

2014

# CAFER





# **Comprehensive Annual Financial Report**

**Rochester City School District  
131 West Broad Street  
Rochester, New York 14614**

**A Component Unit of the City of  
Rochester, New York**

**For the Fiscal  
Year Ended June 30, 2014**

Prepared by:

**Department of Accounting**

**Rochester City School District  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2014**

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# INTRODUCTION





## Rochester City School District

Superintendent of Schools

Bolgen Vargas

December 18, 2014

Mr. Van Henri White, President  
Board of Education  
Rochester City School District  
Rochester, New York 14614

Dear President White, Board Members, and Citizens of the City of Rochester, New York:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Rochester City School District (District) for the year ended June 30, 2014. The CAFR was prepared by the District's Department of Accounting and is management's representation of the District's finances. Management assumes full responsibility for the completeness and reliability of the information presented. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework designed to protect the District's assets. The District's comprehensive framework has been designed so that the cost of internal controls does not outweigh the benefits of such controls. Therefore, they provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The controls provide the District the ability to prepare the financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP). We assert that, to the best of our knowledge and belief, this financial report is complete, accurate and reliable in all material respects.

The District's financial statements have been audited by Freed Maxick, CPAs, PC an independent firm of certified public accountants. The purpose of an independent audit is to express an opinion regarding whether the financial statements are fairly stated. The independent auditor's report is presented in the financial section of this report and renders an unqualified opinion on the District's financial statements for the fiscal year ended June 30, 2014.

The financial section also includes the Management's Discussion and Analysis (MD&A). The MD&A provides users with an introduction, overview and analysis of the basic financial statements contained in this CAFR.

### **PROFILE OF THE REPORTING ENTITY**

The mission of the District and the Board of Education is to educate each student to the highest level of academic achievement and to foster each student's social and emotional development. The District partners with families, caregivers, and the Rochester community to prepare students to meet or exceed standards, and to become lifelong learners, productive members of the workforce, and responsible, contributing citizens. We provide a full range of educational services to grade levels pre-kindergarten through 12. Services include regular and enriched academic education, special education for students with challenges, occupational education, many individualized programs, school-to-work programs, and partnerships with higher education. Programs are supplemented by a wide variety of offerings in the fine arts, music, and athletics. In addition, services are provided for adults, such as basic education, high



school equivalency, continuing education, course offerings for non-English speaking and foreign born adults, and employment preparation. For the 2013-14 school year, the District reported the following enrollments: 16,672 elementary (K-6) and 12,431 secondary (7-12), for a total of 29,103 students.

Students within the geographical boundaries of the District may elect to attend charter schools, a type of public school. New York State Charter School Law passed by the legislature in December 1998 grants a “charter” to a new school or an existing public school that applies for “charter status”. The “charter” is granted for up to five years. Charter schools are overseen by public authorities, yet operate with a great deal of flexibility as independent, not-for-profit, educational corporations.

The statute requires that the District pay an amount to the charter school for each resident pupil enrolled that is equal to the approved operating expense per pupil of the public school district. The statute also requires that the District pay to the charter school any state or federal aid that is attributable to students with disabilities receiving special education services from the charter school based on the enrollment of students at the charter. During fiscal year 2013-14, the District paid charter schools approximately \$40.6 million from its General fund. Charter schools receiving payments were: Discovery Charter School, Eugenio Maria de Hostos Charter School, Genesee Community Charter School, Rochester Academy Charter School, Rochester Career Mentoring Charter School, True North Rochester Preparatory Charter School, True North Rochester Preparatory Charter School West Campus, Urban Choice Charter School, University Preparatory Charter School and Young Women’s College Preparatory of Rochester.

The District’s financial statements are included in the financial statements of the City of Rochester (City) as a discretely presented component unit. The Board of Education of the District governs the public schools and is elected separately from the City. The District is dependent upon the City to contract bonded indebtedness and to levy taxes. The City’s Charter states how the allocation of revenue and debt-incurring power between the City and the District will be conducted. The terms of this section of the Charter are as follows for fiscal year July 1, 2013 to June 30, 2014:

1. The City shall provide to the District the sum of one hundred nineteen million one hundred thousand dollars (\$119,100,000) for operational purposes.
2. The limitation of nine percent (9%) for indebtedness, as set forth in § 4 of Article VIII of the Constitution of the State of New York, shall be allocated on the basis of five and one-half percent (5-1/2%) for municipal indebtedness as determined by the City Council and three and one-half percent (3-1/2%) for indebtedness for educational purposes as determined by the Board of Education.
3. The Board of Education shall, upon the date set by law and Charter, submit to the Mayor of the City an itemized budget for the ensuing fiscal year whose expenditures shall not exceed revenues provided by the above distribution plus revenues estimated to be allocated to the District by the state or federal government.
4. The annual budget of the District submitted by the Board of Education shall contain an amount for cash capital of at least ten million dollars (\$10,000,000).

The District’s financial statements include the financial statements of the Rochester Joint School Construction Board (RJSCB) as a blended component unit. The RJSCB is authorized by the State of New York, Chapter 416 of the Laws of 2007 to undertake construction projects associated with school

modernization. The RJSCB is dependent on the District to provide funding for these projects, the majority of which will be repaid by the District with state aid, as well as a local share of District funds.

The District's 2013-14 budget allocated funds to schools using the School Centric Budgeting process. This process begins with the construction of the budget based upon comprehensive funding and staffing projections for all school budget cost centers. Funding levels for instructional and operational support services, not directly provided in schools, complete the District's budget. A balanced budget was submitted and approved by the Mayor and City Council for the fiscal year beginning on July 1, 2013 and ending on June 30, 2014.

The budget contains the comprehensive school budget cost centers for all schools in the District and general fund monies utilized to augment capital project budgets. A separate capital fund budget exists for the District's Capital Improvement Program (CIP). The CIP budget document accompanies the District's annual budget and is provided to the City each May.

## **ECONOMIC CONDITIONS AND OUTLOOK OF THE REPORTING ENTITY**

### **Local Economic Status and Forecast**<sup>1</sup>

The dominant feature of Rochester's economy during the previous 30 years has been the decline of traditional sources of income and the birth of new firms and industries. Through much of the last century, Rochester was dominated by major manufacturers – particularly Kodak – employing highly skilled production workers, key scientists and technicians in research and development positions and corporate business offices. As these companies restructured, the workers who left their employers have fueled the growth of numerous small and medium sized firms in a range of industries. In 1980, just over half of employment was located in small and medium-sized firms of 1,000 employees or less. By 2008, the share of employment in small and medium-sized firms had risen to about 80%.

The City is engaged in economic development services that provide expanding and relocating businesses with technical assistance and financing through several business loan and grant programs. Many economic development activities in the City are centralized, providing greater convenience to businesses needing assistance. The City staffs the local development corporation, Rochester Economic Development Corporation, the City's Renewal Community Zone, and the Empire State Zone. Additionally, significant projects which are anticipated to fortify the local economy have been announced, such as: marketing parcels of Eastman Kodak to prospective businesses, the Midtown Redevelopment Project, the Sibley Building Redevelopment, and the College Town Project.

International trade by area exporters continues to be a significant component of the economic activity of the Rochester area. Rochester is the second largest exporting area in the State (New York City is the largest). Rochester is also home to numerous professional sports teams and annual festivals which attract residents and visitors to the area.

In 2011, Rochester received numerous national accolades. "The Atlantic" ranked Rochester as one of the top 35 innovation hubs in the country. "Business Facilities the Location Advisor" lists Rochester as

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Sources:

<sup>1</sup> The City of Rochester, New York, Official Statement dated August 11, 2014

a top region for job growth and the third best food processing region in the United States. “Brookings” rated Rochester as one of the top 20 economies in the nation. “Forbes” lists Rochester as the number one best place to buy a home. In 2012, Rochester was rated the 5<sup>th</sup> best city for families by Kiplinger. The unemployment rate (not seasonally adjusted) for the Rochester area as of June 2014 was 5.8% compared to the national average of 6.3% and the State average of 6.5%.

**Projected Enrollment**

The ten-year summary of enrollment projections indicates that the District will continue to experience a decline in total enrollment over the next five years by approximately 3,336 students. The number of live births have leveled off and the overall decline in Rochester’s population has subsided. Enrollment is predicted to stabilize over the last five years of the projection period, unless additional private or charter schools open in the City. Rochester’s population was estimated to be 210,532 in 2013, a decline of approximately 2.2% over the past ten years.

Charter Schools continue to influence the decline in District enrollment. Three new Charter Schools are expected to open in fiscal 2014-15, and several of the existing Charter Schools continue to add additional grades.

**Age of School Buildings**

The School District maintains over 7.051 million square feet of educational and administrative space in owned and leased buildings. As the data in the chart below indicates, the age of the District’s school buildings spans a wide range. The average age of these buildings is 69 years. The District does not have any buildings that have dangerous conditions; however, given the number and overall age of the buildings in the District’s inventory, the District continues to struggle to allocate enough of its limited resources to maintaining and modernizing its buildings. Independent of the District’s normal capital improvement plan (CIP), the District has also embarked on Phase I of a Facilities Modernization Program. The program will target 12 school buildings for significant renovations, upgrades and technology enhancements, all of which are scheduled to be completed by October 2016. The District is awaiting state legislative approval for a second phase, Phase II of the Facilities Modernization Program, which could entail approximately \$435 million in additional renovations to 25 additional school district buildings. Depending on legislative approval, the design work for Phase II of the program could begin as early as 2015, with all renovations to be completed over the subsequent 5 year period.

<b>Age of School Building</b>	<b>Elementary</b>	<b>Secondary</b>	<b>Total</b>
<b>Under 20</b>	2	1	3
<b>20 to 39</b>	3	2	5
<b>40 to 59</b>	13	4	17
<b>60 to 79</b>	1	0	1
<b>80 and over</b>	19	6	25
<b>Total</b>	<b>38</b>	<b>13</b>	<b>51</b>

*Oldest Building = 116; Average Age = 69  
 Note: School #16 is temporarily closed but included in the numbers above.*

The District uses industry standards including information from McGraw-Hill Construction and School Planning & Management, as well as its own historical data as a guide to determine the correct allocation of funds for long-term facility renovation and maintenance of District facilities. In order to maintain facilities in the present condition, an annual investment of 1.5% to 3% of building replacement value needs to be committed to the space managed by the District. Based on the information from industry sources, our facilities have a forecasted replacement value of approximately \$300 per square foot, or an estimated total replacement value of \$1.97 billion for District owned buildings. Construction costs in the industrialized northeastern states tend to be higher than elsewhere in the nation. Based on the standard annual investment, the District should be investing between \$30 and \$60 million in annual renovation and maintenance costs through capital renovations or on-going maintenance expenditures.

In addition to annual maintenance and renovation costs, the District has identified a backlog of repairs and maintenance. The 2010 five-year building audit identified more than \$140 million in renovations that require attention over the next decade. This translates into an additional investment of approximately \$14 million per year over current CIP funding.

Financing of capital projects occurs through either of two means: a direct appropriation of cash capital from the current operating budget or by borrowing funds through the issuance of notes and bonds. The District pays for procurement of equipment and expenditures for improvements with short-term life cycles through the operating budget. Equipment and facility improvements with long-term life cycles are generally funded through borrowed funds. The District's Capital Improvement Program (CIP) is prepared as a companion document to the Superintendent's budget proposal and is intended to provide for capital investments to further the Superintendent's goals and initiatives as outlined in that document. The current CIP approved by the District's Board of Education identifies targeted facility renovations for 2014-15 to 2018-19. Funds have been earmarked for continuing specific program initiatives such as:

- *Building Security and Fire Alarm System Upgrades* – \$2.5 million has been allocated in this program including \$0.5 million in the current year and each subsequent year to specifically address needed upgrades to security camera systems and modernizing the fire alarm network.
- *Academic Improvement Initiatives* – This capital program budgets approximately \$15.7 million, with approximately \$3.0 million of this amount budgeted in the first year for academic improvement initiatives that are planned to support the Superintendent's vision for the District.
- *Athletic Facility and Field Initiatives* – Within this capital program, approximately \$8.7 million has been budgeted to address needed upgrades and renovations to promote physical education and athletic competition.
- *Long-term Facility Improvements and Code Compliance Projects* – Approximately \$12.6 million is scheduled for long-term facility upgrades annually over the next five years from bond funding to address ongoing maintenance, repairs and regulatory compliance projects.

The City of Rochester continues to be concerned about New York State legislation associated with the Maintenance of Effort (MOE) that the City must provide in funding support to the District. The City is required to maintain a level of financial support, currently \$119.1 million, in annual funding to the District. According to the MOE legislation, if the local share of net debt service paid by the District for construction improvements increases, the City could be required to increase its funding support to the District by the corresponding amount. In an effort to minimize its exposure to increased funding, the City monitors the potential impact of the MOE legislation annually prior to committing to new CIP funding for the District.

The District is also engaged in a comprehensive Facilities Modernization Program (FMP) to address increased renovation and rebuilding needs beyond the District's current ability to access capital through its CIP program. Since the FMP legislation has passed, a Rochester Joint School Construction Board (RJSCB) has been formed to act as an agent on behalf of the District and City of Rochester to oversee the administration of the program. They have hired a program management firm (Gilbane Building Company) to oversee the overall implementation of Phase I of the program, as well as the individual renovation projects. Phase I includes \$325 million in funding, the balance of which will be drawn in January of fiscal year 2014-15. This balance of \$53.6 million in bond financing will be used to renovate two remaining schools covered under the scope of Phase I of the program. The full three-phase program will span fifteen years and cost approximately \$1.2 billion.

The Board of Education has been engaged in and is actively supportive of the FMP. Its implementation will permit the District to develop state-of-the-art schools for students and staff and establish equity with facilities at other districts, while creating learning environments that support the District's strategic plan.

### **Major Initiatives**

Rochester's students and families urgently need better educational outcomes. Over the past 25 years, under seven different Superintendents, the District has spent billions of dollars on various reforms that have not improved outcomes. The District is running out of time before the state imposes its own solutions and is focusing on successfully executing a small number of fundamental strategies that are proven to work. The District's action plan for 2014 – 2016 is as follows:

*Student Achievement and Growth* – With just 5% of students passing the State's Common Core reading and math assessments, and 49% of students graduating in four years, the District faces no greater challenge than improving student achievement. To accomplish this, the District's top instructional leaders have selected the following proven academic priorities:

- More and better learning time – through the elimination of early dismissals, expanded schedules which add more than 300 hours of extra instruction and support during the school year, and reducing “summer learning loss”
- Reading at grade level by 3<sup>rd</sup> grade – through improved instruction, additional summer programs and quality full-day prekindergarten programs
- Instructional excellence – through significant investment in professional learning, the use of data and best-practice sharing and principal development

*Effective, Efficient Allocation of Resources* – A cross-functional “Effective, Efficient Management Team” was formed to prioritize expenditures that benefit students and reduce or eliminate those expenditures that do not.

*Communication and Customer Service* – The District has established baseline expectations for every school and staff member.

*Parent, Family, and Community Involvement* – Student attendance and conduct are two of the critical areas where the District is working more closely with parents and the broader community through partnerships with the City of Rochester and the United Way.

*Management Systems* – A strong management system holds people accountable for achieving results. The District is implementing the State's new educator evaluation system, and exploring alternative arrangements with colleges and other qualified organizations to manage its schools.

### **Relevant Financial Policies**

The District evaluates its needs for cash daily, and any surplus funds are invested by the City, generally in repurchase agreements, for terms which accommodate the estimated financial needs of the District at the highest interest rates available. The amount of interest earnings reported in the General fund for 2013-14 was \$111,659. The weighted average yield to maturity of purchases by the General fund was 0.17% for 2013-14 and 0.20% for 2012-13.

The District has retained an insurance broker in the Rochester, New York area to obtain insurance coverage for the District. This broker seeks insurance companies that provide comprehensive coverage at a cost acceptable to the District. The budgeting and accounting for the cost of insurance is under the control of the Chief Financial Officer.

### **Legal Requirements**

New York State law requires an annual audit, conducted by an independent auditing firm, of the financial statements of the District. The District's financial statements have been audited and the auditor's opinion is included in this report.

## **AWARDS AND ACKNOWLEDGEMENTS**

For the past twenty-five years, the District's comprehensive annual financial report (CAFR) has earned the Association of School Business Officials International (ASBO) Certificate of Excellence Award. This award is made only to governmental units that publish a CAFR which is easily readable, efficiently organized, and conforms to program standards, as well as satisfies generally accepted accounting principles (GAAP) and applicable legal requirements.

The ASBO Certificate of Excellence Award is valid for a period of one year. It is our belief that our current CAFR continues to meet the requirements of the Certificate of Excellence Award, and we are submitting it to ASBO to determine its eligibility for another certificate.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Rochester City School District for its CAFR for the fiscal year ended June 30, 2013. This was the twenty-fourth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

The GFOA Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgements**

Our appreciation goes first to the entire staff of the Department of Accounting. The preparation of this report could not have been accomplished without the efficient and dedicated services of this staff. Their many hours of hard work in gathering, organizing and analysis of information allows the District to present the high quality Comprehensive Annual Financial Report. We would also like to thank the

Comprehensive Annual Financial Report  
Year Ended June 30, 2014  
President, Board of Education Members  
December 18, 2014

District's many other administrators, teachers, and staff that have been involved in maintaining the discipline of the budgets and other financial plans for the various funds. We are grateful for their stewardship, which is critical to successful, diligent financial management and reporting. Finally, we wish to thank our independent auditors, Freed Maxick, CPAs, PC whose professional competence and leadership have supported us throughout the year. A copy of this report can be found at the District's website: <http://www.rcsdk12.org>.

Respectfully submitted,



Dr. Bolgen Vargas, Ed. D.  
Superintendent



William Ansbro  
Chief Financial Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Rochester City School District  
New York**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO



# Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award  
is presented to*

**Rochester City School District**

*For Its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2013*

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, reading 'Terrie S. Simmons'.

Terrie S. Simmons, RSBA, CSBO  
President

A handwritten signature in black ink, reading 'John D. Musso'.

John D. Musso, CAE, RSBA  
Executive Director

# **List of Rochester City School District Officials As of June 30, 2014**

## **MEMBERS OF THE BOARD OF EDUCATION**

Van Henri White	President
Cynthia Elliott	Vice President
Mary Adams	Member
Melizza Campos	Member
Jose Cruz	Member
Malik Evans	Member
Willa Powell	Member

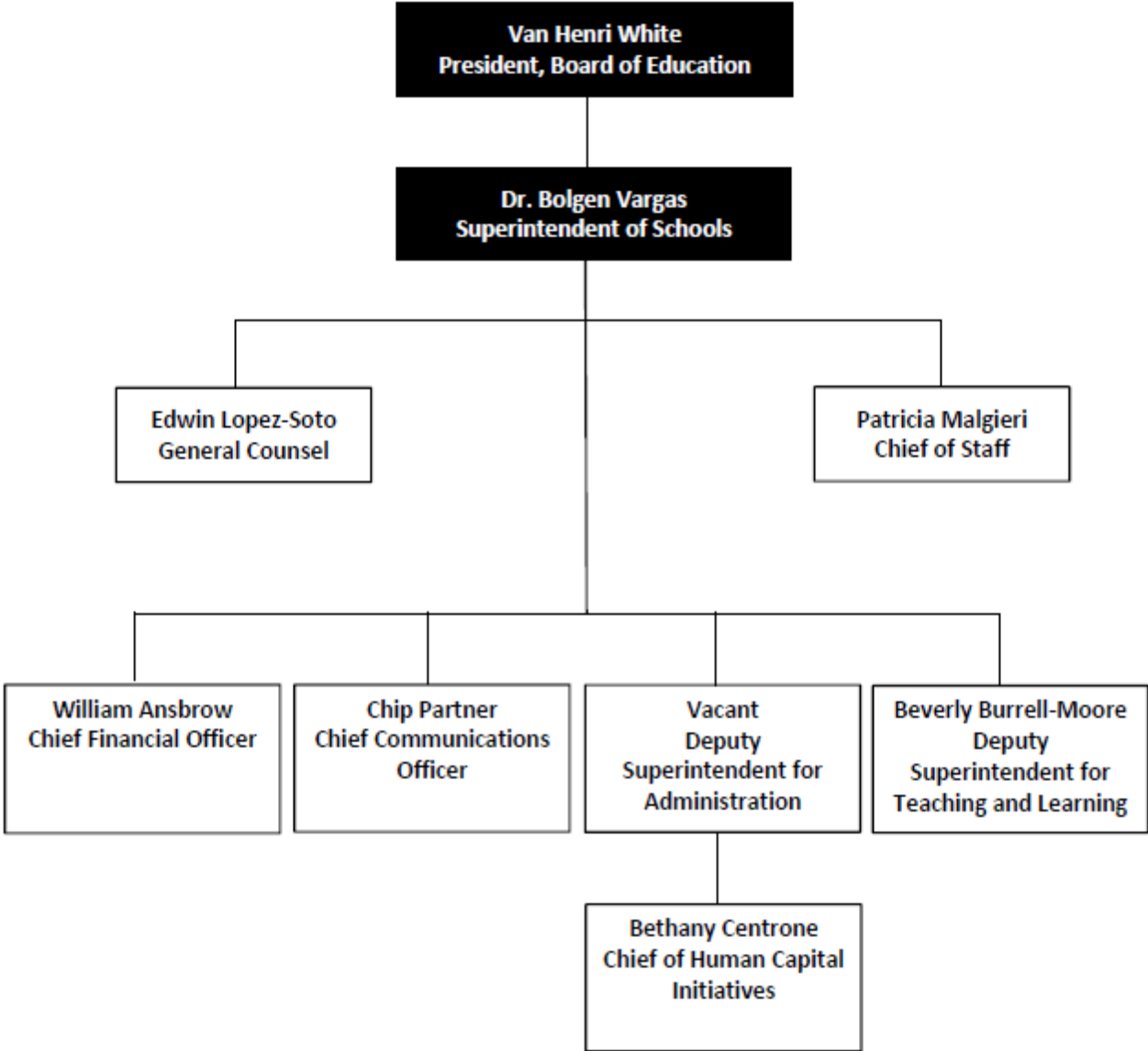
## **SUPERINTENDENT'S LEADERSHIP TEAM**

Bolgen Vargas	Superintendent of Schools
William Ansbrow	Chief Financial Officer
Lori Baldwin	Director of Safety and Security
Beverly Burrell-Moore	Deputy Superintendent for Teaching and Learning
Bethany Centrone	Chief of Human Capital Initiatives
Camaron Clyburn	Principal, School 10
Raymond Giamartino	Chief of School Transformation
Annmarie Lehner	Chief Technology Officer
Caterina Leone-Mannino	Executive Director of School Innovation
Edwin Lopez-Soto	General Counsel
Patricia Malgieri	Chief of Staff
Catherine Mason	Director of Guidance and School Counseling
Uma Mehta	Principal, Wilson Commencement Academy
Rodney Moore	Principal, School 3
Wakili Moore	Principal, Leadership Academy for Young Men
Chip Partner	Chief Communications Officer
Carmine Peluso	Principal, School 34
Juliette Pennyman	School Chief of Elementary Schools
Vicma Ramos	Executive Director of Student Equity and Placement
Amy Schiavi	School Chief of Secondary Schools
Timothy Schmandt	Senior Director of Management Efficiencies
Michael Schmidt	Chief of Operations
Christopher Suriano	Executive Director Special Education and Related Services
Jerome Underwood	Senior Director of Youth Development and Family Services

# Rochester City School District



As of June 30, 2014



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# FINANCIAL



## INDEPENDENT AUDITOR'S REPORT

The President and Members of the  
Board of Education of the  
Rochester City School District  
Rochester, 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 Rochester City School District (the District), a component unit of the City of Rochester, New York, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 District, as of June 30, 2014 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for retiree health plan and budgetary comparison schedules on pages 17-31 and 71-80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedules as listed in the table of contents and the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the supplemental schedules, as listed in the table of contents, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other accompanying information, such as the introductory and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Freed Maxick CPAs, P.C.*

Rochester, New York  
November 5, 2014

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

As management of the Rochester City School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. All amounts, unless otherwise indicated, are expressed in dollars.

