\$ amounts are in millions)

	Fiscal Year 2017			Fiscal Year 2016		
	1%	Current	1%	1%	Current	1%
	Discount (6.0%)	Discount Rate (7.0%)	increase (8.0%)	Discount (6.0%)	Discount Rate (7.0%)	increase (8.0%)
TRS QPP	\$ 30,165	\$ 22,674	\$ 16,411	\$ 32,714	\$ 25,600	\$ 19,651
BERS QPP	<u>1,569</u>	<u>973</u>	<u>474</u>	<u>1,948</u>	<u>1,384</u>	<u>911</u>
Total	<u>\$ 31,734</u>	<u>\$ 23,647</u>	<u>\$ 16,885</u>	<u>\$ 34,662</u>	<u>\$ 26,984</u>	<u>\$ 20,562</u>

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

Deferred inflows of resources by source reported by the DOE at June 30, 2017 and 2016 for each QPP are as follows:

(\$ amounts are in thousands)

	June 30, 2017		June 30, 2016	
	TRS	BERS	TRS	BERS
Difference between Expected and Actual Experience	\$ -	\$ 26,978	\$ -	\$ 50,448
Net difference between projected and Actual Earning on Pension Plan Investment	3,163,058	548,871	3,062,567	365,665
Change of Assumptions	-	-	-	-
Change in Proportion and Differences between Employer Contribution and Porportion Share	<u>26,769</u>	<u>(2,802)</u>	<u>(5,387)</u>	<u>126</u>
Deferred inflows of Resources	<u>\$ 3,189,827</u>	<u>\$ 573,047</u>	<u>\$ 3,057,180</u>	<u>\$ 416,239</u>

Deferred outflows of resources by source reported by the DOE at June 30, 2017 and 2016 for each QPP are as follow:

(\$ amounts are in thousands)	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>TRS</u>	<u>BERS</u>	<u>TRS</u>	<u>BERS</u>
Difference between Expected and Actual				
Experience	\$ 1,738,670	\$ 19,665	\$ 1,574,694	\$ 19,125
Net difference between projected and Actual				
Earning on Pension Plan Investment	-	-	2,247,197	83,557
Change of Assumptions	1,126,433	65,281	1,727,685	122,073
Change in Proportion and Differences between				
Employer Contribution and Porportion Share	<u>113,766</u>	<u>(20,069)</u>	<u>(63,552)</u>	<u>6,682</u>
Deferred outflows of Resources	<u>\$ 2,978,869</u>	<u>\$ 64,877</u>	<u>\$ 5,486,024</u>	<u>\$ 231,437</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2017 will be recognized in pension expense as follows:

Year ended June 30:	<u>(in thousands)</u>	
	<u>TRS</u>	<u>BERS</u>
2018	\$ (104,786)	\$ (196,796)
2019	668,241	(90,440)
2020	(374,022)	(107,660)
2021	(742,328)	(121,130)
2022	<u>340,067</u>	<u>644</u>
Total	<u>\$ (212,828)</u>	<u>\$ (515,382)</u>

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

Pension Expense, Employer Contribution, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension – The DOE’s Pension expense, employer contribution, deferred outflows, and deferred inflows related to pensions and net pension liabilities recognized by the DOE for the fiscal years ended June 30, 2017 and 2016 are as follows:

(\$ amounts are in thousands)	June 30, 2017		
	<u>TRS</u>	<u>BERS</u>	<u>Total</u>
Net pension liability at June 30, 2016	\$ 25,321,392	\$ 1,340,079	\$ 26,661,471
Employer contribution	(3,757,187)	(274,613)	(4,031,800)
Other Employer Contribution	(55,434)		(55,434)
Pension expense	3,575,326	185,657	3,760,983
Deferred Inflows pension - Prior Year	3,057,180	416,239	3,473,419
Deferred Outflows pension - Prior Year	(5,486,025)	(231,436)	(5,717,461)
Deferred outflows of resources	2,978,869	64,877	3,043,746
Deferred Inflows from pension	<u>(3,189,828)</u>	<u>(573,048)</u>	<u>(3,762,876)</u>
Net pension liability at June 30, 2017	<u>\$ 22,444,293</u>	<u>\$ 927,755</u>	<u>\$ 23,372,048</u>

	June 30, 2016		
	<u>TRS</u>	<u>BERS</u>	<u>Total</u>
Net pension liability at June 30, 2015	\$ 20,027,619	\$ 1,057,201	\$ 21,084,820
Actuarial adjustment - FY2015 restatement	<u>(1,425)</u>	<u>(85,467)</u>	<u>(86,892)</u>
Net pension liability at June 30, 2015	20,026,194	971,734	20,997,928
Employer contribution	(3,611,000)	(257,056)	(3,868,056)
Pension expense	3,713,589	296,902	4,010,491
Deferred Inflows pension - Prior Year	4,908,508	595,968	5,504,476
Deferred Outflows pension - Prior Year	(2,144,744)	(82,665)	(2,227,409)
Deferred outflows of resources	5,486,025	231,436	5,717,461
Deferred Inflows from pension	<u>(3,057,180)</u>	<u>(416,239)</u>	<u>(3,473,419)</u>
Net pension liability at June 30, 2016	<u>\$ 25,321,392</u>	<u>\$ 1,340,079</u>	<u>\$ 26,661,472</u>

