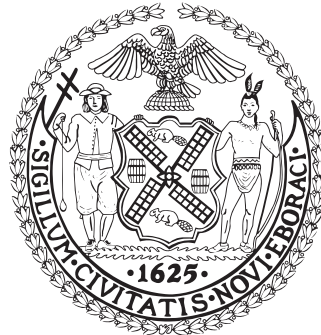


ANNUAL FINANCIAL STATEMENTS

The Department of Education of The City of New York

52 Chambers Street, New York, New York 10007

For the Fiscal Years Ended June 30, 2021 and 2020



Bill DeBlasio, Mayor
Meisha Porter, Chancellor

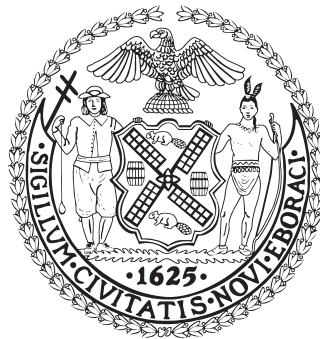
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ANNUAL FINANCIAL STATEMENTS

The Department of Education of The City of New York

52 Chambers Street, New York, New York 10007

For the Fiscal Years Ended June 30, 2021 and 2020



Prepared by the Division of Financial Operations

Lindsey Oates, Chief Financial Officer

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ANNUAL FINANCIAL STATEMENTS

The Department of Education of The City of New York

For the Fiscal Years Ended June 30, 2021 and 2020

INTRODUCTORY SECTION

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Transmittal Letter



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

December 22, 2021

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, 2021

The Annual Financial Statements for the Department of Education (the “DOE”) of The City of New York (“The City”) for the fiscal year ended June 30, 2021, have been prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”); are submitted herewith; and include Management’s Discussion and Analysis, Financial Statements, Notes to the Financial Statements and Supplemental Schedules. We believe they are complete and accurate in all material aspects; that they are presented in accordance with accounting principles designed to set forth fairly the financial position and results of operations of the DOE as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the appropriate understanding of the DOE’s financial affairs have been included. Responsibility for completeness and clarity of the report, including disclosures, rests with the Chancellor and the Chief Financial Officer. The Chief Administrator of the Office of Accounting of the Division of Financial Operations is responsible for the data presented herein.

DOE Overview

The DOE provides primary and secondary education to 1,094,138 students from 3-K to grade 12, in 32 school districts, and employs approximately 77,000 teachers. As the largest public school district in the United States, the DOE prepares students to meet grade-level standards in reading, writing and math, and is committed to putting every student on a path to college and/or a meaningful career.

The following table summarizes total students by grade band as of June 30, 2021:

Student Demographics - Fiscal Year 2021	
3-K & Pre-K	75,981
K – 5	456,456
6 – 8	237,077
9 – 12	324,624
Total	<u>1,094,138</u>

The DOE's governance structure is comprised of the Panel for Educational Policy, the Chancellor, executive superintendents, superintendents, community and citywide councils, principals, and school leadership teams. Superintendents supervise principals, and geographically-based borough offices and two citywide offices provide targeted resources to schools across the areas of instruction, operations, and student services. To align supervision and support for every school, superintendents and Borough/Citywide Office executive directors report to seven executive superintendents, who are overseen by the First Deputy Chancellor.

Local Economic Condition and Outlook

According to The City's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021, The City's economy grew robustly through much of the fiscal year, but it has yet to make a full recovery from the devastating economic impacts of the pandemic.

New York City began Fiscal Year 2021 with much of the economy closed, private employment at 3.36 million and record unemployment. With COVID cases continuing to decline through the summer and fall of 2020, the economy continued to reopen and add jobs, and the unemployment rate fell. COVID vaccines were authorized for emergency use and, as COVID vaccinations increased through the winter and into the spring, The City's economic rebound resumed, aided by massive federal stimulus.

New York City ended Fiscal Year 2021 with steady economic growth. Employment rose to a seasonally adjusted 3.6 million in June 2021, up 226,000 from the start of the fiscal year, but still 505,000 below pre-pandemic highs. The bulk of these job losses were in lower paying sectors of the economy providing in-person goods and services, while higher income workers telecommuted and were largely spared the worst impacts of the pandemic.

The City's more contagious Delta variant of the virus remains the greatest threat to a full economic recovery. While New York City has so far been spared a dramatic rise in cases, hospitalizations and deaths, like those of other states and countries, the risk of resurgence has led a number of New York City based-firms to rethink their plans and timelines for returning to the office.

The supplemental pandemic unemployment insurance programs, which helped unemployed New Yorkers and the business they patronize to survive the past year, expired in September 2021. But while job postings remain elevated, and anecdotes of labor shortages abound, New York City's pace of job creation slowed in the summer.

The COVID-19 pandemic necessitated the phased reopening of schools to ensure health and safety of students and staff in accordance with plans submitted to the New York State Departments of Health and Education. In the 2020-2021 school year, the DOE implemented a hybrid, in-person and remote learning model for students; embarked on the first, on-line summer school; launched a multi-agency partnership to facilitate testing, contact tracing and interventions for positive COVID-19 cases; and provided professional learning for schools to support the social-emotional wellness of students, parents and employees.

With the return of vaccinated employees and contractors to our buildings, the DOE will continue to adhere to guidance provided by the Centers for Disease Control and the State of New York, and pivot its operations to best meet the educational needs of our students.

Financial Policies

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

The DOE has two basic sources of funding:

Tax Levy and Unrestricted Federal and State Aid - This includes revenue from City taxes (e.g., real estate, income, and sales), New York State formula aid, and certain Federal and State Aid resources (e.g., impact aid and school lunch subsidies).

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

Budget Controls

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

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

Acknowledgements

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

Respectfully submitted by,



Lindsey Oates
Chief Financial Officer



Suzette Irish
Chief Administrator

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ANNUAL FINANCIAL STATEMENTS

The Department of Education of The City of New York

For the Fiscal Years Ended June 30, 2021 and 2020

FINANCIAL SECTION

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Department of Education of The City of New York (the “DOE”) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the DOE’s basic financial statements as listed in the Table of Contents.

Management’s responsibility for the financial statements

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

Auditor’s responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department of Education of The City of New York as of June 30, 2021 and 2020, and the respective changes in financial position and budgetary comparison of the General Fund for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters*Emphasis of Matters*

As discussed in Note 1A, the financial statements of the DOE are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of The City of New York ("The City") that is attributable to the transactions of the DOE. They do not purport to, and do not, present fairly the financial position of The City as of June 30, 2021 and 2020, and the changes in its financial position for the years then ended in conformity with the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 4C, the DOE has elected to change its method used to estimate the DOE's proportionate share of The City's net other postemployment benefits ("OPEB") liability, deferred outflows from OPEB, and deferred inflows from OPEB as of June 30, 2021. Our opinion is not modified with respect to this matter.

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 21-31, the Schedule of the Net OPEB Liability on page 79, the Schedule of DOE's Proportional Share of the Net Pension Liabilities of Cost-Sharing Multiple Employer Pension Plans on page 80, and the Schedule of DOE Contributions for TRS and BERS Pension Plans on pages 82-86 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the DOE's basic financial statements. The Supplemental Schedules of the General Fund on pages 90-98 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

The Transmittal Letter on pages 9-11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 22, 2021, on our consideration of the DOE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the DOE's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the DOE's internal control over financial reporting and compliance.



New York, New York
December 22, 2021

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Department of Education of The City of New York (the "DOE") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the DOE's basic financial statements, and have issued our report thereon dated December 22, 2021.

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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the DOE's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the DOE's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether the DOE's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

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

Grant Thornton LLP

New York, New York
December 22, 2021

Management's Discussion and Analysis (Unaudited)

This section of the Department of Education of The City of New York's (the "DOE") Annual Financial Statements discusses and analyzes the DOE's financial performance for the Fiscal Years ended June 30, 2021 and 2020. 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

- In Fiscal Year 2021, general fund total revenue and expenditures increased \$778 million to \$28.7 billion, driven by increased costs in Charter Tuition, school-based staff, and student transportation. Charter tuition is formula driven pursuant to statute. School-based staff costs increased due to the need for additional staffing to cover both in-person and remote schooling options. Student transportation increased pursuant to negotiated contracts for vendors and insurance.
- Net position at June 30, 2021 and 2020 was \$0. The DOE is not an independent school district; thus, the DOE has no net position of its own, and any deficiency is treated as Due from The City of New York.
- Total assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported in the governmental funds at June 30, 2021 were \$5.4 billion, an increase of \$637 million from Fiscal Year 2020.
- Total assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported in the governmental funds at June 30, 2020 were \$4.7 billion, an increase of \$697 million from Fiscal Year 2019.

Overview of Financial Statements

The financial statements consist of three parts: Management's Discussion and Analysis (this part); the basic financial statements; and required supplementary information. The basic financial statements include two kinds of statements that present different views of the DOE. First, the "Department-wide Financial Statements" provide both short-term and long-term information about the DOE's overall financial status. On the other hand, the "Fund Financial Statements" focus on individual parts of the DOE, reporting its operations in more detail than the Department-wide financial statements.

Department-wide Financial Statements

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

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

The Department-wide Financial Statements include all activities of the DOE in one category: Governmental Activities. These activities comprise school leadership, instruction and special education support; system-wide school support services (e.g., transportation and food); the school support organizations (i.e., superintendents, student enrollment planning and operations); central administration; and charter, non-public, and contract schools.

Fund Financial Statements

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

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

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

Fiduciary funds: The DOE is the fiduciary for assets that belong to others, such as the student activities fund. The fiduciary funds statement provides information about the financial relationships in which the DOE acts solely as an agent for the benefit of others. The DOE is responsible for ensuring that the assets are used only for their intended purposes. The DOE excludes these activities from the Department-wide financial statements because the funds are only available to support student programs at their respective schools and not the DOE overall.

The financial statements also include notes that explain data in the statements and provide more detailed information. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison to the DOE's modified budget for the year as well as other information such as pension and other postemployment benefits ("OPEB").

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

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

Financial Analysis of the Department-wide Financial Statements

As noted earlier, the Statement of Net Position provides the financial status and operating results of the DOE as a whole. The following table provides a summary of the DOE's net position for all governmental activities as of June 30, 2021, 2020 and 2019 (\$000 omitted):

Condensed Statement of Net Position	Governmental Activities		
	2021	2020	2019
Current and other assets	\$ 5,442,182	\$ 3,144,447	\$ 2,842,716
Due from The City of New York	31,677,065	35,133,221	34,671,798
Capital assets (Net of depreciation)	<u>29,033,042</u>	<u>28,077,801</u>	<u>27,350,247</u>
Total assets	<u>\$ 66,152,289</u>	<u>\$ 66,355,469</u>	<u>\$ 64,864,761</u>
Deferred outflow of resources	<u>\$ 5,300,546</u>	<u>\$ 5,587,669</u>	<u>\$ 4,519,684</u>
Long-term liabilities	\$ 42,997,380	\$ 54,150,312	\$ 52,898,613
Other liabilities	<u>5,622,361</u>	<u>5,240,867</u>	<u>4,290,926</u>
Total liabilities	<u>\$ 48,619,741</u>	<u>\$ 59,391,179</u>	<u>\$ 57,189,539</u>
Deferred inflows of resources	<u>\$ 22,833,094</u>	<u>\$ 12,551,959</u>	<u>\$ 12,194,906</u>
Net position:			
Net investment in capital assets	\$ 29,033,042	\$ 28,077,801	\$ 27,350,247
Unrestricted deficit	<u>(29,033,042)</u>	<u>(28,077,801)</u>	<u>(27,350,247)</u>
Total net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

At the close of each fiscal year, total net position is \$0. Since the DOE is not an independent school district, it has no net position of its own. Unrestricted deficit in net position represents an additional, long-term amount of liabilities which are required to be paid by The City, and thus should be treated as Due from The City of New York.

In Fiscal Year 2021, total assets decreased by \$203 million from \$66.4 billion as of June 30, 2020 to \$66.2 billion as of June 30, 2021, primarily due to a decrease in pension expenses which caused the decrease in the amount due from The City.

In Fiscal Year 2020, total assets increased by \$1.5 billion from \$64.9 billion as of June 30, 2019 to \$66.4 billion as of June 30, 2020, primarily due to an increase in City funding for the pension liability.

In Fiscal Year 2021, total liabilities and deferred inflows of resources decreased by \$490 million from \$71.9 billion as of June 30, 2020 to \$71.5 billion as of June 30, 2021. This was primarily due to an increase of \$10.2 billion in net pension and OPEB deferred inflows, offset by a decrease of \$10.8 billion in long term and other liabilities. Additionally, there was an increase of approximately \$1.0 billion in accounts payable and accrued vacation and sick leave due to delayed spending and travel bans from the pandemic.

In Fiscal Year 2020, total liabilities and deferred inflows of resources increased by \$2.6 billion from \$69.4 billion as of June 30, 2019 to \$71.9 billion as of June 30, 2020. This was primarily due to an increase of \$1.1 billion in net pension and OPEB liabilities that include changes in actuarial assumptions for future funding and increased interest payments for fixed-cost, tax deferred annuities. Additionally, there was an increase of approximately \$1.1 billion in accounts payable and accrued vacation and sick leave.

In Fiscal Year 2021, accounts payable and accrued expenses, other liabilities, and due to other entities due within one year increased by \$381 million for outstanding obligations. Deferred inflows of resources for pension and OPEB increased by net \$10.2 billion due to an increase in deferred inflows from pension and decrease in OPEB and the difference between expected and actual, change in assumption, contributions and plan investment earnings. Additionally there was an increase in grant advances of \$11 million and an increase in capital lease obligations offset by a decrease in pollution remediation.

In Fiscal Year 2020, accounts payable and accrued expenses, other liabilities, and due to other entities due within one year have a net increase of \$950 million for outstanding obligations. Deferred inflows of resources for pension and OPEB increased by \$357 million due to an increase in grant advances, and the difference between expected and actual experience, change in assumption, contributions and plan investment earnings. Additionally, there was a decrease in capital lease obligations and an increase in accrued judgments and claims of \$22.8 million offset by a decrease in pollution remediation.

The following provides a summary of changes in the DOE's net position for all activities as of June 30, 2021, 2020, and 2019 (\$000 omitted):

Figure 2

Condensed Statement of Activities	Governmental Activities		
	2021	2020	2019
Revenues:			
Program revenues:			
Charges for services	\$ 41,776	\$ 103,098	\$ 104,429
Operating grants and contributions	13,458,922	13,505,234	13,399,722
General revenues:			
City funded	15,412,901	14,444,455	13,553,855
Other/Intra-city sales	62,773	51,432	50,633
Total revenues	<u>28,976,372</u>	<u>28,104,219</u>	<u>27,108,639</u>
Expenses:			
School leadership, instruction and special education support	19,098,272	20,946,895	21,160,859
School support services	4,554,795	4,411,395	4,563,206
School support organization	461,859	553,060	546,635
Central administration	493,993	525,657	505,142
Non-public, charter and contract schools	4,669,174	4,345,107	3,831,880
Total expenses	<u>29,278,093</u>	<u>30,782,114</u>	<u>30,607,722</u>
Net revenue (expenses)	(301,721)	(2,677,895)	(3,499,083)
Change in long-term liabilities to be funded by the City	<u>301,721</u>	<u>2,677,895</u>	<u>3,499,083</u>
Change in net position	—	—	—
Net position - beginning	<u>—</u>	<u>—</u>	<u>—</u>
Net position - ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The key elements of these changes are as follows:

- In Fiscal Year 2021, School leadership, instruction, and special education support decreased 8.8% from \$20.9 billion in Fiscal Year 2020 to \$19.1 billion in Fiscal Year 2021 due to a net decrease in the majority of the allocated long-term costs incurred by The City on behalf of the DOE, including pension and debt service, offset by increases in collective bargaining and related fringe benefits. School support services increased by \$143 million from \$4.4 billion in Fiscal Year 2020 to \$4.6 billion in Fiscal Year 2021, as schools reopened; School support organization decreased from \$553 million to \$462 million; Central administration decreased by \$31.7 million, and non-public, charter and contract schools had an overall increase of \$324 million due to charter and Carter case increases in obligation costs and instructional programs.

- In Fiscal Year 2020, School Leadership, Instruction, and Special Education Support decreased by 1.0% from \$21.1 billion in Fiscal Year 2019 to \$20.9 billion in Fiscal Year 2020 due to a decrease in the majority of the allocated long-term costs incurred by The City on behalf of the DOE, offset by increases in collective bargaining and related fringe benefits. School Support Services decreased by \$152 million from \$4.6 billion in Fiscal Year 2019 to \$4.4 billion in Fiscal Year 2020; School Support Organization increased from \$547 million to \$553 million; Central Administration increased by \$21 million, and non-public, charter and contract schools had an overall increase of \$513 million due to charter and Carter case increases in obligation costs and instructional programs.

