

ANNUAL FINANCIAL STATEMENTS

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

For the Fiscal Years Ended June 30, 2015 and 2014



Bill De Blasio, Mayor
Carmen Fariña, Chancellor

ANNUAL FINANCIAL STATEMENTS

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

For the Fiscal Years Ended June 30, 2015 and 2014



Prepared by the Division of Financial Operations

Michael Tragale, Executive Director
Division of Financial Operations

John Wall, Chief Administrator
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DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

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DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

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ANNUAL FINANCIAL STATEMENTS

Department of Education of The City of New York

For the Fiscal Years Ended June 30, 2015 and 2014

Introductory Section

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

October 28, 2015

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, 2015

The Annual Financial Statements for the Department of Education of The City of New York (the "DOE") for the fiscal year ended June 30, 2015 are submitted herewith and include a Management's Discussion and Analysis, Financial Statements, Notes to the Financial Statements and supplemental schedules. We believe it is complete and accurate in all material aspects; that it is presented in accordance with accounting principles designed to set forth fairly the financial position and results of operations of the DOE as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the appropriate understanding of the DOE's financial affairs have been included. Responsibility for completeness and clarity of the report, including disclosures, rests with the Chancellor, the Deputy Chancellor of Operations, The Chief Financial Officer, and the Executive Director. The Chief Administrator of the Office of Accounting of the Division of Financial Operations, who is responsible for the data presented herein, prepares the Annual Financial Statements.

Deloitte & Touche LLP has audited the 2015 financial statements included in this report; their opinion is expressed on page 1. The auditor's report on the basic financial statements is unmodified and states that the financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, known as Generally Accepted Accounting Principles ("GAAP"). The auditor's report on internal controls over financial reporting and on compliance and other matters, based on an audit of the financial statements performed in accordance with *Government Auditing Standards*, is also included. This report indicates that the auditors' tests did not identify any deficiencies in internal control over financial reporting that are considered to be material weaknesses nor did their tests disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the Management's Discussion and Analysis is included as supplementary information required by GAAP. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, no audit opinion is expressed on it. The Supplemental Financial Schedules of the General Fund are presented for purposes of additional analysis and are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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

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

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

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

The DOE has two basic sources of funding:

- *Tax Levy and unrestricted Federal and State Aid* — This includes revenue from City taxes (real estate, income, sales, etc.), New York State formula aid, and certain Federal and State Aid resources (e.g., impact aid and school lunch subsidies, etc.).
- *Federal and State Categorical Funds* — This category includes revenues received from the Federal and New York State governments under programs that are categorical in nature and whose expenditures are restricted by terms and conditions designated by the funding agency. Reimbursement claims for such revenues are made by the DOE to the funding sources based on actual expenditures and on compliance with funding source guidelines.

The DOE maintains, for its reporting purposes, a computerized accounting system to interface with The City’s Financial Management System (“FMS”). The DOE Financial Accounting Management Information System (“FAMIS”) provides a relational database technology allowing the DOE to take advantage of current technology to conduct business in the most cost-effective and user-friendly manner. All of the DOE’s financial transactions are recorded in the Department’s accounting system and interface with The City’s accounting system. These transactions are subject to all FMS system edit controls.

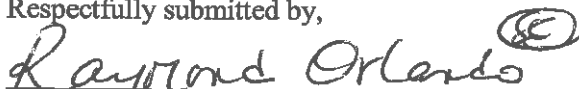
In January of 2010 the DOE integrated with FMS and as a result the DOE's Other Than Personal Services ("OTPS") and Personal Services ("PS") expenditures are now synchronized between FAMIS and FMS. FMS maintains the official accounting records for The City.


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


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


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

Respectfully submitted by,


Raymond Orlando
Chief Financial Officer


Elizabeth Rose
Deputy Chancellor, Operations


Michael Tragale
Executive Director, Division of Financial Operations


John Wall
Chief Administrator, Division of Financial Operations

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ANNUAL FINANCIAL STATEMENTS
Department of Education of The City of New York
For the Fiscal Years Ended June 30, 2015 and 2014

Financial Section

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INDEPENDENT AUDITOR'S REPORT

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 governmental fund, and the aggregate remaining governmental fund information of the Department of Education of The City of New York (the "DOE"), as of and for the years ended June 30, 2015 and 2014, 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 City'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 purposes 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major governmental fund, and the aggregate remaining governmental fund information, of the DOE, as of June 30, 2015 and 2014, and the respective changes in financial position, where applicable thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1A, the financial statements of the DOE are intended to present the financial position, and the changes in financial position, where applicable, of only that portion of the governmental activities, each major governmental fund, and the aggregate remaining fund information of The City of New York (“The City”) that is attributable to the transactions of the DOE. They do not purport to, and do not, present fairly the financial position of The City as of June 30, 2015 and 2014, and the changes in its financial position, for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 13 through 23 and the Required Supplementary Information on pages 62-66 be presented to supplement the basic financial statements. Such information, although not a 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. We, as it relates to Management’s Discussion and Analysis only, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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 and Other 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 Introductory Section, and the Supplemental Financial Schedules of the General Fund, as listed in the foregoing table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

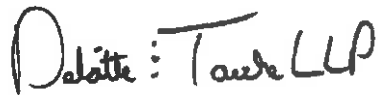
The Supplemental Financial Schedules of the General Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such 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 by us. In our

opinion the Supplemental Financial Schedules of the General Fund is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Introductory Section has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015, 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 other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the DOE's internal control over financial reporting and compliance.

Deloitte : Touche LLP

October 29, 2015

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

The Department of Education
of The City of New York

We have audited, in accordance with the 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 governmental fund, and the aggregate remaining governmental fund information of the Department of Education of The City of New York (the "DOE") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the DOE's basic financial statements, and have issued our report thereon dated October 29, 2015, which contains an explanatory paragraph regarding the financial statements of the DOE are intended to present the financial position, and the changes in financial position, where applicable, of only that portion of the governmental activities, each major governmental fund, and the aggregate remaining fund information of The City of New York ("The City") that is attributable to the transactions of the DOE. They do not purport to, and do not, present fairly the financial position of The City as of June 30, 2015, and the changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the DOE's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the DOE's internal control. 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 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 internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

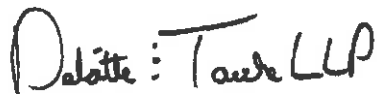
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DOE's financial statements is 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 the financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the Audit Committee and management of the DOE in a separate letter dated October 29, 2015.

Purpose of this Report

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 communication is not suitable for any other purpose.

Deloitte : Touche LLP

October 29, 2015

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DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

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, 2015 and 2014. Please read it in conjunction with the transmittal letter at the beginning of these financial statements and with the DOE's financial statements, which immediately follow this section.

Financial Highlights

- Net deficit at June 30, 2015 was \$27.2 billion, a decrease in net position of \$449 million over that of fiscal year 2014.

Net deficit at June 30, 2014 was \$26.7 billion, a decrease in net position of \$7.9 billion over that of fiscal year 2013.

- Total assets, deferred outflows of resources, liabilities and deferred inflows of resources reported in the governmental funds at June 30, 2015 were \$3.3 billion, a decrease of \$230 million from fiscal year 2014.

Total assets, liabilities and deferred inflows of resources reported in the governmental funds at June 30, 2014 were \$3.5 billion, a decrease of \$951 million from fiscal year 2013.

- General Fund total revenues available and spent during fiscal year 2015 were \$21 billion, an increase of \$914 million over that of fiscal year 2014.

General Fund total revenues available and spent during fiscal year 2014 were \$20.0 billion, an increase of \$853 million over that of fiscal year 2013.

- In fiscal year 2015 a net surplus of \$395 million was returned to The City due to a write down of prior year payables \$497 million and a write down of prior receivables \$102 million.

In fiscal year 2014 a net surplus of \$765 million was returned to The City due to a write down of prior year payables \$1.4 billion and a write down of prior receivables \$612 million.

Overview of Financial Statements

The financial statements consist of three parts: Management's Discussion and Analysis (this part), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the DOE.

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

The Fund Financial Statements report the results of operations of two funds:

- The governmental funds statements explain how basic services such as regular and special education were financed in the short term.
- The fiduciary funds statement provides information about the financial relationships in which the DOE acts solely as an agent for the benefit of others.

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

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

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

In fiscal year 2014, the DOE implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (“*GASB Statement No. 68*”). GASB Statement No. 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to employees of state and local government. The DOE participates in cost sharing multiple-employer pension systems as defined by GASB Statement No. 68. The implementation of GASB Statement No. 68 resulted in the recognition of pension expense as well as the reporting of deferred inflows of resources and a net pension liability based on the DOE’s proportionate share of those plans, calculated as specified in GASB Statement No. 68. (See Note 1B and Note 4 for cumulative change and for details of GASB Statement No. 68).

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, liabilities and deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when the cash is received or paid.

The Department-wide Financial Statements include all activities of the DOE in one category: Governmental Activities. These activities include School Leadership, Instruction and Special Education Support; School Support Services (i.e., system-wide); the School Support Organization (i.e., superintendent, student enrollment planning and operations); Central Administration; and Non-Public Schools.

Fund Financial Statements

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

The DOE has two kinds of funds:

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

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

- *Fiduciary funds*: The DOE is the fiduciary for assets that belong to others, such as the student activities fund. The DOE is responsible for ensuring that the assets are used only for their intended purposes. The DOE excludes these activities from the Department-wide financial statements.

Financial Analysis of the Department-wide Financial Statements

At the close of fiscal year 2015, total liabilities and deferred inflows of resources of the DOE exceeded total assets and deferred outflows of resources from pensions by \$27.2 billion, a decrease in net position of \$449 million from that at the close of fiscal year 2014. Net positions, as of June 30, 2015, June 30, 2014 and June 30, 2013 are summarized below for all governmental activities.

At the close of fiscal year 2014, total liabilities and deferred inflows of resources of the DOE exceeded total assets by \$26.7 billion, a decrease in net position of \$7.9 billion from that at the close of fiscal year 2013.

Figure 1

	Governmental Activities (000's Omitted)		
	2015	2014	2013
Current and other assets	\$ 6,591,346	\$ 11,097,937	\$ 7,263,095
Capital assets	<u>24,730,754</u>	<u>23,433,231</u>	<u>22,438,324</u>
Total assets	<u>31,322,100</u>	<u>34,531,168</u>	<u>29,701,419</u>
Deferred outflows of resources	<u>2,217,243</u>	<u>-</u>	<u>-</u>
Long-term liabilities	51,526,104	49,809,360	56,779,485
Other liabilities	<u>3,675,483</u>	<u>3,858,076</u>	<u>4,799,987</u>
Total liabilities	<u>55,201,587</u>	<u>53,667,436</u>	<u>61,579,472</u>
Deferred inflows of resources	<u>5,513,261</u>	<u>7,590,310</u>	<u>2,790,658</u>
Net position:			
Net investment in capital assets	24,730,754	23,433,231	22,438,324
Unrestricted deficit	<u>(51,906,259)</u>	<u>(50,159,809)</u>	<u>(57,107,035)</u>
Total net position	<u>\$ (27,175,505)</u>	<u>\$ (26,726,578)</u>	<u>\$ (34,668,711)</u>

In fiscal year 2015, assets decreased \$3.2 billion from \$34.5 billion as of June 30, 2014 to \$31.3 billion as of June 30, 2015 primarily due to the change in pension obligation, which resulted in an increase in Due from The City of New York of approximately, \$5.0 billion. Capital assets increased by \$1.3 billion due to transfer from School Construction Authority (“SCA”). The significant change in the ‘Due from the City’ of \$5 billion is due to the change in FY 2014 pension obligations of negative \$6 billion being compared to the positive increase in pension obligations of \$3 billion for FY 2015.

In fiscal year 2014, assets increased \$4.8 billion from \$29.7 billion as of June 30, 2013 to \$34.5 billion as of June 30, 2014 primarily due to adoption of Governmental Accounting Standards Board (“GASB”) statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which resulted in an increase in Due from The City of New York of approximately, \$4.6 billion. Capital assets increased by \$995 million due to transfer from SCA.

In fiscal year 2015, liabilities and deferred inflow of resources decreased by approximately \$543 million from \$61.3 billion as of June 30, 2014 to \$60.7 billion as of June 30, 2015, which was primarily due to an increase in pension liability of \$ 3.0 billion and decreases in the estimate of other postemployment benefits (OPEB) liabilities of \$1.3 billion, accounts payable and accrued expenditures of \$252 million, other liabilities of \$40.0 million, which were offset by decrease in grant advances and deferred inflow from pension of \$2.1 billion. Additionally, there were changes in capital lease obligations of \$35.3 million, accrued judgments and claims of \$3.3 million and pollution remediation of \$1.6 million.