D. Superstorm Sandy

Government Assistance

On October 29, 2012, Superstorm Sandy made landfall in the City. The storm surge and high winds caused significant damage in the City, as well as other states and cities along the U.S. mid-Atlantic seaboard. The City incurred costs for emergency response and storm related damages to City buildings and other assets. The City is eligible for recovery funding primarily through two federal programs: Federal Emergency Management Agency - Public Assistance (FEMA-PA) and the U.S. Department of Housing and Urban Development’s Community Development Block Grant Disaster Recovery program (CDBG-DR).

As of June 30, 2017, the estimated value of emergency response and storm related damages, including mitigation, for FEMA and other smaller related federal programs was approximately \$10.4 billion—this includes \$8.3 billion for capital construction and \$2.1 billion for debris removal and emergency response activities. To the extent that eligible Superstorm Sandy related costs were incurred as of June 30, 2017, the FEMA reimbursement has been received or accrued as receivable in Fiscal Year 2017.

The City has also been awarded more than \$4.2 billion of CDBG-DR funding. The major portion of these funds is being used for housing recovery programs. The block grant also funds small business assistance, costs related to repairing infrastructure and delivering city services, and resiliency investments such as coastal protection measures

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

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

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

In 1996, a class action was brought against the City Board of Education and the state under Title VII of the Civil Rights Act of 1964 alleging that the use by the Board of Education of two teacher certification examinations mandated by the state had a disparate impact on minority candidates. In 2006, the United States Court of Appeals for the Second Circuit dismissed the claims against the state. In December 2012, the District Court decided a controlling legal question against the DOE. On February 4, 2013, the Second Circuit affirmed the District Court’s decision. The District Court has appointed a Special Master to oversee claimants’ individualized hearings both as to damages and eligibility for Board of Education employment. The hearings relate to members of the class that took the Liberal Arts and Science Test (LAST) from 1996 to 2004. Currently, 3,916 such individuals have submitted claim forms and may be eligible for damages. On June 5, 2015, the Court ruled that a second version of LAST, LAST-2, that was administered from 2004 to 2014, violated Title VII because it did not measure skills necessary to do the job. In August 2015, the Court found that the state’s new teacher certification test, the Academic Literacy Skills Test (ALST), administered since Spring 2014, was not discriminatory and evaluated skills necessary to do the job. The plaintiffs could seek to expand the damages class with respect to LAST-2. If approved by the Court, the extent to which this would extend the class is not known at this time. The potential cost to the City is uncertain at this time but could be significant.

On December 21, 2015, the United States Attorney for the Southern District of New York (USAO-SDNY) sent a findings letter to the DOE indicating various areas in which he alleged that the City elementary schools were not accessible to students with disabilities in violation of the Americans with Disabilities Act of 1990. The City and USAO-SDNY are currently in discussion as to the matters raised

in the letter. Alterations to City elementary schools to address concerns raised in the findings letter could result in substantial compliance costs to the City.

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

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ANNUAL FINANCIAL STATEMENTS
Department of Education of The City of New York
For the Fiscal Years Ended June 30, 2017 and 2016

Required Supplementary Information

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Schedule of DOE's Proportional Share of the Net Pension Liabilities of Cost-Sharing Multiple Employer Pension Plans (Unaudited)

(\$ amounts are in millions)	TRS		BERS	
	2017	2016	2017	2016
DOE's proportion of the net pension liability	96.63%	96.02%	95.27%	96.81%
DOE's proportionate share of the net pension liability	\$ 25,481.7	\$ 25,321.4	\$ 1,318.9	\$ 1,340.1
DOE's covered-employee payroll	8,525.5	7,951.7	1,002.2	975.5
DOE's proportionate share of the net pension liability as a percentage of its covered-employee payroll	298.9%	215.9%	318.4%	137.4%
Plan fiduciary net position as percentage of the total pension liability	68.32%	62.33%	80.81%	71.17%

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Schedule of the Net OPEB Liability (Unaudited)