Financial Analysis of the Governmental Funds

As noted earlier, the focus on the DOE's governmental funds is to provide a detailed, short-term view of outflows and inflows of resources to finance DOE's programs. The following table summarizes the changes in fund balances of governmental funds as of June 30, 2021, 2020 and 2019 (\$000 omitted):

Figure 3

General Fund	Governmental Funds			Amount Change		Percentage Change	
	2021	2020	2019	2021-2020	2020-2019	2021-2020	2020-2019
Assets:							
Cash	\$ 104,370	\$ 13,840	\$ 5,529	\$ 90,530	\$ 8,311	654.1%	150.3%
Accounts Receivable							
Federal	1,636,535	607,845	739,002	1,028,690	(131,157)	169.2%	(17.7)%
State	2,392,802	2,428,262	1,985,583	(35,460)	442,679	(1.5)%	22.3%
Non-Governmental	162,189	85,542	104,435	76,647	(18,893)	89.6%	(18.1)%
Due from The City of New York	<u>1,083,151</u>	<u>1,606,187</u>	<u>1,209,646</u>	<u>(523,036)</u>	<u>396,541</u>	<u>(32.6)%</u>	<u>32.8%</u>
Total	<u>\$ 5,379,047</u>	<u>\$ 4,741,676</u>	<u>\$ 4,044,195</u>	<u>\$ 637,371</u>	<u>\$ 697,481</u>	13.4%	17.2%
Liabilities and deferred inflows of resources:							
Accounts Payable and Accrued Expenses	\$ 5,202,527	\$ 4,634,464	\$ 3,977,612	\$ 568,063	\$ 656,852	12.3%	16.5%
Other Liabilities	134,583	76,084	63,710	58,499	12,374	76.9%	19.4%
Deferred Inflows of resources:							
Grant advances	<u>41,937</u>	<u>31,128</u>	<u>2,873</u>	<u>10,809</u>	<u>28,255</u>	34.7%	983.5%
Total	<u>\$ 5,379,047</u>	<u>\$ 4,741,676</u>	<u>\$ 4,044,195</u>	<u>\$ 637,371</u>	<u>\$ 697,481</u>	13.4%	17.2%

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

Changes in total assets for Fiscal Year 2021: Total assets increased approximately \$637 million from \$4.74 billion to \$5.38 billion due to an increase of \$1.2 billion in federal, cash and non-governmental resources, offset by a \$523 million decrease in amounts due from The City to pay for outstanding liabilities in the General fund and \$35 million decrease in state sources. The increase in accounts receivable is due to the timing of cash receipts for CARES Act and CRRSA Act funding which are based on claims for reimbursement of expenditures. In Fiscal Year 2021, the DOE established a \$90 million restricted cash trust account. The DOE will maintain this account to serve as security for all of the DOE's obligations for school bus transportation insurance costs.

Changes in total assets for Fiscal Year 2020: Total assets increased by \$697 million from \$4.04 billion to \$4.74 billion due to an increase of state sources and cash of approximately \$451 million, offset by a total decrease of \$150 million in federal and non-governmental sources, and an increase of \$397 million in amounts due from The City to pay for outstanding liabilities in the General Fund.

Changes in total liabilities and deferred inflows of resources for Fiscal Year 2021: Governmental Fund liabilities plus deferred inflows of resources increased \$637 million due to an increase of \$568 million in accounts payable and accrued expenses in the General Fund. There was an increase of \$58 million in the balance of the other liabilities and an increase of \$11 million in the deferred inflows of resources.

Changes in total liabilities and deferred inflows of resources for Fiscal Year 2020: Governmental Fund liabilities plus deferred inflows of resources increased \$697 million due to an increase of \$657 million in accounts payable and accrued expenses in the General Fund. There was an increase of \$12.4 million in the balance of the other liabilities and an increase of \$28.3 million in the deferred inflows of resources.

The following provides a summary of changes in revenues and expenditures as of June 30, 2021, 2020 and 2019 (\$000 omitted):

Figure 4

Changes in Revenue and Expenditures	General Fund			Percentage Change	
	2021	2020	2019	2021-2020	2020-2019
Revenues:					
Federal aid	\$ 2,578,948	\$ 1,772,386	\$ 1,928,356	45.5%	(8.1)%
State aid	10,652,066	11,509,905	11,219,206	(7.5)%	2.6%
Funding by The City	15,286,200	14,410,183	13,487,962	6.1%	6.8%
Other	202,158	248,518	311,733	(18.7)%	(20.3)%
Total revenues	<u>\$ 28,719,372</u>	<u>\$ 27,940,992</u>	<u>\$ 26,947,257</u>	2.8%	3.7%
Expenditures:					
School leadership, instruction and special education support	\$ 19,105,790	\$ 18,725,810	\$ 18,179,769	2.0%	3.0%
School support services	4,250,462	4,066,402	4,185,453	4.5%	(2.8)%
School support organization	466,402	493,177	468,818	(5.4)%	5.2%
Central administration	484,544	473,723	442,720	2.3%	7.0%
Non-public, Charter, and Contract Schools	4,669,174	4,345,107	3,831,879	7.5%	13.4%
Intra-city sales	(62,773)	(51,432)	(50,633)	22.1%	1.6%
Subtotal	28,913,599	28,052,787	27,058,006	3.1%	3.7%
Net change in estimate of prior payables	(194,227)	(111,795)	(110,749)	73.7%	0.9%
Total expenditures	<u>\$ 28,719,372</u>	<u>\$ 27,940,992</u>	<u>\$ 26,947,257</u>	2.8%	3.7%

In Fiscal Year 2021, total revenues increased \$778 million primarily due to increases of \$876 million in funding provided by The City and \$807 million in federal funding, offset by decreases of \$46 million in other revenue and \$858 million in State Aid.

The increases in federal programs were primarily due to funding for COVID-19 pandemic relief for school opening and included: Coronavirus Relief Aid of \$913.8 million; Title I of \$118.6 million; Title III and Title IV of \$17.1 million; and other revenue sources of \$1.2 million. Offsetting these increases were reductions in: school food for \$183.6 million; Medicaid for \$31.2 million; IDEA for \$15.2 million; Magnet Schools for \$7.2 million; and the Teacher Incentive Fund grant for \$6.5 million. Most of these decreases were attributable to service reductions as a result of the COVID-19 pandemic.

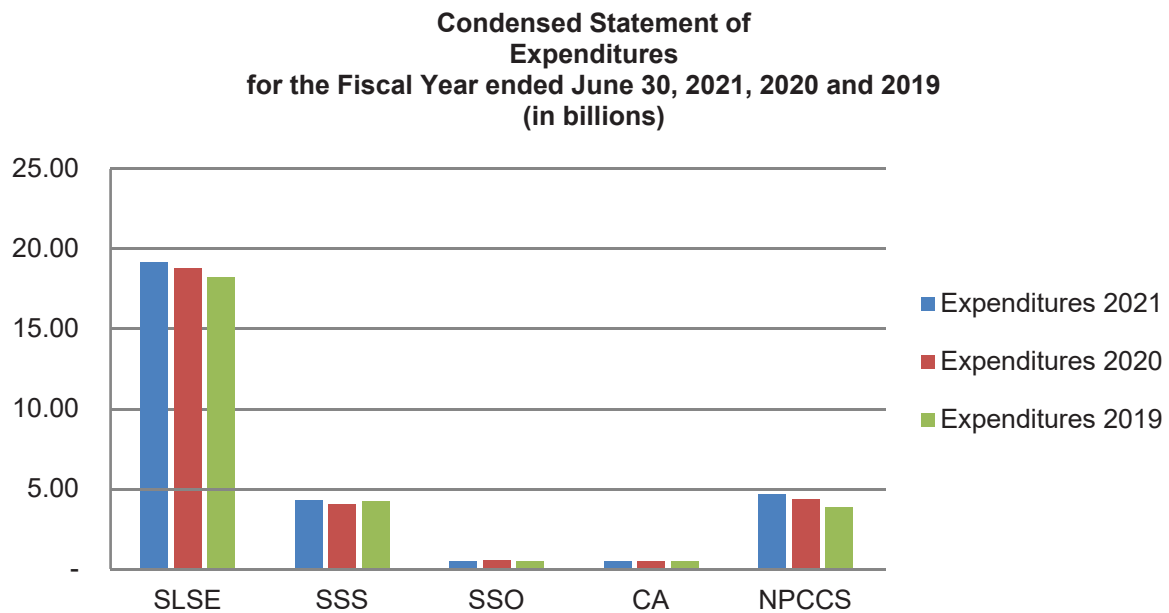
In Fiscal Year 2021, State Aid decrease comprised reductions in: Foundation Aid for \$727.1 million, which were mostly attributable to a shift of \$720.5 million from State funding to Federal CARES pandemic relief; Transportation Aid for \$86.2 million; and High Excess Cost Aid for special education students for \$44.6 million.

In Fiscal Year 2020, Federal Programs decreased by \$156 million primarily due to the effects of school closures necessitated by the COVID-19 pandemic. This decrease included reductions of: \$113 million in reimbursements for all Federal categorical grants including Title I, II and III, IDEA, Magnet School and preschool development; \$84 million in meal reimbursements; \$24 million in Medicaid recovery; and \$3 million in commodity donations. These losses were partially offset by a transfer of \$68 million in Head Start grants from the Administration of Children’s Services to the DOE.

Due to budgetary constraints stemming from the economic impact of the COVID-19 pandemic and, the DOE executed agreements with various unions to defer \$41 million of welfare payments to future years to avoid layoffs. To properly reflect DOE’s obligations under GAAP, an adjustment was made to include the \$41 million obligation in the Accrued Expenditures.

On October 9, 2020, the DOE and the UFT reached the determination on how the DOE would pay the UFT approximately \$900 million that was scheduled to be paid on October, 1, 2020 (i.e., UFT claim.) Due to the pandemic and The City’s effort to prevent layoffs, the DOE and UFT agreed to pay 50% (approximately \$450 million) to the UFT in Fiscal Year 2021 and defer the payment of the remaining 50% (approximately \$450 million) to Fiscal Year 2022. As of October 31, 2021, the actual deferred amount is \$447 million. To properly reflect DOE’s obligations under GAAP, an adjustment was made to include the \$447 obligation in the Accrued Expenditures.

Figure 5



<u>Functions/Program</u>	
SLSE	School leadership, instruction and special education support
SSS	School support services
SSO	School support organization
CA	Central administration
NPCCS	Non-public, charter and contract schools

In Fiscal Year 2021, total fund expenditures increased 2.8% or \$778 million. Expenditures in the area of School Leadership, Instruction and Special Education instructional programs increased by \$380 million compared to Fiscal Year 2020 mainly due to increases in instructional program costs from collective bargaining. School Support Services increased by \$184 million, or 4.5%, and School Support Organization costs decreased by \$27 million. Central Administration, which includes the IT expenditures, increased overall by \$11 million. Non-public, charter, and contract schools expenditures increased \$324 million, a 7.5% increase due to charter and Carter case student population increases.

In Fiscal Year 2020, total fund expenditures increased 3.7% or \$994 million. Expenditures in the area of School Leadership, Instruction and Special Education instructional programs increased by \$546 million compared to Fiscal Year 2019 mainly due to increases in instructional program costs from collective bargaining. School Support Services decreased by \$119 million, or 2.8%, and School Support Organization costs increased by \$24 million. Central Administration increased overall by \$31 million. Non-public, charter, and contract schools expenditures increased \$513 million, a 13.4% increase, due to charter and Carter case student population increases.

General Fund Budgetary Highlights

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

- Intracity adjustments of \$38.6 million to Tax-levy budgets and \$18.4 million to Reimbursable Program budgets.
- November and January Plan Actions, which increased Tax-levy budgets by \$1,253 million and Reimbursable Program budgets by \$95.9 million. The adjustments were primarily due to the following: collective bargaining increases of \$358 million; Carter Case budget increases of \$220 million; Transportation budget increases of \$200 million; School reopening costs of \$157 million; increases in Leases of \$58 million and Learning Bridges of \$45 million; increase in Charter revenue of \$90 million; State, Federal and Other Categorical adjustments of \$239 million; savings of (\$49m), and PEG restorations of \$31 million.
- Executive and Adopted Budget Actions which increased Tax-levy budgets by \$206.3 million and decreased Reimbursable Program budgets by (\$3.7) million. The adjustments were primarily due to increases of \$130 million for the Mid-year Adjustment Hold Harmless; collective bargaining increases of \$48 million; Charter School adjustments of \$27 million; net increases of \$21 million in new needs and other adjustments; an increase of \$13 million for Leases; savings in Heat, Light and Power and Fuel of (\$36) million.
- Final Fiscal Year Close Actions, which primarily decreased expense-based aids in Tax-levy budgets by (\$603.6) million and Reimbursable Program budgets by (\$73.5) million. Many of these adjustments were re-valued earlier in the fiscal year, but were not adjusted until the close.
- Additional Fiscal Year Close Actions, which includes an increase to Tax-levy budgets of \$56.9 million, are attributable to the effects of GASB Statement No. 49 requirements.

As a result of the above, The City made net modifications to the Adopted budget of approximately \$988 million.

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

Figure 6	Governmental Activities		
	2021	2020	2019
Land*	\$ 448,963	\$ 448,963	\$ 448,963
Buildings	25,709,344	25,485,020	25,027,399
Equipment	431,827	283,405	290,557
Construction in progress*	<u>2,442,908</u>	<u>1,860,413</u>	<u>1,583,328</u>
Total	<u>\$ 29,033,042</u>	<u>\$ 28,077,801</u>	<u>\$ 27,350,247</u>
*Not depreciable/amortizable			

In Fiscal Year 2021, buildings and equipment increased by \$373 million and construction in progress increased by \$582 million, respectively, from transfers from the School Construction Authority ("SCA"), which is charged with creating and managing school construction projects. This resulted in a \$955 million increase in total capital assets (net of accumulated depreciation).

In Fiscal Year 2021, the SCA completed 11 new schools, which resulted in the creation of 3,773 seat openings for the 2021/2022 school year.

In Fiscal Year 2020, the SCA completed 21 new schools, which resulted in the creation of 6,956 seat openings for the 2020/2021 school year.