**Financial Highlights**

- The assets and deferred outflows of the District exceeded its liabilities at June 30, 2014 by \$45,870,073; a decrease of \$14,617,084 as compared to the prior year. Rising costs associated with contractual benefit and salaries increases, election into pension cost deferral programs, postemployment health insurance, charter school tuition, and transportation were substantial contributing factors to this decrease. For more information on these topics, see the "Notes to Financial Statements" section of this report.
- The District issued no bonds during the 2013-14 fiscal year to finance construction costs associated with the District's ongoing school improvements or the Facilities Modernization Plan due to factors such as current cash flow requirements, market rates and economic conditions.
- During fiscal 2013-14 the District elected to participate in the New York State Employees' and Teachers' pension smoothing programs. Both of these programs allow the District to defer a portion of its costs associated with 2013-14 salaries to future years in an effort to contend with sharply rising contribution rates which are projected to occur over the next several years. As such, the District deferred approximately \$1.2 million in Employees' Retirement System (ERS) and \$5.4 million in Teachers' Retirement System costs during fiscal year 2013-14.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$136,684,210, a decrease of \$127,925,456, in comparison with the previous year. The non-issuance of bonds to finance construction costs during the current year, as well as increases in capital outlays associated with these construction costs, contributed significantly to the overall decrease.
- At the end of the current fiscal year, the unassigned portion of the fund balance for the General fund was \$14,571,175 or 2.2% of total budgeted General fund expenditures of \$660,486,930 for 2014-15.

**Overview of the Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.



**ROCHESTER CITY SCHOOL DISTRICT  
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The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., claims payable and vacation time earned but unused).

Both of the government-wide financial statements present functions of the District that are principally supported by state and federal aid and intergovernmental revenues (*governmental activities*). The governmental activities of the District include general support, instruction, pupil transportation, community services and interest on debt. The government-wide financial statements can be found on pages 33 and 34 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General fund, Special Aid fund, School Food Service fund, Debt Service fund, Capital Projects fund, and Rochester Joint School Construction Board fund, all of which are considered to be major funds.

The District adopts an annual appropriations budget for its General fund, Special Aid fund, School Food Service fund, and Debt Service fund. Budgetary comparison schedules have been provided for the General fund, Special Aid fund and School Food Service fund with adopted budgets to demonstrate compliance with the budget. These schedules are presented in the

**ROCHESTER CITY SCHOOL DISTRICT  
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Required Supplementary Information section of this report. The basic governmental fund financial statements can be found on pages 35-41 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found on pages 42 and 43 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 44-69 of this report.

**Government-wide Financial Analysis**

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities by \$45,870,073 at the close of the most recent fiscal year.

A positive portion of the District's net position in the amount of \$226,882,367 reflects its investment in capital assets (e.g., land, buildings, building improvements, machinery, and equipment), less accumulated depreciation and any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students and citizens; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The unrestricted net deficit of \$181,012,294 reported at June 30, 2014 is not current and represents liabilities that will be funded with future budgets. This occurred because the District is required to accrue in its government-wide statements all of its long-term obligations.

**Rochester City School District's Net Position**

<b>Governmental Activities</b>	<b><u>2012-13</u></b>	<b><u>2013-14</u></b>
Current and other assets	\$ 382,615,851	\$ 265,600,717
Capital assets (net of accumulated depreciation)	471,614,758	572,514,416
<b>Total assets</b>	<u>854,230,609</u>	<u>838,115,133</u>
Deferred charge on refunding	2,184,976	1,943,536
<b>Total deferred outflows of resources</b>	<u>2,184,976</u>	<u>1,943,536</u>
Long-term liabilities outstanding	673,953,454	661,036,443
Other liabilities	121,974,974	133,152,153
<b>Total liabilities</b>	<u>795,928,428</u>	<u>794,188,596</u>
Net investment in capital assets	231,321,889	226,882,367
Unrestricted (Deficit)	(170,834,732)	(181,012,294)
<b>Total net position</b>	<u>\$ 60,487,157</u>	<u>\$ 45,870,073</u>

**ROCHESTER CITY SCHOOL DISTRICT  
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“Current and other assets” decreased by approximately \$117.0 million during fiscal year 2013-14. The primary reason for this significant decrease was that cash and cash equivalents decreased by \$118.4 million between the two fiscal years due to the non-issuance of bonds during the 2013-14 fiscal year. During fiscal year 2012-13, \$103.1 million in revenue bonds associated with the Facilities Modernization Program and \$47.6 million in general obligation bonds associated with the District’s CIP were issued, creating fluctuations in cash between fiscal years. This significant decrease was offset by a modest increase in prepayments of \$3.6 million due to increased charter school tuition payments which occurred as a result of six charter schools adding additional grade levels during fiscal 2013-14.

“Capital assets (net of accumulated depreciation)” increased by approximately \$100.9 million during fiscal year 2013-14. This increase is comprised of \$22.8 million in capital spending on building improvements and equipment by the District and \$108.9 million on building improvements by the RJSCB, offset by \$27.1 million in depreciation and \$3.7 million in retirement of District assets recorded during the fiscal year. The significant increase in capital spending as compared to the prior year is a direct result of the ongoing progress associated with Phase I of the Facilities Modernization Program (FMP). These asset additions were mainly for the construction and renovation of the initial nine school buildings and for the design and architectural services associated with the remaining three school buildings included within Phase I of the FMP. The overall project budget for Phase I of the FMP is \$325 million over five years. As mentioned previously, the final balance of the Phase I budget, or \$53.6 million, will be borrowed in January 2015 and will be used to complete any remaining construction projects associated with Phase I.

“Long-term liabilities outstanding” decreased by approximately \$12.9 million overall, as compared to the prior year. Amortized debt principal payments on construction bonds in the amount of \$19.8 million contributed to the overall decrease in long-term liabilities. Payments were offset by \$6.8 million in new liabilities incurred during fiscal 2013-14 for deferred New York State ERS and TRS pension contribution payments associated with the pension smoothing programs. For more information on the New York State ERS and TRS pension smoothing programs, see Note V. B. of this report.

The \$11.2 million increase in “Other liabilities” was attributable to the existence of \$4.0 million in BANs outstanding at June 30, 2014; whereas, there were no BANs outstanding at June 30, 2013. Additionally, the amount due to the fiduciary funds increased by \$5.1 million as compared to the previous year as a result of the Rochester Teachers’ Association (RTA) deferred pay option that was implemented during fiscal 2013-14. Under the deferred pay option, teachers may elect to receive bi-weekly paychecks over the course of a full fiscal year, rather than a 10-month period. Upon election, any amounts deferred are held in trust with the District for disbursement over the summer months. Increases in amounts due to retirement systems of \$6.8 million due to rising salaries and contribution rates were offset by reductions of approximately \$4.9 million in accounts payable and other accrued liabilities recorded at June 30, 2014.

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As mentioned previously, the unrestricted deficit of \$181,012,294 reported at the end of fiscal year 2013-14 is not current and represents liabilities that will be funded with future budgets. Presented below are details of the District's changes in net position:

	<u>Governmental Activities</u>	<u>2012-13</u>	<u>2013-14</u>
<b>Revenues</b>			
Program revenues:			
Charges for services		\$ 2,179,901	\$ 1,714,512
Operating grants and contributions		101,980,675	107,816,885
General revenues:			
State & federal aid		413,568,396	454,984,197
Intergovernmental		119,100,000	119,100,000
Lottery aid		63,012,095	66,698,736
Other		8,572,254	6,655,045
<b>Total Revenues</b>		<u>708,413,321</u>	<u>756,969,375</u>
<b>Expenses</b>			
General support:			
Board of Education		804,532	851,052
Chief School Administrator		1,018,962	1,060,023
Finance		5,957,755	6,453,880
Staff		6,016,143	6,098,968
Central Services		74,430,768	76,772,621
Other		8,665,885	8,255,958
<b>Total General Support</b>		<u>96,894,045</u>	<u>99,492,502</u>
Instruction:			
Administration and improvement		73,712,391	78,226,331
Teaching		434,230,713	456,428,951
Instructional media		9,222,737	8,931,616
Pupil services		36,650,565	40,109,931
<b>Total Instruction</b>		<u>553,816,406</u>	<u>583,696,829</u>
Pupil transportation		65,325,728	67,761,742
Community services		2,604,672	3,036,392
Interest long-term debt		12,532,896	17,598,994
<b>Total Expenses</b>		<u>731,173,747</u>	<u>771,586,459</u>
Increase (decrease) in net assets		(22,760,426)	(14,617,084)
<b>Net Position - Beginning</b>		<u>83,247,583</u>	<u>60,487,157</u>
<b>Net Position - Ending</b>		<u>\$ 60,487,157</u>	<u>\$ 45,870,073</u>

Program revenues from operating grants and contributions increased by approximately \$5.8 million as compared to the prior year. During the 2013-14 school year, the District added a full day Pre-K option and converted a number of Pre-K classrooms and programs from half-day to full-day. The District received \$2.8 million during 2013-14 to fund this priority, which contributed to the overall increase in operating grants and contributions. Other notable increases were additional funding in the amount of \$2.8 million received from New York State to award highly effective teachers a bonus of 10% of the average teachers salary within the District based on 2013-14 performance criteria set by the State. The District also received an additional \$1.1 million in funding for the Management Efficiency Grant used to identify and execute initiatives that are determined to have a long-term impact on more efficient operations within the District. These increases were offset by decreases for grants such as the Title II Math and Science Partnership that did not exist in fiscal year 2013-14.

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“State and federal aid” increased by approximately \$41.4 million as compared to the previous year. This was primarily due to an increase in the General fund of approximately \$24.5 million, comprised mostly of state aid, and an increase of \$16.9 million in the Capital and RJSCB funds, also mostly comprised of state aid. The allocation of state aid is determined annually by the State of New York and is determined by a multitude of factors such as: the state’s financial position, enrollment, special education requirements, poverty level, etc. Building aid is a category of state aid that is awarded to qualifying construction related projects and increases significantly in proportion to expenditures for the Facilities Modernization Program. Of the \$16.9 million increase in the capital funds combined, \$16.3 million is attributable to state aid recorded in the RJSCB fund associated with Expanding Our Children’s Education and Learning aid (EXCEL). EXCEL aid is a non-recurring revenue stream granted by the State of New York used to support qualifying construction improvements on facilities for the purpose of expanding educational opportunities for the students of the District. As of June 30, 2014, the District has exhausted these funds. Federal aid in the School Food Service fund also increased by approximately \$1.1 million as compared to the previous year. Under the Community Eligibility Provision (CEP), all meals served to students are now reimbursable by the federal government. Though this initiative began in fiscal 2012-13, increases in fiscal 2013-14 are the result of an additional reimbursement of .06 per meal as compared to the prior year.

“Lottery aid” increased by approximately \$3.7 million as compared to the previous year. The amount of Lottery aid awarded to the District each year is determined by the State and is also affected by the amount of lottery sales from year to year.

“Other” revenue decreased by approximately \$1.9 million primarily due to a reclassification of revenue in 2013-14 to federal revenue in the RJSCB fund for amounts associated with an interest subsidy received for FMP revenue bonds.

Expenditures in “General support – central services” increased by approximately \$2.3 million as compared to the previous year primarily due to contractual salary and benefit increases. Benefit increases include such items as compensated absences, retirement system contributions, deferrals and incentives, and health insurance costs for active employees and retirees.

Instructional expenditures for “Administration and improvement” increased by approximately \$4.5 million as compared to the previous year. As with most other programs, the aforementioned contractual salary and benefit increases (i.e. compensated absences, retirement system contributions, deferrals and incentives, and health insurance costs for active employees and retirees) comprised the majority of the \$4.5 million increase. Additionally, salaries required to provide inservice training and instruction increased by approximately \$1.2 million as compared to the prior year. Expenditures in recognition of highly effective teachers in association with the Teachers’ Incentive Fund (TIF) awarded by the state which were not covered by state funding were absorbed by the District’s General fund. The TIF program contributed to an additional \$0.8 million of a \$1.2 million increase in inservice training during 2013-14.

Instructional expenditures for “Teaching” increased by approximately \$22.2 million. These increases are primarily due to contractual salary and benefits related increases as previously described, as well as a \$6.7 million increase in payments to Charter schools as compared to the previous year.

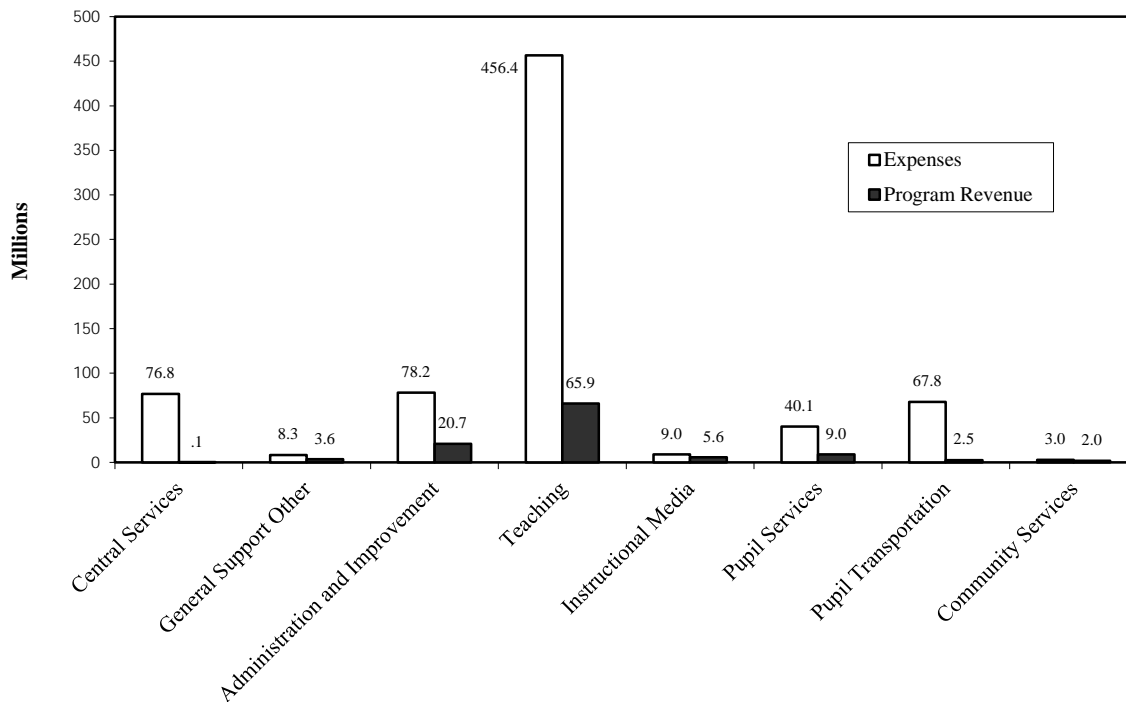
**ROCHESTER CITY SCHOOL DISTRICT  
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Instructional expenditures for “Pupil services” increased by approximately \$3.5 million. In addition to the contractual salary increases and rising benefit costs previously mentioned, other increases occurred due to rising costs and expanded health services provided by BOCES and the implementation of the Superintendent’s initiative to expand the District’s athletics program.

“Pupil transportation” increased by approximately \$2.4 million. In addition to the employee benefit and contractual salary increases discussed in previous programs, other transportation related increases are attributable the implementation of a capital improvement program initiative designed to ensure that the District maintains the most efficient and safe transportation possible for our students. During the 2013-14 year, approximately \$1.1 million in buses and other transportation vehicles were purchased to support this initiative. Additional contract transportation increases of approximately \$1.6 million occurred due to the grow-out of the Expanded Learning curriculum at schools with extended school hours.

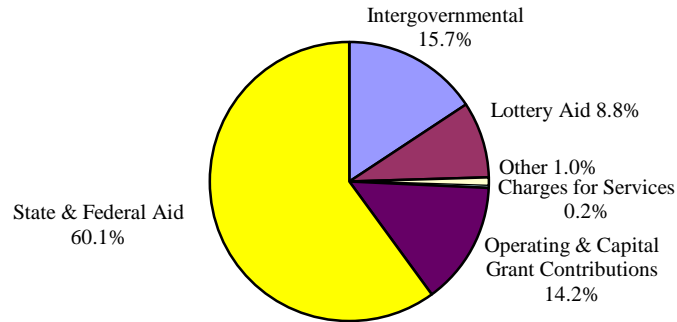
“Interest on long-term debt” increased by approximately \$5.1 million as compared to the previous year due to expenditures for debt associated with the Facilities Modernization Program. As the program progresses, interest payments will continue to occur up to maximum financing limits as set forth in current and future state legislation. These debt issues will create additional principal and interest obligations that will be offset by State Building Aid.

**Expenses and Program Revenues – Governmental Activities  
(excludes programs with no associated revenue)**



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**Revenues by Source – Governmental Activities**



**Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental fund balance of funds reported a combined ending fund balance of \$136,684,210, a decrease of \$127,925,456 from the prior year's fund balance of \$264,609,666. Components of the fund balance consist of a non-spendable fund balance of \$9,339,511, a restricted fund balance of \$48,164,352, a committed fund balance of \$32,588,485, an assigned fund balance of \$32,020,687 and an unassigned fund balance of \$14,571,175. The non-spendable fund balance is the portion of the fund balance that cannot be spent because of its form, such as inventory, or that will never be converted to cash, such as prepayments. The restricted fund balance is comprised of premiums associated with debt issues that must be used to pay down debt in accordance with Local Finance Law. The committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Education. The assigned portion of the fund balance is the portion that has been identified for intended use by the District's upper management. The unassigned portion of the fund balance is that portion of the fund balance in the District's General fund in excess of the aforementioned categories, or for any other fund that incurs a deficit fund balance.

The primary reason for the decrease of approximately \$127.9 million in the combined ending fund balance is that no bonds were issued during the current fiscal year, whereas bonds in the amount of approximately \$153.8 million were issued in the previous fiscal year to finance construction costs. Increases of capital outlay associated with the progression of Phase I of the Facilities Modernization Program (FMP) of approximately \$34.6 million as compared to the

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prior year also contributed to the overall decrease. For additional information on the FMP, see Note V.D. of this report.

***General Fund***

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the District recorded \$9,015,204 in prepayments classified as non-spendable fund balance, \$655,408 of restricted fund balance for application to debt service payments in the following year in accordance with local finance law, \$32,588,485 of committed fund balance, \$20,309,554 of assigned fund balance and \$14,571,175 of unassigned fund balance. For additional information on the District's General fund balance policies, see Note I. E. 15. of this report.

As a measure of the general fund's liquidity, it may be useful to compare both the assigned and unassigned portions of the general fund balance to the total fund expenditures (excluding transfers out) within a given year. In 2013-14, assigned and unassigned balances totaled \$34,880,729 and were approximately 6.0% of the total fund operating expenditures of \$580,580,481.

In the aggregate, revenues and other financing sources increased by 3.9% while expenditures and other financing uses increased by 5.5% from fiscal year 2012-13 to fiscal year 2013-14. The outpacing of increased expenditures as compared to revenues contributed to a decrease in the fund balance of the general fund by \$6,293,992 as compared to the previous year.

Revenues from local sources increased by approximately \$0.5 million from the previous fiscal year. This reduction is primarily due to more timely submissions of reimbursement claims for the Extended School Year (ESY) program. Timely submissions resulted in faster reimbursements which were recorded as grant revenue instead of a refund of prior years' expenses.

Revenues from state sources increased by approximately \$24.4 million during fiscal year 2013-14. Of this amount, approximately \$22.5 million is attributable to increases in New York State Basic Formula aid payable under New York State Education Law 3609a as compared to the previous year. The allocation of Basic Formula aid is determined annually by the State of New York, and is based on the state's financial position in any given year. Lottery aid also increased by approximately \$3.7 million in 2013-14 as compared to the previous year. The amount of funds disbursed by the State Education Department as lottery aid, under the state budget process, is based upon estimated lottery earnings at the time of budget passage. In the event lottery earnings exceed budget estimates, those additional funds become part of the next year's lottery aid distribution. These increases were offset by a decrease in excess cost aid of \$1.0 million in 2013-14 as compared to the previous year. Excess cost aid is reimbursement for costs of educating special education students.

Federal sources increased by approximately \$0.1 million as compared to the prior year, as a result of an increase in the amount of Medicaid revenue recorded by the District associated with 2013-14 services as compared to the previous year.

District operating expenditures in the General fund increased by \$22.7 million, or 4.1% over the previous fiscal year. Notable changes occurred as follows:



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Expenditures for the category "General Support – Central Services" increased by approximately \$1.9 million or 4.0%. The primary reasons for this increase were contractual salary increases and rising benefit costs.

Expenditure increases for instructional purposes are incurred in the effort to provide the best education in the safest environment possible and in the most economical means for the betterment of our students. As such, instructional expenditures for teaching increased by \$12.2 million or 5.7%. These expenses routinely increase due to inflation and contractual obligations and include items such as computer upgrades and new textbooks. Of this amount, approximately \$1.2 million of the increase is attributable to the purchase of instruction materials needed to meet the New York State's Common Core standards. An additional \$6.7 million of the overall increase in instructional expenditures was attributable to charter school school tuition, as six charter schools expanded and added additional grade levels in 2013-14. The remaining increase of \$4.3 million is due to contractual salary increases, rising benefit costs, and classroom and building upgrades needed to provide effective instruction.

Expenditures for special programs such as students with disabilities increased by \$3.9 million or 3.2%. Contractual salary increases and rising benefit costs attributed to approximately \$0.7 million of the overall increase, increased special education tuition paid to charter schools attributed to \$0.4 million of the overall increase, special education tuition for BOCES services contributed to \$2.8 million as a result of 31 additional students enrolled in these services as compared to the prior year.

Expenditures for other instructional related items such as administration and student support services increased by \$4.6 million or 5.2%. The District placed a heavy emphasis on growing its athletics programs during 2013-14, in recognition that athletics provides students with a critical foundation for vital social and emotional skills such as team-building and respect. Revitalizing turf fields, developing new football teams and introducing a lacrosse program are just some examples of this initiative, which contributed to \$0.9 million of the overall increase. As with most of the other District programs, the remaining amount of the increase is primarily attributable to contractual salary increases and rising benefit costs.

Pupil Transportation expenditures increased by approximately \$2.4 million or 4.0% as compared to the previous year. As mentioned previously, this was primarily due to annual increases in employee benefits and contractual salaries, the purchase of eleven new school buses and five vans totaling approximately \$1.1 million, and contract transportation increases of approximately \$1.6 million to support the grow-out of the Expanded Learning curriculum at schools with extended school hours.

***Special Aid Fund***

There was no change in the Special Aid fund balance from fiscal year 2012-13 to fiscal year 2013-14, as the Special Aid fund maintains a "zero" fund balance from year to year. However, total revenues and expenditures, including revenues and expenditures from other sources, increased in fiscal year 2013-14 as compared to the previous year by approximately \$5.9 million, or 5.7% overall. This increase is primarily attributable to a new Priority UPK Full Day grant in the amount of \$2.8 million which supports the District's full day pre-kindergarten program, as well as additional state funding in the amount of approximately \$2.8 million in

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2013-14 for the Teachers' Incentive Fund, a program designed to award highly effective teachers.

***School Food Service***

Revenues and other financing sources increased by approximately \$0.7 million, or 3.7% in the School Food Service fund during fiscal 2013-14 as compared to the prior year, while expenses and other financing uses increased by approximately \$0.4 million, or 2.3%. The aggregate result of these changes was an increase in the School Food Service fund balance of \$0.6 million at the end of fiscal year 2013-14.

