

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, 2018 and 2017



Bill DeBlasio, Mayor
Richard A. Carranza, Chancellor

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ANNUAL FINANCIAL STATEMENTS

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

For the Fiscal Years Ended June 30, 2018 and 2017



Prepared by the Division of Financial Operations

Lindsey Oates, Chief Financial Officer

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ANNUAL FINANCIAL STATEMENTS

The Department of Education of The City of New York

For the Fiscal Years Ended June 30, 2018 and 2017

INTRODUCTORY SECTION

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Transmittal Letter



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

November 20, 2018

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, 2018

The Annual Financial Statements for the Department of Education (the “DOE”) of The City of New York. (The City) for the fiscal year ended June 30, 2018 are submitted herewith and include a Management’s Discussion and Analysis, Financial Statements, Notes to the Financial Statements and supplemental schedules. We believe they are complete and accurate in all material aspects; that they are presented in accordance with accounting principles designed to set forth fairly the financial position and results of operations of the DOE as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the appropriate understanding of the DOE’s financial affairs have been included. Responsibility for completeness and clarity of the report, including disclosures, rests with the Chancellor, and the Chief Financial Officer. The Chief Administrator of the Office of Accounting of the Division of Financial Operations is responsible for the data presented herein.

DOE Overview

The DOE provides primary and secondary education to 1,135,334 students from pre-K to grade 12, in 32 school districts in over 1,800 schools, and employs approximately 79,000 teachers. As the largest public school district in the United States, the DOE prepares students to meet grade level standards in reading, writing and math, and is committed to putting every student on a path to college and a meaningful career.

The following table summarizes total students by grade band as of June 30, 2018:

Student Demographics – Fiscal Year 2018	
Pre-K	71,528
K – 5	500,151
6 – 8	234,055
9 – 12	<u>329,600</u>
Total	<u>1,135,334</u>

The DOE's governance structure is comprised of the Panel for Educational Policy, the Chancellor, superintendents, community and citywide councils, principals, and school leadership teams. In June 2018, Chancellor Richard A. Carranza created a new streamlined support system for The City's schools and his leadership team to bring resources closer to schools and simplify support for principals, allowing them to focus on the day-to-day operations of their schools. To better align supervision and support for every school, superintendents, and Field Support Center Executive Directors report to nine executive superintendents, who are overseen by the First Deputy Chancellor. The new support and supervision system builds on the current structure in which strong superintendents supervise principals, and geographically-based Field Support Centers provide targeted resources to schools.

Economic Condition and Outlook

Local Economy

According to *The State of the City's Economy and Finances* issued by The City's Office of the Comptroller on December 15, 2017, The City's economy continues to perform well. Unemployment remains low and labor-force participation is at record highs. Job growth, while slowing, remains solid, and earnings are rising.

Overall, there are no signs of a near-term recession or even a severe economic slowdown. The Comptroller expects both the City and the U.S. economies to grow at a reasonable pace through Fiscal Year 2021, with a slowdown during 2020 as the Federal Reserve gradually tightens monetary policy. Federal government expenditures are expected to remain flat with moderate increases in spending at the state and local level.

Major uncertainties in this outlook continue to be federal fiscal and monetary policy. For example, without the deductibility of New York state and local income taxes, many taxpayers will see both higher federal taxes and higher effective state and local marginal tax rates. In the short run, this could limit the boost to the local economy. In the long run, it is likely to negatively affect the competitiveness of high-tax jurisdictions such as New York City. In addition to the potential impacts of tax legislation, the increase in the federal deficit increases the risk of budget sequestration that would result in cuts to federal aid to state and local governments.

Financial Policies

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

The DOE has two basic sources of funding:

Tax Levy and unrestricted Federal and State Aid — this includes revenue from City taxes (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.

Budget Controls

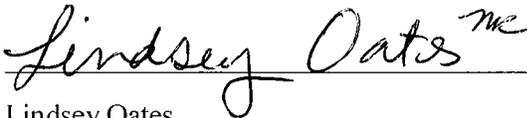
In accordance with the DOE’s status as a dependent school district, revenues received for school purposes are required to be deposited into The City’s Treasury, which is maintained for the General Fund. As revenues are collected, they are recorded to a series of designated revenue codes established for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

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

Acknowledgements

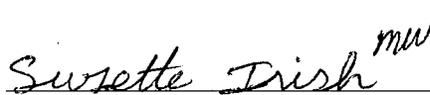
We wish to thank our accounting and financial staff for their dedicated efforts in producing these financial statements. In addition, special thanks to The City’s Office of the Comptroller, School Construction authority (“SCA”), and The City Audit Committee for their ongoing support and commitment to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

Respectfully submitted by,



Lindsey Oates

Chief Financial Officer



Suzette Irish

Chief Administrator

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ANNUAL FINANCIAL STATEMENTS

The Department of Education of The City of New York

For the Fiscal Years Ended June 30, 2018 and 2017

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 years ended June 30, 2018 and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the DOE’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DOE’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department of Education of The City of New York as of June 30, 2018 and 2017, and the respective changes in financial position for the years 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, 2018 and 2017, and the changes in its financial position, for the years then ended in conformity with the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 23-33, the Schedule of the Net OPEB Liability on page 87, the Schedule of DOE's Proportional Share of Net Pension Liabilities of Cost-Sharing Multiple Employer Pension Plans on page 88, and the Schedule of DOE Contributions for TRS and BERS Pension Plans on pages 90-94 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the DOE's basic financial statements. The Supplemental Schedules of the General Fund on pages 98-106 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the

basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

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

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 20, 2018, on our consideration of the DOE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the DOE's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the DOE's internal control over financial reporting and compliance.



New York, New York
November 20, 2018

**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, 2018, 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 20, 2018.

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 20, 2018

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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, 2018 and 2017. Please read it in conjunction with the transmittal letter at the beginning of these financial statements and with the DOE's financial statements, which immediately follow this section.

Financial Highlights

- Net position at June 30, 2018 and 2017 was \$0. The DOE is not an independent school district; thus, the DOE has no net position (deficit) of its own, and any deficiency is treated as Due from The City of New York.
- Total assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported in the governmental funds at June 30, 2018 were \$3.8 billion, an increase of \$222 million from Fiscal Year 2017.
- 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.
- General Fund total revenues available and spent during Fiscal Year 2018 were \$25.0 billion, an increase of \$1.7 billion over that of Fiscal Year 2017.
- General Fund total revenues available and spent during Fiscal Year 2017 were \$23.3 billion, an increase of \$1.3 billion over that of Fiscal Year 2016.
- In Fiscal Year 2018, there was a write down of prior year payables of \$57 million, of which \$41 million was from Fiscal Year 2016, and a write down of prior receivables of \$43 million. This resulted in a net increase of \$14 million.
- In Fiscal Year 2017, there was a write down of prior year payables of \$145 million, of which \$70.2 million was also from Fiscal Year 2016, and a write down of prior receivables of \$72 million. This resulted in a net increase of \$73 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. First, the "Department-wide Financial Statements" provide both short-term and long-term information about the DOE's overall financial status. On the other hand, the "Fund Financial Statements" focus on individual parts of the DOE, reporting its operations in more detail than the Department-wide financial statements.

Department-Wide Financial Statements

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

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

The Department-Wide Financial Statements include all activities of the DOE in one category: Governmental Activities. These activities comprise school leadership, instruction and special education support; system-wide school support services (e.g., transportation, food, etc.); the School Support Organization (i.e., superintendents, student enrollment planning and operations); central administration; and 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 basic services of the DOE, such as regular and special education, are financed in the short term. The acquisition, use and balance of the expendable available financial resources and the related liabilities are accounted for through governmental funds.

Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the DOE's programs. Because this information does not encompass the additional long-term focus of the Department-wide statements, additional information behind the governmental funds statements explains the relationship (or differences) between them.

Since the DOE maintains a dependent relationship with The City, funding provided by The City 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 fiduciary funds statement provides information about the financial relationships in which the DOE acts solely as an agent for the benefit of others. The DOE is responsible for ensuring that the assets are used only for their intended purposes. The DOE excludes these activities from the Department-wide financial statements because the funds are only available to support student programs at their respective schools and not the DOE overall.

The financial statements also include notes that explain data in the statements and provide more detailed information. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the DOE's budget for the year.

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

Financial Analysis of the Department-wide Financial Statements

As noted earlier, the Statement of Net Position provides the financial status and operating results of the DOE as a whole. The following table provides a summary of the DOE's net position for all governmental activities as of June 30, 2018, 2017 and 2016 (\$000 omitted):

Figure 1	Governmental Activities		
Condensed Statement of Net Position	2018	2017	2016
Current and other assets	\$ 2,642,228	\$ 1,929,215	\$ 2,314,956
Due from The City of New York	30,995,072	27,429,018	28,351,596
Capital assets (Net of depreciation)	<u>27,590,086</u>	<u>26,988,964</u>	<u>25,763,643</u>
Total assets	<u>\$ 61,227,386</u>	<u>\$ 56,347,197</u>	<u>\$ 56,430,195</u>
Deferred outflow of resources	<u>2,893,123</u>	<u>3,211,749</u>	<u>5,745,470</u>
Long-term liabilities	\$ 51,584,843	\$ 49,486,123	\$ 55,488,632
Other liabilities	<u>4,002,373</u>	<u>3,830,672</u>	<u>3,154,858</u>
Total liabilities	<u>\$ 55,587,216</u>	<u>\$ 53,316,795</u>	<u>\$ 58,643,490</u>
Deferred inflows of resources	<u>8,533,293</u>	<u>6,242,151</u>	<u>3,532,175</u>
Net position:			
Net investment in capital assets	\$ 27,590,086	\$ 26,988,964	\$ 25,763,643
Unrestricted deficit	<u>(27,590,086)</u>	<u>(26,988,964)</u>	<u>(25,763,643)</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

At the close of Fiscal Year 2018, total net position is \$0. Since the DOE is not an independent school district, it has no net position of its own. Possible deficiency in net position 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.

In Fiscal Year 2018, total assets increased by \$4.8 billion from \$56.3 billion as of June 30, 2017 to \$61.2 billion as of June 30, 2018. In addition, capital assets (net of depreciation) increased by \$601 million due to a transfer from the School Construction Authority ("SCA").

In Fiscal Year 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 SCA.

In Fiscal Year 2018, liabilities and deferred inflows of resources increased by \$4.6 billion from \$59.6 billion as of June 30, 2017 to \$64.1 billion as of June 30, 2018. This was primarily due to a decrease in net pension liability of \$4.9 billion that arose from changes in actuarial assumptions, deferred inflows of resources or deferred outflows of resources during the period offset by an increase in the other postemployment benefits (OPEB) liabilities of \$7.2 billion due to benefit payments and changes in assumptions.