Contacting the Department's Financial Management

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

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

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

ANNUAL FINANCIAL STATEMENTS

The Department of Education of The City of New York

For the Fiscal Years Ended June 30, 2021 and 2020

Basic Financial Statements

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statements of Net Position as of June 30, 2021 and 2020

(\$000 Omitted)

	Governmental Activities	
	2021	2020
ASSETS:		
Cash	\$ 11,907	\$ 7,583
Accounts receivable:		
Federal	1,636,535	607,845
State	2,392,802	2,428,262
Non-governmental	162,189	85,542
Inventories	8,972	8,958
Pension Asset	1,137,314	—
Due from The City of New York	31,677,065	35,133,221
Restricted Cash	92,463	6,257
Capital assets (net of accumulated depreciation):		
Land	448,963	448,963
Buildings	25,709,344	25,485,020
Equipment (including software)	431,827	283,405
Construction in progress	2,442,908	1,860,413
Total assets	<u>66,152,289</u>	<u>66,355,469</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows from pension	277,974	468,132
Deferred outflows from OPEB	5,022,572	5,119,537
Total deferred outflows of resources	<u>5,300,546</u>	<u>5,587,669</u>
LIABILITIES:		
Accounts payable and accrued expenditures	5,202,527	4,634,464
Other Liability	127,882	75,360
Due to SCA	35	24
Due to NYCSSS	6,666	700
Pollution remediation obligations	69,007	79,393
Accrued vacation and sick leave	57,730	333,491
Capital lease obligations	40,503	33,305
Accrued judgments and claims	118,011	84,130
Noncurrent liabilities:		
Pollution remediation obligations	7,667	8,822
Accrued vacation and sick leave	3,364,579	2,655,863
Capital lease obligations	380,628	323,132
Accrued judgments and claims	262,285	300,192
Employer pension obligations	—	15,404,445
Net OPEB liability	38,982,221	35,457,858
Total liabilities	<u>48,619,741</u>	<u>59,391,179</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows from pension	18,210,088	6,521,332
Deferred inflows from OPEB	4,581,069	5,999,499
Grant advances	41,937	31,128
Total deferred inflows of resources	<u>22,833,094</u>	<u>12,551,959</u>
NET POSITION:		
Net investment in capital assets	29,033,042	28,077,801
Unrestricted deficit	(29,033,042)	(28,077,801)
Total net position (deficit)	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statement of Activities for the Year Ended June 30, 2021

(\$000 Omitted)

	Program Expenses	Program Revenue		Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	
Function/Programs:				
School leadership, instruction and special education support	\$ 19,098,272	\$ 15,841	\$ 11,317,890	\$ (7,764,541)
School support services	4,554,795	9,152	1,515,221	(3,030,422)
School support organization	461,859	—	—	(461,859)
Central administration	493,993	—	—	(493,993)
Non-public, charter, and contract schools	4,669,174	16,783	625,811	(4,026,580)
Total department activities	<u>\$ 29,278,093</u>	<u>\$ 41,776</u>	<u>\$ 13,458,922</u>	<u>(15,777,395)</u>
General revenues:				
City funded				15,412,901
Intra-city sales				62,773
Change in long-term liabilities to be funded by the City				<u>301,721</u>
Change in net position				—
Net position (deficit) - beginning				—
Net position (deficit) - ending				<u>\$ —</u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statement of Activities for the Year Ended June 30, 2020

(\$000 Omitted)

	Program Expenses	Program Revenue		Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	
Function/Programs:				
School leadership, instruction and special education support	\$ 20,946,895	\$ 15,016	\$ 10,988,143	\$ (9,943,736)
School support services	4,411,395	29,325	1,858,371	(2,523,699)
School support organization	553,060	—	—	(553,060)
Central administration	525,657	—	—	(525,657)
Non-public, charter, and contract schools	4,345,107	58,757	658,720	(3,627,630)
Total department activities	<u>\$ 30,782,114</u>	<u>\$ 103,098</u>	<u>\$ 13,505,234</u>	(17,173,782)
General revenues:				
City funded				14,444,455
Intra-city sales				51,432
Change in long-term liabilities to be funded by the City				<u>2,677,895</u>
Change in net position				—
Net position (deficit) - beginning				—
Net position (deficit) - ending				<u>\$ —</u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Balance Sheets as of June 30, 2021 and 2020

(\$000 Omitted)

	General Fund	
	2021	2020
ASSETS:		
Cash	\$ 11,907	\$ 7,583
Accounts receivable:		
Federal	1,636,535	607,845
State	2,392,802	2,428,262
Non-Governmental	162,189	85,542
Restricted cash	92,463	6,257
Due from The City of New York	<u>1,083,151</u>	<u>1,606,187</u>
Total Assets	<u>\$ 5,379,047</u>	<u>\$ 4,741,676</u>
LIABILITIES:		
Accounts payable and accrued expenditures	\$ 5,202,527	\$ 4,634,464
Other Liabilities	127,882	75,360
Due to SCA	35	24
Due to NYCSSS	<u>6,666</u>	<u>700</u>
Total Liabilities	<u>5,337,110</u>	<u>4,710,548</u>
DEFERRED INFLOWS OF RESOURCES:		
Grant Advances	<u>41,937</u>	<u>31,128</u>
Total Deferred Inflows of Resources	<u>41,937</u>	<u>31,128</u>
FUND BALANCE	<u>—</u>	<u>—</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 5,379,047</u>	<u>\$ 4,741,676</u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

**Reconciliations of the Governmental Fund Balance Sheet to the Statements of Net Position
as of June 30, 2021 and 2020
(\$000 Omitted)**

	<u>2021</u>	<u>2020</u>
Total fund balance - governmental fund	\$ —	\$ —
Amounts reported for governmental activities in the Statements of Net position are different because:		
Inventories recorded in the statement of net position are recorded as expenditures in the governmental fund	8,972	8,958
Capital assets net of depreciation used in governmental activities are not financial resources and, therefore, are not reported in governmental fund	29,033,042	28,077,801
Other long-term assets and deferred outflows of resources are not available to pay for current period expenditures and therefore, are not reported in the governmental fund:		
Pension Asset	1,137,314	—
Due from The City of New York	30,593,914	33,527,034
Deferred outflows from pension	277,974	468,132
Deferred outflows from OPEB	5,022,572	5,119,537
Long-term liabilities and deferred inflows of resources are not due and payable in the current period and accordingly are not reported in the governmental funds:		
Pollution remediation obligations	(76,674)	(88,215)
Accrued vacation and sick leave	(3,422,309)	(2,989,354)
Capital lease obligations	(421,131)	(356,437)
Accrued judgments and claims	(380,296)	(384,322)
Employer pension obligations	—	(15,404,445)
Net OPEB liability	(38,982,221)	(35,457,858)
Deferred inflows from pension	(18,210,088)	(6,521,332)
Deferred inflows from OPEB	(4,581,069)	(5,999,499)
Net position - governmental activities	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statements of Revenues, Expenditures and Changes in Governmental Fund Balances for the Years Ended June 30, 2021 and 2020

(\$000 Omitted)

	General Fund	
	2021	2020
REVENUES:		
Federal aid	\$ 2,578,948	\$ 1,772,386
State aid	10,652,066	11,509,905
Other assistance	124,599	150,517
Charges for services:		
School Construction Authority	43,840	87,442
Rentals	9,098	29,325
Other	92,146	58,757
Subtotal	13,500,697	13,608,332
Net change in estimate of prior receivables	(67,525)	(77,523)
Subtotal	13,433,172	13,530,809
Funding provided by The City of New York	15,286,200	14,410,183
Total revenues	28,719,372	27,940,992
EXPENDITURES:		
General education instruction and school leadership	9,136,016	8,931,413
Special education instruction and school leadership	2,820,018	2,756,928
Charter schools	2,639,780	2,412,937
School support organization	340,920	361,602
Citywide education instruction and school leadership	1,320,847	1,362,170
Special education instructional support	612,165	680,043
School facilities	1,302,644	1,217,432
Pupil transportation	1,454,913	1,252,582
School food services	413,079	507,969
School safety	364,197	395,184
Energy and leases	605,406	576,478
Central administration	418,106	406,678
Fringe benefits	3,700,522	3,696,039
Pre-kindergarten contracts	729,636	763,424
Contract schools and foster care payments	1,215,571	1,090,833
Non-public schools	84,187	77,913
Reimbursable - categorical programs	1,818,365	1,614,594
Intra-city sales	(62,773)	(51,432)
Subtotal	28,913,599	28,052,787
Net change in estimate of prior payables	(194,227)	(111,795)
Total expenditures	28,719,372	27,940,992
Excess of revenues over expenditures	—	—
FUND BALANCE	\$ —	\$ —

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

**Reconciliations of the Statements of Revenues, Expenditures, and Changes in
Governmental Fund Balances to the Statements of Activities for the Years Ended June 30,
2021 and 2020**

(\$000 Omitted)

	<u>2021</u>	<u>2020</u>
Excess of revenues over expenditures - Governmental funds	\$ —	\$ —
Amounts reported for governmental activities in the statement of activities are different because:		
In the statements of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense	(1,975,099)	(1,843,629)
The change in long term liabilities combined with depreciation expense is the net expenses to be funded long term from The City of New York	301,721	2,677,895
Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental fund:		
Change in pollution remediation obligations	11,542	2,228
Change in sick leave and vacation liability	(432,954)	(397,502)
Change in capital lease obligations	(64,694)	582
Change in judgments and claims liability	4,026	(22,792)
Change in employer pension obligations and pension-related deferred outflows and inflows of resources	4,662,845	1,341,720
Change in other postemployment benefit obligations and other postemployment deferred outflows and inflows of resources	<u>(2,507,387)</u>	<u>(1,758,502)</u>
Change in net position - governmental activities	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statement of Revenues, Expenditures, and Changes in Governmental Fund Balances, Budget and Actual - General Fund for the Year Ended June 30, 2021

(\$000 Omitted)

	Adopted Budget	Modified Budget	Actual	Favorable/ (Unfavorable)*
REVENUES:				
Federal aid	\$ 2,124,913	\$ 2,546,472	\$ 2,578,948	\$ 32,476
State aid	11,448,382	10,652,066	10,652,066	—
Other assistance	61,680	124,599	124,599	—
Charges for services:				—
School Construction Authority	73,687	43,840	43,840	—
Rentals	36,500	36,500	9,098	(27,402)
Other	16,174	91,483	92,146	663
Subtotal	13,761,336	13,494,960	13,500,697	5,737
Net change in estimate of prior receivables	—	—	(67,525)	(67,525)
Subtotal	13,761,336	13,494,960	13,433,172	(61,788)
Funding provided by The City of New York	13,788,646	14,986,276	15,286,200	299,924
Total revenues	27,549,982	28,481,236	28,719,372	238,136
EXPENDITURES:				
General education instruction and school leadership	8,544,279	8,761,855	9,136,016	(374,161)
Special education instruction and school leadership	2,761,970	2,798,527	2,820,018	(21,491)
Charter schools	2,391,568	2,647,114	2,639,780	7,334
School support organization	286,932	338,484	340,920	(2,436)
Citywide education instruction and school leadership	1,246,320	1,282,945	1,320,847	(37,902)
Special education instructional support	673,887	644,308	612,165	32,143
School facilities	1,065,203	1,271,144	1,302,644	(31,500)
Pupil transportation	1,185,939	1,545,188	1,454,913	90,275
School food services	530,175	415,793	413,079	2,714
School safety	427,357	417,308	364,197	53,111
Energy and leases	573,144	615,692	605,406	10,286
Central administration	295,281	408,220	418,106	(9,886)
Fringe benefits	3,952,836	3,603,082	3,700,522	(97,440)
Pre-kindergarten contracts	864,708	784,022	729,636	54,386
Contract schools and foster care payments	864,295	1,078,295	1,215,571	(137,276)
Non-public schools	95,598	98,717	84,187	14,530
Reimbursable — categorical programs	1,800,469	1,837,478	1,818,365	19,113
Intra-city sales	(9,979)	(66,936)	(62,773)	(4,163)
Subtotal	27,549,982	28,481,236	28,913,599	(432,363)
Net change in estimate of prior payables	—	—	(194,227)	194,227
Total expenditures	27,549,982	28,481,236	28,719,372	(238,136)
Excess of revenues over expenditures	—	—	—	—
FUND BALANCE	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statement of Revenues, Expenditures, and Changes in Governmental Fund Balances, Budget and Actual - General Fund for the Year Ended June 30, 2020

(\$000 Omitted)

	Adopted Budget	Modified Budget	Actual	Favorable/ (Unfavorable)*
REVENUES:				
Federal aid	\$ 2,106,142	\$ 1,733,527	\$ 1,772,386	\$ 38,859
State aid	11,394,799	11,509,905	11,509,905	—
Other assistance	61,680	150,517	150,517	—
Charges for services:				
School Construction Authority	73,687	87,442	87,442	—
Rentals	37,500	31,000	29,325	(1,675)
Other	15,174	60,174	58,757	(1,417)
Subtotal	13,688,982	13,572,565	13,608,332	35,767
Net change in estimate of prior receivables	—	—	(77,523)	(77,523)
Subtotal	13,688,982	13,572,565	13,530,809	(41,756)
Funding provided by The City of New York	13,533,480	14,442,267	14,410,183	(32,084)
Total revenues	<u>27,222,462</u>	<u>28,014,832</u>	<u>27,940,992</u>	<u>(73,840)</u>
EXPENDITURES:				
General education instruction and school leadership	8,600,405	8,911,810	8,931,413	(19,603)
Special education instruction and school leadership	2,531,394	2,754,438	2,756,928	(2,490)
Charter schools	2,296,060	2,413,727	2,412,937	790
School support organization	337,681	364,310	361,602	2,708
Citywide education instruction and school leadership	1,181,465	1,322,030	1,362,170	(40,140)
Special education instructional support	642,228	640,816	680,043	(39,227)
School facilities	1,136,936	1,257,950	1,217,432	40,518
Pupil transportation	1,224,154	1,252,721	1,252,582	139
School food services	562,673	479,138	507,969	(28,831)
School safety	407,630	403,507	395,184	8,323
Energy and leases	579,103	582,464	576,478	5,986
Central administration	370,972	387,745	406,678	(18,933)
Fringe benefits	3,814,007	3,733,798	3,696,039	37,759
Pre-kindergarten contracts	847,163	805,589	763,424	42,165
Contract schools and foster care payments	841,916	1,032,212	1,090,833	(58,621)
Non-public schools	93,671	80,726	77,913	2,813
Reimbursable — categorical programs	1,764,980	1,647,264	1,614,594	32,670
Intra-city sales	(9,976)	(55,413)	(51,432)	(3,981)
Subtotal	27,222,462	28,014,832	28,052,787	(37,955)
Net change in estimate of prior payables	—	—	(111,795)	111,795
Total expenditures	<u>27,222,462</u>	<u>28,014,832</u>	<u>27,940,992</u>	<u>73,840</u>
Excess of revenues over expenditures	—	—	—	—
FUND BALANCE	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK**Statements of Fiduciary Net Position as of June 30, 2021 and 2020**

(\$000 Omitted)

	Custodial Funds	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 29,789	\$ 38,459
Total assets	<u>\$ 29,789</u>	<u>\$ 38,459</u>
NET POSITION		
Restricted for student activities fund raising	\$ 27,210	\$ 35,897
Restricted for scholarship payments from the Consolidated Trust Fund	1,941	1,937
Restricted for school lunch reimbursement	489	489
Restricted for school projects payments	<u>149</u>	<u>136</u>
Total Net Position	<u>\$ 29,789</u>	<u>\$ 38,459</u>

See accompanying notes to financial statements.

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Statements of Changes in Fiduciary Net Position for the Years Ended June 30, 2021 and 2020

(\$000 Omitted)

	Custodial Funds	
	2021	2020
ADDITIONS:		
Interest income	\$ 1	\$ 7
School survey - deposit	31,398	46,697
Other deposit	<u>65</u>	<u>145</u>
Total additions	<u>31,464</u>	<u>46,849</u>
DEDUCTIONS:		
Payments for school activities	38,907	43,229
Benefit payments for scholarships	2	35
Other	<u>1,225</u>	<u>919</u>
Total deductions	<u>40,134</u>	<u>44,183</u>
Net increase/(decrease) in fiduciary net position	(8,670)	2,666
NET POSITION:		
Restricted for student activities and scholarships		
Beginning of year	<u>38,459</u>	<u>35,793</u>
End of year	<u>\$ 29,789</u>	<u>\$ 38,459</u>

See accompanying notes to financial statements.

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DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

Notes to the Financial Statements

as of and for the Years Ended June 30, 2021 and 2020

1. Summary of Significant Accounting Policies

A. Reporting Entity

The DOE is fiscally dependent on The City and is included in The City's Annual Comprehensive Financial Report ("ACFR"). The DOE does not have the authority to levy taxes or issue debt and is dependent upon The City for a substantial portion of its appropriations (i.e., spending authority). In addition, The City incurs certain costs on behalf of the DOE that are not allocated to the DOE and, accordingly, are not reflected in the accompanying financial statements. Such costs include current payments for debt service. Thus, the revenues and expenditures and related budget data included in the accompanying financial statements are not indicative of the level of expenditures, as if the DOE were an independent school system.

The City School District of The City of New York (the New York City public schools) is the largest school system in the United States, with approximately 1.1 million students taught in more than 1,800 separate schools. The Department covers all five boroughs of New York City. The Department is run by the Panel for Educational Policy and New York City Schools Chancellor. The Department of Education has an annual budget of approximately \$29 billion and employs 132,000 full time pedagogic and non-pedagogic staff.

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

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

Similarly, as illustrated on the GF's reconciliations of the balance sheets to the Statements of Net Position, the net position (deficit) of the DOE is the difference between (1) long-term assets and deferred outflows and (2) long-term liabilities and deferred inflows. Any changes in net position are similarly reflected as changes to the amount Due from The City of New York on the DOE's Statements of Net Position.

B. Basis of Presentation

Department-wide Financial Statements - The Department-wide financial statements consist of the Statements of Net Position and the Statements of Activities. The DOE has no net position (deficit) of its own, and Due from The City of New York is a calculated amount. The Statements of Net Position present the difference between the DOE's total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources.

The Statements of Activities present a comparison between direct expenses and program revenues for each function and program of the DOE's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (i) charges for services such rental revenues; and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Other revenues not recorded as program revenues are reported as general revenues.

Description of Functions in the Statements of Activities - The Statements of Activities summarize program expenses by major functions, as follows:

- *School Leadership, Instruction and Special Education Support* - which includes district, high school, special education instructional support and special education services expenditures, such as salary costs of teachers, principals, paraprofessionals and other costs directly and indirectly associated with the classroom.
- *School Support Services* - includes school facilities, pupil transportation, food, school safety, energy and leases.
- *School Support Organization* - includes instructional and oversight offices.
- *Central Administration* - includes central office support services for system-wide maintenance, and for development of agency-wide budgeting, purchasing, accounting and student demographic information applications.
- *Non-public, Charter, and Contract Schools* - represents the amount of funding passing through the DOE to schools not directly managed by the DOE.