The School Food Service fund revenue increase of \$0.7 million during 2013-14 as compared to the prior year is primarily due the adoption of new standards under the Community Eligibility Provision (CEP), a federal program offered to high-poverty districts. As a result of adoption of these new standards, the District qualified for an additional reimbursement of .06 cents per meal during fiscal 2013-14. During 2013-14, the District opted to fund the purchase of fruits and vegetables for 7<sup>th</sup> and 8<sup>th</sup> graders in an effort to promote healthy eating at schools whose fruit and vegetable purchases were covered under a grant for students up to to the 6<sup>th</sup> grade. By doing so, K-8 schools were able to promote healthy eating that was inclusive of all grade levels. The program was funded through a transfer in, or other financing source, of \$87,000 to the School Food Service fund from the District's General operating fund. An additional \$0.1 million in government commodities received during the 2013-14 fiscal year as compared to the prior year also contributed to an increase in revenues.

The expenditure increase of \$0.4 million in the School Food Service fund during 2013-14 as compared to the prior year is primarily due to the conversion and installation of 6 new elementary school kitchens during the 2013-14 fiscal year. By installing these kitchens, the schools were able to convert from pre-packaged lunch service to onsite preparation and cooking in an effort to increase the meal quality at these schools.

***Debt Service***

The City, at the request of the District, issues debt for the District which is the District's responsibility to repay. This debt, in the form of Bond Anticipation Notes (BANs) and General Obligation Bonds – Serial Bonds, is primarily issued to provide funds for purchase of equipment, land, buildings, construction of new structures, and renovation work to existing structures.

No fund balance existed in the Debt Service fund at the end of fiscal 2013-14. Any balance in the Debt Service fund at the end of a fiscal year typically represents an accumulation of interest and/or premiums earned on existing, unused debt proceeds during the year. These earnings are transferred to the District's general operating fund and are used for repayment of future debt service requirements as per local finance law.

***Capital Projects***

The capital projects ending fund balance for fiscal year 2013-14 decreased by \$16.9 million from the prior year. The decrease is the net result of recording approximately \$7.8 million in revenue and other funding sources less \$24.7 million in expenditures and other funding uses for the year.

Revenues in the Capital Projects fund increased by approximately \$0.7 million as compared to the previous year. This increase is attributable to \$0.6 million of federal funding

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

received for construction of health center clinics at two of the District's schools and \$0.1 million received from the City to support construction of Recreational Center improvements. Expenditures increased by \$2.6 million as compared to the prior year, or approximately 11.8%. The increase was primarily due to more funding being accessible for capital expenditures during the current year.

It is normal for the Capital fund to initially finance construction improvements using BAN financing. Later, the District periodically converts these BANs to more permanent bond financing when long term interest rates appear advantageous to do so. When the BANs are converted to bonds or redeemed, the revenue is recognized. There were no BANs converted to bonds or redeemed during fiscal year 2013-14.

***Rochester Joint Schools Construction Board (RJSCB)***

Under the provisions of GASB Statement No. 61, the RJSCB is presented as a blended component unit of the District. The fund balance of the RJSCB decreased over the prior year by \$105.4 million dollars. The decrease is primarily the net result of recording approximately \$18.9 million in revenue and other funding sources less \$124.3 million in expenditures for capital outlay, administration and other funding uses for the year. As mentioned previously, this decrease is primarily due to the fact that no bonds were issued during 2013-14.

Revenues in the RJSCB fund increase by approximately \$16.3 million as compared to the previous year. This increase is primarily due to state funding received in the form of EXCEL Aid to assist the District with financing construction improvements.

The RJSCB recorded capital outlay expenditures of \$115.1 million for the fiscal year 2013-14, as compared to \$80.5 million in capital outlay expenditures during 2012-13. The significant increase in capital outlay expenditures of \$34.6 million, or approximately 43.0%, is due to both ongoing construction at previous school buildings plus construction improvements occurring at three additional buildings within the District.

**Budgetary Highlights – General Fund**

The original 2013-14 budget was increased/amended by \$14,170,333 as follows:

<u>Revenues</u>	
Local sources	\$ 1,872,716
State sources	4,237,681
	6,110,397
Other financing sources - transfers in	4,273,936
Appropriated fund balance	3,786,000
	\$ 14,170,333
<u>Expenditures</u>	
General support	\$ (1,798,074)
Instructional	3,314,574
Pupil transportation	638,939
Community services	119,100
Employee benefits	7,552,278
Debt service	(182,439)
	9,644,378
Other financing uses - transfers out	4,525,955
	\$ 14,170,333

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

**Budgetary Highlights – General Fund**

Significant changes between the original and final amended budgets for general fund revenues occurred primarily due to increases in state sources, other financing sources, and appropriated fund balance. State sources increased by \$4.2 million due largely to increases of \$1.9 million in transportation aid and \$1.2 million in building aid. Other financing sources (transfers in) increased by \$4.3 million due to increase in Qualified School Construction Bond (QSCB) subsidies and capitalized interest related to the District's Facilities Modernization Project (FMP). Appropriated fund balance increased by \$3.8 million to fund \$1.2 million in bus purchases with the balance used to pay the New York State Employees' Retirement System (ERS) liability in full for the year. The District had originally planned to amortize a portion of the ERS liability in the original budget.

The most significant general fund expenditure budget changes occurred in the general support, instructional, employee benefits, and other financing uses (transfers out) categories. The general support budget decreased by \$1.8 million due largely to a budgeting convention where funds for temporary staffing are centralized in this category in the original budget and then allocated to other categories as needed during the year. The instructional category increased by \$3.3 million largely as a result of an increase in special education tuition for students placed in out-of-district settings. The employee benefits budget increased by \$7.5 million due to increases in retirement system costs.

**Final Budget to Actuals – General Fund**

Two general fund expenditure categories experienced significant favorable variances between the final budget and actual expenditures. The categories experiencing favorable variances were central services and special apportionment programs. The favorable variances in central services were the result of lower than expected plant and maintenance salaries. The favorable variances in special apportionment programs occurred due to reduced spending for special education and occupational education salaries than was originally anticipated.

**Capital Asset and Debt Administration**

**Capital assets.** The District's investment in capital assets for its governmental activities as of June 30, 2014 amounted to \$572,514,416 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, machinery, equipment, and construction in progress. There was a net increase in the District's investment in capital assets for the current fiscal year of \$100,899,658.

Major capital asset events during the current year included the following:

- Ongoing repairs and improvements. The District added \$22.8 million in capital assets during the fiscal year consisting of long-term facility improvements and code compliance projects at facilities throughout the District. These address issues such as: roof replacements, masonry repair, window and door replacements, HVAC, plumbing and electrical upgrades, lead and asbestos abatement, energy conservation projects and handicapped accessibility.

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

- The Rochester Joint Schools Construction Board (RJSCB) added an additional \$108.9 million in capital assets for the District during fiscal year 2013-14. These asset additions were mainly for the construction and renovation of the first nine school buildings and for the design and architectural services associated with the next three school buildings included within Phase I of the Rochester School Modernization Program (RSMP). The overall project budget for Phase I of the RSMP is \$325 million over five years.

**Rochester City School District's Capital Assets (Net of Depreciation)  
Governmental Activities**

	<u>2012-13</u>	<u>2013-14</u>
Land	\$ 17,439,068	\$ 17,440,260
Buildings & Improvements	336,903,369	407,660,765
Equipment & Other	14,969,727	13,218,483
Construction in Progress	102,302,594	134,194,908
<b>Total</b>	<u>\$ 471,614,758</u>	<u>\$ 572,514,416</u>

For additional information on the District's capital assets, refer to Note IV. C. of this report.

**Long-term debt.** At the end of the current fiscal year, the District had total bonded debt outstanding of \$379,210,000, of which \$155,400,000 were general obligation and school facility revenue bonds associated with the District's capital improvement plan and \$223,810,000 was school facility revenue bonds associated with the RJSCB's capital improvement program.

**Governmental Activities**

	<u>2012-13</u>	<u>2013-14</u>
RCSD Bonds	\$ 171,813,000	\$ 155,400,000
RJSCB Bonds	227,155,000	223,810,000
<b>Total</b>	<u>\$ 398,968,000</u>	<u>\$ 379,210,000</u>

The City of Rochester, which issues debt on behalf of the District, has a rating of A+ from both Standard & Poor's and Fitch, and an Aa3 rating from Moody's Investors Service. The RJSCB Program has a rating of AA from Standard & Poor's, a rating of AA from Fitch and an Aa2 rating from Moody's Investors Service.

The legal debt margin of the District is established by the City of Rochester Charter. The limit is 3½% of the most recent five-year average of full valuation of taxable real estate for capital purposes. The debt limit at June 30, 2014 was \$206,974,677, leaving a debt contracting margin of \$47,574,677. The debt limit associated with the RJSCB is not subject to the City debt limit cap.

For additional information on the District's long-term obligations, refer to Note IV. G. of this report.

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

**Economic Factors and Next Year's Budgets and Rates**

The District is located within the City of Rochester (Rochester). Rochester struggles to maintain a strong economy even though its major employers have gone through significant downsizing. Local economic challenges are further impacted by New York State's struggle to respond to its own budget deficit. The District began the 2014-15 budget planning process with a projected \$42 million deficit. This deficit was balanced through an \$11.5 million increase in State Aid, the use of an additional \$3.7 million in appropriated funds, and \$26.8 million in program and staffing efficiencies and other changes. Despite these program and staffing efficiencies, the District continues to experience rising costs. Due to three new charter schools opening and the continuing expansion of existing charter schools, the most significant cost increase planned for the 2014-15 fiscal year is the charter school tuition increase of \$10.7 million. Contractual salary increases and rising employee benefit costs are offset in the 2014-15 Budget by the planned workforce reduction of 197 full time equivalent positions (FTEs) through efficiencies. As part of its struggle to meet these growing costs, the District is currently reviewing alternatives to adjust staffing, employee benefits and contractual goods and service costs from providers.

**General Fund**

The 2014-15 original budget of \$660,486,930 represents an increase of approximately 4.7% from the 2013-14 amended budget of \$630,721,164. The increase is attributable to contractual salary and benefit increases, significant operating increases in Charter School tuition and student transportation costs, and increased debt service costs in association with the Facilities Modernization Program.

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance, Rochester City School District, 131 West Broad Street, Rochester, New York 14614.

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# **BASIC FINANCIAL STATEMENTS**

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**ROCHESTER CITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

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	<b>Governmental Activities</b>
<b>Assets</b>	
Cash & Cash Equivalents	\$ 197,059,765
Accounts Receivable	3,699,605
Due from Other Governments	55,718,752
Prepayments and Deposits	9,099,579
Inventories	23,016
Capital Assets (net of accumulated depreciation):	
Land	17,440,260
Buildings & Improvements	407,660,765
Equipment & Other	13,218,483
Construction In Progress	134,194,908
<b>Total Assets</b>	<u>838,115,133</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding, Net of Amortization	1,943,536
<b>Total Deferred Outflows of Resources</b>	<u>1,943,536</u>
<b>Liabilities</b>	
Accounts Payable and Accrued Liabilities	73,224,659
Due To Fiduciary Funds	7,491,622
Due To Other Governments	3,464,320
Due To Retirement Systems	42,097,874
Unearned Revenue	2,873,678
Notes Payable - BANs	4,000,000
Noncurrent Liabilities:	
Due Within One Year	43,705,065
Due in More Than One Year	617,331,378
<b>Total Liabilities</b>	<u>794,188,596</u>
<b>Net Position</b>	
Net Investment in Capital Assets	226,882,367
Unrestricted (Deficit)	(181,012,294)
<b>Total Net Position</b>	<u>\$ 45,870,073</u>

The notes to the basic financial statements are an integral part of this statement.



**ROCHESTER CITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Function/Program</u>	<u>Expense</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position and Government Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
General Support:				
Board of Education	\$ 851,052	\$ -	\$ -	\$ (851,052)
Chief School Administrator	1,060,023	-	-	(1,060,023)
Finance	6,453,880	-	-	(6,453,880)
Staff	6,098,968	-	-	(6,098,968)
Central Services	76,772,621	108,583	18,566	(76,645,472)
Other	8,255,958	-	3,636,275	(4,619,683)
<b>Total General Support</b>	<u>99,492,502</u>	<u>108,583</u>	<u>3,654,841</u>	<u>(95,729,078)</u>
Instruction:				
Administration and Improvement	78,226,331	-	20,737,208	(57,489,123)
Teaching	456,428,951	1,605,929	64,319,832	(390,503,190)
Instructional Media	8,931,616	-	5,560,809	(3,370,807)
Pupil Services	40,109,931	-	8,979,985	(31,129,946)
<b>Total Instruction</b>	<u>583,696,829</u>	<u>1,605,929</u>	<u>99,597,834</u>	<u>(482,493,066)</u>
Pupil Transportation	67,761,742	-	2,526,850	(65,234,892)
Community Services	3,036,392	-	2,037,360	(999,032)
Interest on Long-Term Debt	17,598,994	-	-	(17,598,994)
<b>Total Governmental Activities</b>	<u>\$ 771,586,459</u>	<u>\$ 1,714,512</u>	<u>\$ 107,816,885</u>	<u>(662,055,062)</u>
General Revenues:				
Intergovernmental				119,100,000
Use of Money and Property				259,181
State and Federal Aid				454,984,197
Lottery Aid				66,698,736
Miscellaneous				6,395,864
<b>Subtotal, General Revenues</b>				<u>647,437,978</u>
Excess (Deficiency) of Revenues over Expenses				(14,617,084)
<b>Net Position - Beginning</b>				60,487,157
<b>Net Position - Ending</b>				<u>\$ 45,870,073</u>

The notes to the financial statements are an integral part of this statement.

**ROCHESTER CITY SCHOOL DISTRICT  
BALANCE SHEET  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(continued next page)

	General	Special Aid	School Food Service
<b>Assets</b>			
Cash and cash equivalents	\$ 120,962,118	\$ -	\$ 11,184
Receivables:			
Accounts	1,594,510	281,862	1,822,887
Due from other funds	13,664,245	2,545,895	200,445
Due from other governments	24,510,801	27,892,736	1,727,838
Prepayments and deposits	9,090,204	3,458	-
Inventories at cost	-	-	23,016
Total assets	<u>\$ 169,821,878</u>	<u>\$ 30,723,951</u>	<u>\$ 3,785,370</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 33,164,284	\$ 8,436,406	\$ 1,086,303
Due to other funds	20,984,428	12,740,119	930,847
Due to other governments	3,101,911	362,409	-
Due to retirement systems	35,431,429	6,311,339	317,246
Unearned revenues	-	2,873,678	-
Notes payable - BANS	-	-	-
Total liabilities	<u>92,682,052</u>	<u>30,723,951</u>	<u>2,334,396</u>
Fund balances:			
Nonspendable			
Inventory	-	-	324,307
Prepayments	9,015,204	-	-
Restricted For			
Capital expenditures	-	-	-
Debt service	655,408	-	-
Committed For			
Insurance claims	1,000,000	-	-
Workers' compensation	10,698,727	-	-
OPEB	20,889,758	-	-
Assigned For			
Subsequent year's expenditures	9,864,234	-	-
Facilities modernization local share	6,500,000	-	-
Health insurance	3,450,000	-	-
General support	405,412	-	-
Instructional support	89,908	-	-
School food service	-	-	1,126,667
Capital expenditures	-	-	-
Unassigned	14,571,175	-	-
Total fund balance	<u>77,139,826</u>	<u>-</u>	<u>1,450,974</u>
Total liabilities and fund balances	<u>\$ 169,821,878</u>	<u>\$ 30,723,951</u>	<u>\$ 3,785,370</u>

The notes to the basic financial statements are an integral part of this statement.

Capital Projects	RJSCB	Total Governmental Funds
\$ 6,058,417	\$ 70,028,046	\$ 197,059,765
-	346	3,699,605
11,050,323	-	27,460,908
4,182	1,583,195	55,718,752
-	5,917	9,099,579
-	-	23,016
<u>\$ 17,112,922</u>	<u>\$ 71,617,504</u>	<u>\$ 293,061,625</u>
\$ 2,308,346	\$ 23,993,674	\$ 68,989,013
-	297,136	34,952,530
-	-	3,464,320
37,860	-	42,097,874
-	-	2,873,678
4,000,000	-	4,000,000
<u>6,346,206</u>	<u>24,290,810</u>	<u>156,377,415</u>
-	-	324,307
-	-	9,015,204
182,250	47,326,694	47,508,944
-	-	655,408
-	-	1,000,000
-	-	10,698,727
-	-	20,889,758
-	-	9,864,234
-	-	6,500,000
-	-	3,450,000
-	-	405,412
-	-	89,908
-	-	1,126,667
10,584,466	-	10,584,466
-	-	14,571,175
<u>10,766,716</u>	<u>47,326,694</u>	<u>136,684,210</u>
<u>\$ 17,112,922</u>	<u>\$ 71,617,504</u>	<u>\$ 293,061,625</u>

**ROCHESTER CITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT  
OF NET POSITION  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

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Amounts reported in governmental activities in the statement of net position are different because:

Total fund balances	\$136,684,210
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	438,319,508
Construction in progress for governmental activities is not a financial resource and, therefore, is not reported in the funds.	134,194,908
Deferred charges net of amortization are not available resources and, therefore, are not reported in the funds.	1,943,536
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(622,707,189)
Net accrued interest expense for bonds, notes and special program bond are not reported in the funds.	(4,235,646)
Deferred amounts payable in future years are not a use of current resources and therefore, are not reported in the governmental funds.	(6,649,269)
Premium associated with issuance of bonds are a liability in the statement of net position and are a revenue in the governmental funds in the year the bonds are issued. This premium will be amortized over the life of the bond.	(31,679,985)
Net position of governmental activities	<u>\$ 45,870,073</u>

The notes to the basic financial statements are an integral part of this statement.

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**ROCHESTER CITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

(continued next page)

	General	Special Aid
<b>Revenues</b>		
Local sources:		
Use of money and property (interest and rent)	\$ 204,416	\$ -
Intergovernmental	119,100,000	-
Other	7,869,992	3,608,300
State sources	480,441,902	33,008,363
Federal sources	2,131,336	71,200,222
Surplus food	-	-
Sales	-	-
Total revenues	<u>609,747,646</u>	<u>107,816,885</u>
<b>Expenditures</b>		
Current:		
General Support:		
Staff	5,945,247	-
Central services	49,941,760	18,566
Other	12,457,857	3,636,275
Instructional:		
Teaching - regular school	223,988,662	30,363,251
Special apportionment programs	126,624,295	16,897,625
Other	93,805,901	53,192,974
Pupil transportation	63,916,779	2,526,850
Community services	844,676	2,037,360
Cost of sales	-	-
Debt service:		
Principal	2,798,679	-
Interest	256,625	-
Capital outlay	-	-
Total expenditures	<u>580,580,481</u>	<u>108,672,901</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,167,165</u>	<u>(856,016)</u>
<b>Other Financing Sources (Uses)</b>		
Proceeds from debt issuance	-	-
Transfers in	9,190,021	1,130,666
Transfers out	(44,651,178)	(274,650)
Total other financing sources (uses)	<u>(35,461,157)</u>	<u>856,016</u>
Net change in fund balances	(6,293,992)	-
Fund balances - beginning	83,433,818	-
Fund balances - ending	<u>\$ 77,139,826</u>	<u>\$ -</u>

The notes to the basic financial statements are an integral part of this statement.

School Food Service	Debt Service	Capital Projects	RJSCB	Total Governmental Funds
\$ -	\$ 46,283	\$ -	\$ 8,482	\$ 259,181
-	-	-	-	119,100,000
25,405	-	131,801	-	11,635,498
535,346	-	-	16,332,125	530,317,736
18,220,530	-	585,767	2,357,445	94,495,300
1,078,482	-	-	-	1,078,482
83,178	-	-	-	83,178
<u>19,942,941</u>	<u>46,283</u>	<u>717,568</u>	<u>18,698,052</u>	<u>756,969,375</u>
-	-	-	-	5,945,247
-	-	-	287,407	50,247,733
11,390,047	-	-	-	27,484,179
-	-	-	-	254,351,913
-	-	-	-	143,521,920
-	-	-	-	146,998,875
-	-	-	-	66,443,629
-	-	-	-	2,882,036
7,994,917	-	-	-	7,994,917
-	19,758,000	-	-	22,556,679
-	17,075,512	-	-	17,332,137
-	-	24,541,949	115,098,091	139,640,040
<u>19,384,964</u>	<u>36,833,512</u>	<u>24,541,949</u>	<u>115,385,498</u>	<u>885,399,305</u>
<u>557,977</u>	<u>(36,787,229)</u>	<u>(23,824,381)</u>	<u>(96,687,446)</u>	<u>(128,429,930)</u>
-	-	504,474	-	504,474
87,000	36,833,512	6,600,000	160,738	54,001,937
-	(46,283)	(160,738)	(8,869,088)	(54,001,937)
<u>87,000</u>	<u>36,787,229</u>	<u>6,943,736</u>	<u>(8,708,350)</u>	<u>504,474</u>
644,977	-	(16,880,645)	(105,395,796)	(127,925,456)
805,997	-	27,647,361	152,722,490	264,609,666
<u>\$ 1,450,974</u>	<u>\$ -</u>	<u>\$ 10,766,716</u>	<u>\$ 47,326,694</u>	<u>\$ 136,684,210</u>

**ROCHESTER CITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

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

Net change in fund balances -- total governmental funds	\$ (127,925,456)
Proceeds of long-term debt are recorded as other financing sources for governmental funds but are not recorded in the statement of activities. Proceeds of long-term debt are recorded as liabilities.	(504,474)
Amortization recorded in the statement of activities that does not use current financial resources is not reported as an expenditure in the funds.	(241,440)
Debt service principal is recorded as an expenditure for governmental funds but is not recorded in the statement of activities. Debt service principal payments are reductions in liabilities.	29,146,282
Financing of retirement expenses are long term obligations recorded in the statement of activities but not in the statement of revenue, expenditures and changes in fund balance.	(6,649,269)
The net increase in long-term debt for governmental funds is not recorded as an expenditure in governmental funds. Such expenditures for changes in the liabilities for other post-employment benefits, claims payable and compensated absences are recorded in the statement of net position.	(11,336,473)
Capital projects expenditures for capital assets, construction in progress and certain equipment and building improvements are recorded in funds as expenditures. Such expenditures are not recorded in the statement of activities because they are considered capital assets.	131,762,690
Depreciation is recorded in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	(27,144,128)
Asset disposals are recorded in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	(11,343,126)
Depreciation associated with disposed assets is recorded in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	7,624,222
The net interest on bonds and notes is accrued in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	(266,857)
Premium associated with issuance of bonds are a liability of the statement of net position and are a revenue in the governmental funds in the year the bonds are issued. This premium is amortized over the term of the bonds.	2,260,945
Changes in net position of governmental activities	<u>\$ (14,617,084)</u>

The notes to the basic financial statements are an integral part of this statement.



**ROCHESTER CITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2014**

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	<b>Agency Funds</b>	<b>Private Purpose Trusts</b>
	<u>          </u>	<u>          </u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 581,877	\$ 270,231
Due from Other Funds	7,439,693	51,929
Total Assets	<u>\$ 8,021,570</u>	<u>\$ 322,160</u>
 <b>Liabilities and Net Position</b>		
Accrued Liabilities	\$ 5,654,347	\$ 268
Accounts Payable	-	2,546
Due to Student Groups	166,392	-
Due to Retirement Systems	2,200,831	-
Total Liabilities	<u>8,021,570</u>	<u>2,814</u>
 <b>Net Position</b>		
Held in Trust for Scholarships and Awards	<u>-</u>	<u>319,346</u>
Total Liabilities and Net Position	<u>\$ 8,021,570</u>	<u>\$ 322,160</u>

The notes to the basic financial statements are an integral part of this statement.

**ROCHESTER CITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	<b>Private Purpose Trusts</b>
<b>Additions:</b>	
Interest	\$ 265
Scholarships	24,688
Gifts and Donations	1,375
Total additions	<u>26,328</u>
<b>Deductions:</b>	
Scholarships	30,779
Gifts and Donations	18,991
Total deductions	<u>49,770</u>
<b>Change in Net Position</b>	(23,442)
<b>Net Position - Beginning</b>	<u>342,788</u>
<b>Net Position - Ending</b>	<u><u>\$ 319,346</u></u>

The notes to the basic financial statements are an integral part of this statement.