In fiscal year 2014, liabilities and deferred inflow of resources decreased by approximately \$3.1 billion from \$64.4 billion as of June 30, 2013 to \$61.3 billion as of June 30, 2014, which was primarily due to a decrease in pension liability of \$6.0 billion and decreases in the estimate of other postemployment benefits (OPEB) liabilities of \$983 million, accounts payable and accrued expenditures of \$943 million, other liabilities of \$22 million, which were offset by increases in grant advances and deferred inflow from pension of \$4.8 billion. Additionally, there were changes in capital lease obligations \$16.7 million, accrued judgments and claims \$23.9 million and pollution remediation of \$12.1 million.

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

In fiscal year 2015, The DOE's net deficit decreased by \$449 million from July 1, 2014 to June 30, 2015 and in fiscal 2014, the DOE's net deficit decreased by \$7.9 billion from July 1, 2013 to June 30, 2014 due to a retrospective restatement of the beginning net position as required by GASB 68. The key elements of these changes are as follows:

Figure 2
Condensed Statement of Activities

	Governmental Activities (000's Omitted)		
	2015	2014	2013
Revenues:			
Program revenues:			
Charges for services	\$ 85,870	\$ 95,808	\$ 76,430
Operating grants and contributions	11,183,459	10,483,729	10,095,408
General revenues:			
City funded	9,684,731	9,470,275	9,030,429
Other	45,306	35,474	30,149
Total revenues	20,999,366	20,085,286	19,232,416
Expenses:			
School leadership, instruction and special education support	16,378,246	8,171,310	13,096,958
School support services	3,763,530	3,110,493	3,351,110
School support organization	491,051	136,386	225,334
Central administration	431,916	295,767	321,189
Non-public schools	2,860,024	2,571,773	2,489,433
Total expenses	23,924,767	14,285,729	19,484,024
Net revenue (expenses)	(2,925,401)	5,799,557	(251,608)
Net change in capital assets and inventory	2,476,474	2,142,576	1,797,462
Change in net position	(448,927)	7,942,133	1,545,854
Net position (deficit) — beginning	(26,726,578)	(34,668,711)	(9,760,298)
Restatement of beginning net position (deficit) (NOTE 1B)	-	-	\$(26,454,267)
Net position (deficit)— ending	\$(27,175,505)	\$(26,726,578)	\$(34,668,711)

In fiscal year 2015, the DOE received \$28.8 million as a result of The American Recovery and Reinvestment Act ("ARRA") of 2009. Federal program revenues increased 0.1% from \$1.70 billion in fiscal year 2014 to \$1.71 billion in fiscal year 2015 and the State program revenues funding increased 8.4 % from \$8.5 billion in fiscal year 2014 to \$9.1 billion in fiscal year 2015.

Expenditures include liabilities incurred by The City on behalf of the DOE which are not recorded on the modified accrual basis, but are included in full accrual accounting. Figure 2 expenses include changes in amounts due for: (1) vacation and sick leave; (2) capital leases obligations; (3) accrued judgments and claims; (4) depreciation expense; (5) the liability associated with Other Post Employment Benefit Obligations; (6) change in Pollution Remediation Obligations; and (7) Employer Pension Obligation.

In fiscal year 2015, the full accrual expenses include \$21 billion of modified accrual expenses and over \$2.97 billion of additional expense incurred by The City to report a full accrual expense of \$23.9 billion, an increase

of 67.5%, from fiscal year 2014, mainly due to the change in FY 2014 pension obligations of negative \$6 billion being compared to the positive increase in pension obligations of \$3 billion for FY 2015.

In fiscal year 2014, the full accrual expenses include \$20.0 billion of modified accrual expenses reduced by \$5.8 billion of expenses incurred by The City to report a full accrual expense of \$14.3 billion, a decrease of 26.7%, from fiscal year 2013, mainly due to recognizing the change in pension liability \$6.0 billion.

In fiscal year 2015, due to the decrease in the changes of the cost allocation of long term liabilities, the category of School Leadership, Instruction and Special Education Support increased about 100.4% from \$8.2 billion in fiscal year 2014 to \$16.3 billion in fiscal year 2015; School Support Services increased about \$653 million from \$ 3.1 billion in fiscal year 2014 to \$3.8 billion in fiscal year 2015; School Support Organization increased from \$136 million to \$491 million, and Central Administration increased by \$136 million. Non-Public Schools had an increase of \$288 million due to charter school increases.

In fiscal year 2014, the category of School Leadership, Instruction and Special Education Support decreased about 37.4% from \$13.1 billion in fiscal year 2013 to \$8.2 billion in fiscal year 2014; School Support Services decreased about \$241 million from \$3.4 billion in fiscal year 2013 to \$3.1 billion in fiscal year 2014; School Support Organization decreased from \$225 million to \$136 million, and Central Administration decreased by \$25.4 million. Non-Public Schools had increases of \$82 million due to charter school increases.

Financial Analysis of the Governmental Funds

Total assets, deferred outflow of resources, liabilities and deferred inflow of resources decreased \$230 million, 6.52%, for fiscal year 2015 compared to fiscal year 2014 when assets and liabilities decreased \$951 million, 21.24 %, as follows:

Figure 3:
Condensed Balance Sheet (In millions of dollars)

	Governmental Activities			Amount Change		Percentage Change	
	2015	2014	2013	2014-2015	2013-2014	2014-2015	2013-2014
Assets:							
General fund	\$ 3,295	\$3,525	\$4,476	\$ (230)	\$ (951)	(6.52)%	(21.24)%
Total assets	\$ 3,295	\$3,525	\$4,476	\$ (230)	\$ (951)	(6.52)%	(21.24)%
Liabilities and deferred inflows of resources:							
General fund	\$ 3,289	\$3,501	\$4,466	\$ (212)	\$ (965)	(6.06)%	(21.60)%
Deferred inflows of resources	6	24	10	(18)	14	(75.00)%	140.00 %
Total liabilities and deferred inflows of resources	\$ 3,295	\$3,525	\$4,476	\$ (230)	\$ (951)	(6.52)%	(21.24)%

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

Changes in total assets for fiscal year 2015: There was a net decrease of \$675 million of amounts due from The City to pay for outstanding liabilities in the General Fund. There were also increases in the accounts receivable from federal sources of \$414 million, state sources of \$3.3 million and an increase in non-governmental sources of \$22.9 million. At year end there were increases in the balances of cash of \$4.6 million.

Changes in total assets for fiscal year 2014: First, there was a net decrease of \$158 million of amounts due from The City to pay for outstanding liabilities in the General Fund. At year end there were also decreases in the accounts receivable from federal sources of \$210 million, state sources of \$601 million and an increase in non-governmental sources of \$20 million. At year end there were decreases in the balances of cash of \$1.2 million.

Changes in total liabilities and deferred inflows of resources for fiscal year 2015: Governmental Fund liabilities decreased \$230 million due to decreases of almost \$252 million in accounts payable in the General Fund. There was an increase of \$40 million in the balance of the other liabilities in the General Fund and a decrease of \$18 million, in the deferred inflow of resources.

Changes in total liabilities and deferred inflows of resources for fiscal year 2014: Governmental Fund liabilities decreased \$965 million due to decreases of almost \$943 million in accounts payable in the General Fund. There was a decrease of \$22 million in the balance of the other liabilities in the General Fund and an increase of \$14 million in the deferred inflow of resources.

In fiscal year 2015, total revenues and expenditures increased \$914 million, 4.6%, compared to June 30, 2014. Total revenues and expenditures increased \$853 million, 4.4%, for the year ended June 30, 2014 compared to June 30, 2013.

Figure 4

Changes in Revenue and Expenditures (in millions of dollars)	General Funds			Percentage Change	Percentage Change
	2015	2014	2013	2014-2015	2013-2014
Revenues:					
Federal aid	\$ 1,711.1	\$ 1,709.0	\$ 1,884.5	0.12 %	(9.31)%
State aid	9,191.7	8,482.0	7,984.1	8.37 %	6.20 %
Funding by The City	9,730.0	9,505.8	9,060.6	2.36 %	4.91 %
Other	<u>366.5</u>	<u>388.4</u>	<u>303.2</u>	(5.64)%	28.10 %
Total revenues	<u>\$20,999.3</u>	<u>\$20,085.2</u>	<u>\$19,232.4</u>	4.56 %	4.40 %
Expenditures:					
School leadership, instruction and special education support	\$ 13,903.1	\$ 13,614.6	\$ 13,028.9	2.12 %	4.50 %
School support services	3,436.3	3,290.3	3,176.5	4.44 %	3.60 %
School support organization	419.5	236.2	224.9	77.60 %	5.00 %
Central administration	380.2	372.3	312.7	2.12 %	19.00 %
Non-public schools	<u>2,860.2</u>	<u>2,571.8</u>	<u>2,489.4</u>	11.21 %	3.30 %
Total expenditures	<u>\$20,999.3</u>	<u>\$20,085.2</u>	<u>\$19,232.4</u>	4.56 %	4.40 %

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

In fiscal year 2015, the overall Federal program revenues increased 0.1% from \$1.70 billion in fiscal year 2014 to \$1.71 billion in fiscal year 2015, State program revenues increased 8.4% from \$8.5 billion in fiscal year 2014 to \$9.1 billion in fiscal year 2015, and City revenues increased 2.4 % from \$9.50 billion in 2014 to \$9.73 billion in 2015.

In fiscal year 2014, the overall Federal program revenues decreased 9.3% from \$1.88 billion in fiscal year 2013 to \$1.71 billion in fiscal year 2014, State program revenues increased 6.2% from \$8.0 billion in fiscal year 2013 to \$8.5 billion in fiscal year 2014, and City revenues increased 4.9 % from \$9.06 billion in 2013 to \$9.50 billion in 2014.

In fiscal year 2015, major programs that decreased individual revenues included: Race to the Top, which is a multi-year \$256 million grant in which \$26 million was utilized in fiscal year 2015, \$55 million lower than the \$81 million of fiscal year 2014. The major programs that increased federal revenues included: Title I – Local Educational Grants, which increased in federal revenue by \$17 million; Medicaid, which increased by \$12 million; School Food programs, which increased by \$22 million, and Teacher Incentive funds, which

increased by \$12 million. Major State revenue increases included an additional \$340 million in Foundation Aid and \$305 million for Universal Pre-Kindergarten.

In fiscal year 2014, major programs that decreased individual revenues included: Race to the Top, which is a multi-year \$256 million grant in which \$81 million was utilized in fiscal year 2014 \$21 million lower than the \$102 million of fiscal year 2013. In addition, there were additional Federal revenue decreases in Title 1 and Individuals with Disabilities Act (IDEA) of \$133 million. There were also Federal revenue decreases in FEMA funds related to Hurricane Sandy of \$39 million and a net decrease of \$17 million in other miscellaneous grants. These decreases were offset by increases to Federally Reimbursed school food revenue of \$6 million, Teacher Incentive funds of \$5 million and Title 1 School Improvement grants of \$23 million. In addition there were State Aid increases of \$140 million in baseline Foundation Aid coupled with a \$183 million decrease in the State's Gap Elimination Adjustment (GEA) and the \$312 million APPR penalty assessed in 2013 due to lack of a teacher's evaluation agreement was not imposed in 2014. These increases were offset by decreases of \$45 million in Transportation Aid and \$92 million in state rate driven and categorical aids.

In fiscal year 2015, total expenditures, under modified accrual accounting, increased 4.6% or \$914 million. Expenditures in the area of School Leadership, Instruction and Special Education Support increased \$289 million, more than 2.1% mainly due to increases in collective bargaining and contractual services. School Support Services increased \$146 million, 4.4% mainly for the increased costs of other liabilities. Expenditures in the area of School Support Organization increased about \$183 million, 77.6% due to increases of contractual services and an increase in reimbursable funding allocated. Central Administration increased overall by \$8 million, 2.1% due to increases of supplies, equipment and contractual services. Non-Public Schools expenditures increased, \$288 million 11.2% due to charter school.

In fiscal year 2014, total expenditures, under modified accrual accounting, increased 4.4% or \$853 million. Expenditures in the area of School Leadership, Instruction and Special Education Support increased \$586 million, more than 4.5% mainly due to increases in collective bargaining and contractual services. School Support Services increased \$114 million, 3.6% mainly for the increased costs of pollution remediation, transportation and other liabilities. Expenditures in the area of School Support Organization increased about \$11 million, 5.0% due to increases of contractual services and an increase in reimbursable funding allocated. Central Administration increased overall by \$60 million, 19.0% due to increases of supplies, equipment and contractual services. Non-Public Schools expenditures increased \$82.0 million, 3.3% due to charter school.

General Fund Budgetary Highlights

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

- School Food Programs were decreased by \$3.1 million to tax-levy budgets and increased Reimbursable Program budgets by 7.7 million.
- Intra-city adjustments of \$18.7 million to Tax-Levy budgets and \$18.6 million to Reimbursable program budgets.
- Executive and Adopted Budget Actions which decreased Tax-Levy budgets by \$30.2 million.
- Tax-Levy surpluses of \$44 million were rolled from FY2015 to FY2016 as part of the Deferred Program Planning Initiative (DPPI).