In Fiscal Year 2018, accounts payable and accrued expenses, other liabilities and due to other entities due within one year have a net increase of \$172 million for outstanding obligations. Deferred inflows of resources for pension and OPEB increased by \$2.3 billion due to the difference between actual and expected returns. Additionally, there was an increase in capital lease obligations of \$20 million due to the

increase of pre-K students, and a decrease in accrued judgments and claims of \$478 million due to offset by an increase in pollution remediation of \$28.5 million.

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. This was primarily due to a decrease in pension liability of \$3.3 billion that arose from changes in actuarial assumptions deferred inflows of resources or deferred outflows of resources during the period and a decrease in the other postemployment benefits (OPEB) liabilities of \$3.0 billion, due to benefit payments and changes in assumptions. Accounts payable and accrued expenses, other liabilities and due to other entities had a net increase of \$691 million for outstanding obligations. Deferred inflows of resources for pension and OPEB increased by \$2.7 billion due to differences between actual and expected returns. Additionally, there was an increase in both capital lease obligations of \$17.5 million due to the increase of pre K students and accrued judgments and claims of \$13.5 million with a decrease in pollution remediation of \$13.9 million as per GASB 49 requirements.

The following provides a summary of changes in the DOE's net position for all activities as of June 30, 2018, 2017, and 2016 (\$000 omitted):

Figure 2 Condensed Statement of Activities	Governmental Activities		
	2018	2017	2016
Revenues:			
Program revenues:			
Charges for services	\$ 65,620	\$ 157,103	\$ 83,842
Operating grants and contributions	12,821,217	12,276,858	11,731,978
General revenues:			
City funded	12,196,078	11,028,596	10,557,700
Other	61,094	45,481	48,041
Total revenues	<u>25,144,009</u>	<u>23,508,038</u>	<u>22,421,561</u>
Expenses:			
School leadership, instruction and special education support	18,139,086	17,213,787	17,492,301
School support services	4,176,394	4,109,792	3,823,907
School support organization	516,064	478,640	460,716
Central administration	464,290	442,149	443,600
Non-public charter and contract schools	3,560,775	3,262,935	3,031,610
Total expenses	<u>26,856,609</u>	<u>25,507,303</u>	<u>25,252,134</u>
Net revenue (expenses)	(1,712,600)	(1,999,265)	(2,830,573)
Remaining net expense to be funded long term from The City of New York	<u>1,712,600</u>	<u>1,999,265</u>	<u>2,830,573</u>
Change in net position	-	-	-
Net position — beginning	-	-	-
Net position — ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The key elements of these changes are as follows:

Included within Operating Grants and Contributions program revenues, Federal program revenues increased 3.6%, from \$1.76 billion in Fiscal Year 2017 to \$1.83 billion in Fiscal Year 2018 and State program revenues increased 4.4%, from \$10.26 billion in Fiscal Year 2017 to \$10.71 billion in Fiscal Year 2018 due to the payment pursuant to collective bargaining.

Expenses include costs 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 comparative fiscal years for: vacation and sick leave, capital leases obligations, accrued judgments and claims, pollution remediation obligations, and depreciation expense. Pension and Other Post-Employment Benefits (OPEB) expenses are allocated over the expense categories using the full accrual accounting method of accounting.

In Fiscal Year 2018, the cost allocation of long term liabilities and pension expense are as follows: School Leadership, Instruction and Special Education Support increased by 5.4% from \$17.2 billion in Fiscal Year 2017 to \$18.1 billion in Fiscal Year 2018; School Support Services increased \$67 million from \$4.1 billion in Fiscal Year 2017 to \$4.2 billion in Fiscal Year 2018; School Support Organization increased from \$479 million to \$516 million; and Central Administration increased by \$22 million, and non-public, charter, and contract schools, had an overall increase of \$298 million due to charter and Carter case increases in obligation costs and instructional programs.

In Fiscal Year 2017, the cost allocation of long term liabilities and pension expenses are as follows: 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; Central Administration decreased by \$1.4 million, and non-public, charter, and contract schools, had an overall increase of \$231 million due to charter and Carter case increases in obligation costs.

Financial Analysis of the Governmental Funds

As noted earlier, the focus on the DOE's governmental funds is to provide a detailed, short-term view of outflows and inflows of resources to finance DOE programs. The following table summarizes the changes in fund balances of governmental funds as of June 30, 2018, 2017 and 2016 (\$000 omitted):

Figure 3 General Fund	Governmental Funds			Amount Change		Percentage Change	
	2018	2017	2016	2017-2018	2016-2017	2017-2018	2016-2017
Assets:							
Cash	\$ 7,367	\$ 3,049	\$ 21,539	\$ 4,318	\$ (18,490)	141.6 %	(85.8)%
Accounts Receivable							
Federal	777,358	659,686	938,971	117,672	(279,285)	17.8%	(29.7)%
State	1,742,055	1,136,575	1,219,241	605,480	(82,666)	53.3%	(6.8)%
Non-Governmental	106,704	124,254	129,013	(17,550)	(4,759)	(14.1)%	(3.7)%
Due from The City of New York	<u>1,121,027</u>	<u>1,609,127</u>	<u>541,385</u>	<u>(488,100)</u>	<u>1,067,742</u>	(30.3)%	197.2%
Total	<u>\$ 3,754,511</u>	<u>\$ 3,532,691</u>	<u>\$ 2,850,149</u>	<u>\$ 221,820</u>	<u>\$ 682,542</u>	6.3%	24.0%
Liabilities and deferred inflows of resources:							
Accounts payable and accrued expenses	\$ 3,636,787	\$ 3,405,459	\$ 2,771,428	\$ 231,328	\$ 634,031	6.8%	22.9%
Other Liabilities	110,455	104,760	48,108	5,695	56,652	5.4%	117.8%
Deferred Inflows of resources							
Grant advances	<u>7,269</u>	<u>22,472</u>	<u>30,613</u>	<u>(15,203)</u>	<u>(8,141)</u>	(67.7)%	(26.6)%
Total	<u>\$ 3,754,511</u>	<u>\$ 3,532,691</u>	<u>\$ 2,850,149</u>	<u>\$ 221,820</u>	<u>\$ 682,542</u>	6.3%	24.0%

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

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

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

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.

The following provides a summary of changes in revenues and expenditures as of June 30, 2018, 2017 and 2016 (\$000 omitted):

Figure 4 Changes in Revenue and Expenditures	General Fund			Change	Change
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2017-2018</u>	<u>2016-2017</u>
Revenues:					
Federal aid	\$ 1,826,044	\$ 1,762,405	\$ 1,738,488	3.6 %	1.4 %
State aid	10,712,460	10,262,946	9,737,435	4.4 %	5.4 %
Funding by the City	12,182,620	10,955,739	10,356,829	11.2 %	5.8 %
Other	305,269	336,512	140,937	(9.3)%	138.8 %
Total revenues	<u>\$ 25,026,393</u>	<u>\$ 23,317,602</u>	<u>\$ 21,973,689</u>	7.3 %	6.1 %
Expenditures:					
School leadership, instruction and special					
education support	\$ 16,724,647	\$ 15,585,803	\$ 15,100,107	7.3 %	3.2 %
School support services	3,951,256	3,821,526	3,497,132	3.4 %	9.3 %
School support organization	475,207	433,281	397,854	9.7 %	8.9 %
Central administration	432,123	404,493	394,857	6.8 %	2.4 %
Non-public, Charter, and Contract Schools	3,560,776	3,262,935	3,031,610	9.1 %	7.6 %
Intra-city sales	(61,094)	(45,481)	(48,041)	34.3 %	(5.3)%
Subtotal	25,082,915	23,462,557	\$ 22,373,519	6.9 %	4.9 %
Net change in estimate of prior payables	(56,522)	(144,955)	(399,830)	(61.0)%	(63.7)%
Total expenditures	<u>\$ 25,026,393</u>	<u>\$ 23,317,602</u>	<u>\$ 21,973,689</u>	7.3 %	6.1 %

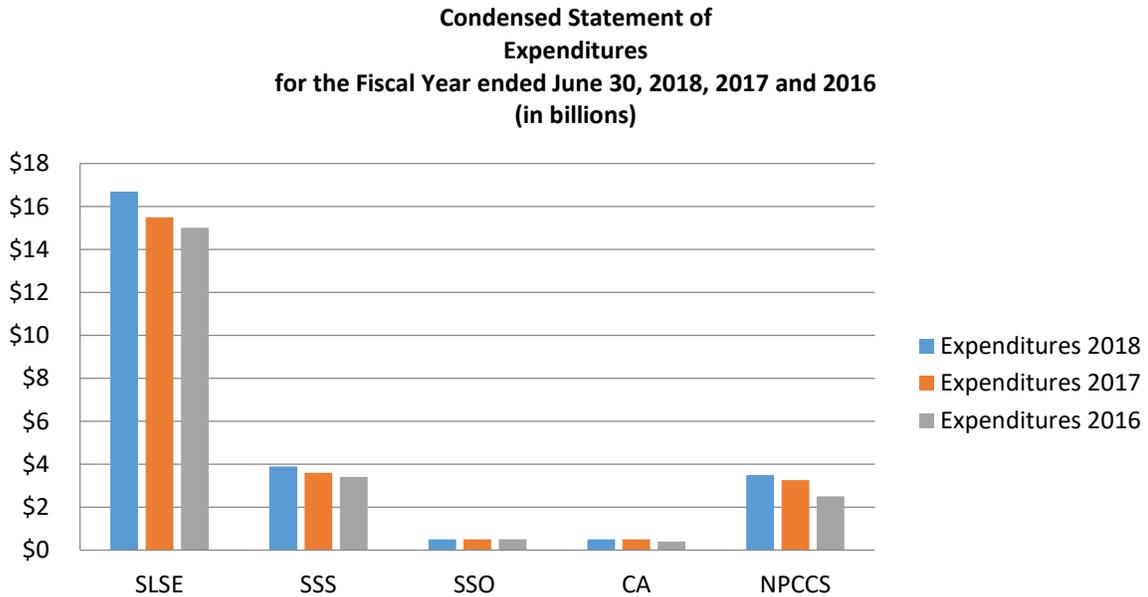
In Fiscal Year 2018, state revenue sources reflecting major revenue increases included \$338 million for Foundation Aid, \$83 million for Charter School Tuition, \$32 million for Transportation Aid and \$29 million for Special Education Pre-Kindergarten Services. These increases were partially offset by a \$41 million decrease in Building Aid. Federal programs with major revenue growth included School Food programs, with an \$81 million increase from FY 2017 and Medicaid, with a \$56 million increase. Federal decreases included \$37 million in Title I, \$27 million in Title IIA and \$18 million in Individuals with Disabilities Education Act (IDEA), pursuant to state law and corresponding appropriation changes.