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Rochester City School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The Board of Education of the Rochester City School District (the District) operates the public schools in the City of Rochester, New York (the City). The members of the District's Board of Education are elected by popular vote. The District has no independent power to contract bonded indebtedness or to levy taxes. Although a separately elected Board of Education governs the operations of the District, the City of Rochester Charter states that the budget of the District must be approved by the City. The City Charter outlines how the allocation of revenues and debt-incurring power between the City and the District will be conducted. As a result of the City Charter provisions, the District is fiscally dependent upon the City. The City is financially accountable for the District. These financial statements are the result of the District's financial operations for fiscal year July 1, 2013 to June 30, 2014. Of these financial statements, the Statement of Net Position and Statement of Activities are included in the City's financial report, the reporting entity, as a discretely presented component unit.

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. The cash balances are reported in the Agency Fund of the District. Separate financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District's business office, located at 131 West Broad Street, Rochester, New York 14614.

The Rochester Joint School Construction Board (RJSCB) is included in these financial statements as a blended component unit, a governmental fund type. The RJSCB was created through the City of Rochester and the Board of Education of the City School District under the City of Rochester School Facilities Modernization Program Act (the "Act") as authorized by the State of New York through Chapter 416 of the Laws of 2007 of the State of New York and created through an

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

agreement (the “Memorandum of Understanding”) dated January 2010 by and between the City and the District. Pursuant to the Act, the RJSCB intends to undertake a project consisting of the design, reconstruction, or rehabilitation of existing school buildings for their continued use as schools by the District. Statements of RJSCB can be obtained from the RJSCB’s Executive Director, located at 1776 North Clinton Avenue, Rochester, New York 14621.

**B. Government-Wide Financial Statements**

The government-wide financial statements (Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the District. The revenue from interfund activity has been netted against expenses in the process of consolidation.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to those who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Items not included among program revenues are reported instead as general revenues.

The District reports all direct expenses by function in the Statement of Activities. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense for each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**C. Fund Financial Statements**

Separate financial statements are provided for governmental funds and fiduciary funds even though the fiduciary funds are excluded from the government-wide financial statements. The District considers all of its governmental funds as major funds and therefore these funds are reported as separate columns in the fund financial statements. These major funds are:

**General Fund** – This fund is the District’s general operating fund. This fund is used to account for all financial resources except those required to be accounted for in other funds.

**Special Aid Fund** – This fund is used to account for special projects and programs supported chiefly with Federal, State and local funds. The proceeds are legally restricted to expenditures for specified purposes.

**School Food Service Fund** – This fund is used to record the transactions of the District’s breakfast, lunch, and milk programs. The proceeds are used for expenditures for specified purposes.

**Debt Service Fund** – This fund is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.

**Capital Projects Fund** – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and the purchase of equipment.

**Rochester Joint Schools Construction Board (RJSCB) Fund** – This fund is used to record the transactions associated with the design, construction, reconstruction, and financing of public educational facilities in the City. The RJSCB is authorized to act as an

**ROCHESTER CITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

agent to enter into contracts on behalf of the Board of Education in accordance with applicable state and local laws.

The District also reports fiduciary funds in its financial statements in which the District acts as trustee or agent for resources that are the property of others. These activities are not included in the government-wide financial statements, because their resources are not the property of the District, and are not available to be used. The fiduciary funds are as follows:

**Agency Fund** – This fund is custodial in nature and does not involve the measurement of results of operations. Assets are held by the District, acting as agent, for various student activities, health, contract performance, and payroll or employee withholdings.

**Private Purpose Trust Fund** – This fund is used to account for trust arrangements in which principal and income benefits third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine the benefactors.

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and fiduciary fund 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 when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For all governmental funds the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other post-employment benefits and compensated absences are recorded only when payment is due.

The District, in general, is normally expected to liquidate liabilities with expendable available financial resources to the extent that the liabilities mature (come due for payment) each period.

The primary sources of revenues which are recognized in the period in which they become available and measurable are: reimbursements from State and Federal governments for expenditures, state aid, charges for tuition services and Medicaid reimbursement.

**ROCHESTER CITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**E. Assets, Liabilities, and Net Position or Equity**

**1. Deposits and Investments**

New York State General Municipal Law (Article 2 Section 11) governs the City's investment policies on behalf of the District. The City is authorized to deposit or invest funds in banks or trust companies located and authorized to do business in New York State on the District's behalf. City Council ordinance authorizes the specific banks or trust companies that may be used as depositories. Funds generally can be invested in time deposits, certificates of deposit, obligations of the U.S. Government and its agencies, and New York State and its municipalities.

Deposits include demand deposits and certificates of deposit. Deposits are collateralized with eligible securities of an aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation. Securities that may be pledged as collateral are limited to obligations of the United States or any obligation fully insured as to interest and principal by the United States acting through an agency, obligations of New York State or obligations of any municipal corporation, school district, or district corporation of the State of New York.

Cash equivalents include U.S. Government securities invested through repurchase agreements. All highly liquid investments, both restricted and unrestricted, with an original maturity of approximately three months or less are considered to be cash equivalents. Repurchase agreement securities are valued monthly to confirm that the fair value of the securities is equal to or greater than the value of the investment. The fair value includes accrued interest from unmatured coupons on U.S. Treasury securities. Interest earnings are recorded at maturity and generally allocated to the appropriate fund by outstanding balance.

The District, in accordance with Governmental Accounting Standards Board Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", reports investments at fair value on the balance sheet.

In addition, income from investments associated with one fund is assigned to other funds because of legal or contractual provisions. As such, investment income of \$46,283 for fiscal year 2013-14, associated with the Capital Projects Fund, was assigned to the Debt Service Fund.

**2. Restricted Assets**

Certain assets are classified as restricted because their use is limited. The proceeds of bond sales can only be used for the stated purpose of the borrowing. Donations to be used towards scholarships in the Private Purpose Trust Fund and funds supporting extraclassroom activities in the Agency Fund are restricted specifically for those purposes. For more information on restricted assets refer to Note IV. A. of this report.

**3. Accounts Receivable**

Accounts receivable are shown at net of an allowance for uncollectible accounts. No allowance for uncollectible accounts has been established since management has determined that all accounts receivable are considered collectible.

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**4. Interfund Transactions**

The receivables and payables between the funds of the District occur due to operating accounts being maintained by a single fund for deposits and disbursements. For more information on interfund transactions, refer to Note IV. D. of this report.

**5. Inventories**

Inventories of food and supplies in the School Food Service fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventory items in the School Food Service fund are accounted for using the purchases method which records expenditures at the time of purchase.

At the inception of the contract during fiscal 2009-10, Aramark Educational Services, LLC, a Food Service Management Company, took possession of \$301,291 of inventory (excluding government commodities). Upon termination of the Aramark contract at June 30, 2014, Aramark returned mutually agreed upon inventory of this same value to the District. The inventory on-hand at the termination of the contract was valued at \$354,179; therefore an adjustment of \$52,888 in favor of Aramark was reflected on the final invoice.

**6. Capital Assets**

Capital assets, which include property, buildings, building improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$4,999 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or fair value if donated.

Only equipment, new construction, renovations or major additions to buildings are capitalized. All costs of maintenance and repairs are considered as not adding to the value of the asset or materially extending asset lives and are therefore not capitalized.

Property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	25
Improvements (Other Than Buildings)	20
Equipment	3-10

**7. Prepayments and Deposits**

The District utilizes the consumption method to record prepaid expenditures. As of June 30, 2014, the General fund recorded prepaid expenditures in the amount of \$9,015,204. The majority of this amount is associated with tuition payments made to charter schools for services to be provided in the 2014-15 school year. Additionally, prepayments of \$3,458 for travel expenses were recorded in the Special Aid fund, and \$5,917 for prepaid insurance was recorded in the RJSCB fund. These prepayments will be recorded as expenditures during fiscal year 2014-15. The District also recorded \$75,000 as refundable deposits which were

**ROCHESTER CITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

paid to third party administrators to fund any potential shortages for weekly payments of various health and dental claims.

**8. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation pay. All vacation pay is accrued and it is based on past employee service and current pay rates in effect at the end of the fiscal year. All vacation pay is accrued when incurred in the government-wide financial statements.

**9. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualified for reporting in this category; the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future periods(s) and therefore, will *not* be recognized as an inflow of resources (revenue) until that time. The District has no items that qualified for reporting in this category.

**10. Unearned Revenue**

The District received cash in advance of expenditures for Special Aid fund projects in the amount of \$2,873,678 during fiscal year 2013-14, and has recorded it as unearned revenue. These funds represent receipts for various grants that were not fully spent at June 30, 2014. As the funds are spent during fiscal year 2014-15, revenue will be recorded.

**11. Vested Employee Benefits**

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in, first-out (LIFO) basis. Upon retirement, resignation or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

District employees are granted vacation and personal days in varying amounts, based primarily on length of service, service position, and/or bargaining unit. These benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on contractually negotiated rates in effect at year end.



**ROCHESTER CITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

In the fund statements only, the amount of matured vacation time is accrued within the General fund based on expendable and available resources. Sick time is expensed on a pay-as-you-go basis.

**12. Other Benefits**

District employees participate in New York State Teachers' Retirement System and the New York State Employees' Retirement System. In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working for the District. Healthcare benefits are provided through plans whose premiums are based on benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of the insurance premium or claim as an expenditure.

**13. Post-Employment Benefits**

The District provides post-employment benefits in the form of health insurance. The obligation of the District and its retirees to contribute to the cost of providing these benefits has been established pursuant to Board resolution and various collective bargaining agreements. Payments are budgeted annually without accrual and are based on the pay-as-you go method. For more information on post-employment benefits, see Note V. C. of this report.

**14. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums, if any, would be recorded in the Debt Service fund and deposited in the General fund to be used to retire the respective debt. The bond issuance costs are recorded by the City, the reporting entity which issues debt for the District. Issue costs associated with the Facilities Modernization Program are recorded by the Rochester Joint Schools Construction Board.

In the fund financial statements, governmental fund types recognize bond principal and interest during the current period. The face amount of the debt issued, as well as any premiums or discounts are reported as other financing sources.

**15. Fund Equity**

Government-wide statements

In the government-wide statements there are three classes of net position:

- *Net investment in capital assets* - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.
- *Restricted net position* - reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**ROCHESTER CITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

- *Unrestricted net position* - reports all other net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Fund Statements

In the fund statements there are five classes of fund balance:

- *Nonspendable fund balance* – Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact.
- *Restricted* – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or legislation.
- *Committed* – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision making authority. Formal action via adopted Board Resolution initiated by the Board of Education is required to establish, modify or rescind fund commitments.
- *Assigned* – Includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances and appropriated fund balances of the General fund are classified as assigned fund balance. Under the District’s Fund Balance Policy No. 600, adopted on August 25, 2011, the Superintendent and the Chief Financial Officer of the District as the Superintendent’s designee, were delegated the authority to assign amounts to a specific purpose during the 2013-14 financial reporting period.
- *Unassigned* – Includes all other General fund balance that does not meet the definition of the above four classifications and are deemed to be available for general use by the District or deficit fund balance in funds other than the General fund.

The District shall maintain a minimum unrestricted general fund balance of 5% of the District’s general fund annual operating expenditures, not to exceed 15%. Expenditures are to be spent from restricted fund balance first and then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance, and lastly from the unassigned fund balance.

**16. Encumbrances**

The District maintains existing arrangements to enter into future transactions or events, such as long-term contractual obligations with suppliers for construction related goods and services. As of June 30, 2014, the District has \$15,953,353 in Capital fund encumbrances and \$495,320 in General fund encumbrances.

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**G. Subsequent Events**

As part of the District’s ongoing capital improvement program, the City of Rochester issued new BANs in the amount of \$16,000,000 and renewed a BAN in the amount of \$4,000,000 on behalf of the District in August 2014. BANs are utilized for ongoing acquisition, construction and reconstruction of school buildings. Approximately \$49.2 million in bonds are expected to be issued by COMIDA on or about January 2015. These funds will be utilized for the finalization of construction and reconstruction of school buildings included in Phase I of the FMP.

**II. RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the Governmental Fund Balance Sheet and the government-wide Statement of Net Position**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the Government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$622,707,189) difference are as follows:

Bonds payable	\$ (379,210,000)
Compensated absences	(1,441,004)
Other post-employment benefits	(191,772,762)
Contractual obligations	(9,556,959)
Due to other governments	(17,674,113)
Claims payable	<u>(23,052,351)</u>
	<u>\$ (622,707,189)</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of governmental activities.

One element of that reconciliation states that, “Proceeds of long-term debt are recorded as other financing sources for governmental funds but are not recorded in the statement of activities. Proceeds of long-term debt are recorded as liabilities.” The (\$504,474) difference represents installment purchase debt proceeds.

Another element of that reconciliation states that, “Debt service principal is recorded as an expenditure for the governmental funds but is not recorded in the statement of activities. Debt service principal payments are reductions in liabilities.” Details of this \$29,146,282 difference are as follows:

Bond principal payments	\$ 19,758,000
Contractual obligation principal payments	<u>9,388,282</u>
	<u>\$ 29,146,282</u>

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

Another element of that reconciliation states that, “Net increases in long-term debt for governmental funds is not recorded as an expenditure in governmental funds.” Details of this (\$11,336,473) difference are as follows:

Claims payable	\$ 4,139,007
Other post-employment benefits	(16,095,654)
Compensated absences	<u>620,174</u>
	<u>\$ (11,336,473)</u>

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgeting Policy**

The budget of the District allocates resources to meet the District’s commitment to educational excellence for all students. The budget period for fiscal year 2013-14 began on July 1, 2013 and ended on June 30, 2014. By City Charter, the Board of Education must submit a balanced budget to the Mayor and City Council for approval. The budget, which includes the General, Special Aid, Debt Service, and School Food Service funds, is prepared on a modified accrual, non-GAAP budget basis and is the only legally adopted annual budget of the District. The reason the budget is prepared on a non-GAAP budget basis is the inclusion of encumbrances as expenditures. Reconciliation of non-GAAP basis budget and actual financial figures is presented in the individual Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – for General, Special Aid, and School Food Service Fund Types, non-GAAP Budget Basis.

The “basis of accounting” determines when a transaction or event is recognized in a fund’s operating statement. The accounts for the budget, which include the General, Special Aid, Debt Service, and School Food Service funds, are maintained on the modified accrual basis of accounting.

The District’s budget process allocates resources based on assessment, planning, and program initiatives that place emphasis on the needs of students and efforts to foster student academic performance. The Superintendent presents his budget recommendations for the Board of Education’s consideration in April. The Board reviews the Superintendent’s Proposed Budget, modifies or directs changes to be made, conducts a public hearing, and adopts the Budget for submission to the Mayor.

Legal spending control for District monies is at the fund level, but management control is exercised at budgetary line item levels within each fund. The fund level is the total amount budgeted for a fund plus revenues in excess of the originally adopted budget and the fund’s unappropriated fund balance. The Board of Education authorizes management to make transfers between the various budgetary line items in any fund within the fund level.

Amendments to the originally adopted budget, which exceed the legal spending control, would require approval from the Board of Education. Amendments to the originally adopted budget, not exceeding the legal spending control, may also be approved by the Board of Education. The budgetary data presented in the financial statements reflects all approved budget transfers and budget amendments. The approved budget amendments totaled \$14,170,333 for the General Fund and \$1,183,478 for the School Food Service Fund.

**ROCHESTER CITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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A system which recognizes an encumbrance of the budget or approval of a purchase order is used for accounting purposes during the fiscal year. In accordance with State requirements, only current year and prior year encumbrances are recorded as part of the fund balance at the end of the fiscal year.

**IV. DETAIL NOTES ON ALL FUNDS**

**A. Cash and Cash Equivalents**

As established by charter, the City Treasurer is delegated the authority to establish and control uniform cash management policies that apply to the City and the School District. Thus, the following risk assessments apply to cash, cash equivalents, and investments of both the City and the District.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$166,392 within the Agency fund restricted for extraclassroom activities, \$6,058,417 in the Capital Projects fund for unexpended bond proceeds, \$69,990,083 in the RJSCB fund for unexpended bond proceeds, and \$270,231 and \$51,929 in the Private Purpose Trust fund and General fund, respectively, restricted for scholarships and awards.

Investment and Deposit Policy –

The District implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*. The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the City on behalf of the District.

Interest Rate Risk -

As a means of limiting its exposure to fair value losses arising from increasing interest rates, it is the City's policy to generally limit investments to 60 days or less. Consequently, repurchase agreements, money market accounts, and Certificates of Deposit are classified as cash equivalents.

Credit Risk –

In compliance with New York State law, District investments are limited to obligations of the United States of America, obligations of the State of New York, special time deposit accounts, and certificates of deposit. Obligations of other New York jurisdictions may be included with the approval of the State Comptroller.

Custodial Credit Risk –

For an investment, custodial credit risk occurs in the event of a failure of the counterparty in which the City will not be able to recover the value of its or the District's investments or collateral securities that are in possession of an outside party. In compliance with New York State law, City and District deposits (above FDIC limits) and investments are protected with custodial agreements

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which require government securities to be equal to or greater than 102% of the daily investment and held by a third party in the City's name.

Concentration of Credit Risk –

To promote competition in rates and service cost, and to limit the risk of institutional failure, District deposits and investments are placed with multiple institutions. Therefore, City Council designates certain banks and trust companies as depositories and establishes maximum deposit levels for each. Investments with other institutions are limited to those affiliated with the New York Federal Reserve Bank as primary dealers.

**1. Deposits**

At year end, the District's deposits were \$144,188,976. These deposits, which are above the level insured by FDIC, were collateralized at 102% with U.S. Government securities held by a third-party.

**2. Cash Equivalents**

At year-end, the District had cash equivalents in the form of money markets at fair value of \$75,777,616. Cash equivalents were collateralized at 102% with U.S. Government securities held by a third-party.

**3. Investments**

At year-end, the District had no investments.

**B. Receivables**

As of year ended June 30, 2014 the accounts receivable for the District's individual major funds are as follows:

<u>General</u>	<u>Special Aid</u>	<u>School Food Service</u>	<u>RJSCB</u>	<u>Total</u>
\$1,594,510	\$281,862	\$1,822,887	\$346	\$3,699,605

The General fund receivable primarily represents funds due to the District for facilities rental, retiree health reimbursements, stop loss and prescription reimbursements associated with the District's self-funded healthcare, and reimbursements for union release time. The Special Aid receivable represents accrued revenues for locally funded grants. The School Food Service receivable represents money due from the food service management company for inventories purchased from the District and for contractual obligations such as reimbursement for cartage, maintenance and repair, and contract monitoring. The RJSCB receivable was for interest earned in June of fiscal year 2013-14.

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**C. Capital Assets:**

Capital asset activity for the fiscal year ended June 30, 2014 is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 17,439,068	\$ 1,192	\$ -	\$ 17,440,260
Construction in Progress	<u>102,302,594</u>	<u>130,679,816</u>	<u>98,787,502</u>	<u>134,194,908</u>
Total capital assets not being depreciated	<u>119,741,662</u>	<u>130,681,008</u>	<u>98,787,502</u>	<u>151,635,168</u>
Capital assets being depreciated:				
Buildings & Improvements	594,345,102	95,861,979	7,074,483	683,132,598
Equipment & Other	<u>53,848,818</u>	<u>4,007,205</u>	<u>4,268,643</u>	<u>53,587,380</u>
Total capital assets being depreciated	<u>648,193,920</u>	<u>99,869,184</u>	<u>11,343,126</u>	<u>736,719,978</u>
Less accumulated depreciation for:				
Buildings & Improvements	(257,441,733)	(22,221,137)	(4,191,037)	(275,471,833)
Equipment & Other	<u>(38,879,091)</u>	<u>(4,922,991)</u>	<u>(3,433,185)</u>	<u>(40,368,897)</u>
Total accumulated depreciation	<u>(296,320,824)</u>	<u>(27,144,128)</u>	<u>(7,624,222)</u>	<u>(315,840,730)</u>
Total capital assets being depreciated, net	<u>351,873,096</u>	<u>72,725,056</u>	<u>(3,718,904)</u>	<u>420,879,248</u>
District capital assets, net	<u>\$ 471,614,758</u>	<u>\$ 203,406,064</u>	<u>\$ 102,506,406</u>	<u>\$ 572,514,416</u>

Depreciation expense was charged to functions of the District in the statement of activities as follows:

Instructional teaching regular school	\$ 21,938,273
General support central services	4,514,183
Pupil transportation	586,315
Community services	<u>105,357</u>
	<u>\$ 27,144,128</u>

**Significant Construction Commitments**

In 2013-14, the District expended \$131,762,690 on capital assets, \$108,921,862 for the RJSCB and \$22,840,828 for the District, respectively. This disbursement was for equipment, land, construction in progress, and improvements to various facilities. It is estimated that \$127.3 million will be disbursed by the District and \$468.4 million will be disbursed by the RJSCB on capital asset items during the next five fiscal years.

**Asset Impairment and Insurance Recoveries**

During fiscal year 2013-14, the District had no material asset impairments or insurance recoveries.

**Accounting and Financial Reporting for Intangible Assets**

Internally generated software could be either software that is created in-house or licensed software that requires more than minimal incremental effort to be made operational. All costs are reviewed and, with the assistance of the IT department, segregated into one of three stages: 1.) Preliminary Project Stage, 2.) Application Development, 3.) Post-Implementation/Operation Stage. Only the licenses and costs associated with the Application Development stage are capitalized. As a general rule, the RCSD employs outside consultants to provide functional assistance in software implementation.

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**D. Interfund Receivables, Payables, and Transfers**

**1. Interfund Receivables and Payables**

The interfund receivables and payables primarily result from using a consolidated cash account and processing reimbursements. These interfund receivables and payables are short-term and are typically repaid in less than one year. The following schedule summarizes interfund receivables and payables at June 30, 2014.

<b>Fund</b>	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
General	\$ 13,664,245	\$ 20,984,428
Special Aid	2,545,895	12,740,119
School Food Services	200,445	930,847
Capital Projects	11,050,323	-
RJSCB	-	297,136
Private Purpose Trusts	51,929	-
Agency	7,439,693	-
<b>Total</b>	<b>\$ 34,952,530</b>	<b>\$ 34,952,530</b>

**2. Interfund Transfers**

Transfers are a routine annual event for both the budget and accounting process. Such transfers facilitate annual contributions from operating budgets for debt service and capital projects. The following schedule summarizes interfund transfers at June 30, 2014.

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General	\$ 9,190,021	\$ 44,651,178
Special Aid	1,130,666	274,650
School Food Service	87,000	-
Debt Service	36,833,512	46,283
Capital Projects	6,600,000	160,738
RJSCB	160,738	8,869,088
<b>Total</b>	<b>\$ 54,001,937</b>	<b>\$ 54,001,937</b>

**E. Due from Other Governments**

<b>Fund</b>	<b>Local Governments</b>	<b>New York State Government</b>	<b>Federal Government</b>	<b>Total</b>
General	\$ 1,785,968	\$ 22,166,933	\$ 557,900	\$ 24,510,801
Special Aid	1,436,875	11,681,943	14,773,918	27,892,736
School Food Service	-	159,629	1,568,209	1,727,838
Capital	4,182	-	-	4,182
RJSCB	-	-	1,583,195	1,583,195
<b>Total</b>	<b>\$ 3,227,025</b>	<b>\$ 34,008,505</b>	<b>\$ 18,483,222</b>	<b>\$ 55,718,752</b>

**F. Operating Leases**

The District leases various property and equipment under operating leases. In addition, the District leases property to third parties. The District receipts are the result of subleasing.



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The rental income and expenditures for the fiscal year 2013-14 for operating leases was approximately \$93,000 and \$2.7 million, respectively, not including NYS lease aid.