	<u>2017</u>	<u>2016</u>
1 Total OPEB Liability		
a. Service Cost	\$ 1,174,457,749	\$ 1,403,277,361
b. Interest	752,952,597	732,549,634
c. Changes of Benefit Terms	-	-
d. Differences b/t Expected and Actual Experience	135,225,533	(32,972,315)
e. Changes in Assumptions	(4,299,071,075)	-
f. Benefit Payments	(629,901,764)	(625,110,525)
g. Net Changes in Total OPEB Liability	\$ (2,866,336,960)	\$ 1,477,744,155
2 Total OPEB Liability - Beginning	\$ 27,039,543,289	\$ 25,561,799,134
3 Total OPEB Liability - Ending	\$ 24,173,206,329	\$ 27,039,543,289
4 Plan Fiduciary Net Position		
a. Contributions - Employer	\$ 784,736,507	\$ 795,135,731
b. Contributions - Employee	-	-
c. Net Investment Income	5,587,880	5,643,265
d. Benefit Payments	(629,901,764)	(625,110,525)
e. Administrative Expenses	(10,674)	(10,976)
f. Payment of Interest on TDA Fixed Funds	-	-
g. Other Changes	(20,392)	(90,847)
h. Net Changes in Plan Fiduciary Net Position	\$ 160,391,557	\$ 175,566,649
5 Plan Fiduciary Net Position - Beginning	\$ 1,048,288,106	\$ 932,024,242
6 Plan Fiduciary Net Position - Ending	\$ 1,208,679,663	\$ 1,107,590,891
7 Net OPEB Liability	\$ 22,964,526,666	\$ 25,931,952,398
8 Plan Fiduciary Net Position as a Percentage of Totale OPEB Liability	5.0%	4.1%
9 Covered Employee Payroll	\$ 6,539,705,157	\$ 6,658,726,277
10 Net OPEB Liability as a Percentage of Covered Employee Payroll	351.2%	389.4%
11 Sensitivity of the Net OPEB Liability to Changes in the Discount Rate		
a. 1% Decrease	\$ 27,376,484,571	
b. 1% Increase	\$ 19,518,061,705	
12 Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
a. 1% Decrease	\$ 18,758,885,844	
b. 1% Increase	\$ 28,958,537,759	

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

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited), Continued

(\$ amounts are in thousands)	2017	2016	2015	2014	2013	2012 *	2011 *	2010 *	2009 *	2008 *
TRS										
Contractually required contribution	\$ 3,757,321	\$ 3,555,210	\$ 3,150,518	\$ 2,889,355	\$ 2,783,893	\$ 2,673,078	\$ 2,468,973	\$ 2,484,074	\$ 2,223,644	\$ 1,916,520
Contributions in relation to the contractually required contribution	\$ 3,757,321	\$ 3,555,210	\$ 3,150,518	\$ 2,889,355	\$ 2,783,893	\$ 2,673,078	\$ 2,468,973	\$ 2,484,074	\$ 2,223,644	\$ 1,916,520
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
Covered-employee payroll	\$ 8,525,820	\$ 7,951,697	\$ 7,779,802	\$ 7,687,791	\$ 7,618,059	\$ 7,920,935	\$ 7,935,248	\$ 7,859,999	\$ 7,221,499	\$ 6,998,174
Contributions as a percentage of covered-employee payroll	44.07%	44.22%	40.50%	37.58%	36.54%	33.75%	31.11%	31.60%	30.79%	27.39%
BERS										
Contractually required contribution	\$ 274,603	\$ 257,056	\$ 249,253	\$ 205,928	\$ 197,609	\$ 213,651	\$ 180,191	\$ 147,349	\$ 134,225	\$ 143,100
Contributions in relation to the contractually required contribution	\$ 274,603	\$ 257,056	\$ 249,253	\$ 205,928	\$ 197,609	\$ 213,651	\$ 180,191	\$ 147,349	\$ 134,225	\$ 143,100
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
Covered-employee payroll	\$ 1,002,249	\$ 975,460	\$ 976,861	\$ 939,439	\$ 837,793	\$ 879,476	\$ 880,656	\$ 826,782	\$ 755,516	\$ 729,098
Contributions as a percentage of covered-employee payroll	27.40%	25.51%	25.52%	21.92%	23.59%	24.29%	20.46%	17.82%	17.77%	19.63%

*For Fiscal Years 2012, 2011, 2010, 2009, and 2008, reported contributions and covered payroll amounts are those of each retirement system as a whole (i.e. the sum for all participating employers) City-only covered payroll is not readily available for years prior to 2013, and due to methodological changes during the periods 2005 through 2012, the City-only employer contributions are not comparable over the ten year period.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited), Continued

Notes to Schedule C:

The above actuarially determined and contractually required contributions were developed using a One-Year Lag Methodology, under which the actuarial valuation determines the employer contribution for the second following fiscal year (e.g. Fiscal Year 2017 contributions were determined using an actuarial valuation as of June 30, 2015). The methods and assumptions used to determine the actuarially determined and contractually required contributions are as follows:

Fiscal Year	2017	2016	2015	2014	2013
Valuation Dates	June 30, 2015 (Lag)	June 30, 2014 (Lag)	June 30, 2013 (Lag)	June 30, 2012 (Lag)	June 30, 2011 (Lag)
Actuarial cost method	Entry Age ⁵				
Amortization method for Unfunded Actuarial Accrued Liabilities (UAAL):					
Pre-2010 UAALs	NA	NA	NA	NA	NA
Initial 2010 UAAL	Increasing Dollar Payments	Increasing Dollar Payments.	Increasing Dollar Payments.	Increasing Dollar Payments.	Increasing Dollar Payments.
Post-2010 UAALs	Level Dollar Payments	Level Dollar Payments.	Level Dollar Payments.	Level Dollar Payments.	Level Dollar Payments.
Remaining amortization period:					
Pre-2010 UAALs	NA	NA	NA	NA	NA
Initial 2010 UAAL	17 Years (Closed)	18 Years (Closed).	19 Years (Closed).	20 Years (Closed).	21 years (Closed).
2010 ERI	1 Year (Closed)	2 Years (Closed).	3 Years (Closed).	4 Years (Closed).	15 Years (Closed).
2011 (G)/L	11 Years (Closed)	12 Years (Closed).	13 Years (Closed).	14 Years (Closed).	15 Years (Closed).
2012 (G)/L	12 Years (Closed)	13 Years (Closed).	14 Years (Closed).	15 Years (Closed).	NA
2013 (G)/L	13 Years (Closed)	14 Years (Closed).	15 Years (Closed).	NA	NA
2013 Transit Refunds	3 Years (Closed)	4 Years (Closed).	5 Years (Closed).	NA	NA
2014 (G)/L	14 Years (Closed)	15 Years (Closed).	NA	NA	NA
2014 Assumption Change	19 Years (Closed)	20 Years (Closed).	NA	NA	NA
2014 Method Change	19 Years (Closed)	20 Years (Closed).	NA	NA	NA
2015 (G)/L	15 Years (Closed)	15 Years (Closed).	NA	NA	NA
Actuarial Asset:					
Valuation Method	6-year moving average of Market Value.				
Corridor	Constrained to be no more than 20% from Market Value	Constrained to be no more than 20% from Market Value	NA	NA	NA
Actuarial assumptions:					
Assumed rate of return	7.0% per annum, net of expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).	7.0% per annum, net of expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).	7.0% per annum, net of expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).	7.0% per annum, net of expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).	7.0% per annum, net of expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).
Post-retirement mortality	Tables adopted by Board of Trustees during Fiscal Year 2016.	Tables adopted by Board of Trustees during Fiscal Year 2016.	Tables adopted by Board of Trustees during Fiscal Year 2012.	Tables adopted by Board of Trustees during Fiscal Year 2012.	Tables adopted by Board of Trustees during Fiscal Year 2012.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Notes to Schedule C: (Unaudited)

Fiscal Year	2017	2016	2015	2014	2013
Active service: withdrawal, death, disability, service retirement	Tables adopted by Board of				
Salary Increases	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year ⁴	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year ⁴	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year ⁴	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year ⁴	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year ⁴
Cost-of-Living Adjustments ⁴	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited), Continued

Notes to Schedule C:

Fiscal Year	2012	2011	2010	2009	2008
Valuation Dates	June 30, 2010 (Lag)	June 30, 2009 (Lag)	June 30, 2008 (Lag)	June 30, 2007 (Lag)	June 30, 2006 (Lag)
Actuarial cost method	Entry Age ⁵	Frozen Initial Liability ¹			
Amortization method for Unfunded Actuarial Accrued Liabilities (UAAL):					
Pre-2010 UAALs	NA	NA	NA	NA	Increasing dollar for Level dollar for UAAL attributable to, TRS and BERS 2002 ERI (Part A only). ³ All outstanding components of UAAL are being amortized over closed periods.
Initial 2010 UAAL	Increasing Dollar Payments.	NA	NA	NA	NA
Post-2010 UAALs	Level Dollar Payments.	NA	NA	NA	NA
Remaining amortization period: Pre-2010 UAALs	NA	NA	1 year for FIRE ²	2 year for FIRE ²	3 year for FIRE ² , And 1 year for 2002 ERI (Part A Only)
Initial 2010 UAAL	22 years (Closed).	NA	NA	NA	NA
2010 ERI	NA	NA	NA	NA	NA
2011 (G)/L	NA	NA	NA	NA	NA
2012 (G)/L	NA	NA	NA	NA	NA
2013 (G)/L	NA	NA	NA	NA	NA
2013 Transit Refunds	NA	NA	NA	NA	NA
2014 (G)/L	NA	NA	NA	NA	NA
2014 Assumption Change	NA	NA	NA	NA	NA
2014 Method Change	NA	NA	NA	NA	NA
2015 (G)/L	NA	NA	NA	NA	NA
Actuarial Asset:					
Valuation Method	6-year moving average of Market Value.	Modified 6-year moving average of Market Value with "Market Value Restart" as of June 30, 1999.	Modified 6-year moving average of Market Value with "Market Value Restart" as of June 30, 1999.	Modified 6-year moving average of Market Value with "Market Value Restart" as of June 30, 1999.	Modified 6-year moving average of Market Value with "Market Value Restart" as of June 30, 1999.
Actuarial assumptions:					
Assumed rate of return	7.0% per annum, gross of expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).	8.0% per annum ⁴ (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).	8.0% per annum ⁴ (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).	8.0% per annum ⁴ (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).	8.0% per annum ⁴ (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).
Post-retirement mortality	Tables adopted by	Tables adopted by	Tables adopted by	Tables adopted by	Tables adopted by
Active service: withdrawal, death, disability, service retirement	Boards of Trustees during Fiscal Year 2012.	Boards of Trustees during Fiscal Year 2006.			