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 Fiscal Year 2016, and Individuals with Disabilities Education Act (IDEA), which increased by \$24 million. Federal decreases included \$14

million in Federal Emergency Management Agency (FEMA) funding attributable to Hurricane Sandy emergency protective measure revenues realized in Fiscal Year 2016.

The following chart summarizes expenses by category for Fiscal Years 2018, 2017 and 2016:

Figure 5



<u>Functions/Program</u>	
SLSE	School leadership instructions and special education support
SSS	School support services
SSO	School support organization
CA	Central administration
NPCCS	Nonpublic charter and public school

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

In Fiscal Year 2017, total fund expenditures increased 6.1% or \$1.3 billion. Expenditures in the area of School Leadership, Instruction and Special Education Support increased by \$486 million, more than 3.2% mainly due to increases in collective bargaining and contractual services. School Support Services increased \$324 million, 9.3% and School Support Organization increased about \$35 million, 8.9% due to early childhood programs. 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, a 7.6% increase, due to charter and Carter case increases in obligation costs.

General Fund Budgetary Highlights

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

- Intra-city adjustments of \$26.2 million to Tax-levy budgets and \$25.1 million to Reimbursable Program budgets.
- Executive and Adopted Budget Actions which increased Tax-levy budgets by \$591.8 million and Reimbursable Program budgets by \$21.0 million. The Tax-levy increases were primarily due to city-funded collective bargaining payments.
- November and January Plan Actions, which increased Tax-levy budgets by \$30.5 million and Reimbursable Program budgets by \$1.6 million.
- Final Fiscal Year Close Actions, which increased Tax-levy budgets by \$7.8 million and Reimbursable Program budgets by \$11.6 million.
- Additional Fiscal Year Close Actions, which includes an increase to Tax-levy budgets of \$100.1 million, are attributable to the effects of GASB Statement No. 49 requirements for pollution remediation.

As a result of the above, The City made a net increase to the Adopted budget of over \$764.5 million.

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

Figure 6	Governmental Activities		
	2018	2017	2016
Land*	\$ 448,963	\$ 448,956	\$ 448,956
Buildings	24,498,478	23,504,674	22,512,017
Equipment	28,186	31,627	35,335
Construction in progress*	<u>2,614,459</u>	<u>3,003,707</u>	<u>2,767,336</u>
Total	<u>\$ 27,590,086</u>	<u>\$ 26,988,964</u>	<u>\$ 25,763,644</u>

*Not depreciable/amortizable

In Fiscal Year 2018, capital assets, net of accumulated depreciation, increased from Fiscal Year 2017 by \$601 million which was predominantly construction in progress that were transferred to the DOE from the School Construction Authority (“SCA”) in the amount of \$2.1 billion.

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

In Fiscal Year 2017, the SCA completed 25 new schools and additions, which resulted in the creation of 8,390 seat openings for the 2017/2018 school year.

Factors Bearing on the Department’s Future

In 1996, a class action lawsuit 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 4F.1).

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, 2018 and 2017

Department-Wide Financial Statements

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statement of Net Position as of June 30, 2018

(\$000 Omitted)

	<u>Governmental Activities</u>
ASSETS:	
Cash	\$ 7,367
Accounts receivable	
Federal	777,358
State	1,742,055
Non-governmental	106,704
Inventories	8,744
Due from The City of New York	30,995,072
Capital assets (net of accumulated depreciation \$19,361,918)	
Land	448,963
Buildings	24,498,478
Equipment (including software)	28,186
Construction in progress	2,614,459
Total assets	<u>61,227,386</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows from pension	1,445,081
Deferred outflows from OPEB	1,448,042
Total deferred outflows of resources	<u>2,893,123</u>
LIABILITIES:	
Accounts payable and accrued expenditures	3,636,787
Other liabilities	96,044
Due to SCA	14,131
Due to NYCSSS	280
Pollution remediation obligations	89,713
Accrued vacation and sick leave	59,990
Capital lease obligations	26,123
Accrued judgments and claims	79,305
Noncurrent liabilities:	
Pollution remediation obligations	1,042
Accrued vacation and sick leave	2,377,676
Capital lease obligations	313,673
Accrued judgments and claims	279,914
Employer pension obligations	18,444,495
Other postemployment benefit obligations	30,168,043
Total liabilities	<u>55,587,216</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows from pension	6,130,571
Deferred inflows from OPEB	2,395,453
Grant advances	7,269
Total deferred inflows of resources	<u>8,533,293</u>
NET POSITION:	
Net investment in capital assets	27,590,086
Unrestricted deficit	(27,590,086)
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, 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	<u>3,003,707</u>
Total assets	<u>56,347,197</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows from pension	3,043,746
Deferred outflows from OPEB	<u>168,003</u>
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
Pollution remediation obligations	62,070
Accrued vacation and sick leave	53,358
Capital lease obligations	23,257
Accrued judgments and claims	181,768
Noncurrent liabilities:	
Pollution remediation obligations	138
Accrued vacation and sick leave	2,197,626
Capital lease obligations	296,562
Accrued judgments and claims	655,221
Employer pension obligations	23,372,049
Other postemployment benefit obligations	<u>22,964,527</u>
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	<u>22,472</u>
Total deferred inflows of resources	<u>6,242,151</u>
NET POSITION:	
Net investment in capital assets	26,988,964
Unrestricted deficit	<u>(26,988,964)</u>
Total net position (deficit)	<u>\$ -</u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statement of Activities for the Year Ended June 30, 2018

(\$000 Omitted)

Function/Programs:	Program Expenses	Program Revenue		Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	
School leadership, instruction and special education support	\$ 18,139,086	\$ 10,705	\$ 10,322,743	\$ (7,805,638)
School support services	4,176,394	36,056	1,876,396	(2,263,942)
School support organization	516,064	-	-	(516,064)
Central administration	464,290	-	-	(464,290)
Non-public, charter, and contract schools	<u>3,560,775</u>	<u>18,859</u>	<u>622,078</u>	<u>(2,919,838)</u>
Total department activities	<u>\$ 26,856,609</u>	<u>\$ 65,620</u>	<u>\$ 12,821,217</u>	(13,969,772)
General revenues:				
City funded				12,196,078
Intra-city sales				61,094
Other adjustments:				
Net expense to be funded long term from The City of New York				<u>1,712,600</u>
Change in net position				-
Net position (deficit) - beginning				-
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, 2017

(\$000 Omitted)

Function/Programs:	Program Expenses	Program Revenue		Net (Expenses) Revenues
		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 of New York				<u>1,999,265</u>
Change in net position				-
Net position (deficit) - beginning				<u>-</u>
Net position (deficit) - ending				<u>\$ -</u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Balance Sheet as of June 30, 2018

(\$000 Omitted)

	<u>General Fund</u>
ASSETS	
Cash	\$ 7,367
Accounts receivable:	
Federal	777,358
State	1,742,055
Non-governmental	106,704
Due from The City of New York	<u>1,121,027</u>
Total assets	<u><u>\$ 3,754,511</u></u>
LIABILITIES	
Accounts payable and accrued expenditures	\$ 3,636,787
Other liabilities	96,044
Due to SCA	14,131
Due to NYCSSS	<u>280</u>
Total liabilities	<u>3,747,242</u>
DEFERRED INFLOWS OF RESOURCES:	
Grant advances	<u>7,269</u>
Total deferred inflows of resources	<u>7,269</u>
FUND BALANCE	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 3,754,511</u></u>

See accompanying notes to financial statements.

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>\$ 3,532,691</u>
LIABILITIES	
Accounts payable and accrued expenditures	\$ 3,405,459
Other liabilities	57,822
Due to SCA	21,916
Due to NYCSSS	<u>25,022</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	
	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 3,532,691</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, 2018
(\$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		8,744
Due from The City of New York		29,874,045
Capital assets net of depreciation used in governmental activities are not financial resources and, therefore, are not reported in governmental funds		27,590,086
Other long-term assets and deferred outflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds:		
Deferred outflows from pension		1,445,081
Deferred outflows from OPEB		1,448,042
Long-term liabilities and deferred inflows of resources are not due and payable in the current period and accordingly are not reported in the governmental funds:		
Other postemployment benefit obligations (OPEB)		(30,168,043)
Employer pension obligations		(18,444,495)
Accrued vacation and sick leave		(2,437,666)
Pollution remediation obligations		(90,755)
Capital lease obligations		(339,796)
Accrued judgments and claims		(359,219)
Deferred inflows from pension		(6,130,571)
Deferred inflows from OPEB		(2,395,453)
Net position (deficit) — governmental activities	\$	<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, 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 assets net of depreciation used in governmental activities are not financial resources and, therefore, are not reported in governmental funds		26,988,964
Other long-term assets and deferred outflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds:		
Deferred outflows from pension		3,043,746
Deferred outflows from OPEB		168,003
Long-term liabilities and deferred inflows of resources are not due and payable in the current period and accordingly are not reported in the governmental funds:		
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 from pension		(3,762,875)
Deferred inflows from OPEB		(2,456,804)
Net position (deficit) — governmental activities	<u>\$</u>	<u>-</u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Fund Type for the Year Ended June 30, 2018
(\$000 Omitted)

	<u>General Fund</u>
REVENUES:	
Federal aid	\$ 1,826,044
State aid	10,712,460
Universal services fund	42,232
Other assistance	180,673
Charges for services:	
School Construction Authority	70,513
Student lunches	1,207
Rentals	34,849
Other	<u>18,859</u>
Subtotal	12,886,837
Net change in estimate of prior receivables	<u>(43,064)</u>
Subtotal	12,843,773
Funding provided by The City of New York	<u>12,182,620</u>
Total revenues	<u>25,026,393</u>
EXPENDITURES:	
General education instruction and school leadership	8,331,254
Special education instruction and school leadership	1,884,290
Charter school	1,880,740
School support organization	340,888
Citywide education instruction and school leadership	1,132,545
Special education instructional support	624,004
School facilities	1,239,439
Pupil transportation	1,206,567
School food services	501,160
School safety	378,057
Energy and leases	517,724
Central administration	377,924
Fringe benefits	3,301,960
Pre-kindergarten contracts	743,659
Contract schools and foster care payments	858,979
Non-public schools	<u>77,397</u>
Subtotal	23,396,587
Reimbursable — categorical programs	1,747,422
Intra-city sales	<u>(61,094)</u>
Subtotal	25,082,915
Net change in estimate of prior payables	<u>(56,522)</u>
Total expenditures	25,026,393
Excess of revenues over expenditures	-
FUND BALANCE	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

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	99,259
Subtotal	<u>12,433,961</u>
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	<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	74,793
Subtotal	<u>21,797,106</u>
Reimbursable — categorical programs	1,710,932
Intra-city 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 over expenditures	-
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, 2018
(\$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.	(1,582,195)
Net expense to be funded long term from The City of New York	1,712,600
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental fund:	
Change in employer pension obligations and pension related deferred outflows and inflows of resources	961,195
Change in other postemployment benefit obligations and other postemployment deferred outflows and inflows of resources	(1,334,165)
Change in sick leave and vacation liability	(186,681)
Change in pollution remediation obligations	(28,547)
Change in capital lease obligations	(19,977)
Change in judgments and claims liability	<u>477,770</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, 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 fund	\$ -
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 of New York	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 fund:	
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>
Change in net position - governmental activities	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund for the Year Ended June 30, 2018

(\$000 Omitted)

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

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

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund for the Year Ended June 30, 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	-	-	(72,098)	(72,098)
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	<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	-
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	-
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
Intra-city sales	(10,227)	(46,787)	(45,481)	(1,306)
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	-	-	(144,955)	144,955
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	-	-	-	-
FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statement of Fiduciary Net Position as of June 30, 2018
(\$000 Omitted)

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 34,998
Total assets	<u>\$ 34,998</u>
LIABILITIES	
Due to students/teachers	\$ 34,386
Holding accounts payable	160
Due to tax agents	<u>452</u>
Total liabilities	<u>\$ 34,998</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)

	<u>Agency Funds</u>
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 financial statements.