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

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

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

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the DOE in a custodial capacity. These funds are used to account for assets held by the DOE as a custodian for student activities, individuals and private organizations. The DOE does not have any Fiduciary Funds other than custodial funds that are reported in the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position.

New Accounting Standards Adopted - In Fiscal Year 2021, the DOE adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 98, *Renaming the Comprehensive Annual Financial Report*

Statement No. 98 establishes the term Annual Comprehensive Financial Report and its acronym ACFR. The new term replaces Comprehensive Annual Financial Report and its acronym in generally accepted accounting principles for state and local governments. Both The City and the DOE decided to implement this pronouncement early and have applied the change as of the issuance of this report.

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

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
87	<i>Leases</i>	2022
91	<i>Conduit Debt Obligations</i>	2023
92	<i>Omnibus 2020</i>	2022
93	<i>Replacement of Interbank Offered Rates</i>	2022
94	<i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i>	2023
96	<i>Subscription-Based Information Technology Arrangements</i>	2023
97	<i>Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensations Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32</i>	2022

C. Basis of Accounting

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

Accounts Receivable - includes certain aged receivables from State and Federal sources.

Inventory - Total materials and donated commodities on hand at June 30, 2021 and 2020, amounted to \$9.0 million and \$9.0 million, respectively, based on the moving average and the FIFO method used to account for ending inventories, and are included in the accompanying Statements of Net Position. Inventories are recorded as expenditures in governmental funds at the time of purchase and, accordingly, have not been reported on the governmental funds balance sheet.

Donated Commodities - The DOE participates in various Federal and State funded food programs. Many of these programs provide for commodities to be supplied to the DOE in lieu of, or in addition to, cash. The value of these donated commodities received as of June 30, 2021 and 2020 totaled \$32.5 million and \$38.8 million, respectively, and is included in Federal aid in the accompanying Statements of Revenues, Expenditures and Changes in Governmental Fund Balances. The value of donated commodities consumed for the years ended June 30, 2021 and 2020 totaled \$32.3 million and \$37.7 million, respectively, and is included in School Food Services in the accompanying Statements of Revenues, Expenditures and Changes in Governmental Fund Balances.

Restricted Cash - Restricted cash consists of resources controlled by The Department of Education, to be used for specific purposes as outlined within the agreements that established their existence. (See Note 3A).

Capital Assets - Include all land, buildings, equipment (including software). Effective July 1, 2020, the minimum cost for a capital project was raised from \$35,000 to \$50,000. Capital assets, which are used for general governmental purposes and are not available for expenditure, are appropriated in the Capital Budget (See Note 3C), and accounted for, and reported in, the Department-wide financial statements.

Capital assets are generally stated at historical cost, or at estimated historical cost based on appraisals or on other acceptable methods, when historical cost is not available. Donated capital assets are reported at their acquisition value. Capital lease assets and leasehold improvements are amortized over the term of the lease or the life of the asset, whichever is less. (See Note 3D).

Accumulated depreciation and amortization are reported as reductions of capital assets. Depreciation is computed using the straight-line method based upon estimated useful lives of generally 25 to 50 years for new construction, 10 to 25 years for betterments and/or reconstruction, 3 to 15 years for equipment (including software), and 15 to 40 years for infrastructure. Capital lease assets and leasehold improvements are amortized over the term of the lease or the life of the asset, whichever is less.

Deferred Outflow and Inflows of Resources - In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the DOE reports deferred outflows of resources in the Statements of Net Position in a separate section following assets. Similarly, the DOE reports deferred inflows of resources in the Statements of Net Position in a separate section following liabilities.

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

Accounts Payable and Accrued Expenditures - All payments of bills and payrolls after fiscal year-end and accruals for payments to be made in the future, which apply to liabilities incurred as of fiscal year-end. Also included in accounts payable and accrued expenditure are all payments that have been processed, but had not yet cleared as of fiscal year-end, as well as all prior year accruals which had not been liquidated as of fiscal year-end.

Salaries - Most instructional personnel are employed under annual employment contracts covering the period from September through the following August. Since all services required under the annual contracts generally are performed prior to June 30, salaries which are disbursed for the months of July and August are accrued at June 30. The values of these services accrued as of June 30, 2021 and 2020 were \$2.5 billion and \$2.4 billion, respectively and are included within accounts payable and accrued expenditures in the accompanying Statements of Net Position.

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

Pollution Remediation Obligations - Pollution remediation obligations consist of costs that are identified through an evaluation process for asbestos removal, lead paint removal, and soil contamination remediation project work to be performed at New York City Public Schools. Such obligations are associated with capital assets of the DOE and, accordingly, are recorded in the DOE financial statements.

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

Judgments and Claims - The City and the DOE are uninsured with respect to most risks including, but not limited to, property damage, and personal injury, and workers’ compensation. In the fund financial statements, expenditures for judgments and claims (other than workers’ compensation) are recorded by The City and the DOE on the basis of settlements reached, or judgments entered into, within the current fiscal year. Expenditures for workers’ compensation are recorded when paid. In the Department-wide financial statements, the estimated liability for all judgments and claims incurred, but not yet expended, is recorded as a non-current liability (see Note 4E.1).

Pensions - Pensions are recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The provision for pension contributions for the DOE is recorded in The City’s financial statements. That provision includes normal costs, interest on prior pension costs not funded, and amortization of past service costs as determined by the actuary employed by the Boards of Trustees of The City’s major pension systems (see Note 4D). Annual pension cost is calculated in accordance with GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*.

DOE recognizes a net pension liability/asset for each qualified pension plan in which it participates, which represents the excess of the total pension liability/asset over the fiduciary net position of the qualified pension plan, measured as of The City’s fiscal year-end or The City’s proportionate share thereof in the case of a cost-sharing multiple-employer plan. In FY 21, DOE recognized a net pension asset of \$1.1 billion because the overall Plan Fiduciary Net Position exceeded the total pension liability. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources, depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience, are amortized over the weighted average remaining service life of all participants, including retirees, in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

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

Estimates and Assumptions - A number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenditures and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with U.S. GAAP accounting principles generally accepted in the United States of America. Significant estimates include accrued expenses and other liabilities, depreciable lives of buildings and equipment-assuming normal maintenance, amortization of leasehold improvements, accrued vacation and sick leave, accrued judgments and claims, pension, and OPEB obligations and pollution remediation obligations. Actual results could differ from those estimates.

School Fiduciary Activity Funds - General school funds are established by individual schools to account for monies received from students and organizations. These monies are raised primarily through school or student non-classroom activities to finance approved activities. Since the community school districts and the individual schools function solely as custodians in the collection and disbursement of these monies, the monies are reported as fiduciary funds in the accompanying statements. The cash in the custodial fiduciary fund includes the balances of approximately 1,600 separate school activity funds held in bank accounts.

Program Revenue - Program revenue is derived from federal, state, and private aid sources.

Reconciliation of Department-wide and Fund Financial Statements - A summary reconciliation of the differences between the total fund balance as reflected on the DOE's fund balance sheets and total net position as reflected on the Department-wide statement of net position is presented in the accompanying statements to the governmental fund balance sheets. The asset and liability elements that comprise the differences are related to the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting, while the Department-wide financial statements use the economic resources measurement focus and accrual basis of accounting.

Reconciliation of the Statement of Revenue, Expenditures and Statement of Activities - A summary reconciliation of the differences between net changes in long-term liability, depreciation expense and net expense to be funded long-term from The City. These are reflected on the fund Statements of Revenues, Expenditures, and Changes in Fund Balances and the program activities as shown on the Department-wide Statements of Activities presented in the accompanying statements, as well.

Program Expenses - Program expenses denote the use of funds derived from federal and state aid sources, charges for services and funding from The City. The total program expenses included in the Statement of Activities for the year ended June 30, 2021 is \$29.3 billion which differs from the total expenditures and other uses included in the Statement of Revenues, Expenditures and Changes in Fund Balance in the amount of \$28.7 billion, because of the net change in long-term liabilities and accumulated depreciation necessary to convert expenditures from the modified accrual basis of accounting to the full accrual basis (as outlined in the Management's Discussion and Analysis section).

The following schedule reconciles these two accounting bases (\$000 omitted):

	<u>Amount</u>
Total expenditures net of intra-city sales (from the statement of revenues, expenditures and changes in fund balance)	\$ 28,719,372
Add back intra-city sales (which are included in general revenue in statements of activities)	62,773
Depreciation expense	1,975,099
Net change in estimated prior payables	194,227
Long-term liabilities per full accrual basis:	
Net change in pollution remediation obligations	(11,542)
Net change in sick leave and vacation balances	432,954
Net change in capital leases	64,694
Net change in judgments and claims	(4,026)
Net change in employer pension obligations and pension related deferred outflows and inflows of resources	(4,662,845)
Net change in other postemployment benefit obligations and other postemployment deferred outflows and inflows of resources	<u>2,507,387</u>
Total program expenses (from the statement of activities)	<u>\$ 29,278,093</u>

The total program expenses included in the Statement of Activities for the year ended June 30, 2020 is \$30.8 billion which differs from the total expenditures and other uses included in the Statement of Revenues, Expenditures and Changes in Fund Balance in the amount of \$27.9 billion, because of the net change in long-term liabilities and accumulated depreciation necessary to convert expenditures from the modified accrual basis of accounting to the full accrual basis (as outlined in the Management's Discussion and Analysis section).

The following schedule reconciles these two accounting bases (\$000 omitted):

	<u>Amount</u>
Total expenditures net of intra-city sales (from the statement of revenues, expenditures and changes in fund balance)	\$ 27,940,992
Add back intra-city sales (which are included in general revenue in statements of activities)	51,432
Depreciation expense	1,843,629
Net change in estimated prior payables	111,795
Long-term liabilities per full accrual basis:	
Net change in pollution remediation obligations	(2,228)
Net change in sick leave and vacation balances	397,502
Net change in capital leases	(582)
Net change in judgments and claims	22,792
Net change in employer pension obligations and pension related deferred outflows and inflows of resources	(1,341,720)
Net change in other postemployment benefit obligations and other postemployment deferred outflows and inflows of resources	<u>1,758,502</u>
Total program expenses (from the statement of activities)	<u>\$ 30,782,114</u>

2. Stewardship, Compliance, and Accountability

A. Budgetary Data

The revenue and expenditure budget is in accordance with GAAP with respect to those elements that are the DOE's responsibility, and such a budget is to be balanced by following mandatory requirements of The City Charter. Annual expenditure budget appropriations are adopted as described below for the general fund. During the year, decreases or increases to the budget, including amounts rolled to the subsequent fiscal year, adjust the final modified budget. Unused budget amounts lapse at the fiscal year-end.

Appropriations are also made in a capital budget to authorize the expenditure of funds for various capital projects. Capital appropriations, unless modified or rescinded, remain in effect until the completion of each project. The budget of the DOE consists of units of appropriation. Each unit of appropriation represents an area of instructional costs, a service program, or a division within the DOE. The City Council, through the adopted budget of The City, appropriates funds to these units of appropriation.

Distinct units of appropriation are required for personal service expenditures and other than personal service expenditures. Each unit of appropriation is delineated further by budget codes, which designate individual functions within a unit of appropriation (office, bureau or type of service). For personal service expenditures, line numbers further refine budget codes identifying specifically the titles funded. For other than personal service expenditures, object codes further refine budget codes identifying specifically the types of goods or services funded (e.g., supplies, equipment, contractual services).

The Divisions of Finance, School Budgetary Planning and Operations monitor expenditures throughout the fiscal year to ensure that spending remains within the amount of funds authorized in each unit of appropriation. Budget modifications are processed as required to transfer funds from one unit of appropriation, budget code, line number or object code to another as needed. Budget modifications require City Council approval if cumulative modifications are greater than or equal to 5% of the adopted budget for the unit of appropriation. The appropriation for heat, light, and power is determined by other City agencies.

B. Appropriations Modifications

The following schedule summarizes budget modifications for the year ended June 30, 2021 (\$000 omitted):

	Originally Adopted Budget	Net Modifications	Modified Budget
Tax-levy programs	\$ 25,759,492	\$ 951,202	\$ 26,710,694
Reimbursable programs	<u>1,800,469</u>	<u>37,009</u>	<u>1,837,478</u>
Subtotal	27,559,961	988,211	28,548,172
Less: Intra-city sales	<u>(9,979)</u>	<u>(56,957)</u>	<u>(66,936)</u>
Total	<u>\$ 27,549,982</u>	<u>\$ 931,254</u>	<u>\$ 28,481,236</u>

Tax-levy and reimbursable modifications included the following (\$000 omitted):

	<u>Tax Levy</u>	<u>Reimbursable</u>
Intra-city purchases	\$ 38,607	\$ 18,350
November and January Plan Actions	1,253,040	95,863
Executive and adoption	206,255	(3,708)
Year-end closing actions	(603,601)	(73,496)
GASB No. 49 - Pollution remediation	<u>56,901</u>	<u>—</u>
Total Net Modifications	<u>\$ 951,202</u>	<u>\$ 37,009</u>

The following schedule summarizes budget modifications for the year ended June 30, 2020 (\$000 omitted):

	<u>Originally Adopted Budget</u>	<u>Net Modifications</u>	<u>Modified Budget</u>
Tax-levy programs	\$ 25,467,458	\$ 955,523	\$ 26,422,981
Reimbursable programs	<u>1,764,980</u>	<u>(117,716)</u>	<u>1,647,264</u>
Subtotal	27,232,438	837,807	28,070,245
Less: Intra-city sales	<u>(9,976)</u>	<u>(45,437)</u>	<u>(55,413)</u>
Total	<u>\$ 27,222,462</u>	<u>\$ 792,370</u>	<u>\$ 28,014,832</u>

Tax-levy modifications included the following (\$000 omitted):

	<u>Tax Levy</u>	<u>Reimbursable</u>
Intra-city purchases	\$ 29,081	\$ 16,356
November and January Plan Actions	1,039,414	43,249
Executive and adoption	2,839	(39,389)
Year-end closing actions	(209,434)	(137,932)
GASB No. 49 - Pollution remediation	<u>93,623</u>	<u>—</u>
Total Net Modifications	<u>\$ 955,523</u>	<u>\$ (117,716)</u>

3. Detailed Notes on Accounts

A. Cash

Bank balances are maintained with banks that are members of the Federal Deposit Insurance Corporation (“FDIC”). The FDIC insures bank balances up to a maximum of \$250,000 in the aggregate for each bank for all funds. As the DOE’s General Fund cash balance is part of The City’s cash management system, which is considered one depositor for FDIC purposes, and as the agency funds include over 1,600 accounts maintained at the school level, the City’s Office of the Comptroller determines the amounts that are insured or collateralized. The City’s June 30, 2021 and 2020 General Fund bank balances, which includes the DOE’s General Fund bank deposits, were uninsured but were collateralized with securities held by The City’s agent in The City’s name.

Unrestricted and Restricted cash

DOE-controlled accounts that are used for minor expenditures (known as imprest accounts) are established and approved by The City and are classified as unrestricted cash. Certain cash designated by donors for specific purpose to award scholarships to students as well as resources set aside for contract payments are classified as restricted cash. The Consolidated Trust Fund consists of individual Trust funds which benefit students within the NY School system by awarding them scholarship and/or non-financial awards in recognition of their achievements on a yearly basis.

The following is a summary of the unrestricted and restricted cash as of June 30, 2021 and 2020 (\$000 omitted):

	Fiscal Year 2021	Fiscal Year 2020
Unrestricted and restricted cash:		
Unrestricted cash	\$ 11,907	\$ 7,583
Restricted cash	92,463	6,257
 Total unrestricted and restricted cash	 \$ 104,370	 \$ 13,840

B. Investments

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

The DOE’s regulations permit schools to deposit student activity funds in banks authorized by The New York City Department of Finance. A school cannot open accounts without the approval of the DOE.