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Notes to Schedule C:

With the exception of fiscal year 2005, the above actuarially determined and contractually required contributions were developed using a One-Year Lag Methodology, under which the actuarial valuation determines the employer contribution for the second following fiscal year (e.g. fiscal year 2014 contributions were determined using an actuarial valuation as of June 30, 2012). The fiscal year 2005 employer contribution was determined using an actuarial valuation as of the immediate prior fiscal year (June 30, 2004). This change in methodology caused two actuarial valuations to be performed as of June 30, 2004. The methods and assumptions used to determine the actuarially determined and contractually required contributions are as follows:

Fiscal Year	2012	2011	2010	2009	2008
Salary increases	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year. ⁴	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year. ⁴	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year. ⁴	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year. ⁴	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per
Cost-of-Living Adjustments ⁴	1.5% per annum for Auto Cola. 2.5% per annum for Escalation.	1.3% per annum	1.3% per annum	1.3% per annum	1.3% per annum

1. Under the Frozen Initial Liability Actuarial Cost Method, the excess of the Actuarial Present Value (APV) of projected benefits of the membership as of the valuation date, over the sum of the Actuarial Value of Assets plus the UAAL, if any, and the APV of future employee contributions is allocated on a level basis over the future earnings of members who are on the payroll of the valuation date. The Initial Liability was reestablished by the Entry Age Actuarial Cost Method as of June 20, 1999 but with the UAAL not less than \$0. Actuarial gains and losses are reflected in the employer normal contribution rate.
2. In conjunction with Chapter 85 of the Laws of 2000 (Chapter 85/100), there is an amortization method. However, the initial pre-2010 UAAL of NYCERS, TRS, BERS, and POLICE equal \$0 and no amortization periods require
3. Laws of established, UAAL for Early Retirement Incentive Programs to be amortized on a level dollar basis over periods of 5 years.
4. Developed assuming a long-term Consumer Price Inflation assumption of 2.5% per year.
5. Beginning with the June 30, 2010 (Lag) actuarial valuation under the 2012 A&M, the entry Age Actuarial Cost Method (EAACM) of funding is utilized by the Actuary to calculate the contribution required of the Employer. Under this method, the Actuarial Present Value (APV) of Benefits (APVB) of each individual included in the actuarial valuation is allocated on a level basis over the earnings (or service) of the individual between entry age and assumed exit ages. The employer portion of this APV allocated to a valuation year is the Normal Cost. The portion of this APV not provided for at a valuation date by the APV of Future Normal Costs or future member contributions is the Actuarial Accrued Liability (AAL). The excess, if any, of the AAL over the Actuarial Asset Value (AAV) is the Unfunded Actuarial Accrued Liability (UAAL). Under this method, actuarial gains (losses), as they occur, reduce (increase) the UAAL and are explicitly identified and amortized. Increases (decreases) in obligations due to benefit changes, actuarial assumption changes and/or actuarial method changes are also explicitly identified and amortized.
6. Market Value Restart as of June 30, 2011. Actuarial Asset Value (AAV) as of June 30, 2010 defined to recognize Fiscal Year 2011 investment performance. The June 30, 2010 AAV is derived as equal to the June 30, 2011 Market Value of Assets, discounted by the Actuarial Interest Rate assumption (adjusted for cash flow) to June 30, 2010.

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ANNUAL FINANCIAL STATEMENTS
Department of Education of The City of New York
For the Fiscal Years Ended June 30, 2017 and 2016

Supplemental Schedules

The General Fund is the general operating fund of DOE that is used to account for all of the financial resources, except those required to be accounted for in another fund. The Schedule of Aged Receivables includes Federal, State and Non-Governmental Grants and other aid from Fiscal Year 2013 through Fiscal Year 2017, as of June 30, 2017. 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).

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

**Schedule of Aged Receivables as of June 30, 2017
With Comparative Totals to June 30, 2016**

(\$000 Omitted)

<u>BFY</u>	<u>Federal Categorical Grants</u>	<u>State Aid and Categorical Grants</u>	<u>Non- Governmental Grants</u>	<u>Total Receivables as of June 30, 2017</u>	<u>Comparative Total as of June 30, 2016</u>
FISCAL YEAR 2017	\$ 659,686	\$ 1,106,612	\$ 111,824	\$ 1,878,122	\$ -
FISCAL YEAR 2016	-	1,763	12,430	14,193	2,124,289
FISCAL YEAR 2015	-	28,200	-	28,200	156,407
FISCAL YEAR 2014	-	-	-	-	6,527
FISCAL YEAR 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
TOTAL RECEIVABLES	<u>\$ 659,686</u>	<u>\$ 1,136,575</u>	<u>\$ 124,254</u>	<u>\$ 1,920,515</u>	<u>\$ 2,287,225</u>