- November and January Plan Actions, which increased Tax-Levy Budgets by \$154.4 million and decreased Reimbursable Program Budgets by \$30.7 million. These budget actions include collective bargaining adjustment of \$128.1 million.
- Final fiscal year Close Actions, which decreased Tax-Levy budgets by \$61.6 million and increased Reimbursable Program Budgets by \$41.8 million.
- Additional fiscal year Close Actions, which includes an increase to Tax-Levy budgets of \$130 million, are attributable to the effects of GASB Statement No. 49 requirements.

As a result of the above, the DOE made net modifications to the adopted budget of over \$217 million.

Capital Assets

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

Figure 5

	Governmental Activities (000's Omitted)		
	2015	2014	2013
Land	\$ 448,956	\$ 448,956	\$ 448,956
Buildings	21,786,640	20,920,299	19,692,817
Equipment	40,368	47,107	54,653
Construction in progress	<u>2,454,790</u>	<u>2,016,869</u>	<u>2,241,898</u>
Total	<u>\$24,730,754</u>	<u>\$ 23,433,231</u>	<u>\$ 22,438,324</u>

In fiscal year 2015, capital assets, net of accumulated depreciation, increased from fiscal year 2014 by \$1.3 billion, primarily due to capital assets (completed new construction and equipment) that were transferred to the DOE from the SCA in the amount of \$2.1 billion. In fiscal year 2014, capital assets, net of accumulated depreciation, increased from fiscal year 2013 by \$995 million, primarily due to capital assets (completed new construction and equipment) that were transferred to the DOE from the SCA in the amount of \$2.3 billion.

Factors Bearing on the Department's Future

In 1996, a class action was brought against The City and the State under Title VII of the Civil Rights Act of 1964 alleging that the use by the New York 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 4D)

A lawsuit has been brought against The City in the United States District Court for the Southern District of New York by School Safety Agents alleging violation of the Federal Equal Pay Act, Title VII of the Civil Rights Act of 1964 and provisions of State law. Plaintiffs claim that School Safety Agents (who are predominantly female) earn less pay than Special Officers (who are predominantly male) although both jobs require substantially equal skill, effort and responsibility. The case has been certified as a class action. Although the case was commenced by three named plaintiffs in 2010, 4,900 plaintiffs subsequently opted into the lawsuit. Plaintiffs seek injunctive relief and damages.

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 the Executive Director of the Division of Financial Operations, 65 Court Street, Room 1803A, Brooklyn, New York 11201.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

**STATEMENT OF NET POSITION (DEFICIT)
AS OF JUNE 30, 2015
(\$000 Omitted)**

	<u>Governmental Activities</u>
ASSETS:	
Cash	\$ 19,846
Accounts receivable	
Federal	970,705
State	1,328,228
Non-governmental	104,064
Due from The City of New York	4,162,198
Inventories	6,305
Capital assets (net of accumulated depreciation)	
Land	448,956
Buildings	21,786,640
Equipment (including software)	40,368
Construction in progress	2,454,790
TOTAL ASSETS	<u>31,322,100</u>
DEFERRED OUTFLOWS OF RESOURCES - FROM PENSIONS	<u>2,217,243</u>
LIABILITIES:	
Accounts payable and accrued expenditures	3,209,472
Other liabilities	79,551
Other postemployment benefit obligations	27,661,349
Employer pension obligations	21,084,820
Pollution remediation obligations	
Due within one year	99,126
Due in more than one year	11,014
Accrued vacation and sick leave	
Due within one year	75,398
Due in more than one year	1,849,841
Capital lease obligations	
Due within one year	19,693
Due in more than one year	265,508
Accrued judgments and claims	
Due within one year	192,243
Due in more than one year	653,572
TOTAL LIABILITIES	<u>55,201,587</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows from pensions	5,507,695
Grant advances	5,566
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,513,261</u>
NET POSITION:	
Net investment in capital assets	24,730,754
Unrestricted deficit	<u>(51,906,259)</u>
TOTAL NET POSITION (DEFICIT)	<u><u>\$ (27,175,505)</u></u>

See accompanying notes to the financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

STATEMENT OF NET POSITION (DEFICIT) AS OF JUNE 30, 2014 (\$000 Omitted)

	Governmental Activities
ASSETS:	
Cash	\$ 15,249
Accounts receivable	
Federal	556,899
State	1,324,943
Non-governmental	81,187
Due from The City of New York	9,112,828
Inventories	6,831
Capital assets (net of accumulated depreciation)	
Land	448,956
Buildings	20,920,299
Equipment (including software)	47,107
Construction in progress	<u>2,016,869</u>
TOTAL ASSETS	<u>34,531,168</u>
DEFERRED OUTFLOWS OF RESOURCES - FROM PENSIONS	<u>-</u>
LIABILITIES:	
Accounts payable and accrued expenditures	3,461,274
Other liabilities	39,522
Other postemployment benefit obligations	28,955,610
Employer pension obligations	18,036,835
Pollution remediation obligations	
Due within one year	100,585
Due in more than one year	11,176
Accrued vacation and sick leave	
Due within one year	55,668
Due in more than one year	1,843,664
Capital lease obligations	
Due within one year	21,082
Due in more than one year	299,462
Accrued judgments and claims	
Due within one year	179,945
Due in more than one year	<u>662,613</u>
TOTAL LIABILITIES	<u>53,667,436</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows from pensions	7,566,530
Grant advances	<u>23,780</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,590,310</u>
NET POSITION:	
Net investment in capital assets	23,433,231
Unrestricted deficit	<u>(50,159,809)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ (26,726,578)</u>

See accompanying notes to the financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015 (\$000 Omitted)

Function/Programs	Program Expenses	Program Revenue		Net (Expenses) Revenue
		Charges for Services	Operating Grants and Contributions	
SCHOOL LEADERSHIP, INSTRUCTION AND SPECIAL EDUCATION SUPPORT	\$ 16,378,246	\$ 8,294	\$ 8,795,334	\$ (7,574,618)
SCHOOL SUPPORT SERVICES	3,763,530	51,488	1,755,098	(1,956,944)
SCHOOL SUPPORT ORGANIZATION	491,051	-	-	(491,051)
CENTRAL ADMINISTRATION	431,916	-	-	(431,916)
NON-PUBLIC SCHOOLS	<u>2,860,024</u>	<u>26,088</u>	<u>633,027</u>	<u>(2,200,909)</u>
Total department activities	<u>\$ 23,924,767</u>	<u>\$ 85,870</u>	<u>\$ 11,183,459</u>	<u>(12,655,438)</u>
GENERAL REVENUES:				
City Funded				9,684,731
Intra-city Sales				45,306
OTHER ADJUSTMENTS —				
Net change in capital assets and inventory				<u>2,476,474</u>
CHANGE IN NET POSITION				(448,927)
NET POSITION (DEFICIT) — Beginning				<u>(26,726,578)</u>
NET POSITION (DEFICIT) — Ending				<u>\$ (27,175,505)</u>

See accompanying notes to the financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014 (\$000 Omitted)

Function/Programs	Program Expenses	Program Revenue		Net (Expenses) Revenue
		Charges for Services	Operating Grants and Contributions	
SCHOOL LEADERSHIP, INSTRUCTION AND SPECIAL EDUCATION SUPPORT	\$ 8,171,310	\$ 6,998	\$ 8,153,061	\$ (11,251)
SCHOOL SUPPORT SERVICES	3,110,493	51,666	1,694,886	(1,363,941)
SCHOOL SUPPORT ORGANIZATION	136,386	-	-	(136,386)
CENTRAL ADMINISTRATION	295,767	-	-	(295,767)
NON-PUBLIC SCHOOLS	<u>2,571,773</u>	<u>37,144</u>	<u>635,782</u>	<u>(1,898,847)</u>
Total department activities	<u>\$ 14,285,729</u>	<u>\$ 95,808</u>	<u>\$ 10,483,729</u>	<u>(3,706,192)</u>
GENERAL REVENUES:				
City Funded				9,470,275
Intra-city Sales				35,474
OTHER ADJUSTMENTS —				
Net change in capital assets and inventory				<u>2,142,576</u>
CHANGE IN NET POSITION				7,942,133
NET POSITION (DEFICIT) — Beginning				<u>(34,668,711)</u>
NET POSITION (DEFICIT) — Ending				<u>\$ (26,726,578)</u>

See accompanying notes to the financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

BALANCE SHEET AS OF JUNE 30, 2015 (\$000 Omitted)

	Governmental Fund Type <u>General Fund</u>
ASSETS	
CASH	\$ 19,846
ACCOUNTS RECEIVABLE:	
Federal	970,705
State	1,328,228
Non-governmental	104,064
DUE FROM THE CITY OF NEW YORK	<u>871,746</u>
TOTAL ASSETS	<u>\$ 3,294,589</u>
LIABILITIES	
ACCOUNTS PAYABLE AND ACCRUED EXPENDITURES	\$ 3,209,472
OTHER LIABILITIES	<u>79,551</u>
Total liabilities	<u>3,289,023</u>
DEFERRED INFLOWS OF RESOURCES	
Grant advances	<u>5,566</u>
Total deferred inflows of resources	<u>5,566</u>
FUND BALANCE — Total fund balance	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 3,294,589</u>

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

See accompanying notes to the financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

BALANCE SHEET AS OF JUNE 30, 2014 (\$000 Omitted)

	Governmental Fund Type <u>General Fund</u>
ASSETS	
CASH	\$ 15,249
ACCOUNTS RECEIVABLE:	
Federal	556,899
State	1,324,943
Non-governmental	81,187
DUE FROM THE CITY OF NEW YORK	<u>1,546,298</u>
TOTAL ASSETS	<u>\$ 3,524,576</u>
LIABILITIES	
ACCOUNTS PAYABLE AND ACCRUED EXPENDITURES	\$ 3,461,274
OTHER LIABILITIES	<u>39,522</u>
Total liabilities	<u>3,500,796</u>
DEFERRED INFLOWS OF RESOURCES	
Grant advances	<u>23,780</u>
Total deferred inflows of resources	<u>23,780</u>
FUND BALANCE — Total fund balance	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 3,524,576</u>

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

See accompanying notes to the financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION (DEFICIT) AS OF JUNE 30, 2015 (\$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 FUNDS.		6,305
CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND THEREFORE, ARE NOT REPORTED IN THE GOVERNMENTAL FUNDS		24,730,754
LONG-TERM LIABILITIES ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND ACCORDINGLY ARE NOT REPORTED IN THE GOVERNMENTAL FUNDS. THESE ARE:		
Other postemployment benefit obligations		(27,661,349)
Employer pension obligations		(21,084,820)
Accrued vacation and sick leave		(1,925,239)
Pollution remediation obligations		(110,140)
Capital lease obligations		(285,201)
Accrued judgments and claims		<u>(845,815)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	\$	<u>(27,175,505)</u>

See accompanying notes to the 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, 2014

(\$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 FUNDS.	6,831
CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND THEREFORE, ARE NOT REPORTED IN THE GOVERNMENTAL FUNDS	23,433,231
LONG-TERM LIABILITIES ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND ACCORDINGLY ARE NOT REPORTED IN THE GOVERNMENTAL FUNDS. THESE ARE:	
Other postemployment benefit obligations	(28,955,610)
Employer pension obligations	(18,036,835)
Accrued vacation and sick leave	(1,899,332)
Pollution remediation obligations	(111,761)
Capital lease obligations	(320,544)
Accrued judgments and claims	<u>(842,558)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (26,726,578)</u>

See accompanying notes to the financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ALL GOVERNMENTAL FUND TYPE FOR THE YEAR ENDED JUNE 30, 2015 (\$000 Omitted)

	Government Fund Type General Fund
REVENUES:	
Federal aid	\$ 1,711,128
State aid	9,191,671
Universal services fund	23
Other assistance	223,141
Charges for services:	
School construction authority	65,789
Student lunches	14,503
Rentals	36,986
Other	26,088
Subtotal	11,269,329
Net change in estimate of prior receivables	(101,931)
Subtotal	11,167,398
Funding provided by The City of New York	9,786,662
Total revenues and other financing sources	<u>\$20,954,060</u>
EXPENDITURES:	
General education instruction and school leadership	\$ 6,373,540
Special education instruction and school leadership	1,391,916
Charter school	1,308,880
School support organization	271,086
Citywide education instruction and school leadership	896,433
Special education instructional support	483,185
School facilities	870,229
Pupil transportation	1,143,838
School food services	446,318
School safety	330,581
Energy and leases	468,100
Central administration	335,304
Fringe benefits	2,876,580
Pre-kindergarten contracts	844,399
Contract schools and foster care payments	641,613
Non-public schools	65,087
Collective Bargaining	-
Subtotal	18,747,089
Reimbursable — categorical programs	2,252,277
Intracity sales	(45,306)
Subtotal	20,954,060
Net change in estimate of prior payables	(496,548)
Total expenditures	20,457,512
OTHER FINANCING USES — Transfer to The City of New York	496,548
Total expenditures and other financing uses	20,954,060
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>-</u>
FUND BALANCE	<u>\$ -</u>