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Notes to the Financial Statements
as of and for the Years Ended June 30, 2018 and 2017

1. Summary of Significant Accounting Policies**A. Reporting Entity**

The DOE continues to be fiscally dependent on The City and, accordingly, is included in The City's Comprehensive Annual Financial Report (CAFR). The DOE does not have the authority to levy taxes or issue debt and is dependent upon The City for a substantial portion of its appropriations (i.e., spending authority). In addition, The City 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 City School District of the City of New York (the New York City public schools) is the largest school system in the United States, with over 1.1 million students taught in more than 1,800 separate schools. The department covers all five boroughs of New York City. The Department is run by the Panel for Educational Policy and New York City Schools Chancellor. The current chancellor is Richard Carranza. The Department of Education has an annual budget of nearly \$25 billion and employs almost 135,000 people.

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 revenues.

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

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

Governmental Fund — The acquisition, use and balance of the expendable available financial resources and the related liabilities are accounted for through governmental funds. The following is the DOE's governmental fund, which is considered 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 2018, the DOE adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- *Statement No. 83, Certain Asset Retirement Obligation*
- *Statement No. 85, Omnibus 2017— an Amendment of GASB Statement No. 10.*
- *Statement No. 86, Certain debt extinguishment issues*

Statement No. 83, Certain Asset Retirement Obligation establishes accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities.

The adoption of Statement No. 83 had no impact on the DOE's governmental fund financial statements. The adoption also resulted in no changes to the presentation of the department-wide financial statements of the DOE.

Statement No. 85, Omnibus 2017 addresses practice issues identified during implementation and application of a collection of certain GASB Statements applied throughout the financial statements. Specifically relating to the DOE, the adoption and implementation of Statement No. 85 had no significant impact on the DOE's governmental fund financial statements.

The primary objective of *Statement No. 86, Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for an in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. All debt is reported by The City of New York and not the DOE directly. There was no impact on the DOE's financial statements as a result of the adoption of Statement No. 86.

Pronouncements Issued But Not yet Effective

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

GASB		
Statement Number	GASB Accounting Standard	Effective Fiscal Year
84	Fiduciary Activities	2020
87	Leases	2021
88	Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement	2019
89	Accounting for Interest Cost incurred before the end of a Construction period	2021

C. Basis of Accounting

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

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

Accounts 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.

Materials and Supplies — Inventories on hand at June 30, 2018, amounted to \$8.7 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, 2017, this value was \$5.7 million.

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 2018 and 2017 was \$31.8 million and \$39.5 million, respectively.

The value of these donated commodities still on hand as of June 30, 2018 and 2017 was \$3.4 million and \$0.8 million, respectively.

Capital Assets — include all land, buildings, equipment (including software), with an initial minimum useful life of five years, having a cost of more than \$35 thousand, and having been appropriated in the Capital Budget (see Note 3C). Capital assets, which are used for general governmental purposes and are not available for expenditure, are accounted for and reported in the department-wide financial statements. Capital assets are generally stated at historical cost, or at estimated historical cost. Capital leases are classified as capital assets in amounts equal to the lesser of the fair market value or the net present value of net minimum lease payments at the inception of the lease. (see Note 3D)

Accumulated depreciation is reported as 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.

Accounts Payable and Accrued Expenditures — Accounts Payable and accrued expenditures include all payments of bills and payrolls since June 30, 2018 and accruals for payments to be made in the future, which applies to liabilities incurred as of June 30, 2018. Further, included in accounts payable and accrued expenditure are all payments that have been processed but not yet cleared. In addition, included are all prior year accruals, which have not been liquidated.

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 2018 was \$2.2 billion. As of June 30, 2017, the value of these services was \$2.2 billion.

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

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

Pensions — The provision for pension contributions for the DOE is recorded in The City's financial statement. That provision includes normal costs, interest on prior pension costs not funded, and amortization of past service costs as determined by the actuary employed by the Boards of Trustees of The City's major pension systems (see Note 4D). *Annual pension cost is calculated in accordance with GASB Statement No. 82, Statement No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68 as amended.*

Accrued Vacation and Sick Leave — Earned vacation and sick leave and Cumulative Absence 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 department-wide financial statements.

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

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.

Program Revenue — Program revenue is derived from federal, state, and private aid sources, as well as charges for services and funding from The City.

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.

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 1,642 separate school activity funds held in bank accounts. All bank accounts are maintained by the schools except for three which are maintained in a central office for the benefit of the schools.

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. The department-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

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, 2018 of \$26.9 billion differ from the total expenditures and other uses included in the Statement of Revenues, Expenditures and Changes in Fund Balance in the amount of \$25.1 billion, because of adjustments necessary to convert expenditures from the modified accrual basis of accounting to the full accrual basis (as outlined in the Management’s Discussion and Analysis section). The following schedule reconciles these two accounting basis (\$000 omitted):

	<u>Amount</u>
Total expenditures net of intracity sales (from the statement of revenues, expenditures and changes in fund balance)	\$ 25,082,915
Add back intra-city sales (which are included in general revenue in statement of activities)	61,094
Depreciation expense	1,582,195
Long-term liabilities per full accrual basis:	
Net change in employer pension obligations and pension related deferred outflows and inflows of resources	(961,195)
Net change in other postemployment benefit obligations and other postemployment deferred outflows and inflows of resources	1,334,165
Net change in sick leave and vacation balances	186,681
Net change in pollution remediation obligations	28,547
Net change in capital leases	19,977
Net change in judgments and claims	<u>(477,770)</u>
Total program expenses (from the statement of activities)	<u>\$ 26,856,609</u>

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>

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, 2018 (\$000 omitted):

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

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

	<u>Tax Levy</u>	<u>Reimbursable</u>
Intracity Purchases	\$ 26,187	\$ 25,150
Executive and Adoption	591,840	20,960
November and January Plan Actions	30,480	1,621
Year-end Closing Actions	7,787	11,647
GASB No. 49 — Pollution Remediation	<u>100,142</u>	<u>-</u>
Total Net Modifications	<u>\$ 756,436</u>	<u>\$ 59,378</u>

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	<u>79,321</u>	<u>-</u>
Total Net Modifications	<u>\$ 244,651</u>	<u>\$ 77,549</u>

3. Detailed Notes on Accounts

A. Cash

Bank balances are maintained with banks that are members of the Federal Deposit Insurance Corporation (“FDIC”). The FDIC insures bank balances up to a maximum of \$250,000 in the aggregate for each bank for all funds. As the DOE’s General Fund cash balance is part of The City’s cash management system, which is considered one depositor for FDIC purposes, and as the Agency Funds include over 1,642 accounts maintained at the school level, the DOE cannot determine the amounts that are insured or collateralized. The City’s June 30, 2018 and 2017 General Fund bank balances, which includes the DOE’s General Fund bank deposits, were uninsured and collateralized with securities held by The City’s agent in The City’s name.

B. Investments

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

Government guaranteed securities, U.S. Government agency securities, or eligible commercial paper in a range of 100% to 102% of the matured value of the repurchase agreements.

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

C. Capital Assets

The DOE receives funding for assets from various sources, some of which are combined for the same fixed asset. In addition, many fixed assets are donated or sold to the DOE from private sources. Further, the receipt of these assets could be at any of the many central offices or at one of the over 1,500 school locations. However, the overall changes in the various classes of Capital Assets occurring during Fiscal Year 2018 can be reported, as follows (\$000 omitted):

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

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

Operations are funded by appropriations made by The City. Such appropriations are based on Five-Year Capital Plans developed by the DOE. The City's appropriations for the five-year capital plan for the Fiscal Years 2015 through 2019 totaled \$16.8 billion.

Capital Expenditures made on behalf of the DOE amounted to \$2.4 billion and \$2.7 billion in Fiscal Year 2018 and 2017, 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 2018 and 2017, the SCA transferred \$2.5 billion and \$2.3 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, 2018 are certain leased properties aggregating \$473 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, 2018 was accumulated depreciation for leasehold improvements of \$133 million.

For Fiscal Year 2018, The City's Comprehensive Annual Financial Report identifies capital expenditures for education amounting to \$2.4 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 \$129 million and the liability to SCA in the amount of \$342 million.

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 2017 can be reported, as follows (\$000 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>

D. Lease Commitments

The DOE leases various types of property and equipment. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, are recorded in the department-wide financial statements. 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, 2018 and 2017, were \$235 million and \$228 million, respectively.