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2017

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
GENERAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:			
401 Salaries	\$ 6,107,496,174	\$ 6,107,496,174	\$ -
402 Supplies	188,293,546	141,251,109	47,042,437
402 Furniture and equipment	100,594,858	78,800,078	21,794,780
402 Textbooks	72,396,175	73,973,706	(1,577,531)
402 Contractual services	<u>465,906,894</u>	<u>525,717,206</u>	<u>(59,810,312)</u>
Total	<u>6,934,687,647</u>	<u>6,927,238,273</u>	<u>7,449,374</u>
SPECIAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:			
403 Salaries	1,660,227,280	1,660,227,279	1
404 Supplies	2,659,597	1,605,937	1,053,660
404 Furniture and equipment	434,483	1,371,692	(937,209)
404 Textbooks	347,020	23,858	323,162
404 Contractual services	<u>1,323,382</u>	<u>1,450,257</u>	<u>(126,875)</u>
Total	<u>1,664,991,762</u>	<u>1,664,679,023</u>	<u>312,739</u>
CHARTER SCHOOLS			
406 Supplies	1,568,721	1,626,770	(58,049)
406 Textbooks	6,754,504	6,423,256	331,248
406 Contractual services	<u>1,666,049,935</u>	<u>1,666,323,134</u>	<u>(273,199)</u>
Total	<u>1,674,373,160</u>	<u>1,674,373,160</u>	<u>-</u>
UNIVERSAL PRE-K			
407 Salaries	432,501,092	432,501,091	1
408 Supplies	4,912,515	10,664,723	(5,752,208)
408 Furniture and equipment	404,858	510,850	(105,992)
408 Textbooks	313,515	126,428	187,087
408 Contractual Services	<u>411,252,984</u>	<u>405,581,868</u>	<u>5,671,116</u>
Total	<u>849,384,964</u>	<u>849,384,960</u>	<u>4</u>
SCHOOL SUPPORT ORGANIZATION:			
415 Salaries	278,426,459	278,426,459	-
416 Supplies	5,656,688	4,754,839	901,849
416 Furniture and equipment	549,785	1,534,044	(984,259)
416 Textbooks	-	152,686	(152,686)
416 Contractual services	<u>23,767,993</u>	<u>22,406,998</u>	<u>1,360,995</u>
Total	<u>308,400,925</u>	<u>307,275,026</u>	<u>1,125,899</u>

(Continued)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2017

Continued

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
CITYWIDE EDUCATION			
INSTRUCTION AND			
SCHOOL LEADERSHIP:			
421 Salaries	\$ 1,007,106,773	\$ 1,007,106,772	\$ 1
422 Supplies	6,366,305	7,216,279	(849,974)
422 Furniture and equipment	4,009,636	4,106,031	(96,395)
422 Textbooks	557,398	578,721	(21,323)
422 Contractual services	<u>7,770,530</u>	<u>6,802,837</u>	<u>967,693</u>
Total	<u>1,025,810,642</u>	<u>1,025,810,640</u>	<u>2</u>
INSTRUCTIONAL SUPPORT:			
423 Salaries	324,645,359	324,645,359	-
424 Supplies	5,021,712	2,826,218	2,195,494
424 Furniture and equipment	3,590,017	2,934,618	655,399
424 Textbooks	500	-	500
424 Contractual services	<u>239,475,937</u>	<u>245,134,870</u>	<u>(5,658,933)</u>
Total	<u>572,733,525</u>	<u>575,541,065</u>	<u>(2,807,540)</u>
SCHOOL FACILITIES			
435 Salaries	221,111,136	221,111,135	1
436 Supplies	30,188,721	50,441,719	(20,252,998)
436 Furniture and equipment	1,373,960	1,805,124	(431,164)
436 Pollution remediation	868,047,293	833,085,603	34,961,690
436 Contractual services	<u>79,320,706</u>	<u>79,320,706</u>	<u>-</u>
Total	<u>1,200,041,816</u>	<u>1,185,764,287</u>	<u>14,277,529</u>
PUPIL TRANSPORTATION			
438 Supplies	3,147,776	1,927,202	1,220,574
438 Equipment	6,360,999	1,399,077	4,961,922
438 Contractual services	6,404,912	6,143,050	261,862
438 Pupil transportation	<u>1,184,626,332</u>	<u>1,191,070,690</u>	<u>(6,444,358)</u>
Total	<u>1,200,540,019</u>	<u>1,200,540,019</u>	<u>-</u>
SCHOOL FOOD SERVICES			
439 Salaries	229,001,295	229,001,294	1
440 Supplies	23,599,702	22,729,022	870,680
440 Food purchases	208,516,633	204,336,359	4,180,274
440 Furniture and equipment	6,671,049	7,224,849	(553,800)
440 Contractual services	<u>22,834,800</u>	<u>27,331,953</u>	<u>(4,497,153)</u>
Total	<u>490,623,479</u>	<u>490,623,477</u>	<u>2</u>