C. Capital Assets

The DOE receives funding for assets from various sources, some of which are combined for the same fixed asset. In addition, many fixed assets are donated or sold to the DOE from private sources. Further, the receipt of these assets could be at any of the many central offices or one of the over 1,600 school locations. The changes in the various classes of capital assets for the years ended June 30, 2021 and 2020 were as follows (\$000 omitted):

Capital Assets	Balance June 30, 2020	Additions	Transfers	Deletions	Balance June 30, 2021
Capital assets not being depreciated:					
Land and site improvement	\$ 448,963	\$ —	\$ —	\$ —	\$ 448,963
Construction in progress	<u>1,860,413</u>	<u>2,546,706</u>	<u>(1,964,211)</u>	<u>—</u>	<u>2,442,908</u>
Total capital assets not being depreciated	<u>2,309,376</u>	<u>2,546,706</u>	<u>(1,964,211)</u>	<u>—</u>	<u>2,891,871</u>
Capital assets being depreciated:					
Building and additions	48,949,298	110,132	1,964,211	(30,746)	50,992,895
Equipment (including software)	<u>947,031</u>	<u>304,581</u>	<u>—</u>	<u>(333)</u>	<u>1,251,279</u>
Gross balance capital assets	<u>49,896,329</u>	<u>414,713</u>	<u>1,964,211</u>	<u>(31,079)</u>	<u>52,244,174</u>
Less accumulated depreciation:					
Building and additions	23,464,278	1,850,019	—	(30,746)	25,283,551
Equipment	<u>663,626</u>	<u>156,153</u>	<u>—</u>	<u>(327)</u>	<u>819,452</u>
Total accumulated depreciation	<u>24,127,904</u>	<u>2,006,172</u>	<u>—</u>	<u>(31,073)</u>	<u>26,103,003</u>
Net capital assets being depreciated	<u>25,768,425</u>	<u>(1,591,459)</u>	<u>1,964,211</u>	<u>(6)</u>	<u>26,141,171</u>
Total capital assets	<u>\$ 28,077,801</u>	<u>\$ 955,247</u>	<u>\$ —</u>	<u>\$ (6)</u>	<u>\$ 29,033,042</u>
Capital Assets	Balance June 30, 2019	Additions	Transfers	Deletions	Balance June 30, 2020
Capital assets not being depreciated:					
Land and site improvement	\$ 448,963	\$ —	\$ —	\$ —	\$ 448,963
Construction in progress	<u>1,583,328</u>	<u>2,555,310</u>	<u>(2,278,225)</u>	<u>—</u>	<u>1,860,413</u>
Total capital assets not being depreciated	<u>2,032,291</u>	<u>2,555,310</u>	<u>(2,278,225)</u>	<u>—</u>	<u>2,309,376</u>
Capital assets being depreciated:					
Building and additions	46,738,157	35,794	2,179,959	(4,612)	48,949,298
Equipment (including software)	<u>864,074</u>	<u>1,985</u>	<u>98,266</u>	<u>(17,294)</u>	<u>9 47,031</u>
Gross balance capital assets	<u>47,602,231</u>	<u>37,779</u>	<u>2,278,225</u>	<u>(21,906)</u>	<u>49,896,329</u>
Less accumulated depreciation:					
Building and additions	21,710,758	1,758,132	—	(4,612)	23,464,278
Equipment	<u>573,517</u>	<u>107,376</u>	<u>—</u>	<u>(17,267)</u>	<u>663,626</u>
Total accumulated depreciation	<u>22,284,275</u>	<u>1,865,508</u>	<u>—</u>	<u>(21,879)</u>	<u>24,127,904</u>
Net capital assets being depreciated	<u>25,317,956</u>	<u>(1,827,729)</u>	<u>2,278,225</u>	<u>(27)</u>	<u>25,768,425</u>
Total capital assets	<u>\$ 27,350,247</u>	<u>\$ 727,581</u>	<u>\$ —</u>	<u>\$ (27)</u>	<u>\$ 28,077,801</u>

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

SCA’s operations are funded by appropriations made by The City. Such appropriations are based on Five-Year Capital Plans developed by the DOE. The City’s appropriations for the five-year capital plan for the Fiscal Years 2020 through 2024 totaled \$19.1 billion.

Capital Expenditures made on behalf of the DOE amounted to \$2.0 billion and \$2.1 billion in Fiscal Years 2021 and 2020, 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 2021 and 2020, the SCA transferred \$1.9 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. In addition, the DOE implements technology upgrades and performs some capital eligible work which generated revenues from SCA totaling \$43.8 million and \$87.4 million in Fiscal Years 2021 and 2020, respectively.

Included in land and buildings as of June 30, 2021 and 2020 are certain leased properties aggregating \$621 million and \$546 million, respectively. Included in equipment are expenditures for technological upgrades. Included in accumulated depreciation - buildings and additions at June 30, 2021 and 2020 was accumulated depreciation for leasehold improvements of \$200 million and \$190 million, respectively.

D. Lease Commitments

The DOE leases various types of property and equipment. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, are recorded in the Department-wide financial statements. Other leased property not having elements of ownership are classified as operating leases. Both capital and operating lease payments are recorded as expenditures when payable. Total lease expenditures for the years ended June 30, 2021 and 2020 were \$304 million and \$286 million, respectively.

As of June 30, 2021, the DOE had future minimum rental obligations under capital and operating leases with a remaining term in excess of one year as follows (\$000 omitted):

Year(s) Ending June 30	Total Amount	Capital Leases	Operating Leases
2022	\$ 249,498	\$ 57,460	\$ 192,038
2023	242,780	56,733	186,047
2024	239,075	55,703	183,372
2025	223,564	48,169	175,395
2026	204,167	42,071	162,096
2027 - 2031	837,766	169,749	668,017
2032 - 2036	487,866	77,378	410,488
2037 - 2041	160,222	25,141	135,081
2042 - 2046	52,874	3,899	48,975
2047 - 2051	<u>43,879</u>	<u>—</u>	<u>43,879</u>
Total minimum lease payments	<u>\$ 2,741,691</u>	\$ 536,303	<u>\$ 2,205,388</u>
Less imputed interest		(115,172)	
Present value of net minimum lease payments		<u>\$ 421,131</u>	

E. Pollution Remediation Obligations

The Pollution Remediation Obligations (“PRO”) as of June 30, 2021 and 2020, summarized by obligating event and pollution type, respectively, were as follows (\$000 omitted):

Obligating Event	2021		2020	
	Amount	Percentage	Amount	Percentage
Voluntary commencement	\$ 76,674	100.00	\$ 88,215	100.00
Total	<u>\$ 76,674</u>	<u>100.00</u>	<u>\$ 88,215</u>	<u>100.00</u>
Pollution Type	Amount	Percentage	Amount	Percentage
Asbestos removal	\$ 67,360	87.85	\$ 78,437	88.92
Lead paint removal	2,207	2.88	1,402	1.59
Soil remediation	417	0.54	4,517	5.12
Other	<u>6,690</u>	<u>8.73</u>	<u>3,859</u>	<u>4.37</u>
Total	<u>\$ 76,674</u>	<u>100.00</u>	<u>\$ 88,215</u>	<u>100.00</u>

SCA has reported and identified pollution remediation obligations, such as asbestos removal, lead paint removal, soil contamination remediation, mold remediation and transportation and disposal of hazardous waste and materials, are for some of the work performed at New York City Public Schools. Such costs are associated with capital assets of the DOE and, accordingly, are recorded in the DOE’s financial statements.

The PRO liability is derived from registered multi-year contracts which offsets cumulative expenditures (liquidated/unliquidated) against original encumbered contractual amounts. The potential for changes to existing PRO estimates is recognized due to such factors as: additional remediation work arising during the remediation of an existing pollution project; remediation activities may find unanticipated site conditions resulting in necessary modifications to work plans; changes in methodology during the course of a project may cause cost estimates to change, e.g., the new ambient air quality standard for lead considered a drastic change will trigger the adoption of new/revised technologies for compliance purposes; and changes in the quantity which is paid based on actual field measured quantity for unit price items measured in cubic meters, linear meters. Consequently, changes to original estimates are processed as change orders. Further, regarding pollution remediation liabilities that are not yet recognized because they are not reasonably estimable, the Law Department relates that The City has 37 cases involving hazardous substances, including spills from above and underground storage tanks, and other contamination on, or caused by facilities on City-owned property. Due to the uncertainty of the legal proceedings, future liabilities cannot be estimated.

F. Long-Term Liabilities

Long-term liabilities include capital leases entered into by the DOE, pension, OPEB, and the DOE's portion of various other long-term liabilities, payment for which The City is responsible. Funding for these allocated liabilities will be provided through future appropriations of The City.

Changes in the various components of the DOE's long-term liabilities for the Fiscal Years ended June 30, 2021 and 2020 were as follows (\$000 omitted):

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Due within One Year
Pollution remediation	\$ 88,215	\$ 45,338	\$ (56,879)	\$ 76,674	\$ 69,007
Accrued vacation and sick leave	2,989,354	490,685	(57,730)	3,422,309	57,730
Capital lease obligations	356,437	66,934	(2,240)	421,131	40,503
Accrued judgments and claims	384,322	61,484	(65,510)	380,296	118,011
Employer pension obligation / (asset)	15,404,445	10,125,158	(26,666,917)	(1,137,314)	—
OPEB obligations	<u>35,457,858</u>	<u>4,425,926</u>	<u>(901,563)</u>	<u>38,982,221</u>	<u>—</u>
Total	<u>\$ 54,680,631</u>	<u>\$ 15,215,525</u>	<u>\$ (27,750,839)</u>	<u>\$ 42,145,317</u>	<u>\$ 285,251</u>

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due within One Year
Pollution remediation	\$ 90,444	\$ 91,394	\$ (93,623)	\$ 88,215	\$ 79,393
Accrued vacation and sick leave	2,591,852	730,993	(333,491)	2,989,354	333,491
Capital lease obligations	357,019	33,687	(34,269)	356,437	33,305
Accrued judgments and claims	361,530	92,360	(69,568)	384,322	84,130
Employer pension obligation / (asset)	14,999,606	8,514,201	(8,109,362)	15,404,445	—
OPEB obligations	<u>34,747,766</u>	<u>2,241,709</u>	<u>(1,531,617)</u>	<u>35,457,858</u>	<u>—</u>
Total	<u>\$ 53,148,217</u>	<u>\$ 11,704,344</u>	<u>\$ (10,171,930)</u>	<u>\$ 54,680,631</u>	<u>\$ 530,319</u>

4. Other Information

A. Non-Public Schools and Fashion Institute of Technology

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

FIT receives, through appropriations provided by The City, a grant from the DOE to partially subsidize its operations. The amounts paid to FIT in Fiscal Year 2021 and 2020 were \$59.8 million and \$59.7 million, respectively.

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

NYCSSS is a Type C not-for-profit corporation organized under the Not-for-Profit Corporation Law of the State of New York and is governed by a Board of Directors consisting of five members, two of whom serve ex-officio NYC Department of Education’s Chief Administrative Officer and NYC Office of Management and Budget’s Associate Budget Director for Education and City University of New York (CUNY). NYCSSS was incorporated for the purpose of providing staffing of custodial helpers for the DOE. NYCSSS’ initial contract with The City was registered on April 28, 2016. The original contract, which terminated on June 30, 2020, was renewed and extended through June 30, 2028, with the option to renew for two additional periods of one year. Under this contract, NYCSSS receives monthly payments that cover its projected expenses for the forthcoming month, and these contractual payments are NYCSSS’ sole source of revenue.

C. Other Post-Employment Benefits (“OPEB”)

The DOE participates in The City’s OPEB plan. The OPEB Plan is a fiduciary component unit of The City and is composed of: (1) the New York City Retiree Health Benefits Trust (“RHBT”) which is used to receive, hold, and disburse assets accumulated to pay for some of the OPEB provided by The City to its retired employees, and (2) OPEB paid for directly by The City out of its general resources rather than through RHBT. RHBT was established for the exclusive benefit of The City’s retired employees and their eligible spouses and dependents, to fund some of the OPEB provided in accordance with The City’s various collective bargaining agreements and The City’s Administrative Code. Amounts contributed to RHBT by The City are held in an irrevocable trust and may not be used for any other purpose than to fund the costs of health and welfare benefits of its eligible participants. Consequently, the OPEB Plan is presented as an Other Employee Benefit Trust Fund in The City’s financial statements.

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

Annual OPEB Cost and Net OPEB Obligations - The City’s annual OPEB cost (expense) is calculated based on the Entry Age Normal Cost Method of the employer, an amount that is actuarially determined by using the Entry Age Actuarial Cost Method.

Changes in Net OPEB Liability

In fiscal year 2021, the DOE implemented a change in the methodology used to estimate its proportionate share of The City's OPEB liability and deferred outflows and inflows from OPEB. Prior to July 1, 2020, the DOE estimated its proportionate share based on a percentage derived from the amount of employer contribution which related to the DOE's OPEB recipients versus The City's overall employer contribution. This percentage, which was calculated annually, was then applied to The City's OPEB liability and deferred outflows and inflows from OPEB to extract the DOE proportionate share. In fiscal 2021, the DOE refined its methodology by using more precise information that is specific to the DOE's demographics. DOE OPEB liabilities and expense were produced by the New York City Office of the Actuary ("OA"). The OA identified, DOE's active, terminated vested, and retired members, and then determine their liabilities in the OA's valuation program. These liabilities were then used to calculate the total OPEB liability, expense, and deferred inflows and outflows from OPEB as of and for the year ended June 30, 2021. The change in estimate resulted in a decrease of \$343 million in deferred inflows from OPEB, a decrease of \$271 million in deferred outflows from OPEB, an increase of \$429 million in the net OPEB liability, and an decrease on \$304 million in the amount due from The City of New York as of June 30, 2021. The methodologies and calculations used by The City to determine its overall OPEB liabilities and related balances remain consistent with prior years. This change in estimate was applicable only to the DOE's financial statements and related disclosures.

The following schedule presents DOE's proportionate share of the net OPEB liability for the Fiscal Years ended June 30, (\$000 omitted):

	<u>2021</u>	<u>2020</u>
Beginning balance at June 30,	\$ 35,457,858	\$ 34,747,766
Changes for the year:		
Service cost	1,867,936	2,256,111
Interest	1,016,909	1,397,377
Difference between expected and actual experience	72,118	(2,480,729)
Change of assumption	1,039,932	1,068,950
Contribution - employer	(900,398)	(877,774)
Net investment income	(1,240)	(32,450)
Administrative expenses	18	—
Other changes	57	(621,393)
Change in Estimate	429,031	—
Net changes	<u>3,524,363</u>	<u>710,092</u>
Net ending balance at June 30,	<u>\$ 38,982,221</u>	<u>\$ 35,457,858</u>

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

a. 1% Decrease	\$ 46,920,118
b. 1% Increase	\$ 34,713,448

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

a. 1% Decrease	\$ 33,466,279
b. 1% Increase	\$ 48,895,464

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

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 2,830,731	\$ 1,793,880
Changes in assumptions	2,108,380	2,787,189
Net difference between projected and Actual Earnings on OPEB Plan Investments	<u>83,461</u>	<u>—</u>
Total	<u>\$ 5,022,572</u>	<u>\$ 4,581,069</u>

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 3,506,898	\$ 2,147,871
Changes in assumptions	1,522,472	3,851,628
Net difference between projected and Actual Earnings on OPEB Plan Investments	<u>90,167</u>	<u>—</u>
Total	<u>\$ 5,119,537</u>	<u>\$ 5,999,499</u>

The schedule of changes in the net OPEB liability and related ratios shown in the Required Supplementary Information (RSI) section immediately following the notes to financial statements, present GASB Statement No. 75 results of OPEB valuations for Fiscal Years 2021 and 2020.

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

2022	\$(176,916)
2023	(61,493)
2024	417,536
2025	156,676
2026	(21,616)
Thereafter	127,316

As noted previously, the DOE participates in the The City's OPEB plan. The following information relates to The City's OPEB plan as a whole unless noted otherwise.

Funding Progress. As of June 30, 2021, the most recent actuarial measurement date, the funded status was 3.5%. The total OPEB liability for benefits was \$122.2 billion, and the plan fiduciary net position was \$4.2 billion, resulting in a net OPEB liability of \$118.0 billion. The covered employee payroll (annual payroll of active employees covered) was \$29.2 billion, and the ratio of the net OPEB liability to the covered employee payroll was 404.0%. Actuarial valuations of an ongoing plan involve estimates of the value of reported and future amounts based on assumptions about the probability of the severity and occurrence of events far into the future. The determined actuarial valuations of OPEB incorporated the use of demographic and economic assumptions among others as reflected below. Amounts determined regarding the funded status and the annual expense of The City vary from year to year as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. The actuarial assumptions used in the Fiscal Years 2021 and 2020 OPEB valuations are a combination of those used in the New York City Retirement Systems (NYCRS) pension valuations and those specific to the OPEB valuations. NYCRS consist of: (i) New York City Employees' Retirement System (NYCERS); (ii) New York City Teachers' Retirement System of The City of New York (TRS); (iii) New York City Board of Education Retirement System (BERS); (iv) New York City Police Pension Fund (POLICE); and (v) New York City Fire Pension Fund (FIRE). The DOE only participates in NYCERS, TRS and BERS. The OPEB valuations incorporate only the use of certain NYCRS demographic and economic assumptions. The assumptions used in The City's Fiscal Year 2021 OPEB valuation have not changed from the prior valuation, with the only exceptions being the discount rate, the mortality improvement scale and the treatment of actives-off-payroll (AOP) as described later in this section.