As of June 30, 2018, the DOE had future minimum rental obligations under capital and operating leases with a remaining term in excess of one year as follows (\$000 omitted):

Year(s) Ending June 30	<u>Total Amount</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2019	\$ 186,209	\$ 40,818	\$ 145,391
2020	178,283	41,116	137,167
2021	168,435	38,336	130,099
2022	164,939	37,576	127,363
2023	159,865	36,658	123,207
2024 - 2028	633,411	133,828	499,583
2029 - 2033	398,989	88,945	310,044
2034 - 2038	154,315	25,893	128,422
2039 - 2043	45,549	16,094	29,455
2044 - 2048	12,483	300	12,183
2049 - 2050	3,972	-	3,972
Total Minimum Lease payments	<u>\$ 2,106,450</u>	<u>459,564</u>	<u>\$ 1,646,886</u>
Less Imputed Interest		<u>(119,769)</u>	
Present value of net minimum lease payments.		<u>\$ 339,795</u>	

E. Pollution Remediation Obligations

The Pollution Remediation Obligations (“PRO”) at June 30, 2018 and June 30, 2017, summarized by obligating event and pollution type, respectively, are as follows (\$000 omitted):

Obligating Event	Fiscal Year 2018		Fiscal Year 2017	
	Amount (000's)	Percentage %	Amount (000's)	Percentage %
Voluntary commencement	90,755	100	62,208	100
Total	<u>\$ 90,755</u>	<u>100</u>	<u>\$ 62,208</u>	<u>100</u>
Pollution Type	Amount (000's)	Percentage %	Amount (000's)	Percentage %
Asbestos removal	\$ 85,326	94.02	\$ 61,078	98.18
Lead paint removal	201	0.22	57	0.09
Soil remediation	<u>5,228</u>	<u>5.76</u>	<u>1,073</u>	<u>1.73</u>
Total	<u>\$ 90,755</u>	<u>100</u>	<u>\$ 62,208</u>	<u>100</u>

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

As described in (Note 3 C) 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 offset cumulative expenditures (liquidated/unliquidated) against original encumbered contractual amounts. The potential for changes to existing PRO estimates is recognized due to: additional remediation work arising during the remediation of an existing pollution project; unanticipated site conditions resulting in necessary modifications to work plans; and changes in methodology during the course of a project which may cause cost estimates to change. For example, the new ambient air quality standard for lead is considered a drastic change which will trigger the adoption of new/revised technologies for compliance purposes. In addition, PRO estimates maybe adjusted because of changes in the amount paid based on actual field measured quantities for unit price items measured in cubic meters, linear meters, etc. Consequently, changes to original estimates are processed as change orders.

F. 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 2018 and 2017 and funds have been appropriated for such payments.

Changes in the various components of the long-term liabilities for Fiscal Year 2018 are as follows (\$000 omitted):

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>One Year</u>
Pollution remediation	\$ 62,208	\$ 128,670	\$ (100,123)	\$ 90,755	\$ 89,713
Accrued vacation and sick leave	2,250,984	246,672	(59,990)	2,437,666	59,990
Capital lease obligations	319,819	45,160	(25,183)	339,796	26,123
Accrued judgments and claims	836,989	30,331	(508,101)	359,219	79,305
Employer pension obligation	23,372,049	5,954,252	(10,881,806)	18,444,495	-
OPEB obligations	<u>22,964,527</u>	<u>8,039,666</u>	<u>(836,150)</u>	<u>30,168,043</u>	<u>-</u>
Total	<u>\$ 49,806,576</u>	<u>\$ 14,444,751</u>	<u>\$ (12,411,353)</u>	<u>\$ 51,839,974</u>	<u>\$ 255,131</u>

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

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>One Year</u>
Pollution remediation	\$ 76,123	\$ 79,304	\$ (93,219)	\$ 62,208	\$ 62,070
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
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>

4. Other Information

A. Non-Public Schools and Fashion Institute of Technology

Expenditures for non-public elementary and secondary schools located within The City, special education pre-school tuition, related services and transportation, and the Fashion Institute of Technology (“FIT”) are reflected under the financial statement caption Non-Public Schools. Expenditures for non-public elementary and secondary schools are related primarily to textbook purchases, transportation and school lunch programs 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 2018 and 2017 were \$57.7 million and \$54.8 million, respectively.

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

NYCSSS is a Type C not-for-profit corporation organized under the Not-for-Profit Corporation Law of the State of New York. NYCSSS was incorporated for the purpose of providing staffing of custodial helpers for the DOE. NYCSSS’ contract with the City was registered on April 28, 2016. 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.

C. 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.

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 the DOE, the Net OPEB obligation for Fiscal Year 2018 was \$30 billion. This was an increase of \$7 billion from Fiscal Year 2017.

The separate annual financial statements of the OPEB Plan are available at: Office of the Comptroller, Bureau of Accountancy—Room 200 South, 1 Centre Street, New York, New York 10007 or at www.comptroller.nyc.gov.

Changes in Net OPEB Liability

The following table presents DOE’s proportionate share of the Net OPEB Liability for the Fiscal Years ended June 30 (\$000 omitted):

	<u>2018</u>	<u>2017</u>
Beginning balance at June 30	\$ 22,964,527	\$ 25,931,952
Changes for the year:		
Service cost	1,489,090	1,174,458
Interest	959,284	752,953
Difference between expected and actual experience	702,742	135,226
Change of assumption	4,888,473	(4,239,769)
Contribution - employer	(821,391)	(784,736)
Contribution - employees	-	-
Net investment income	(14,735)	(5,588)
Actual Benefit Payment	-	-
Administrative expenses	13	11
Other changes	40	20
Net Changes	<u>7,203,516</u>	<u>(2,967,425)</u>
Net ending balance at June 30	<u>\$ 30,168,043</u>	<u>\$ 22,964,527</u>

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

a. 1% Decrease	\$ 36,070,877
b. 1% Increase	\$ 25,581,656

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

a. 1% Decrease	\$ 24,501,470
b. 1% Increase	\$ 38,289,955

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

	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$ 712,665	\$ 20,594	\$	2,456,804
Changes in assumptions	657,703	2,374,859		
Net difference between projected and Actual Earning on OPEB Plant Investment	77,674	-	168,003	-
Total	<u>\$ 1,448,042</u>	<u>\$ 2,395,453</u>	<u>\$ 168,003</u>	<u>\$ 2,456,804</u>

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

<u>Fiscal Year ending June 30</u>	<u>Amount</u>
2019.....	(235,451)
2020.....	(235,451)
2021.....	(243,267)
2022.....	(251,538)
Thereafter.....	18,296

Funded Status and Funding Progress. As of June 30, 2018, the most recent actuarial measurement date, the funded status was 4.6%. The total OPEB liability for benefits was \$103.3 billion, and the plan fiduciary net position was \$4.8 billion, resulting in a net OPEB liability of \$98.5 billion. The covered payroll (annual payroll of active employees covered) was \$26.2 billion, and the ratio of the net OPEB liability to the covered payroll was 375.5%. Actuarial valuations of an ongoing plan involve estimates of the value of reported and future amounts based on assumptions about the probability of the severity and occurrence of events far into the future. The determined actuarial valuations of OPEB incorporates the use of demographic and economic assumptions, among others as reflected below. Amounts determined regarding the funded status and the annual expense of the City vary from year to year as actual results are compared with past expectations and new estimates are made about the future. The schedule of changes in the net OPEB liability and related ratios shown in the RSI section immediately following the notes to financial statements, which are disclosures required for OPEB Plan reporting, of OPEB valuations for Fiscal Years 2018 and 2017.

Actuarial Methods and Assumptions. The actuarial assumptions used in the Fiscal Years 2018 and 2017 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 economic assumptions. The NYCRS demographic and economic assumptions are unchanged from the prior OPEB valuation. For purposes of

determining pension obligations, the demographic and economic assumptions requiring NYCERS 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 approval.

The OPEB-specific actuarial assumptions used in the Fiscal Year 2018 OPEB valuation of the Plan are as follows:

Valuation Date June 30, 2017

Measurement Date June 30, 2018

Discount Rate 3.01%⁽¹⁾ for benefits provided by the City, 2.98% for benefits provided by Component

Units. Results as of the June 30, 2017 Measurement Date are presented at 3.17% for benefits provided by the City, and 3.13% for Component Units.

The projection of cash flows used to determine the discount rate assumed that the City will contribute at a rate equal to the pay-as-you-go amounts plus the average of contributions made over the most recent five-year period in excess of the pay-as-you-go amounts which was \$700 million as of Fiscal Year 2018. The contributions apply first to service cost of future plan members based on projection of overall payroll at 3.0% and normal cost rate for Tier 6 members of each of the NYCERS. Remaining contributions are applied to the current and past service costs for current plan members.

Based on those assumptions, the City's OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees until 2026. After that time, benefit payments will be funded on a pay-as-you-go basis. The discount rate is the single equivalent rate which results in the same present value as discounting future benefit payments made from assets at the long-term expected rate of return and discounting future benefit payments funded on a pay-as-you-go basis at the Municipal Bond 20-year Index Rate.

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

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

Per-Capita Claims Costs EBCBS and GHI plans are insured via a Minimum Premium arrangement while the HIP and many of the other HMOs are community rated. Costs reflect age-adjusted premiums for all plans. 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, 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.

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, 2018 of 2.98%.

Initial monthly premium rates used in valuation are shown below:

<u>Plan</u>	Monthly Health Insurance Costs FY'18
HIP HMO	
Non-Medicare Single	\$ 652.44 ⁽¹⁾
Non-Medicare Family	1,598.47 ⁽¹⁾
Medicare	164.98 ⁽¹⁾
GHI/EBCBS	
Non-Medicare Single	620.08 ⁽¹⁾
Non-Medicare Family	1,625.27 ⁽¹⁾
Medicare	172.42
Others ⁽²⁾	
Non-Medicare Single	1,018.56
Non-Medicare Family	2,223.80
Medicare Single	311.79
Medicare Family	621.50

⁽¹⁾ For the Fiscal Year 2018 valuation, status quo HIP HMO premiums are decreased by 4.13% and status quo GHI/EBCBS Pre-Medicare premiums are decreased by 0.51% 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, 2017, (including any reported retroactive amounts) was used as the per capita cost for valuation purposes. Projected contributions reflect \$25 increases at July 1, 2017. Reported annual contribution amounts for the last three years are shown below. 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	\$1,850
TRS	1,798
BERS	1,903
POLICE	1,617
FIRE	1,755

Medicare Part B Premiums

<u>Calendar Year</u>	<u>Monthly Premium</u>
2013-15	\$104.90
2016	109.97
2017	113.63
2018	125.85

Medicare Part B Premium reimbursement amounts have been updated to reflect actual premium rates announced for calendar years through 2018. Due to limited cost-of-living adjustment in Social Security benefits for Calendar Years 2017 and 2018, some Medicare Part B participants will not be charged the Medicare Part B premium originally projected or ultimately announced for those years. Thus, the valuation uses a blended estimate as a better representation of future Part B premium costs.

For the Fiscal Year 2018, OPEB valuation the annual premium used was \$1,436.89, which is equal to an average of the Calendar Year 2017 and 2018 monthly premiums shown.

For Calendar Year 2018, the monthly premium was determined as follows:

- 28% 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
- 72% of the announced premium of \$134.00 for Calendar Year 2018, representing the proportion of the Medicare population that will pay the announced amount.

The Calendar Year 2017 premium was determined similarly, using 70% of the \$104.90 hold-harmless and 30% of the \$134.00 rate that was first in effect for Calendar Year 2017.