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

See accompanying notes to the financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ALL GOVERNMENTAL FUND TYPE FOR THE YEAR ENDED JUNE 30, 2014 (\$000 Omitted)

	Government Fund Type General Fund
REVENUES:	
Federal aid	\$ 1,709,019
State aid	8,482,040
Universal services fund	7,461
Other assistance	247,718
Charges for services:	
School construction authority	44,490
Student lunches	15,687
Rentals	35,980
Other	37,144
Subtotal	10,579,539
Net change in estimate of prior receivables	(612,262)
Subtotal	9,967,277
Funding provided by The City of New York	10,082,537
Total revenues and other financing sources	<u>\$20,049,814</u>
EXPENDITURES:	
General education instruction and school leadership	\$ 6,232,307
Special education instruction and school leadership	1,264,404
Charter school	1,065,338
School support organization	158,122
Citywide education instruction and school leadership	822,370
Special education instructional support	462,080
School facilities	791,875
Pupil transportation	1,098,848
School food services	412,054
School safety	309,676
Energy and leases	514,180
Central administration	330,979
Fringe benefits	2,837,784
Pre-kindergarten contracts	824,810
Contract schools and foster care payments	611,452
Non-public schools	70,173
Collective Bargaining	246,354
Subtotal	18,052,806
Reimbursable — categorical programs	2,032,482
Intracity sales	(35,474)
Subtotal	20,049,814
Net change in estimate of prior payables	(1,377,641)
Total expenditures	18,672,173
OTHER FINANCING USES — Transfer to The City of New York	1,377,641
Total expenditures and other financing uses	20,049,814
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-
FUND BALANCE	<u>\$ -</u>

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

See accompanying notes to the financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015 (\$000 Omitted)

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

TOTAL FUND BALANCE — Governmental funds		\$	-
GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES. HOWEVER, IN THE STATEMENT OF ACTIVITIES THE COST OF THESE ASSETS IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AND REPORTED AS DEPRECIATION EXPENSE.			(1,179,479)
SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED AS EXPENDITURES IN GOVERNMENTAL FUNDS:			
Change in employer pension obligations	(3,047,985)		
Change in other postemployment benefit obligations	1,294,261		
Change in sick leave and vacation liability	(25,907)		
Change in pollution remediation obligations	1,621		
Change in capital lease obligations	35,343		
Change in judgments and claims liability	<u>(3,255)</u>		
			(1,745,922)
NET CHANGES IN CAPITAL ASSETS AND INVENTORY WHERE NEITHER REVENUES NOR EXPENSES ARE INCURRED BY THE DEPARTMENT — Net of department costs			<u>2,476,474</u>
CHANGE IN NET POSITION — Governmental activities		\$	<u>(448,927)</u>

See accompanying notes to the financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014 (\$000 Omitted)

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

TOTAL FUND BALANCE — Governmental funds		\$ -
GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES. HOWEVER, IN THE STATEMENT OF ACTIVITIES THE COST OF THESE ASSETS IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AND REPORTED AS DEPRECIATION EXPENSE.		(1,147,531)
SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED AS EXPENDITURES IN GOVERNMENTAL FUNDS:		
Change in employer pension obligations	6,018,070	
Change in other postemployment benefit obligations	982,921	
Change in sick leave and vacation liability	(1,167)	
Change in pollution remediation obligations	(12,103)	
Change in capital lease obligations	(16,687)	
Change in judgments and claims liability	<u>(23,944)</u>	
		6,947,088
NET CHANGES IN CAPITAL ASSETS AND INVENTORY WHERE NEITHER REVENUES NOR EXPENSES ARE INCURRED BY THE DEPARTMENT — Net of department costs		<u>2,142,576</u>
CHANGE IN NET POSITION — Governmental activities		<u>\$ 7,942,133</u>

See accompanying notes to the financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL — GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2015 (\$'000 Omitted)

	Adopted Budget	Modified Budget	Actual	Favorable/ (Unfavorable)
REVENUES:				
Federal aid	\$ 1,735,621	\$ 1,711,128	\$ 1,711,128	\$ -
State aid	9,253,461	9,191,670	9,191,671	1
Universal services fund		23	23	-
Other assistance	76,095	223,141	223,141	-
Charges for services:				
School construction authority	44,490	65,789	65,789	-
Student lunches	12,750	14,750	14,503	(247)
Rentals	28,000	33,500	36,986	3,486
Other	15,177	20,252	26,088	5,836
Subtotal	11,165,594	11,260,253	11,269,329	9,076
Net change in estimate of prior receivables	-	-	(101,931)	(101,931)
Subtotal	11,165,594	11,260,253	11,167,398	(92,855)
Funding provided by The City of New York	9,574,732	9,697,107	9,786,662	89,555
Total revenues and other financing sources	20,740,326	20,957,360	20,954,060	(3,300)
EXPENDITURES:				
General education instruction and school leadership	6,234,155	6,374,790	6,373,540	1,250
Special education instruction and school leadership	1,285,322	1,391,751	1,391,916	(165)
Charter Schools	1,297,014	1,309,015	1,308,880	135
School support organization	274,893	271,086	271,086	-
Citywide education instruction and school leadership	881,197	897,659	896,433	1,226
Special education instructional support	466,892	483,185	483,185	-
School facilities	633,912	870,183	870,229	(46)
Pupil transportation	1,110,206	1,143,838	1,143,838	-
School food services	436,416	446,374	446,318	56
School safety	313,416	330,581	330,581	-
Energy and leases	506,002	468,220	468,100	120
Central administration	308,662	335,304	335,304	-
Fringe benefits	2,893,589	2,876,566	2,876,580	(14)
Pre-kindergarten contracts	947,671	845,306	844,399	907
Contract schools and foster care payments	628,879	641,615	641,613	2
Non-public schools	64,748	65,084	65,087	(3)
Collective Bargaining	250,853	-	-	-
Subtotal	18,533,827	18,750,557	18,747,089	3,468
Reimbursable — categorical programs	2,215,497	2,253,028	2,252,277	751
Intracity sales	(8,998)	(46,225)	(45,306)	(919)
Subtotal	20,740,326	20,957,360	20,954,060	3,300
Net change in estimate of prior payables	-	-	(496,548)	496,548
Total expenditures	20,740,326	20,957,360	20,457,512	499,848
OTHER FINANCING USES — Transfer to The City of New York	-	-	496,548	(496,548)
Total expenditures and other financing uses	20,740,326	20,957,360	20,954,060	3,300
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	-	-	-	-
FUND BALANCE	\$ -	\$ -	\$ -	\$ -

See accompanying notes to the financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL — GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2014 (\$000 Omitted)

	Adopted Budget	Modified Budget	Actual	Favorable/ (Unfavorable)
REVENUES:				
Federal aid	\$ 1,784,935	\$ 1,709,019	\$ 1,709,019	\$ -
State aid	8,663,861	8,482,039	8,482,040	1
Universal services fund	-	7,461	7,461	-
Other assistance	85,413	247,718	247,718	-
Charges for services:				
School construction authority	20,000	44,490	44,490	-
Student lunches	21,375	21,374	15,687	(5,687)
Rentals	28,000	35,000	35,980	980
Other	9,800	34,260	37,144	2,884
Subtotal	10,613,384	10,581,361	10,579,539	(1,822)
Net change in estimate of prior receivables	-	-	(612,262)	(612,262)
Subtotal	10,613,384	10,581,361	9,967,277	(614,084)
Funding provided by The City of New York	9,240,640	9,467,838	10,082,537	614,699
Total revenues and other financing sources	19,854,024	20,049,199	20,049,814	615
EXPENDITURES:				
General education instruction and school leadership	6,121,784	6,160,269	6,232,307	(72,038)
Special education instruction and school leadership	1,167,845	1,265,319	1,264,404	915
Charter Schools	1,038,408	1,065,339	1,065,338	1
School support organization	136,700	156,700	158,122	(1,422)
Citywide education instruction and school leadership	840,967	825,967	822,370	3,597
Special education instructional support	543,931	462,206	462,080	126
School facilities	606,076	791,906	791,875	31
Pupil transportation	1,144,073	1,098,848	1,098,848	-
School food services	411,312	429,111	412,054	17,057
School safety	308,440	309,676	309,676	-
Energy and leases	501,686	516,641	514,180	2,461
Central administration	235,775	310,017	330,979	(20,962)
Fringe benefits	3,043,662	2,873,339	2,837,784	35,555
Pre-kindergarten contracts	1,087,688	857,484	824,810	32,674
Contract schools and foster care payments	688,341	611,452	611,452	-
Non-public schools	71,146	71,146	70,173	973
Collective Bargaining	-	246,354	246,354	-
Subtotal	17,947,834	18,051,774	18,052,806	(1,032)
Reimbursable — categorical programs	1,916,894	2,032,940	2,032,482	458
Intracity sales	(10,704)	(35,515)	(35,474)	(41)
Subtotal	19,854,024	20,049,199	20,049,814	(615)
Net change in estimate of prior payables	-	-	(1,377,641)	1,377,641
Total expenditures	19,854,024	20,049,199	18,672,173	1,377,026
OTHER FINANCING USES — Transfer to The City of New York	-	-	1,377,641	(1,377,641)
Total expenditures and other financing uses	19,854,024	20,049,199	20,049,814	(615)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	-	-
FUND BALANCE	\$ -	\$ -	\$ -	\$ -

See accompanying notes to the financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

STATEMENT OF FIDUCIARY NET POSITION

AS OF JUNE 30, 2015

(\$000 Omitted)

	<u>Agency Funds</u>
ASSETS	
CASH AND CASH EQUIVALENTS	<u>\$ 71,049</u>
TOTAL ASSETS	<u>\$ 71,049</u>
LIABILITIES	
DUE TO STUDENTS/TEACHERS	\$ 33,663
HOLDING ACCOUNTS PAYABLE	34,175
DUE TO TAX AGENTS	<u>3,211</u>
TOTAL LIABILITIES	<u>\$ 71,049</u>

See accompanying notes to the financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

STATEMENT OF FIDUCIARY NET POSITION AS OF JUNE 30, 2014 (\$000 Omitted)

	<u>Agency Funds</u>
ASSETS	
CASH AND CASH EQUIVALENTS	<u>\$ 68,374</u>
TOTAL ASSETS	<u>\$ 68,374</u>
LIABILITIES	
DUE TO STUDENTS/TEACHERS	\$ 32,104
HOLDING ACCOUNTS PAYABLE	32,718
DUE TO TAX AGENTS	<u>3,552</u>
TOTAL LIABILITIES	<u>\$ 68,374</u>

See accompanying notes to the financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

The DOE continues to be fiscally dependent on The City and, accordingly, is included in The City's financial statements. 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 appropriations, as if the DOE were an independent school system.

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, total liabilities and deferred inflows of resources. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the DOE's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (i) charges for services such as revenues from providing school lunches and rental revenues; and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Other revenues not recorded as program revenues are reported as general revenue.

Upon substantial completion of capital assets, the School Construction Authority ("SCA") transfers such assets to the DOE. In fiscal years 2015 and 2014, the SCA transferred \$2.1 billion and \$2.3 billion, respectively, in completed assets to the DOE.

Description of Functions in the Statement of Activities — The Statement of Activities summarizes program expenses by major functions, as follows:

- *School Leadership, Instruction and Special Education Support* — which includes district, high school, special education instructional support and special education services expenditures, such as, salary costs of teachers, principals, paraprofessionals and other costs directly and indirectly associated with the classroom.
- *School Support Services* — which includes the costs of school facilities, pupil transportation, food, school safety, energy and leases.
- *School Support Organization* — Various Instructional Learning and oversight offices.
- *Central Administration* — which includes central office support services for system-wide maintenance, and for development of agency-wide budgeting, purchasing, accounting and student demographic information applications.
- *Non-Public Schools* — which represents the amount of funding passing through the DOE to independent non-public schools.

Fund Financial Statements — The fund financial statements provide information about the DOE's funds, including fiduciary funds. Separate financial statements are provided for governmental and fiduciary funds. The DOE has no governmental funds that are considered non-major. The accounts of the DOE are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, 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 — Governmental fund in which most functions of the DOE are financed. The acquisition, use and balance of the expendable available financial resources and the related liabilities are accounted for through governmental funds. The following 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.

Newly Adopted Accounting Standards

In Fiscal Year 2015, the DOE adopted Statement No. 72 of the Government Accounting Standards Board, entitled, *Fair Value Measurement and Application*.

Statement No. 72 requires the DOE to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management’s assumption of the default rate among underlying mortgages of a mortgage-backed security.

Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. There was no impact on the DOE’s financial statement as a result of the implementation of Statement No. 72.

Pronouncements Issued But Not Yet Effective

In June of 2015, GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.

The requirements of this statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

The provisions of Statement No. 73 that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of Statement No. 73 for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier

application is encouraged. The DOE has not completed the process of evaluating the impact of Statement No. 73 on its financial statements.

In June of 2015, GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The scope of this statement includes defined benefit and defined contribution plans administered through trusts that meet specified criteria.

This statement establishes financial reporting standards to state and local governmental other postemployment benefit (“OPEB”) plans. The Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.

Statement No. 74 is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The DOE has not completed the process of evaluating the impact of Statement No. 74 on its financial statements.

In June of 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). This statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employees. This Statement also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

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

This statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

Statement No. 75 is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The DOE has not completed the process of evaluating the impact of Statement No. 75 on its financial statements.

In June of 2015, GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. It also amends Statement No. 62, Codification of accounting and financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, paragraph 64, 74, and 82.

The provisions of Statement No. 76 are effective for financial statements for periods beginning after June 15, 2015. Earlier application is permitted. The DOE has not completed the process of evaluating the impact of Statement No. 76 on its financial statements.

C. Basis of Accounting

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

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

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

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

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

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

Accounts Payable — Accounts Payable includes all payments of bills and payrolls since June 30, 2015 and accruals for payments to be made in the future, which applies to liabilities incurred as of June 30, 2015. Further, included in accounts payable are all payments that were processed through the DOE's accounting system, but not yet cleared The City's accounting system. In addition, included are all prior year accruals which have not been liquidated through The City's accounting system.

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

Donated Commodities — The DOE participates in various federal and state aided food programs. Many of these programs provide for commodities to be supplied to the DOE in lieu of, or in addition to, cash. The value of these donated commodities received and used during the year was approximately \$33.2 million.

The value of these donated commodities received and still on hand, as of June 30, 2015 and 2014 was \$1.1 and \$1.1 million respectively.

Materials and Supplies — Inventories on hand at June 30, 2015, amounted to approximately \$6.3 million based on the moving average cost method. Inventories are recorded as expenditures in governmental fund at the time of purchase and, accordingly, have not been reported on the governmental funds balance sheet. As of June 30, 2014, this value was \$6.8 million.

Encumbrances — Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriation, is used by the General Fund during the fiscal year to control expenditures. Cost of goods received and services rendered on or before June 30 are recognized as expenditures.

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 2015 was \$1.9 billion. As of June 30, 2014, the value of these services was \$1.9 billion.

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

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

Pensions — The provision for pension costs for the DOE is recorded in The City’s General Fund. That provision includes normal costs, interest on prior pension costs not funded, and amortization of past service costs as determined by the actuary employed by the Boards of Trustees of The City’s major pension systems. (See Note 4.B.)

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

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

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

School Activity Funds — General school funds are established by individual schools to account for monies received from students and organizations for programs independent of the DOE.

These monies are raised primarily through school or student extra-classroom activities to finance approved activities. Since the community school districts and the individual schools function solely as an agent in the collection and disbursement of these monies, the monies are reported as Fiduciary Funds in the accompanying statements. The cash in the agency fund includes the balances of 1,862 separate school activity funds. All but three of these bank accounts are maintained by the schools under the responsibility of the respective principals. Three bank accounts are maintained in the central office for the benefit of the schools.

Program Expenses — Program expenses denote the use of funds derived from federal and state aid sources, charges for services and funding from The City.

The total program expenses included in the Statement of Activities for the year ended June 30, 2015 of \$24 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 \$21 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):

	Amount
Total expenditures and other uses (from the statement of revenues, expenditures and changes in fund balance)	\$ 20,954,060
Add back intra-city sales (which are included in general revenue in statement of activities)	45,306
Depreciation expense	1,179,479
Long-term liabilities per full accrual basis:	
Net changes in employer pension obligations	3,047,985
Other postemployment benefit obligations	(1,294,261)
Sick leave and vacation balances	25,907
Pollution remediation obligations	(1,621)
Capital leases	(35,343)
Judgments and claims	<u>3,255</u>
Total program expenses (from the statement of activities)	<u>\$ 23,924,767</u>

The total program expenses included in the Statement of Activities for the year ended June 30, 2014 of \$14.3 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 \$20.0 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):

	Amount
Total expenditures and other uses (from the statement of revenues, expenditures and changes in fund balance)	\$ 20,049,814
Add back intra-city sales (which are included in general revenue in statement of activities)	35,474
Depreciation expense	1,147,531
Net changes in Employer pension obligations	
Long-term liabilities per full accrual basis:	(6,018,070)
Other postemployment benefit obligations	(982,921)
Sick leave and vacation balances	1,167
Pollution remediation obligations	12,103
Capital leases	16,687
Judgments and claims	<u>23,944</u>
Total program expenses (from the statement of activities)	<u>\$ 14,285,729</u>

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

The revenue and expenditure budget is based on GAAP with respect to those elements that are The DOE's responsibility, and such budget is to be balanced in accordance with mandatory requirements of The City Charter. Annual expenditure budget appropriations are adopted as described below for the General Fund. During the year, decreases or increases to the budget, including amounts rolled to the subsequent fiscal year, adjust the final modified budget. Unused budget amounts lapse at the fiscal year end. Appropriations are also made in a Capital Budget to authorize the expenditure of funds for various capital projects. Capital appropriations, unless modified or rescinded, remain in effect until the completion of each project.

The budget of the DOE is categorized into Units of Appropriation. Each Unit of Appropriation represents an area of instructional costs, a service program or a division within the DOE. The City Council through the Adopted Budget of The City appropriates funds to these Units of Appropriation.

Distinct Units of Appropriation are required for Personal Service expenditures and for Other Than Personal Service expenditures. Each Unit of Appropriation is delineated further by Budget Codes, which designate individual functions within a Unit of Appropriation (office, bureau or type of service). For Personal Service expenditures, Line Numbers further refine Budget Codes identifying specifically the titles funded. For Other Than Personal Service expenditures, Object Codes further refine Budget Codes identifying specifically the types of goods or services funded (supplies, equipment, contractual services, etc.).

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

B. Appropriations Modifications

The following schedule summarizes budget modifications for the year ended June 30, 2015 (\$000 omitted):

	Originally Adopted Budget	Net Modifications	Modified Budget
Tax levy programs	\$ 18,533,827	\$ 216,730	\$ 18,750,557
Reimbursable programs	<u>2,215,497</u>	<u>37,531</u>	<u>2,253,028</u>
Subtotal	20,749,324	254,261	21,003,585
Less intracity sales	<u>(8,998)</u>	<u>(37,227)</u>	<u>(46,225)</u>
Total	<u>\$ 20,740,326</u>	<u>\$ 217,034</u>	<u>\$ 20,957,360</u>

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

	Tax Levy	Reimbursable
Intracity purchases	\$ 18,671	\$ 18,556
Executive and Adoption	(30,203)	187
November and January plan actions	154,414	(30,705)
Hurricane Sandy	8,515	-
School food programs	(3,071)	7,699
Year-end closing actions	(61,600)	41,794
GASB No. 49 — Pollution remediation	<u>130,004</u>	<u>-</u>
Total net modifications	<u>\$ 216,730</u>	<u>\$ 37,531</u>

The following schedule summarizes budget modifications for the year ended June 30, 2014 (\$000 omitted):

	Originally Adopted Budget	Net Modifications	Modified Budget
Tax levy programs	\$ 17,947,834	\$ 103,940	\$ 18,051,774
Reimbursable programs	<u>1,916,894</u>	<u>116,046</u>	<u>2,032,940</u>
Subtotal	19,864,728	219,986	20,084,714
Less intracity sales	<u>(10,704)</u>	<u>(24,811)</u>	<u>(35,515)</u>
Total	<u>\$ 19,854,024</u>	<u>\$ 195,175</u>	<u>\$ 20,049,199</u>

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

	Tax Levy	Reimbursable
Intracity purchases	\$ 8,559	\$ 16,253
Executive and Adoption	270,681	9,528
November and February plan actions	(171,866)	(7,022)
Hurricane Sandy	5,453	-
School food programs	21,745	5,622
Year-end closing actions	(176,108)	91,665
GASB No. 49 — Pollution remediation	<u>145,476</u>	<u>-</u>
Total net modifications	<u>\$ 103,940</u>	<u>\$ 116,046</u>

3. DETAILED NOTES ON ACCOUNTS

Cash — Bank balances are maintained with banks that are members of the Federal Deposit Insurance Corporation (FDIC). The FDIC insures bank balances up to a maximum of \$250,000 in the aggregate by the FDIC for each bank for all funds. As the DOE's General Fund cash balance is part of The City's cash management system, which is considered one depositor for FDIC purposes, and as the Agency Funds include over 1862 accounts maintained at the school level, the DOE cannot determine the amounts that are insured or collateralized. The City's June 30, 2015 and 2014 General Fund bank balances, which includes the DOE's General Fund bank deposits, were uninsured and uncollateralized with securities held by The City's agent in The City's name.

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.

Lease Commitments — The DOE leases various types of property and equipment. Total lease expenditures for the years ended June 30, 2015 and 2014, were approximately \$183 million and \$171 million, respectively. As of June 30, 2015, the DOE has future minimum rental obligations on leases with a remaining term in excess of one year as follows (\$000 omitted):

Year(s) Ending June 30	Total Amount	Capital Leases	Operating Leases
2016	\$ 142,384	\$ 32,614	\$ 109,770
2017	143,236	32,121	111,115
2018	139,131	30,408	108,723
2019	128,415	30,079	98,336
2020	119,739	30,379	89,360
2021-2025	493,372	123,607	369,766
2026-2030	277,615	57,270	220,345
2031-2035	165,081	38,569	126,513
2036-2040	68,482	20,334	48,146
2041-2045	25,014	8,071	16,943
2046-2050	11,499	-	11,499
Total minimum lease payments	<u>\$ 1,713,968</u>	403,452	<u>\$ 1,310,516</u>
Less imputed interest		<u>(118,251)</u>	
Present value of net minimum lease payments		<u>\$ 285,201</u>	

Long-Term Liabilities — The long-term liabilities include capital leases entered into by the DOE as well as the DOE's portion of various other long-term liabilities, payment for which The City is responsible. Funding for these allocated liabilities will be provided through future appropriations of The City. Payments for certain amounts of these liabilities are due in fiscal years 2015 and 2014 and funds have been appropriated for such payments.

Changes in the various components of the long-term liabilities for fiscal year 2015 are as follows (\$000 omitted):

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Accrued vacation and sick leave	\$ 1,899,332	\$ 101,305	\$ (75,398)	\$ 1,925,239	\$ 75,398
Capital lease obligations	320,544	-	(35,343)	285,201	19,693
Accrued judgments and claims	842,558	158,389	(155,132)	845,815	192,243
Pollution remediation	111,761	129,939	(131,560)	110,140	99,126
Employer pension obligation	18,036,835	6,493,511	(3,445,526)	21,084,820	-
OPEB obligations (net) *	<u>28,955,610</u>	-	<u>(1,294,261)</u>	<u>27,661,349</u>	-
Total	<u>\$ 50,166,640</u>	<u>\$ 6,883,144</u>	<u>\$ (5,137,220)</u>	<u>\$ 51,912,564</u>	<u>\$ 386,460</u>

* OPEB Obligations deletions are comprised of actual Retiree Health Insurance and Retiree Welfare Contributions currently expensed in addition to any actually determined adjustment.

Changes in the various components of the long-term liabilities for fiscal year 2014 are as follows (\$000 omitted):

	June 30, 2013	Additions	Deletions	June 30, 2014	One Year
Accrued vacation and sick leave	\$ 1,898,165	\$ 56,835	\$ (55,668)	\$ 1,899,332	\$ 55,668
Capital lease obligations	303,857	37,769	(21,082)	320,544	21,082
Accrued judgments and claims	818,614	172,834	(148,890)	842,558	179,945
Pollution remediation	99,658	145,424	(133,321)	111,761	11,176
Employer pension obligations	24,054,904	4,697,449	(10,715,518)	18,036,835	-
OPEB obligations	<u>29,938,531</u>	-	<u>(982,921)</u>	<u>28,955,610</u>	-
Total	<u>\$57,113,729</u>	<u>\$ 5,110,311</u>	<u>\$ (12,057,400)</u>	<u>\$50,166,640</u>	<u>\$ 267,871</u>

As described in Note 3F 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.