The following is a schedule of the approximate total future minimum rental commitments required under operating leases as of June 30, 2014:

Fiscal Year	Receipts	Payments
2014-15	\$ 182,125	\$ 2,102,658
2015-16	182,125	2,111,045
2016-17	182,125	2,113,519
2017-18	182,125	2,116,024
2018-19	182,125	2,118,558
	<u>\$ 910,625</u>	<u>\$ 10,561,804</u>

The District anticipates receiving approximately \$1.9 million in NYS lease aid annually, over the next five years to offset the payment amounts shown.

**G. Long-Term Liabilities**

The following is a summary of changes in the District's long-term liabilities for the year ended June 30, 2014:

	Balance June 30, 2013	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2014	Due Within One Year
<b>Governmental Activities:</b>					
Compensated Absences	\$ 2,061,178	\$ 7,165,321	\$ 7,785,495	\$ 1,441,004	\$ 1,441,004
Claims Payable	27,191,358	5,024,894	9,163,901	23,052,351	5,200,883
Other Post Employment Benefits	175,677,108	34,752,380	18,656,726	191,772,762	-
<b>Due To Other Governments:</b>					
New York State Advance	14,666,667	-	666,667	14,000,000	666,666
New York State Education Department	2,128,940	-	2,128,940	-	-
New York State Teachers' Retirement Incentive	5,647,446	-	2,823,406	2,824,040	2,824,040
New York State Employees' Retirement Incentive	1,700,145	-	850,072	850,073	850,073
New York State Employees' Retirement Pension Smoothing	-	1,234,449	-	1,234,449	104,402
New York State Teachers' Retirement Pension Smoothing	-	5,414,820	-	5,414,820	-
Installment Purchase Debt	11,971,682	504,474	2,919,197	9,556,959	2,812,052
<b>General Obligation Bonds -</b>					
District Serial Bonds	171,813,000	-	16,413,000	155,400,000	17,480,000
FMP Serial Bonds	227,155,000	-	3,345,000	223,810,000	10,065,000
Premium	33,940,930	-	2,260,945	31,679,985	2,260,945
Long-term Liabilities	<u>\$ 673,953,454</u>	<u>\$ 54,096,338</u>	<u>\$ 67,013,349</u>	<u>\$ 661,036,443</u>	<u>\$ 43,705,065</u>
<b>Capital Projects Fund:</b>					
Bond Anticipation Notes	<u>\$ -</u>	<u>\$ 4,000,000</u>	<u>\$ -</u>	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>

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Compensated absences paid in fiscal year 2013-14 totaled approximately \$7.2 million. This amount is reflected in maturities / reductions along with any balance remaining from fiscal year 2012-13. The new issues / additions reflect the new long-term liability at June 30, 2014. The General fund is typically used to liquidate this and other debt related liabilities.

The schedule below presents the changes in estimated workers' compensation, which are included in claims payable:

	<b>Workers' Compensation</b>
Estimated claims June 30, 2012	\$ 22,025,500
Additions 2012-13	4,795,768
Payments 2012-13	4,240,585
Estimated claims June 30, 2013	22,580,683
Additions 2013-14	4,962,992
Payments 2013-14	4,529,451
Estimated claims June 30, 2014	\$ 23,014,224

Due to Other Governments includes two debt instruments due to the New York State Education Department (SED); liabilities for the District's cost of the Early Retirement Incentives offered by New York State and exercised in 2010; and deferred pension liabilities under the NYS ERS Alternate Stabilization Program and the NYS TRS Stable Contribution Offer. For more information on these items, see below and Note V. B.

- At the end of the fiscal year 2004-05, the State Education Department (SED) issued an advance of lottery revenues in the amount of \$20,000,000. This money represents an advance in state aid and will be repaid over 30 years, at 0% interest. These repayments began in 2005-06 and are recorded as annual deductions to state aid/revenue.
- As a result of the SED audit of Employment Preparation Education (EPE) in January 2001, it was determined that the District owed the SED net \$12,773,644 for disallowances of grant expenditures associated with fiscal years 1997-98 through 1999-00. The payments to the SED are scheduled to be made interest free in six equal, annual installments. The final payment of \$2,128,940 was made during fiscal 2013-14.
- Under the New York State Chapters 45 and 105, Laws of 2010 signed into law on April 14, 2010, certain members of the New York State and Local Employees' Retirement System and the Teachers' Retirement System were temporarily provided an early retirement incentive. Under these incentives, the District bore the full costs associated with any early retirement elections. The District had the option to pay these costs in a single, lump-sum up-front payment, or in equal, annual installments over five years. The District elected to repay these costs over five years; at June 30, 2014, the outstanding liability for these incentives was \$2,824,040 for the Teacher's Early Retirement Incentive and \$850,073 for the Employee's Early Retirement Incentive.

The District has various installment purchase agreements with Xerox Corporation for purchasing copiers and printers. Generally, the terms of these agreements are of a 60 month duration or until the equipment is no longer in service, whichever is sooner. The original amount of the contracts issued during fiscal 2013-14 is \$504,474.

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During 2010-11 the debt associated with Energy Performance upgrade projects was refinanced at an interest rate of 2.89% for Phase 1 and an interest rate of 3.06% for Phase 2. A net savings of \$389,631 for Phase 1 refinancing and \$193,617 for Phase 2 refinancing occurred as a result of the debt refinancing. The outstanding amount of this debt at June 30, 2014 was \$3,873,240 for Phase 1 and \$3,109,383 for Phase 2.

General obligation bonds are direct obligations for which the full faith and credit of the City are pledged. Bonds are generally issued as serial bonds for the period equivalent to one-half of the period of probable usefulness for each improvement as defined by New York State Local Finance Law. Interest rates range from 1.00% to 5.521%. The original amounts of these general obligation bonds are as follows:

Series Issue	Original Amount (000's)	Maturity Date	Interest Rate Fiscal Year 13/14
2001A	12,225	10/15/14	4.25
2004A	20,535	10/15/21	3.00
2004B	36,710	02/15/22	3.50
2006A	39,262	02/15/25	3.75
2006B	7,585	10/15/24	3.75
2008B	10,797	10/01/26	3.00
2009C1	58,470	02/10/24	5.11
2009C2	1,710	02/10/19	5.52
2012A <sup>1</sup>	66,190	05/01/22	5.00
2012B <sup>1</sup>	57,910	05/01/28	5.00
2012 I	20,548	08/15/27	1.00
2012 II	5,655	08/15/19	2.00
2012 III	9,640	02/15/25	2.00
2012 IV	7,525	10/15/21	2.00
2012 V	14,965	02/15/22	2.00
2013 II	27,015	02/01/29	3.00
2013A <sup>1, 2</sup>	103,055	05/01/30	-

<sup>1</sup> Issued as part of Facilities Modernization Plan (FMP)

<sup>2</sup> No Coupon Rate in fiscal 2013-14

As of June 30, 2014 the District had \$24,801,000 of authorized but unissued debt. The debt contracting margin of the District as of June 30, 2014 was \$47,574,677.

As a result of federal stimulus legislation that was enacted in early 2009, Build America Bonds (BAB) were issued. These bonds offer municipalities a 35% federal subsidy on interest payments on those BABs that are taxable. On December 30, 2009, the District was issued a taxable BAB in the amount of \$1,710,000, the amount outstanding at June 30, 2014. Effective March 1, 2013 Federal budget cuts on certain types of federal spending were enacted. These Federal budget cuts are known as "sequestration" and will reduce future amounts of subsidies scheduled to be received by the District. The District received its first subsidy of \$20,240 in August 2010, and semi-annual payments of \$16,192, less any amounts associated with federal sequestration legislation, thereafter. These subsidies are scheduled to be paid semi-annually through February 2019.

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In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$34,795,000 of bonds outstanding are considered defeased at June 30, 2014.

The District paid no arbitrage to the Federal Government during 2013-14. Arbitrage rebates pertain to tax-exempt bonds and certain profits earned by investing the proceeds of such tax-exempt bonds. Long-term indebtedness will be funded by the General fund.

2. The following long-term debt service requirements schedule is recorded at gross amounts (000's omitted) for District and JSCB Serial Bond payments outstanding as of June 30, 2014 :

<b>Fiscal Year Ending June 30</b>	<b>District Principal</b>	<b>District Interest</b>	<b>JSCB Principal</b>	<b>JSCB Interest</b>	<b>Total</b>
2015	\$ 17,480	\$ 6,256	\$ 10,065	\$ 10,598	\$ 44,399
2016	17,530	5,600	12,090	10,164	45,384
2017	17,855	4,912	12,685	9,606	45,058
2018	17,965	4,135	13,335	8,971	44,406
2019	16,755	3,347	14,015	8,305	42,422
2020-24	56,620	7,113	78,705	31,208	173,646
2025-29	11,195	666	81,755	16,959	110,575
2030-34	-	-	1,160	58	1,218
	<u>\$ 155,400</u>	<u>\$ 32,029</u>	<u>\$ 223,810</u>	<u>\$ 95,869</u>	<u>\$ 507,108</u>

**H. Bond Anticipation Notes (BANs)**

It has been the District's practice to fund capital projects for up to five years with BANs. BANs are converted to bonds when the final project costs are known and when long-term rates are most favorable, a strategy which minimizes the District's interest costs. The District had a BAN outstanding at June 30, 2014 in the amount of \$4,000,000.

**V. OTHER INFORMATION**

**A. Risk Financing**

Third party insurance is maintained by the District on vehicles, boilers and machines, and stop loss for major medical benefits. Also, the District carries a general liability policy with a self-insured retention of \$500,000 and the following limits:

Aggregate Limit	\$ 10,000,000
Each Occurrence	\$ 10,000,000

There has been no significant reduction in coverage from the previous year and there have been no settlements in excess of coverage in any of the prior three fiscal years. The District provides to its employees hospitalization, medical, dental, and life insurance through various insurance programs. Effective January 1, 2013, the District transitioned from an experience-rated to a self-funded health insurance plan. These programs are administered by the Department of Employee Benefits. The District maintains a policy of either full or partial self-insurance for workers' compensation and student accidents. These programs are administered by third party administrators.

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The schedule below presents the calculation of the District's estimated claims at June 30, 2014 for its self-insured programs that are due within one year. The estimated claims for workers' compensation represent claims which have occurred and are open, waiting for an actual or future final determination of benefit payout as prescribed by the New York State Workers' Compensation Board. The estimated claims for the student accident program represent an amount based on prior experience with actual payments of claims.

	Workers' Compensation	Student Accident	Total
Estimated claims July 1, 2012	\$ 4,413,642	\$ 35,617	\$ 4,449,259
Claims incurred 2012-13	4,937,299	93,970	5,031,269
Payments and reductions 2012-13	4,240,585	95,030	4,335,615
Estimated claims June 30, 2013	<u>\$ 5,110,356</u>	<u>\$ 34,557</u>	<u>\$ 5,144,913</u>
Estimated claims July 1, 2013	\$ 5,110,356	\$ 34,557	\$ 5,144,913
Claims incurred 2013-14	4,581,851	61,902	4,643,753
Payments and reductions 2013-14	4,529,451	58,332	4,587,783
Estimated claims June 30, 2014	<u>\$ 5,162,756</u>	<u>\$ 38,127</u>	<u>\$ 5,200,883</u>

Historically, the District has not had a material insurance loss that was not covered by the District's insurance coverage. Immaterial insurance losses that may not be covered by the District's insurance coverage would be covered through the District's operating budget.

The District uses the general fund to account for its current risk financing activities. A current liability of \$4,251,594 has been recorded in the District's general fund for estimated health insurance claims expense incurred but not paid during 2013-14. A current liability of \$5,162,756 and a non-current liability of \$17,851,468 for estimated future claims for the self-insured workers' compensation program have been recorded on the Statement of Net Position.

The District has been self-insured since 1978 for workers' compensation. The District does not purchase stop loss insurance for this, so it is at full risk for all claim payments. However, the District has committed \$10,698,727 of its fund balance for this purpose, which represents approximately 46.5% of the estimated total claims liability.

The District is self-insured for student accidents. The student accident program is administered by a third party administrator and provides coverage up to \$15,000 for accidental injury suffered by each student during any school related activity. The District pays claims as incurred and has suffered no material losses associated with this account.

As mentioned previously, the District became self-insured for health insurance coverage effective January 1, 2013. The District's health insurance is administered by a third party administrator. The District purchases stop loss insurance to reimburse the District for individual claims in excess of \$350,000.

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**B. Employee Retirement Systems**

**1. New York State Teachers' Retirement System**

Plan Description

The District makes contributions to the New York State Teachers' Retirement System (TRS), a cost-sharing, multiple employer defined benefit pension plan administered by the New York State Teachers' Retirement Board. The TRS provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). The TRS issues a publicly available financial report that contains financial statements and required supplementary information for the TRS. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Funding Policy

Plan members who joined the TRS before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than 10 years of membership are required to contribute three percent of their annual salary. Employees joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3 ½% of their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. Employers are required to contribute at an actuarially determined rate, currently 16.25% of the annual covered payroll for the fiscal year ended June 30, 2014. Rates applicable to the fiscal years ended June 30, 2014 and 2013 were respectively, 16.25% and 11.84%. However, during the 2013-14 plan year, the District opted to utilize the Stable Contribution Option (SCO) rate of 14.13% under the the Chapter 57, Laws of 2013. This option allows New York State school districts to elect to defer and amortize a portion of their TRS pension liability as a way of contending with drastically rising pension costs. As part of the TRS pension smoothing program, \$5,414,820 was deferred in association with 2013-14 pension costs. This deferral will be amortized over 5 years with repayment beginning in fiscal 2018-19. Total repayment costs are projected to be \$6,894,853, including interest.

The District's required contributions paid to the TRS during the following fiscal years ended June 30 were 100 percent of the contributions required, or contributions required under the SCO:

<u>Fiscal Year</u>	<u>Contributions</u>
2013-14	\$30,734,133
2012-13	29,194,862
2011-12	23,930,980

Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for the TRS. As part of 2013-14 contributions paid, \$2,823,723 was related to the 2010 Early Retirement Incentive.

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**2. New York State and Local Employees' Retirement System**

Plan Description

The District participates in the New York State and Local Employees' Retirement System (ERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Comptroller of the State of New York for non-certificated (not licensed to teach in New York State) employees of the District. The ERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

Funding Policy

Plan members who joined the ERS before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 who have less than 10 years of service or membership are required to contribute three percent of their annual salary. Employees joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3% of their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. The Comptroller of the State of New York certifies the rates expressed as proportions of members' payroll annually, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The District is required to contribute at an actuarially determined rate. The District has also elected to participate in the ERS Contribution Stabilization Program under the Chapter 57, Laws of 2010. This program gives employers the option to amortize a portion of their annual NYSERS pension costs in equal installments over a ten-year period at an annually set interest rate. The liability recorded at June 30, 2014 reflects a contribution rate of 12.3% for the ERS. As part of the ERS pension smoothing program, \$1,234,449 was deferred in association with 4<sup>th</sup> quarter 2013-14 pension costs. This deferral will be amortized over 10 years with repayment beginning in fiscal 2014-15. Total repayment costs are projected to be \$1,497,065, including interest.

The required contributions paid for the current year and two preceding years were:

<u>Fiscal Year</u>	<u>Contributions</u>
2013-14	\$ 14,303,779
2012-13	12,341,004
2011-12	10,296,085

The District's contributions made to the ERS were equal to 100 percent of the contributions required for each year. As part of the 2013-14 contributions paid, \$379,142 was related to salary reconciliations and prior year adjustments and \$842,421 was related to the 2010 Early Retirement Incentive offered by New York State. Both amounts include early payment discounts.

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**3. Pension Liability as of June 30, 2014**

<b>Fund Group</b>	<b>Employee's Retirement System</b>	<b>Teachers' Retirement System</b>	<b>Total Retirement System</b>
General	\$ 2,586,951	\$ 32,844,478	\$ 35,431,429
Special Aid	208,887	6,102,452	6,311,339
School Food Service	317,246	-	317,246
Capital Projects	37,552	308	37,860
Agency	167,205	2,033,627	2,200,832
<b>Total</b>	<u>\$ 3,317,841</u>	<u>\$ 40,980,865</u>	<u>\$ 44,298,706</u>

As part of the General fund's current liability for the Employee's Retirement System, \$850,072 is associated with the NYSERS Early Retirement Incentive offered by New York State in 2010. The District's total cost for this incentive is projected to be \$4,250,355, to be repaid in five equal installments, the first of which was paid during fiscal 2011-12. The balance due to the NYSERS at June 30, 2014 is \$850,073. As part of the General fund's current liability for the Teachers' Retirement System, \$2,824,040 is associated with the NYSTRS Early Retirement Incentive offered by New York State in 2010. The District's total cost for this incentive is projected to be \$14,115,719 to be repaid in five equal installments, the first of which was paid during fiscal 2011-12. The balance due to the NYSTRS at June 30, 2014 is \$2,824,040.

**4. Payroll**

The total payroll for all employees of the District for the fiscal year 2013-14 was \$332,462,887 of which \$67,456,371 represented payroll costs for employees covered by the ERS, \$254,567,297 by the TRS, and \$10,439,219 for nonparticipating employees. All full-time teachers are mandatory members.

Required contributions made in 2013-14, excluding any early retirement contributions, and the percentage of covered payrolls for the billing period for the systems were as follows:

	Employees' Retirement System	% of Covered Payroll	Teachers' Retirement System	% of Covered Payroll	Total	% of Covered Payroll
Employer	\$13,461,358	20.0	\$27,910,410	11.0	\$41,371,768	12.8
Employees	<u>2,099,718</u>	<u>3.1</u>	<u>1,930,594</u>	<u>0.8</u>	<u>4,030,312</u>	<u>1.3</u>
<b>Total</b>	<u>\$15,561,076</u>	<u>23.1</u>	<u>\$29,841,004</u>	<u>11.8</u>	<u>\$45,402,080</u>	<u>14.1</u>



**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**C. Post-Employment Health Care Benefits**

Plan Description

The Rochester City School District maintains a self-funded single-employer, post-retirement health care plan administered by Excellus. A publicly available financial report that includes financial statements and required supplementary information may be obtained by writing to Excellus Blue Cross Blue Shield of Rochester, Attn: Corporate Communications 165 Court Street Rochester, NY 14647.

Funding Policy

Provided an employee has at least ten consecutive years of continuous employment with the District prior to the date of retirement, the employee is eligible for retiree health benefits. Per the various collective bargaining agreements, which are subject to future renegotiation, the District may pay the full cost of retiree health benefits for some retirees under 65 years of age. Other retirees, depending on date of hire, may contribute 15% towards their retiree benefits. Retirees who are under 65 years of age currently have 2 insurance plans to choose from.

Upon eligibility for Medicare, the District, per its collective bargaining agreements, will pay the full premium cost for the Basic Plan towards the Medicare Supplemental Plan premium. If the retiree chooses to enroll in Medicare Blue Choice, Health Maintenance Organization (HMO) Plan or the Retiree Enhanced Plan, an Exclusive Provider Organization (EPO) Plan, the District will contribute the equivalent dollar value of the Basic Plan toward the HMO/EPO premium. The retiree pays the difference between the District contribution and the actual HMO/EPO premium.

The District finances its post-employment health care benefit on a pay-as-you-go basis. The expenditure recognized at June 30, 2014 for this purpose was \$18,656,726. The number of participants enrolled in the District's retirees' health insurance group was 4,167 retirees, excluding survivors, for which there is no cost to the District.

Annual OPEB Cost and Net OPEB Obligation

The annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's components of the annual OPEB cost for the fiscal year 2013-14, the amount actually contributed to the plan, and changes in the District's net OPEB obligation are:

Annual required contribution	\$ 39,230,034
Interest on net OPEB obligation	7,027,084
Adjust to annual required contribution	<u>(11,504,738)</u>
Annual OPEB cost (expense)	34,752,380
Contributions made	<u>(18,656,726)</u>
Increase in net OPEB obligation	16,095,654
Net OPEB obligation - July 1, 2013	<u>175,677,108</u>
Net OPEB obligation - July 1, 2014	<u><u>\$ 191,772,762</u></u>

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2013-14 were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contribution</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2014	\$ 34,752,380	53.7	\$ 191,772,762
6/30/2013	\$ 29,302,568	52.7	\$ 175,677,108
6/30/2012	\$ 27,550,751	53.2	\$ 161,805,953

Funded Status and Funding Progress

As of the most recent valuation date of July 1, 2013, the OPEB plan was unfunded, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$453.8 million. As previously mentioned, the District's post-retirement medical plan's benefits are funded on a pay-as-you-go-basis (a cash basis as benefits are paid). No assets have been segregated and restricted to provide post-retirement benefits. The District has, however, opted to commit \$20,889,758 of its General fund balance for future OPEB costs as of June 30, 2014. Because these funds are not part of the restricted fund balance, they are not an indication of plan funding.

The total annual payroll for all employees of the District for the fiscal year 2013-14 who are eligible for postretirement benefits is \$300,895,032. The ratio of the unfunded actuarial accrued liability at June 30, 2014 to annual covered payroll for 2013-14 is 151%. A schedule of funding progress which presents multi-year information immediately follows the notes to the financial statements.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Liabilities were computed using the projected unit credit method and are amortized on a level dollar open basis using a thirty year amortization period. The actuarial assumptions utilized a 4% discount rate. Because the plan is unfunded, reference to the District's general assets which are short-term in nature (such as money market funds) were considered in the selection of the 4% rate. The valuation assumes a 9% healthcare cost trend increase, beginning in calendar year 2015, trending downward by 1% per year until calendar year 2019 at which time the trend is projected to increase by 5% in calendar year 2019 and later. Healthcare inflation is applied in 2015, since cost projections (rates) are known in 2014, costs are treated as fixed for calendar year 2014.

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

Medical Reimbursement Account

The District's Medicare Part D prescription drug subsidy, which reduces the cost of retiree healthcare premiums, is accrued as revenue only in the current year. Subsidies for future years cannot be recognized as a reduction to the actuarial accrued liability.

Effective January 1, 2002, the District established a Medical Reimbursement Account (MRA) for qualified retirees per the collective bargaining agreement between the District and Association of Supervisors and Administrators of Rochester for an attendance incentive. During fiscal year 2013-14, MRA claims totaling \$29,838 were paid by the District and at June 30, 2014 there were twenty nine active participants.

**D. The Rochester Joint Schools Construction Board**

The City of Rochester, New York (the "City") and the City School District of Rochester New York (the "District") entered into a cooperative agreement in January 2010 to create the Rochester Joint Schools Construction Board (the "RJSCB"). The RJSCB includes seven members: Three are appointed by the Superintendent of Schools; three are appointed by the Mayor of the City of Rochester; and the seventh is appointed by mutual agreement by the Superintendent and Mayor.

The Facilities Modernization Program (the "FMP") will be executed in three phases; the RJSCB has been charged with overseeing the FMP. The RJSCB has contracted with the Gilbane Building Co., partnering with Savin Engineers, as the Program Manager of Phase I of the FMP. Gilbane began work in July 2010 and is responsible for managing and administering program design and construction at the direction of the RJSCB. Phase I of the program is well underway and expected to total \$325 million in school renovation expenditures in up to thirteen bonded projects. The next Phase, Phase II of the FMP program, is currently pending legislative approval in the NYS legislature. Including Phases II and III, the FMP is expected to span nearly two decades, totaling approximately \$1.2 billion and will be the largest public works project in Rochester's history.

Financing of RJSCB

The RJSCB is anticipating obtaining approximately \$55 million in additional permanent financing for the final portion of Phase I of the FMP in the winter of 2015. The bond funds will be used for construction project expenditures associated with the final three schools to be renovated in Phase I-C of the program.

**E. Contingent Liabilities**

The District is typically a respondent/defendant in various claims and lawsuits arising from alleged personal injuries, property damages, civil rights violations, employment/labor matters, and construction contract disputes. The number of such claims and lawsuits, from the Notice of Claim stage through the end of the appellate process, varies as new claims are served and other matters concluded by motion, judgment, settlement or expiration of the statute of limitations throughout the year. The final outcomes of these claims and lawsuits in a given year cannot be predicted with any degree of accuracy. A liability is reported in the financial statements in the amount of \$2,800,000 relative to fifteen separate cases which were pending as of June 30, 2014.