(Continued)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2017

Continued

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
442 SCHOOL SAFETY	\$ 345,283,278	\$ 345,283,277	\$ 1
444 ENERGY AND LEASES	489,114,503	480,572,830	8,541,673
CENTRAL ADMINISTRATION			
453 Salaries	195,985,411	190,950,107	5,035,304
454 Supplies	20,862,175	16,462,049	4,400,126
454 Furniture and equipment	8,233,716	7,612,916	620,800
454 Judgments and claims	45,792	105,379	(59,587)
454 Contractual services	144,803,908	138,916,969	5,886,939
454 Fixed charges	98,103	71,446	26,657
Total	<u>370,029,105</u>	<u>354,118,866</u>	<u>15,910,239</u>
461 FRINGE BENEFITS	<u>3,127,339,885</u>	<u>3,127,339,885</u>	<u>-</u>
470 PRE-KINDERGARTEN CONTRACTS	<u>731,027,822</u>	<u>706,407,771</u>	<u>24,620,051</u>
472 CONTRACT SCHOOLS AND FOSTER CARE	<u>729,775,475</u>	<u>807,361,275</u>	<u>(77,585,800)</u>
474 NON-PUBLIC SCHOOLS AND FIT PAYMENTS	<u>76,189,463</u>	<u>74,792,732</u>	<u>1,396,731</u>
491 COLLECTIVE BARGAINING TOTAL TAX LEVY	<u>-</u>	<u>-</u>	<u>-</u>
CATEGORICAL PROGRAMS:			
481 Salaries	995,152,904	986,379,308	8,773,596
482 Supplies	165,706,748	173,701,039	(7,994,291)
482 Furniture and equipment	23,669,013	30,470,712	(6,801,699)
482 Pension	112,371,912	112,371,912	-
482 Contractual service	<u>424,490,768</u>	<u>408,008,466</u>	<u>16,482,302</u>
Total categorical programs	<u>1,721,391,345</u>	<u>1,710,931,437</u>	<u>10,459,908</u>

(Continued)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2017

Continued

	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
TOTAL APPROPRIATIONS EXPENDED	\$ 23,511,738,815	\$ 23,508,038,003	\$ 3,700,812
INTRA-CITY SALES	<u>(46,785,333)</u>	<u>(45,480,741)</u>	<u>(1,304,592)</u>
Sub-total	23,464,953,482	23,462,557,262	2,396,220
NET CHANGE IN PRIOR PAYABLES	<u>-</u>	<u>(144,954,954)</u>	<u>144,954,954</u>
Total expenditures	23,464,953,482	23,317,602,308	147,351,174
OTHER FINANCING USES — Transfer to The City of New York	<u>-</u>	<u>144,954,954</u>	<u>(144,954,954)</u>
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 23,464,953,482</u>	<u>\$ 23,462,557,262</u>	<u>\$ 2,396,220</u>

(Concluded)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2016

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
GENERAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:			
401 Salaries	\$ 6,050,412,168	\$ 6,050,412,168	\$ -
402 Supplies	152,657,463	125,580,212	27,077,251
402 Furniture and equipment	33,057,535	63,104,900	(30,047,365)
402 Textbooks	101,568,742	76,781,004	24,787,738
402 Contractual services	<u>433,029,224</u>	<u>454,846,848</u>	<u>(21,817,624)</u>
Total	<u>6,770,725,132</u>	<u>6,770,725,132</u>	<u>-</u>
SPECIAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:			
403 Salaries	1,559,902,973	1,559,902,972	1
404 Supplies	2,681,564	1,700,784	980,780
404 Furniture and equipment	434,483	1,384,746	(950,263)
404 Textbooks	347,020	9,332	337,688
404 Contractual services	<u>1,323,382</u>	<u>1,235,166</u>	<u>88,216</u>
Total	<u>1,564,689,422</u>	<u>1,564,233,000</u>	<u>456,422</u>
CHARTER SCHOOLS			
406 Supplies	673,063	956,210	(283,147)
406 Textbooks	7,053,108	5,942,933	1,110,175
406 Contractual services	<u>1,486,753,537</u>	<u>1,486,753,536</u>	<u>1</u>
Total	<u>1,494,479,708</u>	<u>1,493,652,679</u>	<u>827,029</u>
UNIVERSAL PRE-K			
407 Salaries	434,876,711	439,140,425	(4,263,714)
408 Supplies	15,147,180	11,534,779	3,612,401
408 Furniture and equipment	6,251,962	4,566,303	1,685,659
408 Textbooks	313,517	489,702	(176,185)
408 Contractual Services	<u>401,386,771</u>	<u>406,508,645</u>	<u>(5,121,874)</u>
Total	<u>857,976,141</u>	<u>862,239,854</u>	<u>(4,263,713)</u>
SCHOOL SUPPORT ORGANIZATION:			
415 Salaries	255,088,494	255,088,494	-
416 Supplies	5,702,983	3,836,288	1,866,695
416 Furniture and equipment	1,663,557	2,505,339	(841,782)
416 Textbooks	-	107,425	(107,425)
416 Contractual services	<u>21,665,798</u>	<u>20,910,480</u>	<u>755,318</u>
Total	<u>284,120,832</u>	<u>282,448,026</u>	<u>1,672,806</u>