Pollution Remediation Obligations — The Pollution Remediation Obligations (“PRO”) at June 30, 2015 and June 30, 2014, summarized by obligating event and pollution type, respectively, are as follows:

Obligating Event	Fiscal Year 2015		Fiscal Year 2014	
	Amount (000's)	Percentage	Amount (000's)	Percentage
Imminent endangerment	\$ -	%	\$ -	%
Violation of pollution prevention-related permit or license	-	-	-	-
Named by regulator as a potentially responsible party	-	-	-	-
Voluntary commencement	<u>110,140</u>	<u>100</u>	<u>111,761</u>	<u>100</u>
Total	<u>\$ 110,140</u>	<u>100.0%</u>	<u>\$ 111,761</u>	<u>100.0%</u>
Pollution Type	Amount (000's)	Percentage	Amount (000's)	Percentage
Asbestos removal	\$ 105,244	95.6 %	\$ 107,785	96.0 %
Lead paint removal	588	0.5	1,356	1.0
Soil remediation	<u>4,308</u>	<u>3.9</u>	<u>2,620</u>	<u>3.0</u>
Total	<u>\$ 110,140</u>	<u>100.0 %</u>	<u>\$ 111,761</u>	<u>100.0 %</u>

There are no expected recoveries deemed not yet realized or realizable to reduce the liability. The PRO liability is derived from registered multi-year contracts which offset cumulative expenditures (liquidated/unliquidated) against original encumbered contractual amounts. The potential for changes to existing PRO estimates is recognized due to such factors as: additional remediation work arising during the remediation of an existing pollution project; remediation activities may find unanticipated site conditions resulting in necessary modifications to work plans; changes in methodology during the course of a project may cause cost estimates to change, e.g., the new ambient air quality standard for lead considered a drastic change will trigger the adoption of new/revised technologies for compliance purposes; and changes in the quantity which is paid based on actual field measured quantity for unit price items measured in cubic meters, linear meters, etc. Consequently, changes to original estimates are

processed as change orders. Further, regarding pollution remediation liabilities that are not yet recognized because they are not reasonably estimable, the Law Department confirms that we have approximately 22 cases involving hazardous substances, including spills from above and underground storage tanks, and other condemnation on, or caused by facilities on City-owned property. There are also two cases involving environmental review and land use, and two cases involving polychlorinated biphenyls caulk in the public schools. Due to the uncertainty of the legal proceedings The City cannot estimate a future liability.

Capital Assets — The DOE receives funding for assets from various sources, some of which are combined for the same fixed asset. In addition, many fixed assets are donated or sold to the DOE from private sources. Further, the receipt of these assets could be at any of the many central offices or at one of the over 1,500 school locations. However, the overall changes in the various classes of Capital Assets occurring during fiscal year 2015 can be reported, as follows (\$000's omitted):

Capital Assets	Balance June 30, 2014	Additions	Transfers	Deletions	Balance June 30, 2015
Capital assets not being depreciated:					
Land and site improvement	\$ 448,956	\$ -	\$ -	\$ -	\$ 448,956
Construction in progress	2,016,869	2,531,064	(2,093,143)	-	2,454,790
Total capital assets not being depreciated	2,465,825	2,531,064	(2,093,143)	-	2,903,746
Capital assets being depreciated:					
Building and additions	34,563,512	3,534	2,093,143	(61,135)	36,599,054
Equipment (including software)	304,963	3,856	-	(317)	308,502
Gross balance capital assets	34,868,475	7,390	2,093,143	(61,452)	36,907,556
Less accumulated depreciation:					
Building and additions	13,643,213	1,213,606	-	(44,405)	14,812,414
Equipment	257,856	10,595	-	(317)	268,134
Total accumulated depreciation	13,901,069	1,224,201	-	(44,722)	15,080,548
Net capital assets being depreciated	20,967,406	(1,216,811)	2,093,143	(16,730)	21,827,008
Total all capital assets	\$ 23,433,231	\$ 1,314,253	\$ -	\$ (16,730)	\$ 24,730,754

The overall changes substantial in the various classes of Capital Assets occurring during fiscal year 2014 can be reported, as follows (\$000's omitted):

Capital Assets	Balance June 30, 2013	Additions	Transfers	Deletions	Balance June 30, 2014
Capital assets not being depreciated:					
Land and site improvement	\$ 448,956	\$ -	\$ -	\$ -	\$ 448,956
Construction in progress	<u>2,241,898</u>	<u>2,106,875</u>	<u>(2,331,904)</u>	<u>-</u>	<u>2,016,869</u>
Total capital assets not being depreciated	<u>2,690,854</u>	<u>2,106,875</u>	<u>(2,331,904)</u>	<u>-</u>	<u>2,465,825</u>
Capital assets being depreciated:					
Building and additions	32,202,070	38,411	2,331,904	(8,873)	34,563,512
Equipment (including software)	<u>298,936</u>	<u>6,297</u>	<u>-</u>	<u>(270)</u>	<u>304,963</u>
Gross balance capital assets	<u>32,501,006</u>	<u>44,708</u>	<u>2,331,904</u>	<u>(9,143)</u>	<u>34,868,475</u>
Less accumulated depreciation:					
Building and additions	12,509,253	1,142,710	-	(8,750)	13,643,213
Equipment	<u>244,283</u>	<u>13,825</u>	<u>-</u>	<u>(252)</u>	<u>257,856</u>
Total accumulated depreciation	<u>12,753,536</u>	<u>1,156,535</u>	<u>-</u>	<u>(9,002)</u>	<u>13,901,069</u>
Net capital assets being depreciated	<u>19,747,470</u>	<u>(1,111,827)</u>	<u>2,331,904</u>	<u>(141)</u>	<u>20,967,406</u>
Total all capital assets	<u>\$ 22,438,324</u>	<u>\$ 995,048</u>	<u>\$ -</u>	<u>\$ (141)</u>	<u>\$ 23,433,231</u>

In December 1988, the State of New York Legislation created the SCA for the purposes of designing, constructing, reconstructing, improving, rehabilitating and repairing the New York City public schools. Operations are funded by appropriations made by The City. Such appropriations are guided by Five-Year Capital Plans, developed by the DOE. The City's appropriations for the Five-Year Capital Plan for the fiscal years 2015 through 2019 totaled \$13.47 billion.

Capital Expenditures made on behalf of the DOE amounted to \$2.6 billion and \$2.1 billion in fiscal year 2015 and 2014, 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 2015 and 2014, the SCA transferred \$2.1 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, 2015, are certain leased properties aggregating approximately \$395 million. Included in equipment are expenditures made from various units of appropriation in the General Fund. Included in Accumulated Depreciations — Buildings and Additions at June 30, 2015, was accumulated depreciation for leases of \$110 million.

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

For fiscal year 2015, The City's Comprehensive Annual Financial Report identifies capital expenditures for education amounting to \$2.6 billion. The capital expenditures incurred by the SCA on behalf of the DOE totaled \$2.4 billion offset by GASB Statement No. 49 expenditures of \$130 million and the liability to SCA in the amount of \$260 million.

4. OTHER INFORMATION

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

FIT receives, through appropriations provided by The City, a grant from the DOE to partially subsidize its operations. The amounts paid to FIT in fiscal year 2015 and 2014 were approximately \$45.6 million and \$45.3 million, respectively.

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

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 TRS 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.

Funding Policy — The City’s funding policy is to contribute statutorily-required contributions (Statutory Contributions). Statutory contributions are determined annually to be an amount that, together with member contribution and investment income provides for QPP assets to be sufficient to pay benefits when due.

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

Tax-deferred annuity Programs – Benefits provided under the TRS and BERS TDA Programs are derived from members’ accumulated contributions. No benefits are provided by employer 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.

Qualified pension plan programs -The City’s funding policy is to contribute statutorily-required contributions (Statutory Contributions). 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, 2013 actuarial valuation was used for determining the Fiscal Year 2015 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 2015 and 2014 and the amount of the City’s contribution to each QPP for such fiscal years are as follows (in millions):

Annual Pension Costs	Aggregate Statutory Contribution 2015	Aggregate Statutory Contribution 2014	Aggregate Statutory Contribution 2013
TRS	\$ 3,270	\$ 2,999	\$ 2,856
BERS	258	215	196
Total	\$ 3,528	\$ 3,214	\$ 3,052

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 between 3.0% and 6.0% of salary, depending on salary level.

Changes in Net Pension Liability—TRS and BERS QPPs

Net Changes in the DOE's net pension liability for the TRS and BERS QPPs for the fiscal years ended June 30, 2015 and 2014, due to the adoption of GASB Statement No. 68 are as follows:

(\$ amounts are in thousands)

Annual Pension Costs	TRS - Net Pension Liability		BERS - Net Pension Liability	
	2015	2014	2015	2014
Balance at June 30,	\$ 17,166,852	\$ 22,792,352	\$ 869,982	\$ 1,262,552
Changes for the year:				
Service cost	1,178,465	1,161,704	142,829	136,927
Interest	3,879,987	4,246,997	289,324	276,531
Difference between expected and actual experience	1,452,863	-	48,429	-
Contribution - employer	(3,204,013)	(2,943,060)	(249,252)	(205,929)
Contribution - employees	(152,795)	(149,312)	(38,208)	(35,692)
Net investment income	(1,553,029)	(9,091,873)	(171,093)	(840,118)
Benefit payments	-	-	-	-
Payment of interest on TDA fixed funds	1,203,350	1,105,293	10,580	9,381
Administrative expenses	56,257	44,363	43,413	198,276
Other changes	(318)	389	111,197	68,054
Net Changes	2,860,767	(5,625,499)	187,219	(392,570)
Net Balance at June 30,	\$ 20,027,619	\$ 17,166,853	\$ 1,057,201	\$ 869,982

City 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, 2015 and 2014, and the proportion percentage of the aggregate net pension liability of each QPP allocated to the DOE:

(\$ amounts are in millions)

	June 30, 2015		June 30, 2014	
	TRS	BERS	TRS	BERS
DOE's proportion of the net pension liability	96.35%	96.07%	96.35%	95.96%
DOE's proportionate share of the net pension liability	\$ 20,027,619	\$ 1,057,201	\$ 17,167	\$ 870

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

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

(\$ amounts are in millions)	Fiscal Year 2015			Fiscal Year 2014		
	1% Discount (6.0%)	Current Discount Rate (7.0%)	1 Percent increase (8.0%)	1% Discount (6.0%)	Current Discount Rate (7.0%)	1 Percent increase (8.0%)
	TRS QPP	\$ 26,453	\$ 20,219	\$ 15,065	\$ 23,414	\$ 17,331
BERS QPP	1,596	1,100	666	1,377	907	511
Total	\$ 28,049	\$ 21,319	\$ 15,731	\$ 24,791	\$ 18,238	\$ 12,599

The above amounts includes all participants of TRS and BERS beside the DOE.

Deferred inflows of resources by source reported by the DOE at June 30, 2015 and 2014 for each QPP are as follow:

(\$ amounts are in thousands)	June 30, 2015		June 30, 2014	
	TRS	BERS	TRS	BERS
Net difference between projected and actual investment earnings on pension plan investments	\$ (4,908,509)	\$ 595,969	\$ (6,744,580)	\$ (821,950)
Changes in Proportion and difference between employer contribution and proportionate share of contribution	(416)	3,633	-	-
Deferred inflows of Resources	<u>\$ (4,908,093)</u>	<u>\$ 599,602</u>	<u>\$ (6,744,580)</u>	<u>\$ (821,950)</u>

Deferred outflows of resources by source reported by the DOE at June 30, 2015 and 2014 for each QPP are as follow:

(\$ amounts are in thousands)	June 30, 2015		June 30, 2014	
	TRS	BERS	TRS	BERS
Difference between expected and actual experience	\$ 1,078,414	\$ 33,753	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	1,067,803	37,272	-	-
Deferred outflows of Resources	<u>\$ 2,146,217</u>	<u>\$ 71,025</u>	<u>\$ -</u>	<u>\$ -</u>

Amounts reported as deferred inflows of resources related to pensions at June 30, 2015 will be recognized in pension expense as follows:

Year ending June 30:	(in thousand)	
	TRS	BERS
2016	\$ (1,205,563)	\$ (214,533)
2017	(1,205,564)	(214,533)
2018	(647,167)	(124,102)
2019	269,511	9,648
Thereafter	-	-
Total	<u>\$ (2,788,783)</u>	<u>\$ (543,520)</u>

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

Pension Expense, Employer Contribution, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The DOE’s Pension expense, employer contribution, deferred outflows, deferred inflows related to pensions and net pension liabilities recognized by the DOE for the fiscal years ended June 30, 2015 and 2014 related to the GASB 68 are as follows:

(\$ amounts are in thousands)	June 30, 2015		
	TRS	BERS	Total
Net pension liability at June 30, 2014	\$ 17,166,852	\$ 869,983	\$ 18,036,835
Employer contribution	(3,205,211)	(240,315)	(3,445,526)
Pension expense	2,083,274	134,159	2,217,433
Net Change - Deferred outflows of resources	2,146,217	71,026	2,217,243
Net Change - Deferred Inflows from resources	<u>1,836,487</u>	<u>222,348</u>	<u>2,058,835</u>
Net Pension Liability at June 30, 2015	<u>\$ 20,027,619</u>	<u>\$ 1,057,201</u>	<u>\$ 21,084,820</u>
	June 30, 2014		
	TRS	BERS	Total
Net pension liability at June 30, 2013	\$ 22,792,352	\$ 1,262,552	\$ 24,054,904
Employer contribution	(2,943,060)	(205,928)	(3,148,988)
Pension expense	1,669,837	247,318	1,917,155
Deferred Inflows from pension - Prior year	2,392,303	387,991	2,780,294
Deferred Inflows from pension	<u>(6,744,580)</u>	<u>(821,950)</u>	<u>(7,566,530)</u>
Net Pension Liability at June 30, 2014	<u>\$ 17,166,852</u>	<u>\$ 869,983</u>	<u>\$ 18,036,835</u>

Other Post-Employment Benefits

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

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

Annual OPEB Cost and Net OPEB Obligations — The City's Annual OPEB cost (expense) is calculated based on the annual required contribution of the employer, an amount that was actuarially determined by using the Entry Age Actuarial Cost Method. For fiscal year 2015, the annual OPEB required contribution for The City was determined to be \$88.6 billion of which the City contributed \$3.1 billion to the PLAN. The Net OPEB Obligation, after City Contributions, was \$85.5 billion. For the DOE, the allocated Net OPEB obligation for Fiscal Year 2015 was \$27.7 billion. This amount was allocated to Programs Activities' expenses in presenting full accrual accounting within the Statement of Activities. This amount, when added to the allocated amount for prior year \$28.9 billion, was also included as a long term liability in the Statement of Net Assets \$27.7 billion.