In the normal course of building renovation, a site containing asbestos or lead paint may be disturbed. The District maintains contracts with professional asbestos abatement and remediation specialists to handle these occurrences. As of the fiscal year ended June 30, 2014, the District has reserved and encumbered approximately \$158,668 in asbestos abatement and air monitoring

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

related contracts for active renovation projects. The District has evaluated and determined that there are no other specific pollution related obligations as of June 30, 2014. As a precaution, as of June 30, 2014 the District has set aside an additional \$65,088 in funds which could be used for other pollution remediation obligations should the need arise.

**F. Related Party Transactions**

The District receives certain services from vendors in which a board member(s) is a vested employee. These services amounted to approximately \$1.3 million for the year ended June 30, 2014 for the Catholic Family Center, the Rochester Area Community Foundation, the Hillside Work Scholarship Connection, the Rochester Museum and Science Center, the Ibero-American Action League, and the Baden Street Settlement of Rochester. At June 30, 2014, the District had \$215,992 in outstanding accounts payable with these vendors.

**G. Calculation of Net Investment in Capital Assets**

Capital assets		\$888,355,146
Less: Depreciation	\$315,840,730	
Related outstanding debt	<u>345,632,049</u>	
Net investment in capital assets		<u>\$226,882,367</u>

The related outstanding debt comprises the following:

Bonds payable	\$379,210,000
BANs payable	4,000,000
Installment purchase debt	<u>9,556,959</u>
	392,766,959
Less: Unspent proceeds	<u>(47,134,910)</u>
	<u>\$345,632,049</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**ROCHESTER CITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**Schedule of Funding Progress**

	<b><u>2011-12</u></b>	<b><u>2012-13</u></b>	<b><u>2013-14</u></b>
Actuarial accrued liability (AAL)	\$501,925,107	\$412,815,069	\$453,820,582
Actuarial value of assets	-	-	-
Unfunded AAL	<u>\$501,925,107</u>	<u>\$412,815,069</u>	<u>\$453,820,582</u>
Funded ratio	0%	0%	0%
Covered payroll	\$ 284,840,686	\$ 288,140,402	\$ 300,895,032
Unfunded AAL as a percentage of covered payroll	176.21%	143.27%	150.82%

**Schedule of Employer Contributions**

<b><u>Fiscal Year Ended</u></b>	<b><u>Employer Contribution</u></b>
6/30/2014	\$ 18,656,726
6/30/2013	\$ 15,431,413
6/30/2012	\$ 14,652,284

**ROCHESTER CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) – GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General Fund			
	Budgeted Amounts			Variance With
	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	
<b>REVENUES</b>				
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ 250,000	\$ 210,000	\$ 204,416	\$ (5,584)
Intergovernmental	119,100,000	119,100,000	119,100,000	-
Other	5,982,714	7,895,430	7,869,992	(25,438)
State Sources	476,144,024	480,381,705	480,441,902	60,197
Federal Sources	2,100,000	2,100,000	2,131,336	31,336
<b>Total Revenues</b>	<u>603,576,738</u>	<u>609,687,135</u>	<u>609,747,646</u>	<u>60,511</u>
<b>EXPENDITURES</b>				
Current:				
General Support:				
Staff	5,654,429	4,416,381	4,169,198	247,183
Central Services	40,559,979	40,221,958	39,329,349	892,609
Other	10,236,491	10,014,486	9,904,696	109,790
Instructional				
Teaching -- Regular School	166,790,078	164,371,832	164,177,270	194,562
Special Apportionment Programs	89,462,180	96,666,466	95,714,709	951,757
Other	66,749,073	65,277,607	65,020,771	256,836
Pupil Transportation	60,961,022	61,599,961	61,469,797	130,164
Community Services	474,391	593,491	569,255	24,236
Employee Benefits				
Retirement	37,699,788	45,543,986	43,859,551	1,684,435
Social Security	19,678,681	20,874,481	20,815,828	58,653
Health Insurance	65,704,640	64,335,324	64,051,261	284,063
Workers' Compensation	3,260,000	3,630,312	3,531,154	99,158
Other	5,936,671	5,447,955	5,274,632	173,323
Debt Service	3,257,368	3,074,929	3,055,308	19,621
<b>Total Expenditures</b>	<u>576,424,791</u>	<u>586,069,169</u>	<u>580,942,779</u>	<u>5,126,390</u>
<b>Excess of Revenues Over Expenditures</b>	<u>27,151,947</u>	<u>23,617,966</u>	<u>28,804,867</u>	<u>5,186,901</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	4,645,152	8,919,088	9,190,021	270,933
Transfers Out	(40,126,040)	(44,651,995)	(44,651,178)	817
<b>Total Other Financing Sources (Uses)</b>	<u>(35,480,888)</u>	<u>(35,732,907)</u>	<u>(35,461,157)</u>	<u>271,750</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses Budget Basis</b>	<u>\$ (8,328,941)</u>	<u>\$ (12,114,941)</u>	<u>(6,656,290)</u>	<u>\$ 5,458,651</u>
Encumbrances Included in Actual			495,320	
<b>Excess of Revenues and Other Sources Over Expenditures, Encumbrances and Other Uses</b>			(6,160,970)	
Expenditure of Prior Years' Encumbrances			(133,022)	
<b>Excess of Revenues and Other Sources Over Expenditures and Other Uses</b>			(6,293,992)	
<b>Fund Balance -- Beginning of Year</b>			<u>83,433,818</u>	
<b>Fund Balance -- End of Year</b>			<u>\$ 77,139,826</u>	

**ROCHESTER CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) – SPECIAL AID FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>Special Aid Fund</b>				
<b>Budgeted Amounts</b>				
<b>REVENUES</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
Local Sources	\$ 3,110,085	\$ 4,763,473	\$ 3,608,300	\$ (1,155,173)
State Sources	30,606,250	35,489,744	33,008,363	(2,481,381)
Federal Sources	64,683,940	82,733,359	71,200,222	(11,533,137)
<b>Total Revenues</b>	<b>98,400,275</b>	<b>122,986,576</b>	<b>107,816,885</b>	<b>(15,169,691)</b>
<b>EXPENDITURES</b>				
Current:				
General Support:				
Central Services	5,620	33,409	14,186	19,223
Other	2,579,844	4,228,450	2,534,728	1,693,722
Instructional				
Teaching -- Regular School	29,271,061	38,269,394	35,638,344	2,631,050
Special Apportionment Programs	17,967,551	19,937,007	18,799,107	1,137,900
Other	26,890,512	35,797,166	31,234,173	4,562,993
Pupil Transportation	1,470,514	3,092,635	2,364,922	727,713
Community Services	-	1,000	500	500
Employee Benefits				
Retirement	6,682,486	7,969,094	6,427,088	1,542,006
Social Security	3,728,137	3,733,171	3,732,527	644
Health Insurance	8,248,966	8,085,436	6,666,250	1,419,186
Workers' Compensation	785,687	959,514	775,394	184,120
Other	769,897	605,650	485,682	119,968
<b>Total Expenditures</b>	<b>98,400,275</b>	<b>122,711,926</b>	<b>108,672,901</b>	<b>14,039,025</b>
<b>Excess of Revenues Over Expenditures</b>	<b>-</b>	<b>274,650</b>	<b>(856,016)</b>	<b>(1,130,666)</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers In	-	-	1,130,666	1,130,666
Transfers Out	-	(274,650)	(274,650)	-
<b>Total Other Financing Sources</b>	<b>-</b>	<b>(274,650)</b>	<b>856,016</b>	<b>1,130,666</b>
<b>Excess of Revenues and Other Sources Over Expenditures Budget Basis</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>Fund Balance -- Beginning of Year</b>			<b>-</b>	
<b>Fund Balance -- End of Year</b>			<b>\$ -</b>	



**ROCHESTER CITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) – SCHOOL FOOD SERVICE FUND**  
**YEAR ENDED JUNE 30, 2014**

<b>School Food Service Fund</b>				
<b>Budgeted Amounts</b>				
<b>REVENUES</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
Local Sources:				
Other	\$ 300,000	\$ 150,000	\$ 86,602	\$ (63,398)
State Sources	669,500	561,865	535,346	(26,519)
Federal Sources	18,303,771	19,377,884	19,320,993	(56,891)
<b>Total Revenues</b>	<b>19,273,271</b>	<b>20,089,749</b>	<b>19,942,941</b>	<b>(146,808)</b>
<b>EXPENDITURES</b>				
Current:				
General Support:				
Other	15,946,496	16,671,582	15,711,396	960,186
Employee Benefits				
Retirement	793,750	1,252,622	1,197,569	55,053
Social Security	485,775	476,715	466,992	9,723
Health Insurance	1,874,250	1,844,861	1,843,131	1,730
Workers' Compensation	104,000	103,692	99,913	3,779
Other	69,000	107,277	65,964	41,313
<b>Total Expenditures</b>	<b>19,273,271</b>	<b>20,456,749</b>	<b>19,384,965</b>	<b>1,071,784</b>
 <b>Surplus/(Deficiency) of Revenues Over Expendi</b>	 <b>-</b>	 <b>(367,000)</b>	 <b>557,976</b>	 <b>924,976</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers In	-	87,000	87,000	-
Transfers Out	-	-	-	-
<b>Total Other Financing Sources</b>	<b>-</b>	<b>87,000</b>	<b>87,000</b>	<b>-</b>
 <b>Appropriation of Prior Year Fund Balance</b>	 <b>-</b>	 <b>280,000</b>	 <b>-</b>	 <b>(280,000)</b>
<b>Surplus of Revenues Over Expenditures Budget Basis</b>	<b>\$ -</b>	<b>\$ -</b>	<b>644,976</b>	<b>\$ 644,976</b>
 <b>Fund Balance -- Beginning of Year</b>			 805,997	
<b>Fund Balance -- End of Year</b>			<b>\$ 1,450,973</b>	

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**SUPPLEMENTAL FINANCIAL STATEMENTS AND SCHEDULES**

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**ROCHESTER CITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES, AND OTHER USES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2014**  
(continued next page)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year Revenues</u>	<u>Over (Under) Amended Budget</u>
<b>Revenues</b>				
Local Sources:				
Use of Money and Property	\$ 250,000	\$ 210,000	\$ 204,416	\$ (5,584)
Intergovernmental	119,100,000	119,100,000	119,100,000	-
Charges for Services	1,385,000	1,530,000	1,605,929	75,929
Miscellaneous	4,597,714	6,365,430	6,264,063	(101,367)
State Sources	476,144,024	480,381,705	480,441,902	60,197
Federal Sources	2,100,000	2,100,000	2,131,336	31,336
<b>Total Revenues</b>	<u>603,576,738</u>	<u>609,687,135</u>	<u>609,747,646</u>	<u>60,511</u>
<b>Other Sources</b>				
Transfers in	4,645,152	8,919,088	9,190,021	270,933
<b>Total Other Sources</b>	<u>4,645,152</u>	<u>8,919,088</u>	<u>9,190,021</u>	<u>270,933</u>
<b>Total Revenues and Other Sources</b>	<u>\$ 608,221,890</u>	<u>\$ 618,606,223</u>	<u>\$ 618,937,667</u>	<u>\$ 331,444</u>

**ROCHESTER CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES, AND OTHER USES  
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) - GENERAL FUND  
YEAR ENDED JUNE 30, 2014**

(continued next page)

<b>Expenditures</b>	<b><u>Original Budget</u></b>	<b><u>Final Budget</u></b>
General Support:		
Staff	\$ 5,654,429	\$ 4,416,381
Central Services	40,559,979	40,221,958
Board of Education	577,274	589,032
Central Administration	1,071,266	786,489
Finance	4,369,009	4,084,460
Other	4,218,941	4,554,505
Instructional		
Teaching - Regular School	166,790,078	164,371,832
Programs for Children with Handicapping Conditions	85,172,316	96,666,466
Occupational Education	4,289,865	3,474,433
Instruction, Administration and Improvement	38,205,830	37,115,421
Teaching - Special Schools	3,904,386	2,315,385
Instructional Media	2,635,835	2,423,091
Pupil Services	22,003,022	19,949,277
Pupil Transportation	60,961,022	61,599,961
Community Services	474,391	593,491
Employee Benefits:		
Retirement	37,699,788	45,543,986
Social Security	19,678,681	20,874,481
Health Insurance	65,704,640	64,335,324
Workers' Compensation	3,260,000	3,630,312
Other	5,936,671	5,447,955
Debt Service		
Principal	3,090,701	2,811,529
Interest	166,667	263,400
<b>Total Expenditures</b>	576,424,791	586,069,169
<b>Other Uses</b>		
Transfers Out	40,126,040	44,651,995
<b>Total Expenditures and Other Uses</b>	616,550,831	630,721,164
<b>Excess of Revenues and Other Sources Over</b>		
<b>Expenditures and Other Uses</b>	\$ (8,328,941)	\$ (12,114,941)

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<b><u>Current Year's</u></b> <b><u>Expenditures</u></b>	<b><u>Encumbrances</u></b>	<b><u>Unencumbered</u></b> <b><u>Balance</u></b>
\$ 4,169,198	\$ -	\$ 318,526
39,329,349	-	485,031
586,506	-	15,929
782,474	-	10,094
4,223,805	-	54,849
4,311,911	-	1,340,353
164,113,992	63,277	(8,248,283)
89,693,512	2,469	(2,330,184)
6,018,728	-	(13,095)
38,405,030	8,798	(218,549)
2,246,984	-	149,176
2,706,601	12,861	3,191,552
21,322,490	318,007	(436,226)
61,379,890	89,908	(626,516)
569,255	-	101,504
43,859,551	-	(6,433,874)
20,815,828	-	(1,066,553)
64,051,261	-	952,850
3,531,154	-	706,463
5,274,632	-	1,910,878
2,798,683	-	4,314,819
256,625	-	1,530,679
<u>580,447,459</u>	<u>495,320</u>	<u>(4,290,577)</u>
44,651,178	-	(9,866,510)
<u>625,098,637</u>	<u>\$ 495,320</u>	<u>\$ (14,157,087)</u>
<u>\$ (6,160,970)</u>		

**ROCHESTER CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) – DEBT SERVICE FUND  
YEAR ENDED JUNE 30, 2014**

<b>Debt Service Fund</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
<b>REVENUES</b>				
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ 4,645,152	\$ 46,283	\$ 46,283	\$ -
<b>Total Revenues</b>	<u>4,645,152</u>	<u>46,283</u>	<u>46,283</u>	<u>-</u>
<b>EXPENDITURES</b>				
Debt Service	36,833,512	36,833,512	36,833,512	-
<b>Total Expenditures</b>	<u>36,833,512</u>	<u>36,833,512</u>	<u>36,833,512</u>	<u>-</u>
<b>Deficiency of Revenues Over Expenditures</b>	<u>(32,188,360)</u>	<u>(36,787,229)</u>	<u>(36,787,229)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	36,833,512	36,833,512	36,833,512	-
Transfers (Out)	(4,645,152)	(46,283)	(46,283)	-
<b>Total Other Financing Sources (Uses)</b>	<u>32,188,360</u>	<u>36,787,229</u>	<u>36,787,229</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance -- Beginning of Year</b>			<u>-</u>	
<b>Fund Balance -- End of Year</b>			<u>\$ -</u>	

**ROCHESTER CITY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2014**

<u>Ordinance Number</u>	<u>Project Title</u>	<u>Expenditures to Date</u>			<u>Unexpended Balance</u>
		<u>Appropriation</u>	<u>Prior Years</u>	<u>Current Year</u>	
10-009	Facility Capital Improvements	\$ 13,110,000	\$ 10,516,157	\$ 2,593,843	\$ -
11-087	Facility Capital Improvements	12,507,000	8,665,549	3,841,451	-
12-456	Facility Capital Improvements	14,125,000	1,182,693	6,883,889	6,058,418
13-007	Facility Capital Improvements	4,000,000	-	4,000,000	-
	Facility Capital Improvements - Rec Centers	131,802	-	131,802	-
	Accrued Capital Improvements	-	1,453,278	422,889	(1,876,167)
	Cash - Capital Improvements	17,413,279	-	6,828,814	10,584,465
	<b>Totals</b>	<b>\$ 61,287,081</b>	<b>\$ 21,817,677</b>	<b>\$ 24,702,688</b>	<b>\$ 14,766,716</b>

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# STATISTICAL



## STATISTICAL SECTION

The Statistical Section of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

- ◆ Financial Trends (Page 84-90) – These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.
- ◆ Revenue Capacity (Page 91-94) – These schedules contain information to help the reader assess the government's most significant local revenue sources.
- ◆ Debt Capacity (Page 95-99) – These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.
- ◆ Demographic and Economic Information (Page 100-101) – These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.
- ◆ Operating Information (Page 102-106) – These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

**ROCHESTER CITY SCHOOL DISTRICT  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities					
Net investment in capital assets	\$ 225,824,893	\$ 235,983,192	\$ 216,602,246	\$ 229,418,070	\$ 231,461,078
Unrestricted (Deficit)	(1,919,237)	(18,403,117)	(10,146,254)	(54,652,221)	(70,682,248)
Total governmental activities net position	<u>\$ 223,905,656</u>	<u>\$ 217,580,075</u>	<u>\$ 206,455,992</u>	<u>\$ 174,765,849</u>	<u>\$ 160,778,830</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities					
Net investment in capital assets	\$ 227,098,515	\$ 224,868,075	\$ 226,080,564	\$ 231,321,889	\$ 226,882,367
Unrestricted (Deficit)	(78,288,628)	(133,132,558)	(142,832,981)	(170,834,732)	(181,012,294)
Total governmental activities net position	<u>\$ 148,809,887</u>	<u>\$ 91,735,517</u>	<u>\$ 83,247,583</u>	<u>\$ 60,487,157</u>	<u>\$ 45,870,073</u>

**ROCHESTER CITY SCHOOL DISTRICT  
CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)**

(continued next page)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Expenditures</b>				
General Support:				
Board of Education	\$ 314,508	\$ 510,766	\$ 713,240	\$ 685,664
Chief School Administrator	1,412,019	1,759,223	1,744,079	2,150,794
Finance	4,043,141	4,702,380	5,281,980	5,328,334
Staff	5,818,293	6,142,232	6,889,084	6,659,097
Central Services	57,004,185	61,794,979	64,195,225	73,464,586
Other	5,041,851	7,044,988	7,663,524	21,539,394
Total General Support	<u>73,633,997</u>	<u>81,954,568</u>	<u>86,487,132</u>	<u>109,827,869</u>
Instruction:				
Administration and Improvement	47,502,458	60,021,443	63,520,800	63,961,427
Teaching	317,246,258	331,183,625	349,523,934	385,363,331
Instructional Media	9,195,842	9,332,398	8,340,253	8,514,516
Pupil Services	22,596,376	28,065,827	30,938,342	30,168,305
Other	132,667	142,409	-	-
Total Instruction	<u>396,673,601</u>	<u>428,745,702</u>	<u>452,323,329</u>	<u>488,007,579</u>
Pupil Transportation	43,025,106	46,551,303	53,138,656	54,899,360
Community Services	5,714,748	5,827,974	5,725,482	7,821,082
Interest on Long-Term Debt	516,667	6,208,775	8,264,944	7,918,829
Depreciation-Unallocated	6,954,610	8,145,544	7,982,633	-
Interest Short-Term	9,689,751	-	-	-
Total Expenditures	<u>536,208,480</u>	<u>577,433,866</u>	<u>613,922,176</u>	<u>668,474,719</u>
<b>Program Revenues</b>				
Charges for Services:				
Central Services	13,795,167	14,264,883	13,854,118	14,620,109
Teaching	2,086,176	1,753,777	1,851,229	1,376,696
Operating Grants and Contributions	117,350,776	127,617,343	145,456,653	90,671,547
Total Program Revenues	<u>133,232,119</u>	<u>143,636,003</u>	<u>161,162,000</u>	<u>106,668,352</u>
<b>Net (Expense)/Revenue</b>	<u>(402,976,361)</u>	<u>(433,797,863)</u>	<u>(452,760,176)</u>	<u>(561,806,367)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Intergovernmental (Unrestricted)	119,100,000	119,566,784	119,100,000	119,100,000
Use of Money & Property	2,771,426	3,883,000	4,471,842	4,286,033
Interfund Reimbursements	2,050,308	2,322,847	2,594,188	2,322,353
State & Federal Aid	235,155,380	261,752,923	275,251,427	350,011,056
Lottery Aid	62,650,171	38,360,455	38,056,468	48,015,993
Miscellaneous	1,350,540	1,586,273	2,940,015	4,475,430
Total General Revenues and Other Changes in Net Position	<u>423,077,825</u>	<u>427,472,282</u>	<u>442,413,940</u>	<u>528,210,865</u>
<b>Change in Net Position</b>	<u>\$ 20,101,464</u>	<u>\$ (6,325,581)</u>	<u>\$ (10,346,236)</u>	<u>\$ (33,595,502)</u>

<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
\$ 678,153	\$ 700,462	\$ 845,542	\$ 937,364	\$ 804,532	\$ 851,052
3,263,226	2,625,789	2,935,381	823,745	1,018,962	1,060,023
5,781,686	6,060,425	6,446,125	5,624,636	5,957,755	6,453,880
6,987,989	7,030,907	7,813,587	6,337,641	6,016,143	6,098,968
74,596,293	75,301,682	74,794,471	71,636,605	74,430,768	76,772,621
3,617,425	9,593,834	5,533,657	6,461,292	8,665,885	8,255,958
<u>94,924,772</u>	<u>101,313,099</u>	<u>98,368,763</u>	<u>91,821,283</u>	<u>96,894,045</u>	<u>99,492,502</u>
76,490,377	76,364,476	76,115,320	66,516,877	73,712,391	78,226,331
420,456,795	422,444,062	444,285,066	422,176,283	434,230,713	456,428,951
10,053,812	11,110,860	12,127,840	9,361,416	9,222,737	8,931,616
32,319,277	32,250,202	32,369,551	36,379,149	36,650,565	40,109,931
-	-	-	-	-	-
<u>539,320,261</u>	<u>542,169,600</u>	<u>564,897,777</u>	<u>534,433,725</u>	<u>553,816,406</u>	<u>583,696,829</u>
60,121,041	55,139,810	60,056,572	59,602,833	65,325,728	67,761,742
7,273,466	6,965,346	7,143,070	3,642,674	2,604,672	3,036,392
7,855,374	7,729,302	8,283,576	7,502,523	12,532,896	17,598,994
-	-	-	-	-	-
-	-	-	-	-	-
<u>709,494,914</u>	<u>713,317,157</u>	<u>738,749,758</u>	<u>697,003,038</u>	<u>731,173,747</u>	<u>771,586,459</u>
15,987,282	1,032,158	784,618	954,589	771,124	108,583
1,384,364	1,636,777	1,279,395	1,539,574	1,408,777	1,605,929
<u>95,492,259</u>	<u>101,612,225</u>	<u>107,490,316</u>	<u>103,192,159</u>	<u>101,980,675</u>	<u>107,816,885</u>
<u>112,863,905</u>	<u>104,281,160</u>	<u>109,554,329</u>	<u>105,686,322</u>	<u>104,160,576</u>	<u>109,531,397</u>
<u>(596,631,009)</u>	<u>(609,035,997)</u>	<u>(629,195,429)</u>	<u>(591,316,716)</u>	<u>(627,013,171)</u>	<u>(662,055,062)</u>
119,100,000	119,100,000	119,100,000	119,100,000	119,100,000	119,100,000
2,449,722	4,768,568	560,906	635,161	283,477	259,181
-	-	-	-	-	-
385,981,017	408,172,635	381,842,297	396,973,771	413,568,396	454,984,197
55,584,823	56,900,547	63,411,761	59,355,281	63,012,095	66,698,736
19,528,428	8,125,304	7,206,095	6,764,569	8,288,777	6,395,864
<u>582,643,990</u>	<u>597,067,054</u>	<u>572,121,059</u>	<u>582,828,782</u>	<u>604,252,745</u>	<u>647,437,978</u>
<u>\$ (13,987,019)</u>	<u>\$ (11,968,943)</u>	<u>\$ (57,074,370)</u>	<u>\$ (8,487,934)</u>	<u>\$ (22,760,426)</u>	<u>\$ (14,617,084)</u>

**ROCHESTER CITY SCHOOL DISTRICT  
FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)**

(continued next page)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund				
Nonspendable	\$ 827,760	\$ 1,212,305	\$ 5,642,167	\$ 1,814,956
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	71,304,813	67,472,133	75,261,382	41,096,379
Unassigned	7,140,477	8,468,136	1,889,359	4,932,662
Total General Fund	<u>\$ 79,273,050</u>	<u>\$ 77,152,574</u>	<u>\$ 82,792,908</u>	<u>\$ 47,843,997</u>
All Other Governmental Funds				
Nonspendable	\$ 495,948	\$ 437,812	\$ 635,325	\$ 573,374
Restricted	-	-	-	-
Assigned	1,562,511	1,957,864	1,825,301	1,140,361
Unassigned, Reported In:				
Capital Projects Fund	(18,437,189)	8,062,212	(12,496,754)	(17,580,328)
Miscellaneous Special Revenue	-	-	-	-
Total All Other Governmental Funds	<u>\$ (16,378,730)</u>	<u>\$ 10,457,888</u>	<u>\$ (10,036,128)</u>	<u>\$ (15,866,593)</u>
Total All Governmental Funds	<u>\$ 62,894,320</u>	<u>\$ 87,610,462</u>	<u>\$ 72,756,780</u>	<u>\$ 31,977,404</u>

Note: Fund balances for 2010 and years prior were reclassified with the implementation of GASB 54.