The OPEB-specific actuarial assumptions used in the Fiscal Year 2021 OPEB valuation of the Plan are as follows:

Valuation Date..... June 30, 2020

Measurement Date June 30, 2021

Discount Rate 2.19%⁽¹⁾ for benefits provided by The City, 2.18% for provided by Component Units. Results as of the June 30, 2020 Measurement Date are presented at 2.68% for benefits provided by The City, and 2.66% for Component Units.

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

Based on those assumptions, The City's OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees until 2028. After that time, benefit payments will be funded on a pay-as you go basis. The discount rate is the single equivalent rate which results in the same present value as discounting future benefit payments made from assets at the long- term expected rate of return and discounting future benefit payments funded on a pay- as you-go basis at the Municipal Bond 20-year Index ate. The long-term expected rate of return of 4.00%, net of expenses, includes an inflation rate of 2.50%.

Results for the OPEB plans for Component Units are presented using a discount rate of the Municipal Bond 0-year Index Rate, since there is no pre-funding assumed for these plans.

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

- (1) As required under GASB 75, this is a weighted blend of the 4.00% return on assets for OPEB plan investments and the S&P Municipal Bond 20-Year High Grade Index yield as of June 30, 2021 of 2.18%.

Per-Capita Claims Costs EBCBS and GHI plans are insured while the HIP and many of the Other HMOs are community rated. Costs reflect age-adjusted premiums for all plans.

Initial monthly premium rates used in valuation are shown below:

Plan	Monthly Health Insurance Costs
	FY 2021
HIP HMO	
Non-Medicare Single	\$ 776.01
Non-Medicare Family	1,901.23
Medicare	181.58
GHI/EBCBS	
Non-Medicare Single	775.66
Non-Medicare Family	2,035.61
Medicare	194.14
Others HMOs ⁽¹⁾	
Non-Medicare Single	1,160.34
Non-Medicare Family	2,701.42
Medicare Single	291.83
Medicare Family	576.92

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

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

Plan	Monthly Costs
	@Age 65 FY 2021
HIPHMO	
Non-Medicare	\$1,748.12
Medicare	181.58
GHI/EBCBS	
Non-Medicare	1,784.57
Medicare	191.63
Other HMOs	Varies by system

Welfare Funds The Welfare Fund contribution reported as of the valuation date, June 30, 2020 (including any reported retroactive amounts) was used as the per capita cost for valuation purposes.

The calculations reflect an additional one-time \$100 contribution for Fiscal Year 2020 in July 2019.

Reported annual contribution amounts for the last two years are shown in the Fiscal Year 2021 GASB 74/75 report in Section VII, Tables VII-b to VII-f. Welfare Fund rates are based on actual reported Union Welfare Fund code for current retirees. Weighted average annual contribution rates used for future retirees, based on Welfare Fund enrollment of recent retirees, are shown in the following table.

NYCERS	\$1,894
TRS	1,824
BERS	1,932

Medicare Part B Premiums	Calendar	Monthly
	Year	Premium
	2013-15	\$104.90
	2016	109.97
	2017	113.63
	2018	125.85
	2019	134.43
	2020	143.21
	2021	146.97

Medicare Part B Premium reimbursement amounts have been updated to reflect actual premium rates announced for calendar years through 2021. Due to limited cost-of-living adjustment in Social Security benefits, some Medicare Part B participants will not be charged the Medicare Part B premium originally projected or ultimately announced for those years. Thus, the valuation uses a blended estimate as a better representation of future Part B premium costs.

For the Fiscal Year 2021 OPEB valuation the annual premium used was \$1,741.11, which is equal to 12 times an average of the Calendar Year 2020 and 2021 monthly premiums shown.

For Calendar Year 2021, the monthly premium of \$146.97 was determined as follows:

- 3.5% of the basic \$104.90 monthly hold-harmless amount, assuming that there would be no claims made for the slight increase in Part B premiums for continuing retirees, and
- 96.5% of the announced premium of \$148.50 for Calendar Year 2021, representing the proportion of the Medicare population that will pay the announced amount.

The Calendar Year 2020 premium of \$143.21 was determined similarly, using 3.5% of the \$104.90 hold harmless and 96.5% of the \$144.60 rate that was in effect for Calendar Year 2020.

An additional 11.4% load is added to the base Medicare Part B Premium amounts each year to account for the income-related Medicare Part B premiums for high income individuals. This assumption was updated from the previous valuation to reflect more recent experience.

Medicare Part B Premium

Reimbursement Assumption 90% of Medicare participants are assumed to claim reimbursement; based on historical data.

Health Care Cost Trend Rate

("HCCTR") No changes were made to the Medicare Part B premium Welfare Fund contributions, or medical trends for the Fiscal Year 2021 valuation.

Year Ending	Pre-Medicare Plans	Medicare Plans	Medicare Part B Premium	Welfare Fund Contributions
2021	6.75%	4.90%	3.83%	3.50%
2022	6.50	4.90	5.00	3.50
2023	6.25	4.80	5.00	3.50
2024	6.00	4.80	5.00	3.50
2025	5.75	4.70	5.00	3.50
2026	5.50	4.70	5.00	3.50
2027	5.25	4.60	5.00	3.50
2028	5.00	4.60	5.00	3.50
2029	4.75	4.50	5.00	3.50
2030 and later	4.50	4.50	5.00	3.50

(1) Medicare Part B premium trend reflects actual calendar year premium for the first 6 months of FY22 (July 2021 to December 2021) and 5.0% trend for the remaining 6 months.

The pre-Medicare and Medicare plan trends were developed for fiscal year 2021 using health trend information from various sources, including City premium trend experience for HIP HMO and GHI/EBCBS, public sector benchmark survey for other large plan sponsors, the Medicare Trustees' Report, and the Society of Actuaries' Getzen mode.

These increases can be attributable to factors such as the increasing prices of health care services, high cost of new technologies, and increasing utilization. While the Medicare trustees project the Part B premium to increase 6% for 2022, beyond that point they expect the increases to average 5.8% out to 2029. These increases do not account for the hold harmless provision which may mitigate them somewhat.

Historical negotiated increase rates for the larger Welfare Funds have averaged between 2% and 3% in recent years, which is lower than the anticipated trend on the underlying costs of benefits provided by these funds. However, The City periodically makes onetime lump sum contributions to the Welfare Funds. For these reasons the Welfare Fund contribution trend was assumed to be 3.5%.

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

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

Children costs assumed a factor of 0.229.

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

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

The age adjustment for the non-Medicare GHI/EBCBS premium reflects a 4.0% reduction in the GHI portion of the monthly premium (with the GHI portion representing \$366.18 out of \$775.66 for single coverage, and \$970.95 out of \$2,035.61 for family coverage for Fiscal Year 2021 rates) and 2.0% reduction in the EBCBS portion of the premium (with the EBCBS portion representing the remainder of the premiums) for the estimated margin anticipated to be returned.

Participation Rates Based on recent experience.

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

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

NYCERS	10%
TRS	6%
BERS	12%

This non-filer group also includes some participants who do not qualify for coverage because they were working less than 20 hours a week at termination.

Detailed assumptions for future Program retirees are presented below:

PLAN PARTICIPATION ASSUMPTIONS

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

Dependent Coverage Non-contributory Basic Medical Coverage and Part B premium reimbursement for dependents are assumed to terminate when a retiree dies, except for Line of Duty beneficiaries.

Dependents..... Male retirees were assumed to be four years older than their wives, and female retirees were assumed to be two years younger than their husbands.

Child dependents of current retirees are assumed to receive coverage until age 26.

Children are assumed to be covered for eight years after retirement plus an additional five years for service retirements of NYCERS retirees who were eligible to retire based only on service and no minimum age.

Dependent allocation assumptions are shown below and are based on recent experience.

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

Demographic Assumption..... The actuarial assumptions used in the Fiscal Year 2021 and the Fiscal Year 2020 OPEB valuations are a combination of those used in the NYCERS pension actuarial valuations and those specific to the OPEB valuations.

For Fiscal Year 2019, the OA conducted a full review of the actuarial assumptions and methods used to fund the NYCERS. These reviews led to formalized recommendations titled “Proposed Changes in Actuarial Assumptions and Methods Used in Determining Employer Contributions for Fiscal Years Beginning on and After July 1, 2018 for [NYCERS],” and were adopted by all five of the NYCERS Boards. These are available on the Reports page of the OA website (www.nyc.gov/actuary) and are referred to as the 2019 A&M Reports.

On July 27, 2021, the Actuary issued a memorandum titled “Proposed Changes to Actuarial Assumptions and Methods.” The actuarial assumptions and methods described in that memorandum amend certain assumptions and methods from the 2019 A&M. This revised set of actuarial assumptions and methods are referred to as the “Revised 2021 A&M.”

COBRA Benefits..... There is no cost to The City for COBRA beneficiaries who enroll in community-rated HMO's, including HIP. However, there is a cost under the experience rated GHI/EBCBS coverage.

The valuation assumes 15% of employees not eligible for OPEB elect COBRA coverage for 15 months based on experience of other large employers. A lump-sum COBRA cost of \$1,350 was assumed for terminations during Fiscal Year 2021. This amount is increased by the Pre-Medicare HCCTR for future years but is not adjusted for age-related morbidity.

Actives Off Payroll (AOP) Liabilities..... 40% of the measured liability of the AOP population, which is roughly equivalent to assuming 60% of the AOP members will terminate membership prior to vesting and not receive OPEB. Active members off payroll is no longer treated as a separate status as of June 30, 2020. Those on a known short-term leave of absence are treated as actives, and the remaining members are included as inactive members entitled to but not yet receiving benefits if they have met the OPEB vesting requirements. Otherwise, they are not included in the valuation.

Stabilization Fund A 0.4% load is applied on all City GASB 75 obligations to reflect certain benefits paid for retirees directly from the Stabilization Fund which is unchanged from the Fiscal Year 2020 OPEB valuation. The load is not applicable to Component Units.

This amount is based on the historical five-year average allocation between active and retired participants in the Fiscal Years 2017 through 2021 Stabilization Fund benefits provided by OLR. The allocation takes into consideration retirees on average are older and have costlier medical benefits than actives, and also separates out Welfare Fund contribution reimbursements from other Stabilization Fund benefits.

Also, since Welfare Fund contributions reimbursed by the Stabilization Fund are considered a part of Welfare Fund benefits, they are not included in the determination of this load.

The GHI Senior Care Medicare-supplement plan is scheduled to be replaced with a Medicare Advantage plan effective January 1, 2022. The GHI Senior Care plan would still be available to retirees but only on a contributory basis. This change is being challenged via a lawsuit brought by a group of retirees. If it is upheld it would be expected to produce significant cost savings for The City. Since this change was announced after June 30, 2021, it was not reflected in the June 30, 2021 valuation. Should it survive the legal challenge it will be reflected in the June 30, 2022 valuation.

The separate annual financial statements of the OPEB Plan are available at the Office of the Comptroller, Bureau of Accountancy - Room 200 South, 1 Centre Street, New York, New York 10007, or on the website of the Comptroller.

D. Pensions

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

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

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

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

Qualified Pension Plan Programs - Statutory Contributions for the TRS and BERS, determined by the Actuary in accordance with State statutes and City laws, are generally funded by the employers within the appropriate Fiscal Year. The Statutory Contributions are determined under the One-Year Lag Methodology (“OYLM”). Under OYLM, the actuarial valuation date is used for calculating the Employer Contributions for the second following Fiscal Year. For example, the June 30, 2019 actuarial valuation was used for determining the Fiscal Year 2021 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 2021 and 2020 and the amount of The City’s contribution to each QPP for such Fiscal Years are as follows (\$000 omitted):

Annual Pension Costs	Aggregate Statutory Contribution 2021	Aggregate Statutory Contribution 2020
TRS	\$ 2,992	\$ 3,441
BERS	<u>174</u>	<u>246</u>
Total	<u>\$ 3,166</u>	<u>\$ 3,687</u>

Member contributions are established by law and vary by QPP. In general, Tier I and Tier II member contribution rates are dependent upon the employee’s age at membership and retirement plan election. In general, Tier III and Tier IV members make basic contributions of 3.0% of salary regardless of age at membership. Effective October 1, 2000, in accordance with Chapter 126 of the Laws of 2000, these members are not required to make basic contributions after the tenth anniversary of their membership date or completion of ten years of credited service, whichever is earlier. Effective December 2000, certain Tier III and Tier IV members make basic member contributions of 2.0% of salary in accordance with Chapter 10 of the Laws of 2000. Certain members of the TRS QPP and BERS QPP also make additional member contributions. Tier VI members contribute 3.0% and 6.0% of salary, depending on salary level.

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

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

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, 2021 and 2020 were as follows (\$000 omitted):

	TRS - Net Pension (Asset) Liability		BERS - Net Pension (Asset) Liability	
	2021	2020	2021	2020
Balance at June 30,	\$ 15,139,960	\$ 14,737,303	\$ 264,485	\$ 262,303
Service cost	1,517,150	1,491,042	166,590	159,112
Interest	6,826,433	4,637,529	385,575	352,872
Difference between expected and actual experience	(376,197)	(32,896)	36,241	(44,430)
Change of assumption	(323,253)	—	(809)	—
Contribution - employer	(2,991,584)	(3,441,460)	(173,910)	(245,646)
Contribution - other employer	(58,906)	(59,180)	—	—
Contribution - employees	(236,673)	(217,481)	(45,739)	(47,475)
Net investment income	(21,363,072)	(3,748,499)	(1,796,053)	(348,925)
Payment of interest on TDA fixed funds	1,909,034	1,769,380	163,287	148,578
Administrative expenses	65,055	61,848	23,927	21,184
Other changes	9,290	(38,195)	(227,918)	7,608
Net changes	(15,022,723)	422,088	(1,468,809)	2,878
Subtotal at June 30	117,237	15,159,391	(1,204,324)	265,181
Change in proportionate share	(49,246)	(19,431)	(981)	(696)
Net balance at June 30	<u>\$ 67,991</u>	<u>\$ 15,139,960</u>	<u>\$(1,205,305)</u>	<u>\$ 264,485</u>

DOE's proportionate share of the net pension liability - TRS and BERS QPPs - The following table presents the DOE's proportionate share of the net pension liability (\$000 omitted):

	June 30, 2021		June 30, 2020	
	TRS	BERS	TRS	BERS
DOE's proportionate share of the net pension (asset) liability	95.5%	95.0%	95.8%	95.4%
DOE's proportionate share of the net pension (asset) liability	<u>\$ 67,991</u>	<u>\$ (1,205,305)</u>	<u>\$ 15,139,960</u>	<u>\$ 264,485</u>

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

Deferred inflows of resources by source reported by the DOE at June 30, 2021 and 2020 for each QPP were as follows (\$000 omitted):

	2021		2020	
	TRS	BERS	TRS	BERS
Difference between Expected and Actual Experience	\$ 2,098,349	\$ 77,123	\$ 2,197,824	\$ 112,585
Change of Assumptions	771,879	148,106	591,070	198,663
Net difference between projected and Actual Earning on Pension Plan Investment	13,870,335	1,245,298	3,128,225	290,767
Change in Proportion and Differences between Employer Contribution and Proportion Share of Contribution	<u>(475)</u>	<u>(527)</u>	<u>3,108</u>	<u>(910)</u>
Deferred inflows of Resources	<u>\$ 16,740,088</u>	<u>\$ 1,470,000</u>	<u>\$ 5,920,227</u>	<u>\$ 601,105</u>

Deferred outflows of resources by source reported by the DOE at June 30, 2021 and 2020 for each QPP were as follows (\$000 omitted):

	2021		2020	
	TRS	BERS	TRS	BERS
Difference between Expected and Actual Experience	\$ 294,301	\$ 101,968	\$ 429,471	\$ 100,420
Changes in Proportion and Differences Between Employer Contribution and Proportionate Share of Contributions	(114,754)	(3,541)	(55,991)	(5,768)
Deferred outflows of Resources	<u>\$ 179,547</u>	<u>\$ 98,427</u>	<u>\$ 373,480</u>	<u>\$ 94,652</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2021 will be recognized as pension expenses as follows (\$000 omitted):

Year ending June 30:	TRS	BERS
2022	\$ (4,711,603)	\$ (435,681)
2023	(4,209,392)	(376,953)
2024	(3,925,448)	(334,325)
2025	(3,860,843)	(298,250)
2026	(318,007)	5,252
Thereafter	<u>(190,749)</u>	<u>—</u>
Total	<u>\$ (17,216,042)</u>	<u>\$ (1,439,957)</u>

Pension Expense, Employer Contribution, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension - The DOE's pension expense, employer contribution, deferred outflows, and deferred inflows related to pensions and net pension liabilities recognized by the DOE for the fiscal years ended June 30, 2021 and 2020 were as follows (\$000 omitted):

	2021		
	TRS	BERS	Total
Net pension liability at June 30, 2020	\$ 15,139,960	\$ 264,485	\$ 15,404,445
Employer contribution	(2,991,583)	(173,910)	(3,165,493)
Other employer contribution	(58,906)	—	(58,906)
Pension expense	(1,007,685)	(430,761)	(1,438,446)
Deferred outflows of resources (net)	(193,933)	3,775	(190,158)
Deferred inflows from pension (net)	<u>(10,819,862)</u>	<u>(868,894)</u>	<u>(11,688,756)</u>
Net pension (asset) liability at June 30, 2021	<u>\$ 67,991</u>	<u>\$ (1,205,305)</u>	<u>\$ (1,137,314)</u>
2020			
	TRS	BERS	Total
Net pension liability at June 30, 2019	\$ 14,737,303	\$ 262,303	\$ 14,999,606
Employer contribution	(3,441,460)	(245,646)	(3,687,106)
Other employer contribution	(59,180)	—	(59,180)
Pension expense	2,329,143	75,423	2,404,566
Deferred outflows of resources (net)	(163,251)	(26,473)	(189,724)
Deferred inflows from pension (net)	<u>1,737,405</u>	<u>198,878</u>	<u>1,936,283</u>
Net pension (asset) liability at June 30, 2020	<u>\$ 15,139,960</u>	<u>\$ 264,485</u>	<u>\$ 15,404,445</u>

E. Contingencies

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

1. Judgments and Claims

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

The estimate of the liability for all judgments and claims has been reported in the Department-wide *Statement of Net Position* under current and 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.