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

<u>Fiscal Year</u>	<u>Income-related Medicare Part B Increase</u>
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 Assumption..... 90% 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</u>	<u>Pre-Medicare Plans</u>	<u>Medicare Plans</u>	<u>Medicare Part B Premium</u>	<u>Welfare Fund Contributions</u>
2019 ⁽¹⁾	7.0%	5.0%	7.73%	3.5%
2020	6.5	5.0	5.0	3.5
2021	6.0	5.0	5.0	3.5
2022	5.5	5.0	5.0	3.5
2023 and Later	5.0	5.0	5.0	3.5

⁽¹⁾ Medicare Part B premium trend reflects actual calendar year premium for the first 6 months of FY19 (July 2018 to December 2018) and 5.0% trend for the remaining 6 months.

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

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

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

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

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

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

The age adjustment for the non-Medicare GHI/EBCBS premium reflects a 5% reduction in the GHI portion of the monthly premium (with the GHI portion representing \$292.12 out of \$623.38 for single coverage, and \$772.65 out of \$1,633.66 for family coverage for Fiscal Year 2018 rates) and a 3% reduction in the EBCBS portion of the premium (with the EBCBS portion representing the remainder of the premiums) for the estimated margin anticipated to be returned.

Participation..... Participation assumptions were updated as part of the Fiscal Year 2017 valuation to reflect recent experience. The OA reviewed recent experience to confirm these assumptions were still reasonable for the Fiscal Year 2018 valuation.

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

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

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

NYCERS	10%
TRS	6%
BERS	12%
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.

<u>PLAN PARTICIPATION ASSUMPTIONS</u>						
<u>Benefits</u>						
<u>Pre-Medicare</u>	<u>NYCER</u>	<u>TRS</u>	<u>BERS</u>	<u>POLIC</u>	<u>FIRE</u>	<u>TIA</u>
	<u>S</u>			<u>E</u>		<u>A</u>
-GHI/EBCBS	72%	80%	70%	85%	80%	90%
-HIP HMO	20	8	16	9	12	6
-Other HMO	4	2	2	4	6	4
-Waiver	4	10	12	2	2	—
<u>Medicare</u>						
-GHI	72	90	78	85	80	90
-HIP HMO	20	6	16	9	12	6
-Other HMO	4	2	2	4	6	4
-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	—	—	—
-Pre-Med. Waiver To HIP @ 65	—	40	—	—	—	—

Dependent Coverage

Noncontributory Basic Medical Coverage and Part B premium reimbursement for dependents are assumed to terminate when an employee or retiree dies, except for Line of Duty survivors. 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 were updated as part of the Fiscal Year 2017 valuation. The OA reviewed recent experience to confirm these assumptions were still reasonable for the Fiscal Year 2018 valuation.

Dependent Coverage Assumptions						
<u>Group</u>	<u>NYCERS</u>	<u>TRS</u>	<u>BERS</u>	<u>POLICE</u>	<u>FIRE</u>	<u>TIAA</u>
<u>Male</u>						
-Single Coverage	35 %	50 %	45 %	15 %	10 %	50 %
-Spouse	35	30	45	10	20	40
-Child/No Spouse	5	5	2	10	5	2.5
-Spouse and Child	<u>25</u>	<u>15</u>	<u>8</u>	<u>65</u>	<u>65</u>	<u>2.5</u>
Total	<u>100 %</u>	<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 %	55 %
-Spouse	20	30	35	10	20	40
-Child/No Spouse	5	5	2.5	25	5	2.5
-Spouse and Child	<u>5</u>	<u>5</u>	<u>2.5</u>	<u>20</u>	<u>65</u>	<u>2.5</u>
Total	<u>100 %</u>	<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 Assumption The actuarial assumptions used in the Fiscal Year 2018 and the Fiscal Year 2017 OPEB valuations are a combination of those used in the NYCERS pension actuarial valuations and those specific to the OPEB valuations.

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 \$1,100 was assumed for terminations during Fiscal Year 2018. 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, Correction, 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 2022 under HCR.

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

- For Pre-Medicare retirees above the age of 55, the limit will be increased by \$1,650 for single coverage; \$3,450 for family coverage.
- The dollar limits are increased by chained CPI+1% (e.g., 3.5%) for 2019 and by Chained CPI (e.g. 2.5%) for subsequent years. Indexing of limits starts in 2018; tax first applies in 2022.

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

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

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 0.4% load is applied on all City GASB75 obligations to reflect certain benefits paid on behalf of retirees directly from the Stabilization Fund, which was increased from 0.3% in the Fiscal Year 2017 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 41 of the Fiscal Year 2018 GASB 74/75 Report dated September 14, 2018. 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 43 of the Fiscal Year 2018 GASB 74/75 Report dated September 14, 2018. 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).

D. Pensions

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

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

1. New York City Teachers' Retirement System of The City of New York ("TRS") administers the TRS 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

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, 2016 actuarial valuation was used for determining the Fiscal Year 2018 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 2018 and 2016 and the amount of The City's contribution to each QPP for such fiscal years are as follows (\$000 omitted):

Annual Pension Costs	Aggregate Statutory Contribution 2018	Aggregate Statutory Contribution 2017	Aggregate Statutory Contribution 2016
TRS	\$ 3,734	\$ 3,888	\$ 3,702
BERS	<u>305</u>	<u>288</u>	<u>266</u>
Total	<u>\$ 4,039</u>	<u>\$ 4,176</u>	<u>\$ 3,968</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.

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

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

Changes in Net Pension Liability—TRS and BERS QPPs

Net Changes in the DOE's net pension liability for the TRS and BERS QPPs for the fiscal years ended June 30, 2018 and 2017 (\$000 omitted):

	<u>TRS - Net Pension Liability</u>		<u>BERS - Net Pension Liability</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Balance at June 30,	\$ 22,444,293	\$ 25,321,392	\$ 927,756	\$ 1,340,079
Actuarial Adjustment	<u>3,498</u>	<u>-</u>	<u>49</u>	<u>-</u>
Revised Balance	22,447,791	25,321,392	927,805	1,340,079
Changes for the year:				
Service cost	1,379,281	1,339,901	168,533	160,657
Interest	4,869,078	4,973,433	335,899	330,136
Difference between expected and actual experience	(2,146,447)	974,241	(157,506)	18,996
Change of assumption	-	-	-	-
Contribution - employer	(3,734,445)	(3,757,187)	(304,937)	(274,613)
Contribution - other employer*	(57,585)	(55,434)	-	-
Contribution - employees	(187,449)	(174,002)	(39,089)	(37,939)
Net investment income	(6,024,675)	(7,858,944)	(541,246)	(821,755)
Payment of interest on TDA fixed funds	1,531,787	1,417,146	122,467	14,754
Administrative expenses	62,479	58,740	12,644	101,519
Other changes	<u>(28,006)</u>	<u>44,670</u>	<u>(48,829)</u>	<u>117,144</u>
Net changes	<u>(4,335,982)</u>	<u>(3,037,436)</u>	<u>(452,064)</u>	<u>(391,101)</u>
Subtotal at June 30	18,111,809	22,283,956	475,741	948,978
Change in proportionate share	<u>(147,128)</u>	<u>160,337</u>	<u>4,073</u>	<u>(21,222)</u>
Net Balance at June 30	<u>\$ 17,964,681</u>	<u>\$ 22,444,293</u>	<u>\$ 479,814</u>	<u>\$ 927,756</u>

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

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

DOE Proportion of Net Pension Liability—TRS and BERS QPPs

The following table presents DOE's proportionate share of the net pension liability of the TRS and BERS QPPs at June 30, 2018 and 2017 and the proportion percentage of the aggregate net pension liability of each QPP allocated to the DOE (\$000 omitted):

	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
	<u>TRS</u>	<u>BERS</u>	<u>TRS</u>	<u>BERS</u>
DOE's proportion of the net pension liability	<u>96.01%</u>	<u>95.70%</u>	<u>96.63%</u>	<u>95.27%</u>
DOE's proportionate share of the net pension liability	<u>\$ 17,964,681</u>	<u>\$ 479,814</u>	<u>\$ 22,444,293</u>	<u>\$ 927,756</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 is calculated with the discount rate of 7.0%, as well as what The City's proportionate share of the respective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.0% or 1-percentage-point higher 8.0% than the current rate (\$000 omitted):

	Fiscal Year 2018			Fiscal Year 2017		
	1% Discount (6.0%)	Current Discount Rate (7.0%)	1% increase (8.0%)	1% Discount (6.0%)	Current Discount Rate (7.0%)	1% increase (8.0%)
TRS QPP	\$ 26,485	\$ 18,185	\$ 11,158	\$ 30,165	\$ 22,674	\$ 16,411
BERS QPP	<u>1,142</u>	<u>501</u>	<u>(44)</u>	<u>1,569</u>	<u>973</u>	<u>474</u>
Total	<u>\$ 27,627</u>	<u>\$ 18,686</u>	<u>\$ 11,114</u>	<u>\$ 31,734</u>	<u>\$ 23,647</u>	<u>\$ 16,885</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, 2018 and 2017 for each QPP (\$000 omitted):

	June 30, 2018		June 30, 2017	
	TRS	BERS	TRS	BERS
Difference between Expected and Actual Experience	\$ 1,871,614	\$ 134,909	\$ -	\$ 26,978
Net difference between projected and Actual Earning on Pension Plan Investment	3,584,488	533,758	3,163,058	548,871
Change of Assumptions	-	-	-	-
Change in Proportion and Differences between Employer Contribution and Porportion Share	<u>7,668</u>	<u>(1,866)</u>	<u>26,769</u>	<u>(2,802)</u>
Deferred inflows of Resources	<u>\$ 5,463,770</u>	<u>\$ 666,801</u>	<u>\$ 3,189,827</u>	<u>\$ 573,047</u>

Deferred outflows of resources by source reported by the DOE at June 30, 2018 and 2017 for each QPP (\$000 omitted):

	June 30, 2018		June 30, 2017	
	TRS	BERS	TRS	BERS
Difference between Expected and Actual Experience	\$ 957,338	\$ 11,699	\$ 1,738,670	\$ 19,665
Net difference between projected and Actual Earning on Pension Plan Investment	-	-	-	-
Change of Assumptions	510,952	10,469	1,126,433	65,281
Change in Proportion and Differences between Employer Contribution and Porportion Share	<u>(33,996)</u>	<u>(11,381)</u>	<u>113,766</u>	<u>(20,069)</u>
Deferred outflows of Resources	<u>\$ 1,434,294</u>	<u>\$ 10,787</u>	<u>\$ 2,978,869</u>	<u>\$ 64,877</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2018 will be recognized in pension expense (\$000 omitted):