<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
\$ 2,293,454	\$ 39,546	\$ 4,405,058	\$ 6,589,163	\$ 5,408,822	\$ 9,015,204
-	-	-	-	4,735,764	655,408
-	-	-	32,588,485	32,588,485	32,588,485
42,234,704	58,297,595	40,728,264	21,995,142	21,357,946	20,309,554
15,694,610	19,064,883	26,557,687	19,188,648	19,342,801	14,571,175
<u>\$ 60,222,768</u>	<u>\$ 77,402,024</u>	<u>\$ 71,691,009</u>	<u>\$ 80,361,438</u>	<u>\$ 83,433,818</u>	<u>\$ 77,139,826</u>
\$ 448,225	\$ 458,729	\$ 99,138	\$ 311,363	\$ 328,690	\$ 324,307
-	-	-	-	-	47,508,944
1,559,873	1,436,907	871,767	118,409,508	180,847,158	1,126,667
(40,133,564)	9,502,422	(258,865)	(9,227,636)	-	10,584,466
-	-	(2,683,335)	-	-	-
<u>\$ (38,125,466)</u>	<u>\$ 11,398,058</u>	<u>\$ (1,971,295)</u>	<u>\$ 109,493,235</u>	<u>\$ 181,175,848</u>	<u>\$ 59,544,384</u>
<u>\$ 22,097,302</u>	<u>\$ 88,800,082</u>	<u>\$ 69,719,714</u>	<u>\$ 189,854,673</u>	<u>\$ 264,609,666</u>	<u>\$ 136,684,210</u>

**ROCHESTER CITY SCHOOL DISTRICT  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)**

(continued next page)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Revenues</b>				
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ 2,854,808	\$ 3,940,018	\$ 4,498,603	\$ 4,380,909
Intergovernmental	119,100,000	119,100,000	119,100,000	119,100,000
Other	6,869,870	10,505,226	11,185,487	10,797,977
State Sources	370,755,400	359,753,979	395,842,611	430,359,330
Federal Sources	74,778,884	75,785,223	71,062,237	68,476,550
Surplus Food	497,586	590,293	883,363	791,243
Sales	1,453,397	1,433,546	1,003,639	973,208
Total Revenues	<u>576,309,945</u>	<u>571,108,285</u>	<u>603,575,940</u>	<u>634,879,217</u>
<b>Expenditures</b>				
General Support:				
Staff	5,944,450	5,869,560	6,520,235	6,456,990
Central Services	43,205,701	44,112,304	45,109,819	47,704,150
Other	21,043,155	21,502,409	22,901,927	37,345,461
Instructional:				
Teaching - Regular School	182,841,073	178,786,025	190,111,522	203,630,068
Special Apportionment Programs	118,661,828	119,075,942	124,579,887	133,894,191
Other	91,603,365	106,223,360	112,126,140	118,085,930
Pupil Transportation	43,281,664	44,963,493	50,376,123	52,612,309
Community Services	5,714,431	5,738,203	5,628,977	6,042,832
Cost of Sales	6,113,966	6,064,727	6,050,396	6,321,146
Debt Service:				
Principal	21,604,395	16,288,306	19,739,667	18,156,921
Interest	7,613,274	7,463,175	8,264,944	7,898,563
Bond Issuance Costs	-	-	-	-
Capital Outlay	32,713,402	38,368,247	27,662,076	26,182,381
Total Expenditures	<u>580,340,704</u>	<u>594,455,751</u>	<u>619,071,713</u>	<u>664,330,942</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,030,759)	(23,347,466)	(15,495,773)	(29,451,725)
<b>Other Financing Sources (Uses)</b>				
Debt Proceeds	-	-	-	-
Refunding Bonds	-	-	-	-
Premium - Refunding Bonds	-	-	-	-
Premium - Bond Issuance	-	-	-	-
Payment to Escrow Agent	-	-	-	-
Long-term Debt	9,030,854	48,128,460	469,183	11,384,878
Transfers In	32,774,723	35,788,860	27,695,699	28,798,062
Transfers Out	(32,774,724)	(35,788,860)	(27,695,699)	(28,798,062)
Total Other Financing Sources (Uses)	<u>9,030,853</u>	<u>48,128,460</u>	<u>469,183</u>	<u>11,384,878</u>
Net Change in Fund Balances	<u>\$ 5,000,094</u>	<u>\$ 24,780,994</u>	<u>\$(15,026,590)</u>	<u>\$(18,066,847)</u>
Debt Service as a Percentage of Noncapital Expenditures	5.31%	4.26%	4.72%	4.04%



<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
\$ 2,449,722	\$ 4,768,568	\$ 560,907	\$ 635,161	\$ 283,477	\$ 259,181
119,100,000	119,100,000	119,100,000	119,100,000	119,100,000	119,100,000
16,191,725	15,986,384	10,777,116	12,165,277	10,880,816	11,635,498
485,631,182	455,650,093	445,210,158	465,764,197	485,713,741	530,317,736
72,673,518	107,728,741	104,692,597	89,528,198	91,398,802	94,495,300
925,780	929,925	932,137	1,018,851	942,062	1,078,482
911,798	576,984	402,473	303,420	94,423	83,178
<u>697,883,725</u>	<u>704,740,695</u>	<u>681,675,388</u>	<u>688,515,104</u>	<u>708,413,321</u>	<u>756,969,375</u>
6,672,969	6,762,646	7,179,406	6,260,911	5,906,382	5,945,247
47,594,354	49,382,721	47,243,300	46,538,877	48,276,855	50,247,733
21,578,298	27,687,396	24,116,618	23,116,314	26,068,647	27,484,179
222,394,714	225,292,202	236,502,568	235,738,366	244,680,729	254,351,913
137,509,226	142,065,048	136,643,687	135,977,745	139,182,252	143,521,920
133,518,980	134,904,890	131,741,908	129,632,899	136,515,099	146,998,875
56,587,073	52,287,872	54,614,418	58,064,582	63,362,758	66,443,629
7,124,911	6,773,889	6,844,001	3,479,242	2,446,372	2,882,036
6,960,822	7,211,720	7,454,503	7,930,286	8,861,406	7,994,917
14,779,453	13,578,018	18,385,022	18,127,741	33,554,888	22,556,679
8,009,606	6,790,890	8,984,972	7,190,572	13,921,980	17,332,137
-	-	-	-	2,091,497	-
<u>49,163,770</u>	<u>26,791,121</u>	<u>22,679,746</u>	<u>31,277,855</u>	<u>102,472,252</u>	<u>139,640,040</u>
<u>711,894,176</u>	<u>699,528,413</u>	<u>702,390,149</u>	<u>703,335,390</u>	<u>827,341,117</u>	<u>885,399,305</u>
(14,010,451)	5,212,282	(20,714,761)	(14,820,286)	(118,927,796)	(128,429,930)
-	-	-	-	738,164	504,474
-	-	-	-	37,785,000	-
-	-	-	-	3,309,791	-
-	-	-	-	20,780,819	-
-	-	-	-	(22,730,000)	-
2,043,200	61,490,498	1,634,393	134,955,245	153,799,015	-
30,711,359	58,286,742	33,153,924	37,096,372	46,564,991	54,001,937
<u>(30,711,359)</u>	<u>(58,286,742)</u>	<u>(33,153,924)</u>	<u>(37,096,372)</u>	<u>(46,564,991)</u>	<u>(54,001,937)</u>
<u>2,043,200</u>	<u>61,490,498</u>	<u>1,634,393</u>	<u>134,955,245</u>	<u>193,682,789</u>	<u>504,474</u>
<u>\$ (11,967,251)</u>	<u>\$ 66,702,780</u>	<u>\$ (19,080,368)</u>	<u>\$ 120,134,959</u>	<u>\$ 74,754,993</u>	<u>\$ (127,925,456)</u>
3.40%	3.00%	3.99%	3.71%	6.50%	5.06%

**ROCHESTER CITY SCHOOL DISTRICT**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE REAL PROPERTY**  
**LAST TEN FISCAL YEARS**  
(in thousands of dollars)

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Fiscal Year	Real Property - Total Direct Tax Rate per \$1,000 <sup>1</sup>			Estimated Actual Value <sup>3</sup>	Assessed Value as a Percentage of Actual Value <sup>2</sup>
	Assessed Value <sup>3</sup>	Homestead <sup>3</sup>	Non-Homestead <sup>3</sup>		
2005	5,105,807	\$20.12	\$44.32	5,204,696	98.10
2006	5,117,664	\$20.99	\$44.79	5,188,750	98.63
2007	5,151,480	\$21.20	\$45.19	5,673,436	90.80
2008	5,189,455	\$21.72	\$43.55	5,825,612	89.08
2009	5,747,600	\$20.57	\$40.67	6,056,480	94.90
2010	5,772,686	\$19.61	\$41.70	5,791,799	99.67
2011	5,777,374	\$19.50	\$42.23	5,779,108	99.97
2012	5,779,908	\$20.04	\$42.79	6,004,476	96.26
2013	5,910,992	\$19.32	\$42.98	5,967,082	99.06
2014	5,931,350	\$19.66	\$42.04	6,097,820	97.27

<sup>1</sup> The City partitions the assessment roll, and taxes properties based on Homestead and Non-Homestead classification. In accordance with Article 19 of the New York State Real Property Tax Law, the tax levy is apportioned between the Homestead and Non-homestead classes based on the relative taxable value of the two classes.

<sup>2</sup> Special Equalization Ratios established by New York State Office of Real Property Services

<sup>3</sup> Source - City Assessor

**ROCHESTER CITY SCHOOL DISTRICT  
PROPERTY TAX RATE PER THOUSAND  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

Year Ended 06/30	Class <sup>1</sup>	City of Rochester <sup>2</sup>		Overlapping	Total Direct & Overlapping Rate
		Rochester City School District	City of Rochester	Monroe County <sup>3</sup>	
2005	Homestead	13.78	6.34	9.27	29.39
	Non-Homestead	30.55	13.77	9.27	53.59
2006	Homestead	14.38	6.61	9.34	30.33
	Non-Homestead	30.87	13.92	9.34	54.13
2007	Homestead	14.53	6.67	9.40	30.60
	Non-Homestead	31.15	14.04	9.40	54.59
2008	Homestead	14.89	6.83	9.43	31.15
	Non-Homestead	30.02	13.53	9.43	52.98
2009	Homestead	14.98	5.59	10.26	30.83
	Non-Homestead	29.74	10.93	10.26	50.93
2010	Homestead	14.28	5.33	10.38	29.99
	Non-Homestead	30.49	11.21	10.38	52.08
2011	Homestead	14.11	5.39	10.44	29.94
	Non-Homestead	30.69	11.54	10.44	52.67
2012	Homestead	14.22	5.82	10.60	30.64
	Non-Homestead	30.49	12.30	10.60	53.39
2013	Homestead	13.71	5.61	10.70	30.02
	Non-Homestead	30.63	12.36	10.70	53.68
2014	Homestead	13.95	5.70	10.72	30.37
	Non-Homestead	29.95	12.09	10.72	52.76

<sup>1</sup>**Homestead** designates a classification of property owners authorized for property taxation under the New York State law applicable to Rochester. This class includes all one, two, and three family residential real property, including dwellings used in part for non-residential purposes but used primarily for residential purposes. All other real property is classified as **non-homestead**.

<sup>2</sup>Information provided by the City Assessor.

<sup>3</sup>Information provided in the Monroe County Budget, [www.monroecounty.gov](http://www.monroecounty.gov).

**ROCHESTER CITY SCHOOL DISTRICT  
 PRINCIPAL PROPERTY TAXPAYERS  
 CURRENT FISCAL YEAR AND NINE YEARS PRIOR  
 (in thousands of dollars)**

	2014			2005		
	Taxable Value	Rank	Percentage of Total Taxable Value <sup>1</sup>	Taxable Value	Rank	Percentage of Total Taxable Value <sup>2</sup>
Rochester Gas and Electric	\$ 613,723	1	10.35%	\$ 395,471	1	7.75%
Frontier Telephone Corporation	75,600	2	1.27	77,022	3	1.51
Eastman Kodak Company	70,868	3	1.19	150,501	2	2.95
Buckingham Properties / Samloff-Glazer	43,456	4	0.73	37,609	4	0.74
CSX (Conrail)	24,813	5	0.42	15,415	9	0.30
Maguire Family Properties	20,499	6	0.35	15,801	8	0.31
EJD Company	18,621	7	0.31	-	-	
NK - TCC Property, LLC	16,296	8	0.27	-	-	
Xerox Corporation	14,800	9	0.25	17,250	7	0.34
AP/AIM Rochester Hotel, LLC	14,800	10	0.25	-	-	
Pioneer/City Center	-	-		23,081	5	0.45
JP Morgan Chase	-	-		21,708	6	0.43
Landsman Development Corporation	-	-		13,924	10	0.27

<sup>1</sup> The total taxable assessed value of \$5,931,350 was used for fiscal year 2013-14 taxes

<sup>2</sup> The total taxable assessed value of \$5,105,807 was used for fiscal year 2004-05 taxes

Source: City Assessor

**ROCHESTER CITY SCHOOL DISTRICT  
CITY OF ROCHESTER PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(in thousands of dollars)**

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	178,380	163,293	91.54	9,531	172,824	96.89
2006	184,086	168,297	91.42	10,391	178,688	97.07
2007	189,822	174,245	91.79	10,214	184,459	97.17
2008	190,298	174,902	91.91	8,774	183,676	96.52
2009	196,088	181,218	92.42	7,826	189,044	96.41
2010	197,219	182,281	92.43	8,980	191,261	96.98
2011	201,211	185,325	92.10	9,306	194,631	96.73
2012	205,558	189,505	92.19	9,667	199,172	96.89
2013	206,013	190,291	92.37	8,565	198,856	96.53
2014	206,188	191,616	92.93	N/A	191,616	92.93

Notes: Beginning in fiscal year 1994-95, the District began receiving a revenue allocation in lieu of property taxes from the City of Rochester. The amount of the revenue allocation is based upon what the City and District agree to prior to the applicable fiscal year. Even though the District does not receive property taxes, the City calculates a tax levy for the District.

Source: City of Rochester, Department of Finance.

**ROCHESTER CITY SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

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<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>School Facility Revenue Bonds</b>	<b>Special School Purpose Revenue Bond</b>	<b>Special Program Revenue Bond</b>	<b>Installment Purchase Contracts</b>	<b>Total</b>	<b>Percentage of Personal Income <sup>1</sup></b>	<b>Per Capita <sup>2</sup></b>
2005	114,227,235	-	10,607,454	7,219,586	22,279,869	154,334,144	0.58	211
2006	147,522,348	-	8,982,526	5,907,490	22,385,298	184,797,662	0.67	253
2007	131,171,122	-	7,845,356	4,512,762	20,764,007	164,293,247	0.56	225
2008	127,318,629	-	6,648,580	3,035,402	18,860,874	155,863,485	0.51	213
2009	116,050,555	-	5,423,477	1,485,426	18,154,697	141,114,155	0.47	192
2010	166,374,111	-	4,142,064	-	16,657,111	187,173,286	0.60	251
2011	152,489,769	-	2,821,052	-	15,035,509	170,346,330	0.60	228
2012	262,655,400	-	1,435,796	-	12,465,626	276,556,822	0.80	370
2013	171,813,000	227,155,000	-	-	11,971,682	410,939,682	1.19	550
2014	155,400,000	223,810,000	-	-	9,556,959	388,766,959	1.13	520

<sup>1</sup> Per Capita Personal Income figures from US Dept of Commerce Bureau of Economic Analysis, [www.bea.gov](http://www.bea.gov), current year and prior year data not available, 2012 data used for 2013 and 2014.

<sup>2</sup> Population figures from US Dept of Commerce Bureau of Economic Analysis, [www.bea.gov](http://www.bea.gov), current year and prior year data not available, 2012 data used for 2013 and 2014.

**ROCHESTER CITY SCHOOL DISTRICT  
RATIOS OF GENERAL DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

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<b>Fiscal Year</b>	<b>Total General Obligation Debit</b>	<b>Less: Amounts Available for Debt</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita <sup>1</sup></b>
2005	\$ 114,227,235	\$ -	\$ 114,227,235	2.19%	155
2006	147,522,348	-	147,522,348	2.83	200
2007	131,171,122	-	131,171,122	2.31	177
2008	127,318,629	-	127,318,629	2.19	172
2009	116,050,555	-	116,050,555	1.92	156
2010	166,374,111	-	166,374,111	2.87	223
2011	152,489,769	-	152,489,769	2.64	205
2012	262,655,400	-	262,655,400	4.37	351
2013	171,813,000	4,735,764	167,077,236	2.80	223
2014	155,400,000	655,408	154,744,592	2.54	207

<sup>1</sup> Per Capita Personal Income figures from US Dept of Commerce Bureau of Economic Analysis, [www.bea.gov](http://www.bea.gov), current year and prior year data not available, 2012 data used for 2013 and 2014.

**ROCHESTER CITY SCHOOL DISTRICT  
DIRECT AND OVERLAPPING DEBT  
AS OF JUNE 30, 2014**

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Jurisdiction	Gross Debt Outstanding	Percentage Applicable to City	Amount Applicable to City
<b>Direct Debt:</b>			
Rochester City School District	\$ 408,524,959	97.66%	\$ 398,968,000
Sub Total - Direct Debt	<u>408,524,959</u>		<u>398,968,000</u>
<b>Overlapping Debt:</b>			
City of Rochester	216,155,000	100.00%	216,155,000
County of Monroe	404,656,595	14.81%	59,929,642
Sub Total - Overlapping Debt	<u>620,811,595</u>		<u>276,084,642</u>
<b>Total Direct and Overlapping Debt:</b>	<u>\$ 1,029,336,554</u>		<u>\$ 675,052,642</u>

**Notes:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. Source of data is City of Rochester Finance Department. The overlap percentage (14.81%) was set by the Monroe County Department of Finance and is based on the ratio of the City of Rochester's full valuation of real property to the total Monroe County full valuation of real property.



**ROCHESTER CITY SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Legal Debt Margin as a Percentage of the Debt Limit
2005	\$ 175,104,709	\$ 162,768,877	\$ 12,335,832	7.04%
2006	179,532,550	171,818,348	7,714,202	4.30
2007	182,546,850	173,914,122	8,632,728	4.73
2008	200,645,932	188,092,754	12,553,178	6.26
2009	203,319,911	199,065,280	4,254,631	2.09
2010	205,972,509	192,456,711	4,254,631	2.07
2011	206,453,503	177,809,769	28,643,734	13.87
2012	206,455,928	173,717,400	32,738,528	15.86
2013	206,975,273	171,813,000	35,162,273	16.99
2014	206,974,677	159,400,000	47,574,677	22.99

**Legal Debt Margin Calculation for Fiscal Year 2014**

Indebtedness	
Borrowings -- Bonds	\$ 155,400,000
Borrowings -- BANs	4,000,000
	159,400,000
Net Indebtedness	
Debt Limit (3.5%/9% of five-year average full valuation) <sup>1</sup>	206,974,677
Debt Contracting Margin <sup>2</sup>	\$ 47,574,677

<sup>1</sup> 3.5% of 9% limitation is pursuant to the City of Rochester Charter which states how the allocation of revenue and debt-incurring power between the City and City School District will be conducted

<sup>2</sup> Debt Contracting Margin Excludes All Debt Associated with the RJSCB/Facilities Modernization Program in accordance with State and Local Constitutional Law

**ROCHESTER CITY SCHOOL DISTRICT  
 PLEDGED-REVENUE COVERAGE  
 LAST TEN FISCAL YEARS**

Fiscal Year	Special Program Revenue Bond <sup>1</sup>				Special School Purpose Revenue Bond <sup>2</sup>			
	Revenue	Principal	Interest	Coverage	Revenue	Principal	Interest	Coverage
2005	\$ 1,257,008	\$ 1,257,008	\$ 470,015	0.73	\$ 1,063,246	\$ 1,063,246	\$ 413,344	0.72
2006	1,312,096	1,312,096	454,139	0.74	1,089,243	1,089,243	387,885	0.74
2007	1,394,728	1,394,728	345,972	0.80	1,137,170	1,137,170	316,812	0.78
2008	1,477,360	1,477,360	220,612	0.87	1,196,776	1,196,776	252,967	0.83
2009	1,549,976	1,549,976	203,207	0.88	1,225,103	1,225,103	239,576	0.84
2010	1,485,426	1,485,426	123,396	0.92	1,281,413	1,281,413	171,062	0.88
2011	-	-	-	0.92	1,321,012	1,321,012	130,020	0.91
2012	-	-	-	-	1,385,256	1,385,256	71,466	0.95
2013	-	-	-	-	1,435,796	1,435,796	39,531	0.97
2014	-	-	-	-	-	-	-	-

<sup>1</sup>This bond is backed by the New York State Municipal Bond Bank Agency, for the purpose of repaying the State for taxpayer refunds. Data derived from the New York State Municipal Bond Bank Agency.

<sup>2</sup>This bond is backed by the State Education Department, in accordance with state legislation to assist with operating expenses of the District. Data derived from the New York State Municipal Bond Bank Agency.