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.

On December 21, 2015, the United States Attorney for the Southern District of New York ("USAO-SDNY") sent a findings letter to the DOE indicating various areas in which he alleged that The City elementary schools were not accessible to students with disabilities in violation of the Americans with Disabilities Act of 1990. The City and USAO-SDNY are currently in discussion as to the matters raised in the letter. While The City has an ongoing program to make smaller schools accessible, an acceleration of alterations to City elementary schools to address concerns raised in the findings letter could result in a substantial acceleration of compliance costs to The City but not damages.

3. *Economic Factors and COVID-19*

The City has been severely affected by the coronavirus disease, referred to herein as "COVID-19." Effective May 19, 2021, the Governor, along with the governors of New Jersey and Connecticut, implemented a significant easing of COVID-19 pandemic restrictions on each state's businesses, venues and gatherings, replacing them with limitations only by space available to maintain the required six feet of social distancing. Additionally, on May 17, 2021, The City subway system returned to 24-hour service.

During the COVID-19 pandemic, many businesses in The City were ordered to close, public schools operated at various levels of remote and in-person learning, and limitations were imposed on large gatherings. Hotel occupancy has declined drastically, as have arrivals to City airports. The sudden reduction in business activity, travel and tourism resulting from the pandemic, and the government's response to it, had a devastating impact on the retail, cultural, hospitality and the entertainment sectors. As a result of the COVID-19 pandemic, unemployment rates throughout The City increased substantially.

On March 27, 2020, the federal Coronavirus Aid, Relief, and Economic Security Act ("CARES") was signed into law. In city fiscal year 2021, New York State enacted a "pandemic reduction" against General Support Aids of \$720 million, reflected in The City financials as a reduction to Foundation Aid. This state aid reduction was backfilled with CARES funding and was used to support existing expenses, except for approximately \$90 million, the share diverted for use by non-public schools required to deliver equitable services. The DOE's public school share (about \$630 million) was allocated entirely for custodial services provided under the NYCSSS contract. The remaining balance is available for equitable services through September 30, 2021.

Additionally, on December 27, 2020, the federal Coronavirus Response and Relief Supplemental Appropriations Act, 2021 ("CRRSA") was signed into law. The DOE's allocation is approximately \$2.15 billion, available from March 13, 2020 to September 30, 2023. In fiscal year 2021, about \$250 million was used to support expenses such as remote learning, school-based staff retention and school reopening. The revenue reflects estimated reimbursable spending in fiscal year 21 against those appropriations.

The ultimate impact of the COVID-19 pandemic on the DOE's operations cannot be determined at this time.

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ANNUAL FINANCIAL STATEMENTS
Department of Education of The City of New York
For the Fiscal Years Ended June 30, 2021 and 2020

Required Supplementary Information

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

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

	2021	2020
Total OPEB Liability		
Service Cost	\$ 1,867,936	\$ 2,256,111
Interest	1,016,909	1,397,377
Differences between Expected and Actual Experience	72,118	(2,480,729)
Changes in Assumptions	1,039,932	1,068,950
Benefit Payments	(1,038,029)	(1,284,893)
Other Changes	—	(621,468)
Change in Estimate	733,517	—
Net Changes in Total OPEB Liability	\$ 3,692,383	\$ 335,348
Total OPEB Liability - Beginning	\$ 36,592,017	\$ 36,256,669
Total OPEB Liability - Ending	\$ 40,284,400	\$ 36,592,017
Plan Fiduciary Net Position		
Contributions - Employer	\$ 900,398	\$ 877,774
Net Investment Income	1,240	32,450
Benefit Payments	(1,038,029)	(1,284,893)
Administrative Expenses	(18)	—
Other Changes	(57)	(75)
Change in Estimate	304,486	—
Net Changes in Plan Fiduciary Net Position	\$ 168,020	\$ (374,744)
Plan Fiduciary Net Position - Beginning	\$ 1,134,159	\$ 1,508,903
Plan Fiduciary Net Position - Ending	\$ 1,302,179	\$ 1,134,159
Net OPEB Liability	\$ 38,982,221	\$ 35,457,858
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	3.3%	3.1%
Covered Employee Payroll	\$ 9,636,373	\$ 12,022,130
Net OPEB Liability as a Percentage of Covered Employee Payroll	404.5%	294.9%

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

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

	TRS		BERS	
	2021	2020	2021	2020
DOE's proportion of the net pension liability	95.5%	95.8%	95.0%	95.4%
DOE's proportionate share of the net pension (asset) / liability	\$ 67,991	\$ 15,139,960	\$ (1,205,305)	\$ 264,485
DOE's covered-employee payroll	10,864	10,573	1,476	1,353
DOE's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.6%	32.9%	(85.9%)	20.5%
Plan fiduciary net position as percentage of the total pension liability	99.9%	79.0%	122.0%	94.9%

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

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012 *
(\$000 omitted)										
TRS										
Contractually required contribution	\$ 2,991,583	\$ 3,441,460	\$ 3,547,598	\$ 3,734,445	\$ 3,757,321	\$ 3,555,210	\$ 3,150,518	\$ 2,889,355	\$ 2,783,893	\$ 2,673,078
Contributions in relation to the contractually required contribution	\$ 2,991,583	\$ 3,441,460	\$ 3,547,598	\$ 3,734,445	\$ 3,757,321	\$ 3,555,210	\$ 3,150,518	\$ 2,889,355	\$ 2,783,893	\$ 2,673,078
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
Covered-employee payroll	\$ 10,863,830	\$ 10,572,449	\$ 9,984,796	\$ 8,853,962	\$ 8,525,820	\$ 7,951,697	\$ 7,779,802	\$ 7,687,791	\$ 7,618,059	\$ 7,920,935
Contributions as a percentage of covered-employee payroll	27.94%	32.99%	35.56%	42.18%	44.07%	44.22%	40.50%	37.58%	36.54%	33.75%
BERS										
Contractually required contribution	\$ 173,910	\$ 245,647	\$ 257,905	\$ 304,937	\$ 274,603	\$ 257,056	\$ 249,253	\$ 205,928	\$ 197,609	\$ 213,651
Contributions in relation to the contractually required contribution	\$ 173,910	\$ 245,647	\$ 257,905	\$ 304,937	\$ 274,603	\$ 257,056	\$ 249,253	\$ 205,928	\$ 197,609	\$ 213,651
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
Covered-employee payroll	\$ 1,476,030	\$ 1,352,676	\$ 1,209,119	\$ 1,054,562	\$ 1,002,249	\$ 975,460	\$ 976,861	\$ 939,439	\$ 837,793	\$ 879,476
Contributions as a percentage of covered-employee payroll	12.39%	18.16%	21.34%	28.92%	27.40%	25.51%	25.52%	21.92%	23.59%	24.29%

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

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited), Continued

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 2022 contributions were determined using an actuarial valuation as of June 30, 2020). The methods and assumptions used to determine the actuarially determined and contractually required contributions are as follows:

Fiscal Year	2022	2021	2020	2019	2018	2017
Valuation Dates	June 30, 2020 (Lag) Entry Age	June 30, 2019 (Lag) Entry Age	June 30, 2018 (Lag) Entry Age	June 30, 2017 (Lag) Entry Age	June 30, 2016 (Lag) Entry Age	June 30, 2015 (Lag) Entry Age
Actuarial cost method ¹ Amortization method for Unfunded Accrued Liabilities (UAL); Initial 2010 UAL	Increasing Dollar Payments Level Dollar Payments	Increasing Dollar Payments Level Dollar Payments	Increasing Dollar Payments Level Dollar Payments	Increasing Dollar Payments Level Dollar Payments	Increasing Dollar Payments Level Dollar Payments	Increasing Dollar Payments Level Dollar Payments
Post-2010 UALs Remaining amortization period:						
Initial 2010 UAL	12 Years (Closed)	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)	16 Years (Closed)	17 Years (Closed)
2010 ERI	0 Year (Closed)	0 Year (Closed)	0 Year (Closed)	0 Year (Closed)	0 Year (Closed)	1 Year (Closed)
2011 (G)/L	6 Years (Closed)	7 Years (Closed)	8 Years (Closed)	9 Years (Closed)	10 Years (Closed)	11 Years (Closed)
2012 (G)/L	7 Years (Closed)	8 Years (Closed)	9 Years (Closed)	10 Years (Closed)	11 Years (Closed)	12 Years (Closed)
2013 (G)/L	8 Years (Closed)	9 Years (Closed)	10 Years (Closed)	11 Years (Closed)	12 Years (Closed)	13 Years (Closed)
2013 Transit Refunds	0 Years (Closed)	0 Years (Closed)	0 Years (Closed)	1 Years (Closed)	2 Years (Closed)	3 Years (Closed)
2014 (G)/L	9 Years (Closed)	10 Years (Closed)	11 Years (Closed)	12 Years (Closed)	13 Years (Closed)	14 Years (Closed)
2014 Assumption Change	14 Years (Closed)	15 Years (Closed)	16 Years (Closed)	17 Years (Closed)	18 Years (Closed)	19 Years (Closed)
2015 (G)/L	10 Years (Closed)	11 Years (Closed)	12 Years (Closed)	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)
2016 (G)/L	11 Years (Closed)	12 Years (Closed)	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)	NA
2017 (G)/L	12 Years (Closed)	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)	NA	NA
2017 Assumption Change	17 Years (Closed)	18 Years (Closed)	19 Years (Closed)	20 Years (Closed)	NA	NA
2017 Method Change	17 Years (Closed)	18 Years (Closed)	19 Years (Closed)	20 Years (Closed)	NA	NA
2018 (G)/L	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)	NA	NA	NA
2019 (G)/L	14 Years (Closed)	15 Years (Closed)	NA	NA	NA	NA
2019 Assumption Change	19 Years (Closed)	20 Years (Closed)	NA	NA	NA	NA
2019 Method Change	19 Years (Closed)	20 Years (Closed)	NA	NA	NA	NA
2020 (G)/L	15 Years (Closed)	NA	NA	NA	NA	NA
Actuarial Asset:						
Valuation Method ²	5-year moving average of Fair Value	5-year moving average of Fair Value	6-year moving average of Fair Value	6-year moving average of Fair Value	6-year moving average of Fair Value	6-year moving average of Fair Value
Actuarial assumptions: Assumed rate of return ³	7.0% per annum, net of investment expenses (4.0%) per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0%) per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0%) per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0%) per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0%) per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0%) per annum for benefits payable under the variable annuity programs of TRS and BERS)
Post-retirement mortality ⁴	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2016	Tables adopted by Board of Trustees during Fiscal Year 2016

- Beginning with the June 30, 2010 (Lag) actuarial valuation under the 2012 ABM, the Entry Age Normal Cost Method (EAN) of funding is utilized by the Actuary to calculate the contributions required of the Employer. Under the method, the Actuarial Present Value (APV) of Benefits (APVB) of each individual included in the actuarial valuation is allocated on a level basis over the earnings (or service) of the individual between entry age and assumed exit ages. The employer portion of this APV allocated to a valuation year is the Normal Cost. The portion of this APV not provided for at a valuation date by the APV of Future Normal Costs or future member contributions is the Accrued Liability (AL). The excess, if any, of the AL over the Actuarial Value of Assets (AVA) is the Unfunded Accrued Liability (UAL). Under this method, actuarial gains (losses), as they occur, reduce (increase) the UAL and are explicitly identified and amortized. Increases (decreases) in obligations due to benefit changes, actuarial assumption changes and/or actuarial method changes are also explicitly identified and amortized.
- Fair Value Restart as of June 30, 2019. Previously, Fair Value Restart as of June 30, 2011. The June 30, 2010 AVA is derived as equal to the June 30, 2011 Fair Value of Assets, discounted by the Actuarial Interest Rate assumption (adjusted for each flow) to June 30, 2010. Beginning with June 30, 2014, the AVA is constrained to be no more than 20% from the Fair Value of Assets.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited), Continued

Fiscal Year	2016	2015	2014	2013	2012
Valuation Dates	June 30, 2014 (Lag) Entry Age	June 30, 2013 (Lag) Entry Age	June 30, 2012 (Lag) Entry Age	June 30, 2011 (Lag) Entry Age	June 30, 2010 (Lag) Entry Age
Actuarial cost method ¹ Amortization method for Unfunded Initial 2010 UAL	Increasing Dollar Payments Level Dollar Payments.	Increasing Dollar Payments Level Dollar Payments.	Increasing Dollar Payments Level Dollar Payments.	Increasing Dollar Payments Level Dollar Payments.	Increasing Dollar Payments Level Dollar Payments.
Post-2010 UALs					
Remaining amortization period:					
Initial 2010 UAL	18 Years (Closed)	19 Years (Closed)	20 Years (Closed)	21 Years (Closed)	22 Years (Closed)
2010 ERI	2 Years (Closed)	3 Years (Closed)	4 Years (Closed)	5 Years (Closed)	NA
2011 (G)/L	12 Years (Closed)	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)	NA
2012 (G)/L	13 Years (Closed)	14 Years (Closed)	15 Years (Closed)	NA	NA
2013 (G)/L	14 Years (Closed)	15 Years (Closed)	NA	NA	NA
2013 Transit Refunds	4 Years (Closed)	5 Years (Closed)	NA	NA	NA
2014 (G)/L	15 Years (Closed)	NA	NA	NA	NA
2014 Assumption Change	20 Years (Closed)	NA	NA	NA	NA
2015 (G)/L	NA	NA	NA	NA	NA
2016 (G)/L	NA	NA	NA	NA	NA
2017 (G)/L	NA	NA	NA	NA	NA
2017 Assumption Change	NA	NA	NA	NA	NA
2017 Method Change	NA	NA	NA	NA	NA
2018 (G)/L	NA	NA	NA	NA	NA
2019 (G)/L	NA	NA	NA	NA	NA
2019 Assumption Change	NA	NA	NA	NA	NA
2019 Method Change	NA	NA	NA	NA	NA
2020 (G)/L	NA	NA	NA	NA	NA
Actuarial Asset: Valuation Method ²	6-year moving average of Fair Value	6-year moving average of Fair Value	6-year moving average of Fair Value	6-year moving average of Fair Value	6-year moving average of Fair Value
Actuarial assumptions:					
Assumed rate of return ³	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)	7.0% per annum, net of investment expenses (4.0% per annum for benefits payable under the variable annuity programs of TRS and BERS)
Post-retirement mortality ⁴	Tables adopted by Board of Trustees during Fiscal Year 2016	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited), Continued

Fiscal Year	2022	2021	2020	2019	2018	2017
Active service: withdrawal, death disability, service retirement ⁴	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2019	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012
Salary Increases ³	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year
Cost-of-Living Adjustments ³	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation

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

4. As of June 30, 2019, applied mortality improvement scale MP-2020 published by the Society of Actuaries to post-retirement mortality, active ordinary death mortality rates, and pre-commencement mortality rates for terminated vested. Prior to June 30, 2019, MP-2018 was applied to post-retirement mortality. Prior to June 30, 2014, Scale AA was applied to post-retirement mortality.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited), Continued

Fiscal Year	2016	2015	2014	2013	2012
Active service: withdrawal, death, disability, service retirement ⁴	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Board of Trustees during Fiscal Year 2012	Tables adopted by Boards of Trustees during Fiscal Year 2012	Tables adopted by Boards of Trustees during Fiscal Year 2012	Tables adopted by Boards of Trustees during Fiscal Year 2012
Salary Increases ³	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year	In general, Merit and Promotion Increases plus assumed General Wage Increases of 3.0% per year
Cost-of-Living Adjustments ³	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation	1.5% per annum for Auto Cola. 2.5% per annum for Escalation

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ANNUAL FINANCIAL STATEMENTS

Department of Education of The City of New York

For the Fiscal Years Ended June 30, 2021 and 2020

Supplemental Schedules

The General Fund is the general operating fund of DOE that is used to account for all of the financial resources, except those required to be accounted for in another fund. The Schedule of Aged Receivables includes Federal, State and Non-Governmental Grants and other aid from Fiscal Year 2018 through Fiscal Year 2021, as of June 30, 2021. The Schedule of Budget and Actual Expenditures reflects the final modified budget as approved by The City. This budget is modified throughout the year, and then a final modification is submitted by DOE at year-end to distribute surplus balances and to provide additional funding to categories with expenses that are projected to be in excess of budget appropriations.