C. Superstorm Sandy

On October 29, 2012, Superstorm Sandy ("Sandy") made landfall in The City. The storm surge and high winds caused significant damage in the City as well as to other states and cities along the U.S. eastern seaboard. The City incurred costs for emergency response and storm related damages to, and destruction of, City buildings and other assets. As of June 30, 2015, the estimated value of damages and recovery costs was approximately \$9.7 billion – this includes \$7.6 billion for capital construction and \$2.1 billion for cleanup, relief, and repairs.

In response to the damages caused by Superstorm Sandy, President Obama signed a major disaster declaration on October 30, 2012, authorizing the Federal Emergency Management Agency (FEMA) to provide Public Assistance grants (PA) to government entities for response and recovery efforts. The emergency declaration supports the reimbursement of eligible emergency work (categorized as Emergency Protective Measures and Debris Removal) and permanent work (categorized as restoration of Roads and Bridges, Water Control Facilities, Buildings and Equipment, Utilities and Parks and Recreational facilities). On June 26, 2013 the President authorized reimbursement of eligible costs at a 90% rate.

In addition to the FEMA PA, the City has been awarded more than \$4.2 billion of Community Development Block Grant Disaster Recovery (CDBG-DR) funding through the U.S. Department of Housing and Urban Development. The major portion of these funds is being used in a variety of home restoration and replacement programs, small business assistance programs, and resiliency/hazard mitigation programs. The remainder is being used to pay certain Superstorm Sandy-related costs that are not reimbursable by FEMA as well as the 10% non-FEMA share of eligible costs, to the extent that those are eligible for CDBG-DR funding.

Approximately \$2 billion in emergency and recovery spending was obligated for reimbursement by FEMA during the City's Fiscal Year 2015, the remainder of eligible reimbursement will be obligated going forward. To the extent that eligible Superstorm Sandy related costs were incurred as of June 30, 2015, the FEMA reimbursement has been received or accrued as receivable in Fiscal Year 2015.

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

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

In 1996, a class action was brought against the City and the State under Title VII of the Civil Rights Act of 1964 alleging that the use by the New York 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. 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 addition, the Court's neutral expert is of the opinion that the State's new teacher certification test, the Academic Literacy Skills Test (ALST), administered since Spring 2014, was also not properly validated. The plaintiffs could accordingly seek to expand the damages class. 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.

A lawsuit has been brought against the City in the United States District Court for the Southern District of New York by School Safety Agents alleging violation of the Federal Equal Pay Act, Title VII of the Civil Rights Act of 1964 and provisions of State law. Plaintiffs claim that School Safety Agents (who are predominantly female) earn less pay than Special Officers (who are predominantly male) although both jobs require substantially equal skill, effort and responsibility. The case has been certified as a class action. Although the case was commenced by three named plaintiffs in 2010, 4,900 plaintiffs subsequently opted into the lawsuit. Plaintiffs seek injunctive relief and damages. A settlement was approved by the Court on March 26, 2015. The estimated settlement amount is \$32- 35 million plus reasonable attorney's fees to be determined by the Court. The City accrued \$38 million in 2015 regarding this lawsuit.

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. Plaintiffs, consisting of the Federal government and a relator, allege fraud in connection with the use of diagnosis and other codes in seeking Medicaid reimbursement in connection with the Early Intervention Program. Plaintiffs seek treble damages and penalties. If plaintiffs were to ultimately prevail the City could be subject to substantial liability.

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, 2015 and 2014

Required Supplementary Information

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

(\$ amounts are in millions)

	TRS		BERS	
	2015	2014	2015	2014
DOE's proportion of the net pension liability	96.35%	96.35%	96.07%	95.96%
DOE's proportionate share of the net pension liability	\$ 20,027.6	17,166.9	1,057.2	870.0
DOE's covered-employee payroll	\$ 7,779.8	7,687.8	976.9	939.4
DOE's proportionate share of the net pension liability as a percentage of its covered-employee payroll	257.4%	223.3%	108.2%	92.6%
Plan fiduciary net position as a percentage of the total pension liability	68.00%	71.40%	75.30%	78.34%

B. Schedule of DOE's Contributions for TRS and BERS Pension Plans (Unaudited)

	2015	2014	2013	2012 *	2011 *	2010 *	2009 *	2008 *	2007 *	2006 *
<p>TRS</p> <p>(\$ amounts are in thousands)</p>										
Contractually required contribution	\$ 3,150,518	2,889,355	2,783,893	2,673,078	2,468,973	2,484,074	2,223,644	1,916,520	1,600,904	1,316,611
Contributions in relation to the contractually required contribution	3,150,518	2,889,355	2,783,893	2,673,078	2,468,973	2,484,074	2,223,644	1,916,520	1,600,904	1,316,611
Contribution deficiency (excess)	\$ —	—	—	—	—	—	—	—	—	—
Covered-employee payroll	\$ 7,779,802	7,687,791	7,618,059	7,920,935	7,935,248	7,859,999	7,221,499	6,998,174	6,285,203	6,183,304
Contributions as a percentage of covered-employee payroll	40.50%	37.58%	36.54%	33.75%	31.11%	31.60%	30.79%	27.39%	25.47%	21.29%
<p>BERS</p>										
Contractually required contribution	\$ 249,253	205,928	197,609	213,651	180,191	147,349	134,225	143,100	129,820	90,839
Contributions in relation to the contractually required contribution	249,253	205,928	197,609	213,651	180,191	147,349	134,225	143,100	129,820	90,839
Contribution deficiency (excess)	\$ —	—	—	—	—	—	—	—	—	—
Covered-employee payroll	\$ 976,861	939,439	837,793	879,476	880,656	826,782	755,516	729,098	696,421	608,596
Contributions as a percentage of covered-employee payroll	25.52%	21.92%	23.59%	24.29%	20.46%	17.82%	17.77%	19.63%	18.64%	14.93%

* The DOE Fiscal Years 2012, 2011, 2010, 2009, 2008, 2007, and 2006, reported contribution and covered payroll amounts are those of each retirement system as a whole (i.e. the sum for all participants employers) DOE- only covered payroll is not readily available for years prior to 2013, and due to methodological changes during the periods 2005 through 2012, the DOE - only employer contribution are not comparable over the ten year period.

Notes to Schedule B: (Unaudited)

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:

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
1.5% per annum for Auto Coll.	1.5% per annum for Auto Coll.	1.5% per annum for Auto Coll.	1.5% per annum for Auto Coll.	1.5% per annum for Auto Coll.	1.3% per annum	1.3% per annum	1.3% per annum ⁴	1.3% per annum ⁴	1.3% per annum ⁴	1.3% per annum ⁴
2.5% per annum for Escalation.	2.5% per annum for Escalation.	2.5% per annum for Escalation.	2.5% per annum for Escalation.	2.5% per annum for Escalation.						

Cost-of-Living Adjustments²

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 are required.

³ Laws of established UAAL for Early Retirement Incentive Programs to be amortized on a level dollar basis over periods of 5 years.

⁴ Developed assuming a long-term Consumer Price Inflation assumption of 2.5% per year.

⁵ Beginning with the June 30, 2010 (Lag) actuarial valuation under the 2012 A&M, the Entry Age Actuarial Cost Method (EAACM) of funding is utilized by the Actuary to calculate the contributions required of the Employer. Under this method, the Actuarial Present Value (APV) of Benefits (APVB) of each individual included in the actuarial valuation is allocated on a level basis over the earnings (or service) of the individual between entry age and assumed exit age(s). The employer portion of this APV allocated to a valuation year is the Normal Cost. The portion of this APV not provided for at a valuation date by the APV of Future Normal Costs or future member contributions is the Actuarial Accrued Liability (AAL). The excess, if any, of the AAL over the Actuarial Asset Value (AAV) is the Unfunded Actuarial Accrued Liability (UAAL). Under this method, actuarial gains (losses), as they occur, reduce (increase) the UAAL and are explicitly identified and amortized. Increases (decreases) in obligations due to benefit changes, actuarial assumption changes and/or actuarial method changes are also explicitly identified and amortized.

⁶ Market Value Restart as of June 30, 2011. Actuarial Asset Value ("AAV") as of June 30, 2010 defined to recognize Fiscal Year 2011 investment performance. The June 30, 2010 AAV is derived as equal to the June 30, 2011 Market Value of Assets, discounted by the Actuarial Interest Rate assumption (adjusted for cash flow) to June 30, 2010.

Note: Methods and assumptions are only required for single-employer plans. However, since the methods and assumptions are generally the same for all plans and have been reported together in the past, we presented them as if for all 5 plans here.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

SUPPLEMENTAL FINANCIAL SCHEDULES OF THE GENERAL FUND AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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 2012 through Fiscal Year 2015, as of June 30, 2015. The Schedule of Budget and Actual Expenditures reflects the final modified budget as approved by The City. This budget is modified throughout the year and then a final modification is submitted by DOE at year end to distribute surplus balances and to provide additional funding to categories with expenses that are projected to be in excess of budget appropriations. (See Note 2 of the Notes to the Financial Statements).

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

GENERAL FUND

SCHEDULE OF AGED RECEIVABLES

AS OF JUNE 30, 2015

WITH COMPARATIVE TOTALS TO JUNE 30, 2014

(\$000 Omitted)

	Federal Grants Categorical	State Aid and Categorical Grants	Non- Governmental Grants	Total Receivables As of June 30, 2015	Comparative Total, as of As of June 30, 2014
FISCAL YEAR 2015	\$954,083	\$1,206,470	\$ 80,103	\$2,240,656	\$ -
FISCAL YEAR 2014	8,078	69,553	23,961	101,592	1,744,675
FISCAL YEAR 2013	8,544	43,988	-	52,532	171,934
FISCAL YEAR 2012	<u>-</u>	<u>8,217</u>	<u>-</u>	<u>8,217</u>	<u>46,420</u>
TOTAL RECEIVABLES	<u>\$970,705</u>	<u>\$1,328,228</u>	<u>\$ 104,064</u>	<u>\$2,402,997</u>	<u>\$1,963,029</u>

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

**GENERAL FUND
SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

UOA	Modified Budget	Expenditures	Favorable (Unfavorable)
GENERAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:			
401 Salaries	\$ 5,713,487,721	\$ 5,713,487,721	\$ -
402 Supplies	143,496,227	124,007,846	19,488,381
402 Furniture and equipment	40,960,561	61,425,423	(20,464,862)
402 Textbooks	86,317,745	76,654,210	9,663,535
402 Contractual services	<u>390,527,780</u>	<u>397,964,630</u>	<u>(7,436,850)</u>
Total	<u>6,374,790,034</u>	<u>6,373,539,830</u>	<u>1,250,204</u>
SPECIAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:			
403 Salaries	1,387,735,005	1,387,735,005	-
404 Supplies	1,918,925	1,481,390	437,535
404 Furniture and equipment	625,733	1,286,227	(660,494)
404 Textbooks	347,020	37,152	309,868
404 Contractual services	<u>1,124,579</u>	<u>1,376,522</u>	<u>(251,943)</u>
Total	<u>1,391,751,262</u>	<u>1,391,916,296</u>	<u>(165,034)</u>
CHARTER SCHOOLS			
406 Supplies	517,900	730,533	(212,633)
406 Textbooks	5,201,192	4,988,559	212,633
406 Contractual services	<u>1,303,295,774</u>	<u>1,303,161,100</u>	<u>134,674</u>
Total	<u>1,309,014,866</u>	<u>1,308,880,192</u>	<u>134,674</u>
SCHOOL SUPPORT ORGANIZATION:			
415 Salaries	231,346,188	231,346,187	1
416 Supplies	16,478,031	4,191,608	12,286,423
416 Furniture and equipment	267,951	1,595,994	(1,328,043)
416 Textbooks	-	187,413	(187,413)
416 Contractual services	<u>22,993,480</u>	<u>33,764,446</u>	<u>(10,770,966)</u>
Total	<u>271,085,650</u>	<u>271,085,648</u>	<u>2</u>
CITYWIDE EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:			
421 Salaries	875,993,815	875,993,814	1
422 Supplies	6,981,632	6,400,790	580,842
422 Furniture and equipment	4,975,013	4,897,548	77,465
422 Textbooks	557,398	2,795,874	(2,238,476)
422 Contractual services	<u>9,151,284</u>	<u>6,344,831</u>	<u>2,806,453</u>
Total	<u>897,659,142</u>	<u>896,432,857</u>	<u>1,226,285</u>