Year ending June 30:	<u>TRS</u>	<u>BERS</u>
2019	\$ (111,693)	\$ (173,694)
2020	(1,189,913)	(190,917)
2021	(1,567,199)	(204,392)
2022	(648,434)	(82,642)
Thereafter	<u>(636,343)</u>	<u>(23,914)</u>
Total	<u>\$ (4,153,582)</u>	<u>\$ (675,559)</u>

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

Pension Expense, Employer Contribution, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension – The DOE’s Pension expense, employer contribution, deferred outflows, and deferred inflows related to pensions and net pension liabilities recognized by the DOE for the fiscal years ended June 30, 2018 and 2017 (\$000 omitted):

	June 30, 2018		
	<u>TRS</u>	<u>BERS</u>	<u>Total</u>
Net pension liability at June 30, 2017	\$ 22,444,293	\$ 927,755	\$ 23,372,048
*'Actuary adjustment	<u>3,498</u>	<u>49</u>	<u>3,547</u>
Revised balance at 06/30/2017	22,447,791	927,804	23,375,595
Employer contribution	(3,734,445)	(304,937)	(4,039,382)
Other Employer Contribution	(57,585)	-	(57,585)
Pension expense **	3,127,437	4,789	3,132,226
Deferred outflows of resources	(1,544,575)	(54,089)	(1,598,664)
Deferred Inflows from pension	<u>(2,273,942)</u>	<u>(93,753)</u>	<u>(2,367,695)</u>
Net pension liability at June 30, 2018	<u>\$ 17,964,681</u>	<u>\$ 479,814</u>	<u>\$ 18,444,495</u>

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

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

	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 outflows of resources	(2,507,156)	(166,559)	(2,673,715)
Deferred Inflows from pension	<u>(132,648)</u>	<u>(156,809)</u>	<u>(289,457)</u>
Net pension liability at June 30, 2017	<u>\$ 22,444,293</u>	<u>\$ 927,755</u>	<u>\$ 23,372,048</u>

E. 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).

Although it is not possible for the City to quantify the full, long-term impact of the storm on the City and its economy, the current estimate of the direct costs to the City, Health and Hospitals Corporation ("HHC") and New York City Housing Authority ("NYCHA") is approximately \$10.4 billion (comprised of approximately \$2.0 billion of expense costs and approximately \$8.4 billion of capital project costs). Such direct costs represent funding for emergency response, debris removal, emergency protective measures, repair of damaged infrastructure and long-term hazard mitigation investments. In addition, the City is delivering Super Storm Sandy-related disaster recovery assistance services, benefiting impacted communities, businesses, homeowners and renters, which the City anticipates will be fully reimbursed by federal funds.

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.

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

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

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

In 1996, a class action lawsuit 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, 2018 and 2017

Required Supplementary Information

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK
Schedule of the Net OPEB Liability (Unaudited)
(\$000 Omitted):

	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service Cost	\$ 1,489,089	\$ 1,174,458
Interest	959,284	752,953
Changes of Benefit Terms	-	-
Differences b/t Expected and Actual Experience	702,741	135,226
Changes in Assumptions	5,105,623	(4,299,071)
Benefit Payments	(801,791)	(629,902)
Net Changes in Total OPEB Liability	\$ 7,454,946	\$ (2,866,336)
Total OPEB Liability - Beginning	\$ 24,173,207	\$ 27,039,543
Total OPEB Liability - Ending	\$ 31,628,153	\$ 24,173,207
Plan Fiduciary Net Position		
Contributions - Employer	\$ 821,391	\$ 784,737
Contributions - Employee	-	-
Net Investment Income	14,735	5,588
Benefit Payments	(801,791)	(629,902)
Administrative Expenses	(13)	(11)
Payment of Interest on TDA Fixed Funds	-	-
Other Changes	217,108	(20)
Net Changes in Plan Fiduciary Net Position	\$ 251,430	\$ 160,392
Plan Fiduciary Net Position - Beginning	\$ 1,208,680	\$ 1,048,288
Plan Fiduciary Net Position - Ending	\$ 1,460,110	\$ 1,208,680
Net OPEB Liability	\$ 30,168,043	\$ 22,964,527
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	4.6%	5.0%
Covered Employee Payroll	\$ 8,036,289	\$ 6,539,705
Net OPEB Liability as a Percentage of Covered Employee Payroll	375.4%	351.2%
Sensitivity of the Net OPEB Liability to Changes in the Discount Rate		
1% Decrease	\$ 36,070,877	\$ 27,376,485
1% Increase	\$ 25,581,656	\$ 19,518,064
Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
1% Decrease	\$ 24,501,470	\$ 18,758,886
1% Increase	\$ 38,289,955	\$ 28,958,538

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

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

	TRS		BERS	
	2018	2017	2018	2017
DOE's proportion of the net pension liability	96.0%	96.6%	95.7%	95.3%
DOE's proportionate share of the net pension liability	\$ 17,964,681	\$ 22,444,293	\$ 479,814	\$ 927,756
DOE's covered-employee payroll	8,854	8,526	1,055	1,002
DOE's proportionate share of the net pension liability as a percentage of its covered-employee payroll	203.4%	263.4%	45.5%	92.5%
Plan fiduciary net position as percentage of the total pension liability	74.5%	68.3%	90.3%	80.8%

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

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited), Continued

(\$000 omitted)	2018	2017	2016	2015	2014	2013	2012 *	2011 *	2010 *	2009 *
TRS										
Contractually required contribution	\$ 3,734,445	\$ 3,757,321	\$ 3,555,210	\$ 3,150,518	\$ 2,889,355	\$ 2,783,893	\$ 2,673,078	\$ 2,468,973	\$ 2,484,074	\$ 2,223,644
Contributions in relation to the contractually required contribution	\$ 3,734,445	\$ 3,757,321	\$ 3,555,210	\$ 3,150,518	\$ 2,889,355	\$ 2,783,893	\$ 2,673,078	\$ 2,468,973	\$ 2,484,074	\$ 2,223,644
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
Covered-employee payroll	\$ 8,853,962	\$ 8,525,820	\$ 7,951,697	\$ 7,779,802	\$ 7,687,791	\$ 7,618,059	\$ 7,920,935	\$ 7,935,248	\$ 7,859,999	\$ 7,221,499
Contributions as a percentage of covered-employee payroll	42.18%	44.07%	44.22%	40.50%	37.58%	36.54%	33.75%	31.11%	31.60%	30.79%
BERS										
Contractually required contribution	\$ 304,937	\$ 274,603	\$ 257,056	\$ 249,253	\$ 205,928	\$ 197,609	\$ 213,651	\$ 180,191	\$ 147,349	\$ 134,225
Contributions in relation to the contractually required contribution	\$ 304,937	\$ 274,603	\$ 257,056	\$ 249,253	\$ 205,928	\$ 197,609	\$ 213,651	\$ 180,191	\$ 147,349	\$ 134,225
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
Covered-employee payroll	\$ 1,054,562	\$ 1,002,249	\$ 975,460	\$ 976,861	\$ 939,439	\$ 837,793	\$ 879,476	\$ 880,656	\$ 826,782	\$ 755,516
Contributions as a percentage of covered-employee payroll	28.92%	27.40%	25.51%	25.52%	21.92%	23.59%	24.29%	20.46%	17.82%	17.77%

*For Fiscal Years 2013, 2012, 2011, 2010 and 2009, 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.

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 2018 contributions were determined using an actuarial valuation as of June 30, 2016). The methods and assumptions used to determine the actuarially determined and contractually required contributions are as follows:

<u>Fiscal Year</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Valuation Dates	June 30, 2016 (Lag)	June 30, 2015 (Lag)	June 30, 2014 (Lag)	June 30, 2013 (Lag)	June 30, 2012 (Lag)
Actuarial cost method	Entry Age4				
Amortization method for Unfunded Actuarial Accrued Liabilities (UAAL):	NA	NA	NA	NA	NA
Initial 2010 UAAL	Increasing Dollar Payments.				
Post-2010 UAALs	Level Dollar Payments	Level Dollar Payments	Level Dollar Payments.	Level Dollar Payments.	Level Dollar Payments.
Pre-2010 UAALs	NA	NA	NA	NA	NA
Remaining amortization period:					
Pre-2010 UAALs	NA	NA	NA	NA	NA
Initial 2010 UAAL	16 Years (Closed)	17 Years (Closed)	18 Years (Closed)	19 Years (Closed)	20 Years (Closed)
2010 ERI	0 Year (Closed)	1 Year (Closed)	2 Years (Closed)	3 Years (Closed)	4 Years (Closed)
2011 (G)/L	10 Years (Closed)	11 Years (Closed)	12 Years (Closed)	13 Years (Closed)	14 Years (Closed)
2012 (G)/L	11 Years (Closed)	12 Years (Closed)	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)
2013 (G)/L	12 Years (Closed)	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)	NA
2013 Transit Refunds	2 Years (Closed)	3 Years (Closed)	4 Years (Closed)	5 Years (Closed)	NA
2014 (G)/L	13Years (Closed)	14 Years (Closed)	15 Years (Closed)	NA	NA
2014 Assumption Change	18 Years (Closed)	19 Years (Closed)	20 Years (Closed)	NA	NA
2014 Method Change	18 Years (Closed)	19 Years (Closed)	20 Years (Closed)	NA	NA
2015 (G)/L	14 Years (Closed)	15 Years (Closed)	NA	NA	NA
2016 (G)/L	15 Years (Closed)	NA	NA	NA	NA
Actuarial Asset:					
Valuation Method	6-year moving average of Market Value5				
Corridor	Constrained to be no more than 20% from Market Value	Constrained to be no more than 20% from Market Value	Constrained to be no more than 20% from Market Value	NA	NA
Actuarial assumptions:					
Assumed rate of return	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)
Post-retirement mortality	Tables adopted by Board of Trustees during Fiscal Year 2016	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Notes to Schedule C: (Unaudited)

Fiscal Year	2018	2017	2016	2015	2014
Active service: withdrawal, death, disability, service retirement	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012
Salary Increases	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year ³	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year ³	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year ³	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year ³	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year ³
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:

<u>Fiscal Year</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Valuation Dates	June 30, 2011 (Lag)	June 30, 2010 (Lag)	June 30, 2009 (Lag)	June 30, 2008 (Lag)	June 30, 2007 (Lag)
Actuarial cost method	Entry Age ⁵	Entry Age ⁵	Frozen Initial Liability ¹	Frozen Initial Liability ¹	Frozen Initial Liability ¹
Amortization method for Unfunded Actuarial Accrued Liabilities (UAAL):					
Pre-2010 UAALs	NA	NA	NA	Increasing dollar for FIRE2. All outstanding components of UAAL are being amortized over closed period	Increasing dollar for FIRE2. All outstanding components of UAAL are being amortized over closed period
Initial 2010 UAAL	Increasing Dollar	Increasing Dollar	NA	NA	NA
Post-2010 UAALs	Level Dollar Payments.	Level Dollar Payments.	NA	NA	NA
Remaining amortization period:					
Pre-2010 UAALs	NA	NA	NA	1 year for FIRE ²	2 year for FIRE ²
Initial 2010 UAAL	21 Years (Closed)	22 years (Closed)	NA	NA	NA
2010 ERI	15 Years (Closed)	NA	NA	NA	NA
2011 (G)/L	15 Years (Closed)	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
2016 (G)/L	NA	NA	NA	NA	NA
Actuarial Asset:					
Valuation Method	6-year moving average of Market Value.	6-year moving average of Market Value.	6-year moving average of Market Value with "Market Value Restart" as of June 30, 1999	6-year moving average of Market Value with "Market Value Restart" as of June 30, 1999	6-year moving average of Market Value with "Market Value Restart" as of June 30, 1999
Corridor	N/A	N/A			
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)	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, gross investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).	8.0% per annum, gross investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).	8.0% per annum, gross investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS).