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DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Aged Receivables as of June 30, 2021

With Comparative Totals to June 30, 2020

(\$000 Omitted)

<u>BFY</u>	<u>Federal Categorical Grants</u>	<u>State Aid and Categorical Grants</u>	<u>Non- Governmental Grants</u>	<u>Total Receivables as of June 30, 2021</u>	<u>Total Receivables as of June 30, 2020</u>
FISCAL YEAR 2021	\$ 1,527,778	\$ 1,810,005	\$ 109,794	\$ 3,447,577	\$ 0
FISCAL YEAR 2020	108,757	496,375	52,395	657,527	2,708,778
FISCAL YEAR 2019	—	84,541	—	84,541	405,708
FISCAL YEAR 2018	—	1,881	—	1,881	7,163
TOTAL RECEIVABLES	<u>\$ 1,636,535</u>	<u>\$ 2,392,802</u>	<u>\$ 162,189</u>	<u>\$ 4,191,526</u>	<u>\$ 3,121,649</u>

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2021

(\$000 Omitted):

	<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
GENERAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:				
401	Salaries	\$ 6,955,911	\$ 7,226,581	\$ (270,670)
402	Supplies	154,269	163,402	(9,133)
402	Furniture and equipment	105,235	105,921	(686)
402	Textbooks	95,799	46,170	49,629
402	Contractual services	398,340	496,413	(98,073)
	Total	7,709,554	8,038,487	(328,933)
SPECIAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:				
403	Salaries	2,206,602	2,255,870	(49,268)
404	Supplies	3,271	2,752	519
404	Furniture and equipment	2,189	1,925	264
404	Textbooks	347	—	347
404	Contractual services	1,803	1,456	347
	Total	2,214,212	2,262,003	(47,791)
CHARTER SCHOOLS:				
406	Supplies	1,959	2,414	(455)
406	Textbooks	8,438	6,932	1,506
406	Contractual services	2,636,717	2,630,434	6,283
	Total	2,647,114	2,639,780	7,334
UNIVERSAL PRE-K:				
407	Salaries	597,826	653,982	(56,156)
408	Supplies	14,762	12,686	2,076
408	Furniture and equipment	7,108	1,009	6,099
408	Textbooks	314	187	127
408	Contractual services	432,291	429,665	2,626
	Total	1,052,301	1,097,529	(45,228)
EARLY CHILDHOOD PROGRAMS:				
409	Salaries	91,254	80,609	10,645
410	Supplies	7,438	1,067	6,371
410	Furniture and equipment	81	67	14
410	Textbooks	54	16	38
410	Contractual services	485,488	476,256	9,232
	Total	584,315	558,015	26,300

(Continued)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2021

(\$000 Omitted):

	<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
	SCHOOL SUPPORT			
	ORGANIZATION:			
415	Salaries	\$ 315,034	\$ 323,293	\$ (8,259)
416	Supplies	717	2,644	(1,927)
416	Furniture and equipment	1,269	1,400	(131)
416	Textbooks	70	276	(206)
416	Contractual services	21,394	13,307	8,087
	Total	338,484	340,920	(2,436)
	CITYWIDE EDUCATION			
	INSTRUCTION AND			
	SCHOOL LEADERSHIP:			
421	Salaries	1,261,401	1,305,541	(44,140)
422	Supplies	7,507	6,427	1,080
422	Furniture and equipment	5,715	3,910	1,805
422	Textbooks	1,186	682	504
422	Contractual services	7,136	4,287	2,849
	Total	1,282,945	1,320,847	(37,902)
	SPECIAL EDUCATION			
	INSTRUCTIONAL SUPPORT:			
423	Salaries	388,980	396,906	(7,926)
424	Supplies	3,390	1,736	1,654
424	Furniture and equipment	9,448	2,024	7,424
424	Textbooks	1	—	1
424	Contractual services	242,489	211,499	30,990
	Total	644,308	612,165	32,143
	SCHOOL FACILITIES:			
435	Salaries	188,537	185,505	3,032
436	Supplies	162,629	172,301	(9,672)
436	Furniture and equipment	3,713	2,950	763
436	Contractual services	859,364	884,987	(25,623)
436	Judgments and claims	—	—	—
436	Pollution remediation	56,901	56,901	—
	Total	1,271,144	1,302,644	(31,500)

(Continued)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2021

(\$000 Omitted):

	UOA	Modified Budget	Expenditures	Favorable (Unfavorable)
PUPIL TRANSPORTATION:				
438	Supplies	\$ 1,239	\$ 900	\$ 339
438	Equipment	4,521	197	4,324
438	Contractual services	8,466	7,664	802
438	Judgments and claims	—	—	—
438	Pupil transportation	1,530,962	1,446,152	84,810
	Total	1,545,188	1,454,913	90,275
SCHOOL FOOD SERVICES:				
439	Salaries	233,202	226,508	6,694
440	Supplies	27,723	14,875	12,848
440	Food purchases	135,344	153,384	(18,040)
440	Furniture and equipment	3,813	1,701	2,112
440	Contractual services	15,711	16,611	(900)
		415,793	413,079	2,714
442	SCHOOL SAFETY	417,308	364,197	53,111
444	ENERGY AND LEASES	615,692	605,406	10,286
CENTRAL ADMINISTRATION:				
453	Salaries	199,099	248,342	(49,243)
454	Supplies	14,550	35,262	(20,712)
454	Furniture and equipment	2,917	4,487	(1,570)
454	Judgments and claims	98	1,442	(1,344)
454	Contractual services	191,510	128,196	63,314
454	Fixed charges	46	377	(331)
	Total	408,220	418,106	(9,886)
461	FRINGE BENEFITS:	3,603,082	3,700,522	(97,440)
PRE-KINDERGARTEN				
470	CONTRACTS	784,022	724,636	59,386
470	CONTRACTS	—	5,000	(5,000)
		784,022	729,636	54,386

(Continued)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2021

(\$000 Omitted):

	<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
472 CONTRACT SCHOOLS AND FOSTER CARE		\$ 1,078,295	\$ 1,215,571	\$ (137,276)
474 NON-PUBLIC SCHOOLS AND FIT PAYMENTS		98,717	84,187	14,530
TOTAL TAX LEVY		26,710,694	27,158,007	(447,313)
CATEGORICAL PROGRAMS:				
481 Salaries		938,953	929,436	9,517
482 Supplies		300,309	296,325	3,984
482 Furniture and equipment		23,737	30,597	(6,860)
482 Contractual		462,149	449,677	12,472
482 Judgments and claims		—	—	—
482 Pension		112,330	112,330	—
Total categorical programs		1,837,478	1,818,365	19,113
TOTAL APPROPRIATIONS EXPENDED		28,548,172	28,976,372	(428,200)
INTRA-CITY SALES		(66,936)	(62,773)	(4,163)
Sub-total		28,481,236	28,913,599	(432,363)
NET CHANGE IN PRIOR PAYABLES		—	(194,227)	194,227
Total expenditures		\$ 28,481,236	\$ 28,719,372	\$ (238,136)

(Concluded)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2020

(\$000 Omitted):

	UOA	Modified Budget	Expenditures	Favorable (Unfavorable)
GENERAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:				
401	Salaries	\$ 7,092,769	\$ 7,086,731	\$ 6,038
402	Supplies	142,876	125,508	17,368
402	Furniture and equipment	24,564	51,701	(27,137)
402	Textbooks	98,174	54,355	43,819
402	Contractual services	486,978	540,581	(53,603)
	Total	<u>7,845,361</u>	<u>7,858,876</u>	<u>(13,515)</u>
SPECIAL EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:				
403	Salaries	2,158,598	2,158,335	263
404	Supplies	3,271	2,105	1,166
404	Furniture and equipment	706	1,463	(757)
404	Textbooks	347	—	347
404	Contractual services	1,327	1,809	(482)
	Total	<u>2,164,249</u>	<u>2,163,712</u>	<u>537</u>
CHARTER SCHOOLS:				
406	Supplies	1,960	2,111	(151)
406	Textbooks	8,437	7,496	941
406	Contractual services	2,403,330	2,403,330	—
	Total	<u>2,413,727</u>	<u>2,412,937</u>	<u>790</u>
UNIVERSAL PRE-K:				
407	Salaries	605,215	666,931	(61,716)
408	Supplies	14,848	10,682	4,166
408	Furniture and equipment	8,527	2,140	6,387
408	Textbooks	314	787	(473)
408	Contractual services	437,545	391,997	45,548
	Total	<u>1,066,449</u>	<u>1,072,537</u>	<u>(6,088)</u>
EARLY CHILDHOOD PROGRAMS:				
409	Salaries	92,484	81,765	10,719
410	Supplies	10,805	3,898	6,907
410	Furniture and equipment	81	1,183	(1,102)
410	Textbooks	54	778	(724)
410	Contractual services	486,765	505,592	(18,827)
	Total	<u>590,189</u>	<u>593,216</u>	<u>(3,027)</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, 2020

(\$000 Omitted):

	<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
SCHOOL SUPPORT ORGANIZATION:				
415	Salaries	\$ 330,976	\$ 330,531	\$ 445
416	Supplies	3,819	3,006	813
416	Furniture and equipment	1,279	1,011	268
416	Textbooks	370	745	(375)
416	Contractual services	27,866	26,309	1,557
	Total	<u>364,310</u>	<u>361,602</u>	<u>2,708</u>
CITYWIDE EDUCATION INSTRUCTION AND SCHOOL LEADERSHIP:				
421	Salaries	1,298,418	1,345,514	(47,096)
422	Supplies	8,007	6,238	1,769
422	Furniture and equipment	6,239	3,457	2,782
422	Textbooks	1,186	466	720
422	Contractual services	8,180	6,495	1,685
	Total	<u>1,322,030</u>	<u>1,362,170</u>	<u>(40,140)</u>
SPECIAL EDUCATION INSTRUCTIONAL SUPPORT:				
423	Salaries	388,248	388,038	210
424	Supplies	618	2,061	(1,443)
424	Furniture and equipment	11,467	1,461	10,006
424	Textbooks	—	—	—
424	Contractual services	240,483	288,483	(48,000)
	Total	<u>640,816</u>	<u>680,043</u>	<u>(39,227)</u>
SCHOOL FACILITIES:				
435	Salaries	195,284	184,491	10,793
436	Supplies	72,129	79,062	(6,933)
436	Furniture and equipment	398	3,627	(3,229)
436	Contractual services	896,516	856,629	39,887
436	Judgments and claims	—	—	—
436	Pollution remediation	93,623	93,623	—
	Total	<u>1,257,950</u>	<u>1,217,432</u>	<u>40,518</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, 2020

(\$000 Omitted):

	<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
PUPIL TRANSPORTATION:				
438	Supplies	\$ 3,039	\$ 856	\$ 2,183
438	Equipment	2,891	11	2,880
438	Contractual services	8,986	8,863	123
438	Judgments and claims	—	—	—
438	Pupil transportation	1,237,805	1,242,852	(5,047)
	Total	1,252,721	1,252,582	139
SCHOOL FOOD SERVICES:				
439	Salaries	249,223	245,472	3,751
440	Supplies	18,308	19,763	(1,455)
440	Food purchases	189,386	212,214	(22,828)
440	Furniture and equipment	4,551	6,017	(1,466)
440	Contractual services	17,670	24,503	(6,833)
	Total	479,138	507,969	(28,831)
442	SCHOOL SAFETY	403,507	395,184	8,323
444	ENERGY AND LEASES	582,464	576,478	5,986
CENTRAL ADMINISTRATION:				
453	Salaries	234,428	246,903	(12,475)
454	Supplies	27,379	27,134	245
454	Furniture and equipment	3,651	5,307	(1,656)
454	Judgments and claims	448	170	278
454	Contractual services	121,793	126,562	(4,769)
454	Fixed charges	46	602	(556)
	Total	387,745	406,678	(18,933)
461	FRINGE BENEFITS:	3,733,798	3,696,039	37,759
470	PRE-KINDERGARTEN CONTRACTS	805,589	763,424	42,165

(Continued)

DEPARTMENT OF EDUCATION OF THE CITY OF NEW YORK

General Fund

Schedule of Budgeted and Actual Expenditures for the Year Ended June 30, 2020

(\$000 Omitted):

	<u>UOA</u>	<u>Modified Budget</u>	<u>Expenditures</u>	<u>Favorable (Unfavorable)</u>
472 CONTRACT SCHOOLS AND FOSTER CARE		\$ 1,032,212	\$ 1,090,833	\$ (58,621)
474 NON-PUBLIC SCHOOLS AND FIT PAYMENTS		80,726	77,913	2,813
TOTAL TAX LEVY		26,422,981	26,489,625	(66,644)
CATEGORICAL PROGRAMS:				
481 Salaries		892,001	876,223	15,778
482 Supplies		228,498	170,720	57,778
482 Furniture and equipment		24,629	15,779	8,850
482 Contractual		389,827	439,553	(49,726)
482 Judgments and claims		—	10	(10)
482 Pension		112,309	112,309	—
Total categorical programs		1,647,264	1,614,594	32,670
TOTAL APPROPRIATIONS EXPENDED		28,070,245	28,104,219	(33,974)
INTRA-CITY SALES		(55,413)	(51,432)	(3,981)
Sub-total		28,014,832	28,052,787	(37,955)
NET CHANGE IN PRIOR PAYABLES		—	(111,795)	111,795
Total expenditures		\$ 28,014,832	\$ 27,940,992	\$ 73,840

(Concluded)

Glossary

ACFR	Annual Comprehensive Financial Report
ARO	Asset Retirement Obligation
ARRA	American Recovery and Reinvestment Act
BOE	Board of Education
BERS	Board of Education Retirement System
COVID-19	Coronavirus Disease 2019
CMS	Centers of Medical and Medicaid services
CDBG	Community Development Block Grant
DDC	New York City Department of Design and Construction
DOE	Department of Education of The City of New York
FAMIS	Financial Accounting Management Information System
FDIC	Federal Deposit Insurance Corporation
Federal	One of the agencies of the United States of America
FEMA	Federal Emergency Management Agency
FFP	Federal Financial Participation
FFS	Fund Financial Statement
FIT	Fashion Institute of Technology
FMS	New York City Financial Management System
FSC	Field Support Center
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GWFS	Government Wide Financial Statement
HHC	New York City Health and Hospitals Corporation
HHS	United States Department of Health and Human Services
IDEA	Individuals with Disabilities Education Act
NYCERS	New York City Employee Retirement System
NYCHA	New York City Housing Authority
NYCRS	New York City Retirement Systems
NYCSSS	New York City School Support Service Inc.
OMB	New York City Office of Management and Budget
OPEB	Other Post Employment Benefits
OTPS	Other Than Personal Services
PRO	Pollutions Remediation Obligations
PS	Personal Services
QPP	Qualified Pension Plan
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
TDA	Tax Deferred Annuity
TFA	New York City Transitional Finance Authority
The City	The City of New York
TRS	Teacher Retirement System

END PAGE