(Continued)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2016

Continued

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
CITYWIDE EDUCATION			
INSTRUCTION AND			
SCHOOL LEADERSHIP:			
421 Salaries	\$ 975,017,929	\$ 974,406,427	\$ 611,502
422 Supplies	6,141,305	7,083,518	(942,213)
422 Furniture and equipment	4,975,013	4,103,851	871,162
422 Textbooks	557,398	556,785	613
422 Contractual services	8,330,530	7,125,500	1,205,030
Total	<u>995,022,175</u>	<u>993,276,081</u>	<u>1,746,094</u>
INSTRUCTIONAL SUPPORT:			
423 Salaries	279,653,954	279,653,955	(1)
424 Supplies	3,420,163	2,738,188	681,975
424 Furniture and equipment	3,403,889	2,869,803	534,086
424 Textbooks	500	-	500
424 Contractual services	250,410,315	251,626,875	(1,216,560)
Total	<u>536,888,821</u>	<u>536,888,821</u>	<u>-</u>
SCHOOL FACILITIES			
435 Salaries	481,621,013	481,621,013	-
436 Supplies	29,872,050	27,154,244	2,717,806
436 Furniture and equipment	486,343	566,183	(79,840)
436 Pollution remediation	105,748,412	105,748,412	-
436 Contractual services	330,260,115	332,898,080	(2,637,965)
Total	<u>947,987,933</u>	<u>947,987,932</u>	<u>1</u>
PUPIL TRANSPORTATION			
438 Supplies	3,075,909	2,819,331	256,578
438 Equipment	3,977,999	3,053,927	924,072
438 Contractual services	5,978,500	5,297,205	681,295
438 Pupil transportation	1,130,251,084	1,132,113,028	(1,861,944)
Total	<u>1,143,283,492</u>	<u>1,143,283,491</u>	<u>1</u>
SCHOOL FOOD SERVICES			
439 Salaries	218,778,889	218,778,888	1
440 Supplies	20,669,406	23,496,461	(2,827,055)
440 Food purchases	192,495,018	183,335,587	9,159,431
440 Furniture and equipment	5,426,045	7,041,123	(1,615,078)
440 Contractual services	23,709,547	28,426,844	(4,717,297)
Total	<u>461,078,905</u>	<u>461,078,903</u>	<u>2</u>

(Continued)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2016

Continued

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
442 SCHOOL SAFETY	\$ 327,490,616	\$ 327,490,616	\$ -
444 ENERGY AND LEASES	453,768,108	439,198,801	14,569,307
CENTRAL ADMINISTRATION			
453 Salaries	174,778,560	172,006,787	2,771,773
454 Supplies	16,203,749	14,315,136	1,888,613
454 Furniture and equipment	8,454,566	8,215,551	239,015
454 Judgments and claims	98,103	10,975	87,128
454 Contractual services	154,514,812	156,529,666	(2,014,854)
454 Fixed charges	133,000	42,444	90,556
Total	<u>354,182,790</u>	<u>351,120,559</u>	<u>3,062,231</u>
461 FRINGE BENEFITS	<u>3,019,277,282</u>	<u>3,019,277,282</u>	<u>-</u>
470 PRE-KINDERGARTEN CONTRACTS	<u>763,781,194</u>	<u>762,244,838</u>	<u>1,536,356</u>
472 CONTRACT SCHOOLS AND FOSTER CARE	<u>681,453,942</u>	<u>709,674,442</u>	<u>(28,220,500)</u>
474 NON-PUBLIC SCHOOLS AND FIT PAYMENTS	<u>67,160,073</u>	<u>66,038,048</u>	<u>1,122,025</u>
TOTAL TAX LEVY	<u>20,723,366,566</u>	<u>20,730,858,505</u>	<u>(7,491,939)</u>
CATEGORICAL PROGRAMS:			
481 Salaries	1,026,959,169	1,020,088,185	6,870,984
482 Supplies	132,453,101	152,543,666	(20,090,565)
482 Furniture and equipment	17,256,810	29,810,292	(12,553,482)
482 Pension	112,423,112	112,418,176	4,936
482 Contractual service	<u>409,486,968</u>	<u>375,841,128</u>	<u>33,645,840</u>
Total categorical programs	<u>1,698,579,160</u>	<u>1,690,701,447</u>	<u>7,877,713</u>

(Continued)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2016

Continued

	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
TOTAL APPROPRIATIONS EXPENDED	\$ 22,421,945,726	\$ 22,421,559,953	\$ 385,773
INTRA-CITY SALES	<u>(48,324,313)</u>	<u>(48,041,253)</u>	<u>(283,060)</u>
Sub-total	22,373,621,413	22,373,518,700	102,713
NET CHANGE IN PRIOR PAYABLES	<u>-</u>	<u>(399,830,499)</u>	<u>399,830,499</u>
Total expenditures	22,373,621,413	21,973,688,201	399,933,212
OTHER FINANCING USES —			
Transfer to The City of New York	<u>-</u>	<u>399,830,499</u>	<u>(399,830,499)</u>
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 22,373,621,413</u>	<u>\$ 22,373,518,700</u>	<u>\$ 102,713</u>

(Concluded)

Glossary

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

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