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:

<u>Fiscal Year</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Post-retirement mortality	Tables adopted by Boards of Trustees during Fiscal Year 2012.	Tables adopted by Boards of Trustees during Fiscal Year 2012.	Tables adopted by Boards of Trustees during Fiscal Year 2006.	Tables adopted by Boards of Trustees during Fiscal Year 2006.	Tables adopted by Boards of Trustees during Fiscal Year 2006
Active service: withdrawals, death, disability, service retirement	Tables adopted by Boards of Trustees during Fiscal Year 2012.	Tables adopted by Boards of Trustees during Fiscal Year 2012.	Tables adopted by Boards of Trustees during Fiscal Year 2006.	Tables adopted by Boards of Trustees during Fiscal Year 2006.	Tables adopted by Boards of Trustees during Fiscal Year 2006
Salary increases	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year ⁴	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year. ⁴	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year. ⁴	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year. ⁴	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year. ⁴
Cost-of-Living Adjustments ⁴	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation.	1.3% per annum	1.3% 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. Developed assuming a long-term Consumer Price Inflation assumption of 2.5% per year.
4. Beginning with the June 30, 2010 (Lag) actuarial valuation under the 2012 A&M, the entry Age Actuarial Cost Method (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.
5. 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, 2018 and 2017

Supplemental Schedules

The General Fund is the general operating fund of DOE that is used to account for all of the financial resources, except those required to be accounted for in another fund. The Schedule of Aged Receivables includes Federal, State and Non-Governmental Grants and other aid from Fiscal Year 2015 through Fiscal Year 2018, as of June 30, 2018. 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.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

**Schedule of Aged Receivables as of June 30, 2018
With Comparative Totals to June 30, 2017**

(\$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, 2018</u>	<u>Total Receivables as of June 30, 2017</u>
FISCAL YEAR 2018	\$ 772,447	\$ 1,485,371	\$ 106,704	\$ 2,364,522	\$ -
FISCAL YEAR 2017	4,911	228,484	-	233,395	1,878,122
FISCAL YEAR 2016	-	-	-	-	14,193
FISCAL YEAR 2015	<u>-</u>	<u>28,200</u>	<u>-</u>	<u>28,200</u>	<u>28,200</u>
TOTAL RECEIVABLES	<u>\$ 777,358</u>	<u>\$ 1,742,055</u>	<u>\$ 106,704</u>	<u>\$ 2,626,117</u>	<u>\$ 1,920,515</u>

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2018

(\$000 Omitted):

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

(Continued)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2018

(\$000 Omitted):

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

(Continued)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2018

(\$000 Omitted):

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

(Continued)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2018

(\$000 Omitted):

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

(Concluded)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

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

(\$000 Omitted):

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
GENERAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:			
401 Salaries	\$ 6,107,496	\$ 6,107,496	\$ -
402 Supplies	188,294	141,251	47,042
402 Furniture and equipment	100,595	78,800	21,795
402 Textbooks	72,396	73,974	(1,578)
402 Contractual services	465,907	525,717	(59,809)
Total	<u>6,934,688</u>	<u>6,927,238</u>	<u>7,450</u>
SPECIAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:			
403 Salaries	1,660,227	1,660,227	-
404 Supplies	2,660	1,606	1,054
404 Furniture and equipment	435	1,372	(937)
404 Textbooks	347	24	323
404 Contractual services	1,323	1,450	(127)
Total	<u>1,664,992</u>	<u>1,664,679</u>	<u>313</u>
CHARTER SCHOOLS:			
406 Supplies	1,569	1,627	(58)
406 Textbooks	6,754	6,423	331
406 Contractual services	1,666,050	1,666,323	(273)
Total	<u>1,674,373</u>	<u>1,674,373</u>	<u>-</u>
UNIVERSAL PRE-K:			
407 Salaries	432,501	432,501	-
408 Supplies	4,913	10,665	(5,752)
408 Furniture and equipment	405	511	(106)
408 Textbooks	313	126	187
408 Contractual Services	411,253	405,582	5,671
Total	<u>849,385</u>	<u>849,385</u>	<u>-</u>
SCHOOL SUPPORT ORGANIZATION:			
415 Salaries	278,426	278,426	-
416 Supplies	5,657	4,755	902
416 Furniture and equipment	550	1,534	(984)
416 Textbooks	-	153	(153)
416 Contractual services	23,768	22,407	1,361
Total	<u>308,401</u>	<u>307,275</u>	<u>1,126</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

(\$000 Omitted):

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
CITYWIDE EDUCATION			
INSTRUCTION AND			
SCHOOL LEADERSHIP:			
421 Salaries	\$ 1,007,108	\$ 1,007,107	\$ 1
422 Supplies	6,366	7,216	(850)
422 Furniture and equipment	4,010	4,106	(96)
422 Textbooks	557	579	(22)
422 Contractual services	7,770	6,803	967
Total	<u>1,025,811</u>	<u>1,025,811</u>	<u>-</u>
SPECIAL EDUCATION			
INSTRUCTIONAL SUPPORT:			
423 Salaries	324,645	324,645	-
424 Supplies	5,022	2,826	2,196
424 Furniture and equipment	3,590	2,935	655
424 Textbooks	1	-	1
424 Contractual services	239,476	245,135	(5,659)
Total	<u>572,734</u>	<u>575,541</u>	<u>(2,807)</u>
SCHOOL FACILITIES:			
435 Salaries	221,111	221,111	-
436 Supplies	30,189	50,441	(20,252)
436 Furniture and equipment	1,374	1,805	(431)
436 Pollution remediation	868,047	833,086	34,961
436 Contractual services	79,321	79,321	-
Total	<u>1,200,042</u>	<u>1,185,764</u>	<u>14,278</u>
PUPIL TRANSPORTATION:			
438 Supplies	3,148	1,927	1,221
438 Equipment	6,361	1,399	4,962
438 Contractual services	6,405	6,143	262
438 Pupil transportation	1,184,626	1,191,071	(6,445)
Total	<u>1,200,540</u>	<u>1,200,540</u>	<u>-</u>
SCHOOL FOOD SERVICES:			
439 Salaries	229,001	229,001	-
440 Supplies	23,600	22,729	871
440 Food purchases	208,517	204,336	4,181
440 Furniture and equipment	6,671	7,225	(554)
440 Contractual services	22,834	27,332	(4,498)
Total	<u>490,623</u>	<u>490,623</u>	<u>-</u>

(Continued)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

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

(\$000 Omitted):

<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
442 SCHOOL SAFETY:	\$ 345,283	\$ 345,283	\$ -
444 ENERGY AND LEASES:	489,115	480,573	8,542
CENTRAL ADMINISTRATION:			
453 Salaries	195,985	190,950	5,035
454 Supplies	20,862	16,462	4,400
454 Furniture and equipment	8,234	7,613	621
454 Judgments and claims	46	106	(60)
454 Contractual services	144,804	138,917	5,887
454 Fixed charges	98	71	27
Total	<u>370,029</u>	<u>354,119</u>	<u>15,910</u>
461 FRINGE BENEFITS:	<u>3,127,340</u>	<u>3,127,340</u>	<u>-</u>
470 PRE-KINDERGARTEN CONTRACTS:	<u>731,028</u>	<u>706,408</u>	<u>24,620</u>
472 CONTRACT SCHOOLS AND FOSTER CARE:	<u>729,775</u>	<u>807,361</u>	<u>(77,586)</u>
474 NON-PUBLIC SCHOOLS AND FIT PAYMENTS:	<u>76,189</u>	<u>74,793</u>	<u>1,396</u>
491 COLLECTIVE BARGAINING	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL TAX LEVY	<u>21,790,348</u>	<u>21,797,106</u>	<u>(6,758)</u>
CATEGORICAL PROGRAMS:			
481 Salaries	995,153	986,379	8,774
482 Supplies	165,707	173,701	(7,994)
482 Furniture and equipment	23,669	30,471	(6,802)
482 Pension	112,372	112,372	-
482 Contractual service	424,491	408,009	16,482
Total categorical programs	<u>1,721,392</u>	<u>1,710,932</u>	<u>10,460</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

(\$000 Omitted):

	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
TOTAL APPROPRIATIONS EXPENDED	\$ 23,511,740	\$ 23,508,038	\$ 3,702
INTRA-CITY SALES	<u>(46,787)</u>	<u>(45,481)</u>	<u>(1,306)</u>
Sub-total	23,464,953	23,462,557	2,396
NET CHANGE IN PRIOR PAYABLES	<u>-</u>	<u>(144,955)</u>	<u>144,955</u>
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 23,464,953</u>	<u>\$ 23,317,602</u>	<u>\$ 147,351</u>

(Concluded)

Glossary

ARO	Asset Retirement Obligation
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
HHC	New York City Health and Hospitals Corporation
HHS	United States Department of Health and Human Services
IDEA	Individuals with Disabilities Education Act
NYCHA	New York City Housing Authority
NYCSSS	New York City School Support Service Inc.
OMB	New York City Office of Management and Budget
OPEB	Other Post Employment Benefits
OTPS	Other Than Personal Services
PRO	Pollutions Remediation Obligations
PS	Personal Services
RHBT	New York City Retiree Health Benefits Trust
RSI	Required Supplementary Information
SCA	School Construction Authority
SED	State Education Department
State	The State of New York
Tax Levy	Appropriations provided by The City of New York
TFA	New York City Transitional Finance Authority
The City	The City of New York
TRS	Teachers Retirement System
UFT	United Federation of Teachers
UOA	Unit of Appropriation

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