**ROCHESTER CITY SCHOOL DISTRICT  
DEMOGRAPHIC ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

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<b>Fiscal Year</b>	<b>Population - Monroe County<sup>1</sup></b>	<b>Personal Income - Monroe County<sup>1</sup> (in thousands)</b>	<b>Per Capita Personal Income - Monroe County<sup>1</sup></b>	<b>Unemployment Rate - Monroe County<sup>2</sup></b>
2005	738,506	\$ 26,432,592	\$ 35,792	4.6
2006	738,329	27,756,375	37,594	4.4
2007	739,249	29,338,061	39,686	4.5
2008	741,018	31,200,177	42,104	5.4
2009	743,386	30,153,246	40,562	8.0
2010	744,635	31,336,252	42,083	7.9
2011	745,625	32,728,163	43,894	7.8
2012	747,813	34,478,067	46,105	8.2
2013	N/A	N/A	N/A	7.1
2014	N/A	N/A	N/A	6.0

<sup>1</sup> Source: US Dept of Commerce Bureau of Economic Analysis, [www.bea.gov](http://www.bea.gov), current year and prior year data not available

<sup>2</sup> Source: NYS Dept of Labor, [www.labor.state.ny.us](http://www.labor.state.ny.us) (average rates computed through August 2014)

**ROCHESTER CITY SCHOOL DISTRICT  
 PRINCIPAL PRIVATE SECTOR EMPLOYERS IN THE ROCHESTER AREA  
 CURRENT YEAR AND NINE YEARS PRIOR**

Employer	2014			2005		
	Employees <sup>1</sup>	Rank	Percentage of Total Employment <sup>2</sup>	Employees <sup>1</sup>	Rank	Percentage of Total Employment <sup>2</sup>
University of Rochester/Strong Health	25,773	1	5.42%	16,565	1	3.24%
Rochester Regional Health System	13,986	2	2.94%	6,565	5	1.28%
Wegman's Food Markets Inc.	13,582	3	2.86%	14,897	3	2.91%
Xerox Corp.	6,722	4	1.41%	8,325	4	1.63%
Paychex Inc.	3,933	5	0.83%	-	-	-
Rochester Institute of Technology	3,781	6	0.79%	2,802	8	0.55%
Lifetime Healthcare Cos. Inc.	3,611	7	0.76%	3,642	7	0.71%
Sutherland Global Services, Inc	3,009	8	0.63%	-	-	-
YMCA of Rochester	2,841	9	0.60%	-	-	-
Tops Markets LLC	2,620	10	0.55%	2,307	10	0.45%
Eastman Kodak Co.	-	-	-	16,300	2	3.19%
Unity Health System	-	-	-	4,716	6	0.92%
Delphi Corp.	-	-	-	2,350	9	0.46%
	<u>79,858</u>		<u>16.79%</u>	<u>78,469</u>		<u>15.35%</u>

<sup>1</sup> Source Rochester Business Journal

<sup>2</sup> Employment source: [www.labor.state.ny.us](http://www.labor.state.ny.us)

Includes Monroe, Genesee, Livingston, Ontario, Orleans and Wayne counties.

**ROCHESTER CITY SCHOOL DISTRICT  
BUDGETED FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>General Support:</b>					
Board of Education	8	10	10	11	11
Chief School Administrator	9	8	9	8	10
Finance	53	55	58	54	56
Staff	41	43	51	48	48
Central Services	611	616	624	607	647
Other	-	4	1	-	-
Total General Support	<u>722</u>	<u>736</u>	<u>753</u>	<u>728</u>	<u>772</u>
<b>Instruction:</b>					
Administration and Improvement	570	617	644	644	678
Teaching	3,835	3,894	4,113	4,170	4,235
Instructional Media	68	68	70	72	72
Pupil Services	229	249	269	259	276
Pupil Transportation	132	136	137	137	132
Community Services	101	107	98	48	116
Unclassified	17	18	15	15	15
Total Instruction	<u>4,952</u>	<u>5,089</u>	<u>5,346</u>	<u>5,345</u>	<u>5,524</u>
<b>Total</b>	<u><u>5,674</u></u>	<u><u>5,825</u></u>	<u><u>6,099</u></u>	<u><u>6,073</u></u>	<u><u>6,296</u></u>
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>General Support:</b>					
Board of Education	11	8	8	10	11
Chief School Administrator	14	13	6	5	4
Finance	59	52	49	52	51
Staff	45	36	39	41	42
Central Services	636	568	555	589	605
Other	-	-	-	-	-
Total General Support	<u>765</u>	<u>677</u>	<u>657</u>	<u>697</u>	<u>713</u>
<b>Instruction:</b>					
Administration and Improvement	669	626	586	577	576
Teaching	4,033	3,737	3,483	3,527	3,375
Instructional Media	66	63	61	64	73
Pupil Services	271	238	313	334	318
Pupil Transportation	125	114	106	121	125
Community Services	109	110	38	35	31
Unclassified	15	14	12	10	10
Total Instruction	<u>5,288</u>	<u>4,902</u>	<u>4,599</u>	<u>4,668</u>	<u>4,508</u>
<b>Total</b>	<u><u>6,053</u></u>	<u><u>5,579</u></u>	<u><u>5,256</u></u>	<u><u>5,365</u></u>	<u><u>5,221</u></u>

**ROCHESTER CITY SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS**

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<b>Fiscal Year</b>	<b>Enrollment<sup>1</sup></b>	<b>Expenses<sup>2</sup></b>	<b>Cost Per Pupil</b>	<b>Percentage Change from Prior Year</b>	<b>Teaching Staff</b>	<b>Pupil-Teacher Ratio</b>	<b>Percentage of Students Receiving Free or Reduced-Priced Meals<sup>1</sup></b>
2005	33,035	\$ 536,208,480	\$ 16,232	5.5	3,835	8.6	86.2%
2006	33,380	577,433,866	17,299	6.6	3,894	8.6	88.4
2007	32,586	614,126,498	18,846	8.9	4,113	7.9	77.4
2008	32,717	668,838,299	20,443	8.5	4,170	7.8	79.3
2009	32,132	709,494,914	22,081	8.0	4,235	7.6	81.2
2010	31,654	713,317,157	22,535	2.1	4,033	7.8	83.6
2011	31,256	738,749,758	23,635	4.9	3,737	8.4	88.4
2012	30,693	697,003,038	22,709	-3.9	3,483	8.8	82.1
2013	29,523	731,173,747	24,766	9.1	3,527	8.4	100.0 <sup>3</sup>
2014	29,103	771,586,459	26,512	7.1	3,375	8.6	100.0 <sup>3</sup>

<sup>1</sup>Source: Rochester City School District Department of Research and Evaluation

<sup>2</sup>Expenses are presented on a Government-wide basis

<sup>3</sup>The Federal Community Based Option program was implemented in 2012-13, all students are now eligible for free meals

**ROCHESTER CITY SCHOOL DISTRICT  
OPERATING STATISTICS-CONTINUING DISCLOSURE COMPLIANCE  
LAST TEN FISCAL YEARS**

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<b>Fiscal Year</b>	<b>K-12 Enrollment</b>	<b>School Buildings <sup>1</sup></b>	<b>Teaching Staff</b>	<b>Administrative Personnel <sup>2</sup></b>	<b>Instructional Support <sup>3</sup></b>	<b>State Aid Received (in millions) <sup>4</sup></b>
2005	33,035	55	3,835	722	1,117	371
2006	33,380	54	3,894	736	1,195	360
2007	32,586	54	4,113	753	1,233	396
2008	32,717	54	4,170	728	1,175	430
2009	32,132	54	4,235	772	1,289	486
2010	31,654	54	4,033	765	1,255	456
2011	31,256	52	3,737	677	1,165	445
2012	30,693	52	3,483	657	1,116	466
2013	29,523	52	3,527	697	1,141	486
2014	29,103	52	3,375	713	1,133	514

<sup>1</sup> Includes active schools, swing schools (with temporary enrollment), schools under reconstruction, and multi-use buildings.

<sup>2</sup> Includes Board of Education, Chief School Administration, Finance, Central Services and Other Unclassified Administrative Staff.

<sup>3</sup> Includes Instructional Administration, Instructional Media, Pupil Services, Pupil Transportation and Community Services Staff.

<sup>4</sup> Includes State Aid recorded in the General, Special Aid, and School Food Service funds.

**ROCHESTER CITY SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS**

(continued next page)

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b><u>Schools</u></b>					
<b>Elementary</b>					
Buildings	40	38	38	38	38
Square Feet (a)	2,965,521	2,978,216	2,978,216	2,977,479	2,977,479
Capacity	19,800	20,422	20,422	20,422	20,922
Enrollment	17,489	17,655	16,970	17,093	17,271
<b>Secondary</b>					
Buildings	15	16	16	16	16
Square Feet (a)	3,575,421	3,704,416	3,704,416	3,704,416	3,704,416
Capacity	15,727	16,345	16,345	16,345	15,775
Enrollment	15,566	15,387	15,616	15,675	14,861
<b>Other</b>					
Buildings	1	1	1	1	3
Square Feet (a)	141,969	141,969	141,969	141,969	296,969
Capacity	-	-	-	-	-
Enrollment	-	-	-	-	-
<b><u>Administrative</u></b>					
Buildings	4	4	4	4	3
Square Feet (a)	229,273	229,273	229,273	256,781	170,354
<b><u>Transportation</u></b>					
Garages/Maintenance (sq. ft.)	256,077	256,077	256,077	256,077	256,077
Buses	93	93	90	90	87
<b><u>Athletics</u></b>					
Football Fields	7	7	7	7	7
Soccer Fields	5	5	5	5	9
Running Tracks	6	6	6	6	8
Baseball/Softball	10	10	10	10	22
Swimming Pools	11	11	11	11	13
Playgrounds	39	39	39	39	36

Source: Facilities Department District records

- (a) Total Managed Square Footage includes main building, transportables and any additional community use space.
- (b) The District has modified some buildings to a prek-8 model, other elementary school buildings are prek-6. Secondary schools are managed as either a 7-12 or a 9-12 model. The District has a k-12 school program. Data reflects capacities and enrollment as the best estimation of the building being either an elementary or a secondary building.
- (c) Facility is 30 Hart Street and is used for multiple purposes.
- (d) Facilities are Central Office, Service Center complex and 283 W. Ridge Road. The facility at 175 Martin Street has been converted to serve primarily as secondary swing space. Therefore the building has been included in the secondary school category.
- (e) Garage/Maintenance included as part of Service Center Complex



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<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
38	38	38	38	38
3,068,471	2,953,692	2,953,692	3,209,513	3,220,760 (a)
21,324	21,324	21,324	20,733	20,883 (b)
17,228	17,152	16,949	16,679	16,672 (b)
16	14	14	14	14
3,704,416	2,475,222	3,475,222	3,433,212	3,439,476 (a)
15,775	15,775	15,775	14,888	14,888 (b)
14,426	14,104	13,744	12,844	12,431 (b)
3	2	2	2	1 (c)
176,319	204,232	200,560	200,560	129,389 (a)
-	-	-	-	-
-	-	-	-	-
2	4	4	3	3 (d)
241,755	401,750	401,750	261,598	261,598 (a)
256,077	-	-	-	- (e)
88	88	86	86	90
7	7	7	7	7
9	9	9	9	9
8	8	8	8	8
22	22	22	22	22
13	13	13	13	13
36	36	36	36	36

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# SINGLE AUDIT REPORT



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

**INDEPENDENT AUDITOR'S REPORT**

The President and Members of the  
Board of Education of  
Rochester City School District  
Rochester, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rochester City School District (the District), a component unit of the City of Rochester, New York, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 5, 2014.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Freed Maxick CPAs, P.C.*

Rochester, New York  
November 5, 2014



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**INDEPENDENT AUDITOR'S REPORT**

The President and Members of the  
Board of Education of  
Rochester City School District  
Rochester, New York

**Report on Compliance for Each Major Federal Program**

We have audited the Rochester City School District's (the District), a component unit of the City of Rochester, New York, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Freed Maxick CPAs, P.C.*

Rochester, New York  
November 5, 2014

**ROCHESTER CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014**

(continued on next page)

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Grantor Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Education:</b>			
Direct Programs:			
Impact Aid	84.041B	S041B20143427	\$3,776
Impact Aid	84.041B	S041B20133427	11,112
Title VII-Native American Resource	84.060A	060A142183	37,867
ESSC Elementary	84.215E	E100131BP4	153,134
ESSC Elementary	84.215E	E100131BP3	3,739
TAH A Historical Journey	84.215X	X100462B13	50,060
TAH Growing Up America	84.215X	X100462B13	19,307
Teaching as Historians Pt. 2	84.215X	215X080325	46,866
RAISE	84.351D	D100170BP4	194,146
<i>Subtotal U.S. Department of Education Direct Programs</i>			\$520,007
Pass-Through the New York State Education Dept:			
WIA, Title 2, - ESOL/Civics	84.002A	0040142067	\$244,143
Title II - WIA - Correction Ed	84.002A	0138142020	247,493
WIA, Title 2, Adult	84.002A	2338131074	-1
WIA, Title 2, Adult	84.002A	2338139013	-1
WIA, Title 2, Adult	84.002A	2338142116	469,873
WIA, Title 2, Adult	84.002A	2338143032	87,012
Title I, School Improvement	84.010	0011146001	1,029,786
Title I, School Improvement	84.010	0011146002	1,024,262
Title I, School Improvement	84.010A	0011132004	787,062
Title I, School Improvement	84.010A	0011135002	-2,013
Title I, School Improvement	84.010A	0011136001	-496
Title I, School Improvement	84.010A	0011136002	-560
Title I, School Improvement	84.010A	0011142004	210,204
Title I, School Improvement	84.010A	0011145002	894,484
Title I	84.010A	0021131395	3,011,315
Title I	84.010A	0021141395	23,134,626
IDEA, Part B, Disc.	84.027A	0031135502	82,792
IDEA, Part B, Disc.	84.027A	0031145502	57,857
IDEA Support Services & Section	84.027A	0032130370	-1,423
IDEA Support Serv & Sec 611	84.027A	0032140370	9,478,401
Perkins Secondary	84.048A	8000130024	-1
Perkins Secondary	84.048A	8000140024	436,544
Perkins Adult	84.048A	8000149020	59,461
Perkins Correctional	84.048A	8030140001	33,828
P-Tech	84.048A	8039140012	229,873
IDEA Preschool Serv & Sec 619	84.173A	0033140370	512,201
Homeless Children & Youth	84.196A	0212144007	88,515
21st Century Community Learnin	84.287	0187146114	1,040,749
Title IIIA Immigration	84.365A	0149141395	44,072
Title III - Bilingual Educ	84.365A	0293131395	70,262
Title III - Bilingual Educ	84.365A	0293141395	456,364
Title II-B Math/Science Partners MSP	84.366	0294130211	1
Title II-A Teach/Prin/Trng/Recruitment	84.367A	0147131395	-84,582
Title II-A Teach/Prin/Trng/Recruitment	84.367A	0147141395	3,406,821
Teacher Incentive Fund	84.374	C011136	5,183,295
Teacher Incentive Fund	84.374	C011136	559,675
ARRA - TITLE I SCH	84.388A	5123131104	199,240



**ROCHESTER CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014  
(continued on next page)**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Grantor Identifying Number</u>	<u>Federal Expenditures</u>
ARRA - SIG Charlotte	84.388A	5123132104	5,415
ARRA - TITLE I SCH IMP 1003(G)	84.388A	5123134106	95,508
ARRA - SIG Charlotte	84.388A	5123142104	1,279,362
ARRA - SIG FT Montessori	84.388A	5123142105	1,164,632
ARRA - TITLE I SCH IMP 1003(G)	84.388A	5123144106	1,066,240
ARRA - SIG NWCP	84.388A	5123145111	1,138,239
ARRA - SIG School #3	84.388A	5123145112	1,159,233
ARRA - SIG School #45	84.388A	5123145113	1,175,547
ARRA - SIG Monroe	84.388A	5123145114	885,024
ARRA - SIG Wilson	84.388A	5123145118	460,743
ARRA - RACE TO THE TOP	84.395A	5500131395	-208,402
ARRA - RACE TO THE TOP	84.395A	5500141395	2,520,284
ARRA - RTTT Systemic Supports	84.395A	5540130008	244,976
ARRA - RTTT Systemic Supports	84.395A	5540140008	699,738
ARRA - RTTT Strength Teach/Lead Effect	84.395A	5545140038	3,010,433
ARRA - STLE 2	84.395A	5545142030	387,518
ARRA - RTTT Replication #15	84.395A	5560130011	18,093
ARRA - RTTT Replication Grant #29	84.395A	5560130012	413
ARRA - RTTT Replication #50	84.395A	5560130013	20,877
ARRA - RTTT Replication #15	84.395A	5560140011	77,368
ARRA - RTTT Replication Grant #29	84.395A	5560140012	83,865
ARRA - RTTT Replication #50	84.395A	5560140013	88,488
ARRA - RTTT Virtual Advanced Placement	84.395A	5580130003	20,132
ARRA - RTTT Virtual Advanced Placement	84.395A	5580140003	377,191
<i>Subtotal Pass-Through the NYS Education Dept</i>			\$68,762,051
Pass-Through the NYS Office of Special Education Dept:			
SETRC	84.027A	0C00755913	-\$2,284
SETRC	84.027A	0C00755914	399,645
<i>Subtotal Pass-Through the NYS Office of Special Education Dept</i>			\$397,361
<b>TOTAL U.S. Department of Education</b>			\$69,679,419

**ROCHESTER CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Grantor Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Health and Human Services</b>			
Pass-Through the NYS Office of Temporary & Disability Assistance:			
NYSOTDA Education Resources	93.558	C020720	\$167,000
Pass-Through Center for Disease Control & Prevention (CDC):			
University of Rochester CDC	93.531	DP00359902	5,424
University of Rochester CDC	93.531	DP00359914	7,709
Pass-Through Health Resources and Services Administration:			
The University of Rochester	93.501	6 C12CS22021-01-05	336,832
Rochester General Hospital Foundation	93.501	C12CS21984	248,935
<b>Total U.S. Department of Health and Human Services</b>			<b>\$765,900</b>
<b>U.S. Department of Agriculture - Food &amp; Nutrition Service</b>			
Direct Programs:			
Farm to School Grant Program	10.575	CF-F2S-PLAN-13-NY	\$19,232
Pass-Through NYS Bureau of School Food Management:			
School Food Service Fund - Breakfast	10.553	--	5,593,571
School Food Service Fund - Lunch/Surplus Food Commodities	10.555	--	13,060,709
Pass-Through City of Rochester:			
Summer Food Service Program	10.559	--	644,732
Pass-Through NYS Department of Education:			
NYSOTDA Food Stamp Employment	10.561	C021213013	257,626
NYSOTDA Food Stamp Employment	10.561	C021213014	33,008
Child Nutrition Fresh Fruit, Veg Prog	10.582	0004140022	968,725
<b>Total U.S. Department of Agriculture</b>			<b>\$20,577,603</b>
<b>U.S. Department of Labor</b>			
Direct Programs:			
DOL Unemployed Worker	17.278B	C014691	\$62,079
<b>Total U.S. Department of Labor</b>			<b>\$62,079</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$91,085,001</b>

See notes to Schedule of Expenditures of Federal Awards.

**ROCHESTER CITY SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2014**

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the District. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The District's reporting entity is defined in Note I.A. in the District's Financial Statements. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included on the schedule. Because the schedule presents only a selected portion of the operations of the District, it is not intended and does not present the financial position, changes in net position or cash flows of the District.

**2. Summary of Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note I.D. in the District's Financial Statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

**3. Relationship to Financial Reports**

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

Major program determination is a risk based assessment which classifies programs as either a Type A program or a Type B program. All federal programs with expenditures exceeding the greater of 3% of the total federal awards or \$300,000 are considered Type A programs and all other programs are considered Type B programs. The Type B federal programs with expenditures which do not exceed the greater of .3% of the total federal awards or \$100,000 are considered insignificant and were not further evaluated. All other programs were then further assessed based on risk and major programs were selected.

**4. Other**

In the Schedule of Expenditures of Federal Awards for the School Food Service Fund, \$1,078,482 for commodities has been received from the U.S. Department of Agriculture and is included in the current year revenues and expenditures.

Negative expenditures are the result of program closeouts.

# ROCHESTER CITY SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

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### I. SUMMARY OF AUDITOR'S RESULTS

#### *Financial Statements*

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

Noncompliance material to financial statements noted?

Yes  No

#### *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

Type of auditor's report issued on  
compliance for major programs:

Unmodified

- Any audit findings disclosed that are  
required to be reported in accordance  
with section 510(a) of Circular A-133?

Yes  No

Identification of major programs:

#### Name of Federal Programs or Clusters

Special Education Cluster  
21<sup>st</sup> Century Community Learning  
ARRA - Title I A – School Improvement Grants  
ARRA - Race to the Top

CFDA Number(s)  
84.027A/84.173A  
84.287  
84.388A  
84.395A

Dollar threshold used to distinguish between  
type A and type B programs

\$2,732,550

Auditee qualified as low-risk auditee?

Yes  No

# **ROCHESTER CITY SCHOOL DISTRICT**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014 (Continued)**

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### **II. FINANCIAL STATEMENT FINDINGS**

There were no findings material to the financial statements noted in the current year.

### **III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There were no findings or questioned costs related to federal awards noted in the current year.

# ROCHESTER CITY SCHOOL DISTRICT

## SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

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### I. FINANCIAL STATEMENT FINDINGS

There were no findings material to the financial statements noted in the prior year.

### II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs related to federal awards noted in the prior year.

# STUDENT ACTIVITY FUNDS



## INDEPENDENT AUDITOR'S REPORT

The President and Members of the  
Board of Education of  
Rochester City School District  
Rochester, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Student Activity Funds of the Rochester City School District (the District), a component unit of the City of Rochester, New York which comprise the Statement of Assets and Liabilities Arising from Cash Transactions as of June 30, 2014 and 2013 and the related Statement of Cash Receipts and Disbursements for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control over Student Activity Funds relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls over Student Activity Funds relevant to the District's preparation and 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Qualified Opinion**

Insufficient accounting controls are exercised over cash receipts from the point of collection to the time of submission to the Central Treasurers. Accordingly, we were unable to determine whether any adjustments to these amounts were necessary.



**Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the recorded transactions of the Student Activity Funds of the District as of and for the years ended June 30, 2014 and 2013, arising from cash collected and disbursements made during the years then ended on the basis of accounting described in Note 1.

**Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Freed Maxick CPAs, P.C.*

Rochester, New York  
November 5, 2014

**ROCHESTER CITY SCHOOL DISTRICT  
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
STUDENT ACTIVITY FUNDS  
JUNE 30, 2014 AND 2013**

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	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<b>ASSETS</b>		
Cash --		
Elementary Schools	\$ 40,555	\$ 47,621
Secondary Schools	<u>125,837</u>	<u>132,140</u>
<b>Total Assets</b>	<u><u>\$ 166,392</u></u>	<u><u>\$ 179,761</u></u>
<b>LIABILITIES</b>		
Student Deposits --		
Elementary Schools	\$ 40,555	\$ 47,621
Secondary Schools	<u>125,837</u>	<u>132,140</u>
<b>Total Liabilities</b>	<u><u>\$ 166,392</u></u>	<u><u>\$ 179,761</u></u>

See accompanying notes to student activity funds financial statements.

**ROCHESTER CITY SCHOOL DISTRICT  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
STUDENT ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014 AND 2013**

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	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<b>RECEIPTS</b>		
Elementary Schools	\$ 86,734	\$ 150,492
Secondary Schools	294,906	412,172
<b>Total Receipts</b>	<u>381,640</u>	<u>562,664</u>
<b>DISBURSEMENTS</b>		
Elementary Schools	95,612	150,676
Secondary Schools	299,397	420,809
<b>Total Disbursements</b>	<u>395,009</u>	<u>571,485</u>
Deficiency of Receipts over Disbursements	(13,369)	(8,821)
<b>Cash - Beginning of Year</b>	<u>179,761</u>	<u>188,582</u>
 <b>Cash - End of Year</b>	 <u>\$ 166,392</u>	 <u>\$ 179,761</u>

See accompanying notes to student activity funds financial statements.

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
STUDENT ACTIVITY FUNDS  
JUNE 30, 2014**

**1. Description of Operations**

Student activity funds are defined by the New York State Education Department as “funds raised other than by taxation, or through charges of a Board of Education, for, by, or in the name of a school, student body or any subdivision thereof.”

Activity funds are raised and expended by student bodies to promote the general welfare, education, and morale of all pupils, and to finance the normal, legitimate extracurricular activities of the student body organization.

The Superintendent of the District has the responsibility and authority to implement all policies and rules pertaining to the supervision and administration of student activity funds in accordance with established policies and rules of the District’s Board of Education.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The transactions of the Student Activity Funds are not considered part of the reporting entity of the Rochester City School District (the District). Consequently, such transactions are included in the basic financial statements of the District only to the extent that cash and a corresponding liability are recorded in the Agency fund in the District’s Statement of Fiduciary Net Position at June 30, 2014.

The District prepares its Student Activity Funds financial statements on the cash basis of accounting; consequently, receipts and related assets are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligation is incurred.



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