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

GENERAL FUND SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2015

UOA	Modified Budget	Expenditures	Favorable (Unfavorable)
SPECIAL EDUCATION			
INSTRUCTIONAL SUPPORT:			
423 Salaries	\$ 252,463,497	\$ 252,463,496	\$ 1
424 Supplies	616,664	2,797,125	(2,180,461)
424 Furniture and equipment	1,674,363	2,157,176	(482,813)
424 Textbooks	500	618	(118)
424 Contractual services	228,429,744	225,766,351	2,663,393
Total	<u>483,184,768</u>	<u>483,184,766</u>	<u>2</u>
SCHOOL FACILITIES			
435 Salaries	433,993,385	433,937,385	56,000
436 Supplies	28,707,483	25,808,117	2,899,366
436 Furniture and equipment	491,113	647,839	(156,726)
436 Pollution remediation	130,003,922	130,003,922	-
436 Contractual services	276,986,621	279,831,970	(2,845,349)
Total	<u>870,182,524</u>	<u>870,229,233</u>	<u>(46,709)</u>
PUPIL TRANSPORTATION			
438 Supplies	3,006,577	4,113,487	(1,106,910)
438 Equipment	1,928,999	343,139	1,585,860
438 Contractual services	4,202,500	5,302,154	(1,099,654)
438 Pupil transportation	1,134,699,762	1,134,079,058	620,704
Total	<u>1,143,837,838</u>	<u>1,143,837,838</u>	<u>-</u>
SCHOOL FOOD SERVICES			
439 Salaries	214,745,629	214,702,793	42,836
440 Supplies	18,477,716	19,205,652	(727,936)
440 Food purchases	181,828,531	178,829,646	2,998,885
440 Furniture and equipment	6,389,649	5,173,062	1,216,587
440 Contractual services	24,932,484	28,406,946	(3,474,462)
Total	<u>446,374,009</u>	<u>446,318,099</u>	<u>55,910</u>
442 SCHOOL SAFETY	<u>330,580,522</u>	<u>330,580,522</u>	<u>-</u>
444 ENERGY AND LEASES	<u>468,219,757</u>	<u>468,100,138</u>	<u>119,619</u>

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

**GENERAL FUND
SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

UOA	Modified Budget	Expenditures	Favorable (Unfavorable)
CENTRAL ADMINISTRATION:			
453 Salaries	\$ 163,947,287	\$ 163,947,287	\$ -
454 Supplies	13,760,894	11,118,879	2,642,015
454 Furniture and equipment	3,646,334	4,491,287	(844,953)
454 Judgments and claims	98,103	15,317	82,786
454 Contractual services	153,616,545	155,506,135	(1,889,590)
454 Fixed charges	<u>235,277</u>	<u>225,534</u>	<u>9,743</u>
Total	<u>335,304,440</u>	<u>335,304,439</u>	<u>1</u>
461 FRINGE BENEFITS	<u>2,876,566,447</u>	<u>2,876,580,148</u>	<u>(13,701)</u>
470 PRE-KINDERGARTEN CONTRACTS	<u>845,306,104</u>	<u>844,399,423</u>	<u>906,681</u>
472 CONTRACT SCHOOLS AND FOSTER CARE	<u>641,613,685</u>	<u>641,613,308</u>	<u>377</u>
474 NON-PUBLIC SCHOOLS AND FIT PAYMENTS	<u>65,085,998</u>	<u>65,085,997</u>	<u>1</u>
TOTAL TAX LEVY	<u>18,750,557,046</u>	<u>18,747,088,736</u>	<u>3,468,310</u>
CATEGORICAL PROGRAMS:			
481 Salaries	1,242,412,765	1,242,412,764	1
482 Supplies	130,245,031	161,171,282	(30,926,251)
482 Furniture and equipment	20,067,282	24,427,212	(4,359,930)
482 Pension	209,881,826	209,712,067	169,759
482 Contractual services	<u>650,421,360</u>	<u>614,553,336</u>	<u>35,868,024</u>
Total categorical programs	<u>2,253,028,264</u>	<u>2,252,276,661</u>	<u>751,603</u>

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

GENERAL FUND SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2015

	Modified Budget	Expenditures	Favorable (Unfavorable)
TOTAL APPROPRIATIONS EXPENDED	\$ 21,003,585,310	\$ 20,999,365,396	\$ 4,219,914
INTRA-CITY SALES	<u>(46,225,301)</u>	<u>(45,305,867)</u>	<u>(919,434)</u>
Sub-total	20,957,360,009	20,954,059,529	3,300,480
NET CHANGE IN PRIOR PAYABLES	<u>-</u>	<u>(496,548,418)</u>	<u>496,548,418</u>
Total expenditures	20,957,360,009	20,457,511,111	499,848,898
OTHER FINANCING USES — Transfer to The City of New York	<u>-</u>	<u>496,548,418</u>	<u>(496,548,418)</u>
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 20,957,360,009</u>	<u>\$ 20,954,059,529</u>	<u>\$ 3,300,480</u>

(Concluded)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

GENERAL FUND SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2014

UOA	Modified Budget	Expenditures	Favorable (Unfavorable)
GENERAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:			
401 Salaries	\$ 5,557,174,469	\$ 5,556,693,810	\$ 480,659
402 Supplies	171,869,793	125,424,102	46,445,691
402 Furniture and equipment	49,888,293	62,652,120	(12,763,827)
402 Textbooks	134,877,795	133,176,621	1,701,174
402 Contractual services	246,458,640	354,360,041	(107,901,401)
Total	6,160,268,990	6,232,306,694	(72,037,704)
SPECIAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:			
403 Salaries	1,261,494,323	1,261,227,528	266,795
404 Supplies	1,918,925	1,246,086	672,839
404 Furniture and equipment	434,483	1,226,237	(791,754)
404 Textbooks	347,020	21,295	325,725
404 Contractual services	1,124,579	682,787	441,792
Total	1,265,319,330	1,264,403,933	915,397
CHARTER SCHOOLS			
406 Contractual services	1,065,338,819	1,065,338,056	763
Total	1,065,338,819	1,065,338,056	763
SCHOOL SUPPORT ORGANIZATION:			
415 Salaries	145,801,704	147,645,380	(1,843,676)
416 Supplies	5,425,186	2,934,950	2,490,236
416 Furniture and equipment	182,951	866,890	(683,939)
416 Textbooks		52,491	(52,491)
416 Contractual services	5,289,745	6,622,445	(1,332,700)
Total	156,699,586	158,122,156	(1,422,570)
CITYWIDE EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:			
421 Salaries	809,552,034	807,029,766	2,522,268
422 Supplies	2,552,149	5,082,085	(2,529,936)
422 Furniture and equipment	4,975,013	3,426,237	1,548,776
422 Textbooks	557,398	1,147,036	(589,638)
422 Contractual services	8,330,530	5,684,756	2,645,774
Total	825,967,124	822,369,880	3,597,244

(Continued)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

GENERAL FUND SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2014

UOA	Modified Budget	Expenditures	Favorable (Unfavorable)
SPECIAL EDUCATION			
INSTRUCTIONAL SUPPORT:			
423 Salaries	\$ 241,520,586	\$ 241,394,160	\$ 126,426
424 Supplies	616,664	5,404,201	(4,787,537)
424 Furniture and equipment	167,885	2,735,568	(2,567,683)
424 Textbooks	500		500
424 Contractual services	219,900,541	212,545,821	7,354,720
Total	<u>462,206,176</u>	<u>462,079,750</u>	<u>126,426</u>
SCHOOL FACILITIES			
435 Salaries	393,546,658	393,545,615	1,043
436 Supplies	34,492,376	23,601,893	10,890,483
436 Furniture and equipment	563,148	559,697	3,451
436 Pollution remediation	145,476,007	145,476,007	
436 Contractual services	217,828,077	228,691,857	(10,863,780)
Total	<u>791,906,266</u>	<u>791,875,069</u>	<u>31,197</u>
PUPIL TRANSPORTATION			
438 Supplies	3,322,577	3,941,000	(618,423)
438 Equipment	1,928,999	339,263	1,589,736
438 Contractual services	3,886,500	4,689,514	(803,014)
438 Pupil transportation	1,089,709,459	1,089,877,757	(168,298)
Total	<u>1,098,847,535</u>	<u>1,098,847,534</u>	<u>1</u>
SCHOOL FOOD SERVICES			
439 Salaries	205,221,682	196,304,049	8,917,633
440 Supplies	17,048,002	17,827,555	(779,553)
440 Food purchases	176,732,035	166,730,354	10,001,681
440 Furniture and equipment	6,227,357	5,740,465	486,892
440 Contractual services	23,882,016	25,451,486	(1,569,470)
Total	<u>429,111,092</u>	<u>412,053,909</u>	<u>17,057,183</u>
442 SCHOOL SAFETY	<u>309,675,656</u>	<u>309,675,656</u>	
444 ENERGY AND LEASES	<u>516,640,606</u>	<u>514,180,216</u>	<u>2,460,390</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, 2014

UOA	Modified Budget	Expenditures	Favorable (Unfavorable)
CENTRAL ADMINISTRATION:			
453 Salaries	\$ 149,911,513	\$ 149,017,161	\$ 894,352
454 Supplies	19,094,246	11,458,184	7,636,062
454 Furniture and equipment	2,029,022	3,102,608	(1,073,586)
454 Judgments and claims	98,103	32,434	65,669
454 Contractual services	138,843,907	167,194,187	(28,350,280)
454 Fixed charges	39,892	174,123	(134,231)
Total	<u>310,016,683</u>	<u>330,978,697</u>	<u>(20,962,014)</u>
461 FRINGE BENEFITS	<u>2,873,339,115</u>	<u>2,837,783,812</u>	<u>35,555,303</u>
470 PRE-KINDERGARTEN CONTRACTS	<u>857,484,225</u>	<u>824,810,142</u>	<u>32,674,083</u>
472 CONTRACT SCHOOLS AND FOSTER CARE	<u>611,452,454</u>	<u>611,452,155</u>	<u>299</u>
474 NON-PUBLIC SCHOOLS AND FIT PAYMENTS	<u>71,146,315</u>	<u>70,172,620</u>	<u>973,695</u>
491 COLLECTIVE BARGAINING	<u>246,353,822</u>	<u>246,353,643</u>	<u>179</u>
TOTAL TAX LEVY	<u>18,051,773,794</u>	<u>18,052,803,923</u>	<u>(1,030,129)</u>
CATEGORICAL PROGRAMS:			
481 Salaries	1,227,726,903	1,227,270,168	456,735
482 Supplies	139,110,698	148,476,556	(9,365,858)
482 Furniture and equipment	18,500,837	22,014,802	(3,513,965)
482 Pension	165,810,084	165,810,083	1
482 Contractual services	481,791,733	468,911,908	12,879,825
Total categorical programs	<u>2,032,940,255</u>	<u>2,032,483,517</u>	<u>456,738</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, 2014**

	Modified Budget	Expenditures	Favorable (Unfavorable)
TOTAL APPROPRIATIONS EXPENDED	\$ 20,084,714,049	\$ 20,085,287,440	\$ (573,391)
INTRA-CITY SALES	<u>(35,515,241)</u>	<u>(35,473,656)</u>	<u>(41,585)</u>
Sub-total	20,049,198,808	20,049,813,784	(614,976)
NET CHANGE IN PRIOR PAYABLES	<u>-</u>	<u>(1,377,641,278)</u>	<u>1,377,641,278</u>
Total expenditures	20,049,198,808	18,672,172,506	1,377,026,302
OTHER FINANCING USES — Transfer to The City of New York	<u>-</u>	<u>1,377,641,278</u>	<u>(1,377,641,278)</u>
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 20,049,198,808</u>	<u>\$ 20,049,813,784</u>	<u>\$ (614,976)</u>

(Concluded)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

ANNUAL FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015 AND 2014

GLOSSARY

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

