

2015

CAFÉ



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, 2015**

Prepared by:

Department of Accounting

**Rochester City School District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015**

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INTRODUCTION





Rochester City School District

Superintendent of Schools

Bolgen Vargas

December 17, 2015

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, 2015. 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, 2015.

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 disabilities, 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 2014-15 school year, the District reported the following enrollments: 16,328 elementary (K-6) and 12,073 secondary (7-12), for a total of 28,401 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 2014-15, the District paid charter schools approximately \$52.3 million from its General fund. Charter schools receiving payments were: Discovery Charter School, Eugenio Maria de Hostos Charter School, Genesee Community Charter School, PUC Achieve Charter School, Renaissance Academy 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, Vertus 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, 2014 to June 30, 2015:

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 2014-15 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, 2014 and ending on June 30, 2015.

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^{1,2}

Located on the southern shore of Lake Ontario in the western region of Upstate New York, the Greater Rochester Area is the State's third largest metropolitan area, home to a population of 1.1 million. Situated on the I-90 (New York State Thruway) corridor the community is centrally located in the Northeastern United States, within 500 miles of one-third of the U.S. and Canadian populations. Rochester enjoys close proximity to the global business centers of Toronto and New York City while offering a lower cost of doing business and quality of life not found in its larger neighbors.

The presence of the Eastman Kodak Company, Bausch & Lomb and Xerox Corporation has traditionally led to Rochester being viewed as a big company town. Today these companies employ approximately 3% of the area's total workforce, as Rochester has become the home to a much more diversified and balanced economy. Some of the industry clusters for which Rochester is best known include photonics, optics, digital & health imaging, precision manufacturing, telecommunications, information technology, and the biosciences. The established strength of the area's high-tech industries and the continued investments that are being made in this sector suggest a bright outlook for Rochester's future economy.

Due to the unique geography of the region, there are a wide variety of activities available to appreciate. Warmer months find people flocking to some of the area's 140 annual festivals as well as the numerous local waterways. Rochester takes pride in its quality of life. Rochester has received accolades such as "America's 50 Best Cities" (Bloomberg Businessweek, September 2012) and "The 5th Best City For Families" (Kiplinger, July 2012).

The unemployment rate (not seasonally adjusted) for the Rochester area as of June 2015 was 5.1% compared to the national average of 5.5% and a State average of 5.3%.

Sources:

- 1 2014 Rochester Market Outlook, CBRE Group, Inc. | Rochester
- 2 Bureau of Labor Statistics, U.S. Department of Labor

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 from 28,401 students enrolled in fiscal 2014-15 to a projected 25,645 students enrolled in fiscal 2019-20; an overall projected decrease of 2,756 students or 9.7%. This decline is expected to level off during years five through ten of the enrollment projection period.

Charter schools continue to be the primary factor in the continued decline in District enrollment. No new charter schools are expected to open in fiscal 2015-16; however, eight of the existing charter schools will continue to grow out by offering additional grade levels which will expand their enrollments.

Age of School Buildings

The District maintains over 7.1 million square feet of educational and administrative space in owned and leased facilities. As the data in the chart below indicates, the age of the District's school buildings spans a wide range. The average age is 69 years. Effective July 1, 2015, the District will return the buildings that housed School #22 and School #36 to the City of Rochester. Both buildings are considered surplus for educational purposes due to declining District enrollment.

Age of School Building	Elementary	Secondary	Total
Under 20	2	1	3
20 to 39	3	2	5
40 to 59	13	4	17
60 to 79	1	0	1
80 and over	19	6	25
Total	38	13	51
<i>Oldest Building = 112; Average Age = 69</i>			
<i>Note: School #16 is temporarily closed but included in the numbers above.</i>			

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. Given the District's needs and the cost of renovations, the current proposed capital spending is insufficient to ensure that the District has reliable, technically advanced facilities to serve the next generation of students. The Facilities Modernization Program (FMP) has provided an infusion of capital to help meet the long term District facilities renovation needs. The program enables the District to develop state-of-the-art schools for students and staff, establishes equity with facilities at other school districts, and creates learning environments that support the District's strategic plan.

The FMP is a three-phase program spanning fifteen years which will cost approximately \$1.2 billion. Phase I comprises approximately \$325 million of the total program costs and targeted 12 school buildings for significant renovations, upgrades and technology enhancements, and is scheduled to be completed by

October 2016. Phase II of the program received legislative approval in December 2014, and initial planning and design is underway. Phase II construction is anticipated to commence in late 2016 in conjunction with the completion of Phase I and will entail approximately \$435 million in additional renovations to 25 additional school district buildings.

The District uses industry standards including information from McGraw-Hill Construction, “School Planning & Management” magazine, and 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 addition to annual maintenance and renovation costs, the District has identified a backlog of repairs and maintenance through the 2010 Building Condition Survey. The 2015 Building Condition Survey is underway and is anticipated to identify a significant need for ongoing, continued investment in the District’s 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 \$1.9 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; however, due to borrowing limitations imposed by the State on the City and District, the District currently only invests between \$15 and \$20 million per year in annual maintenance and renovations. The FMP program serves as a solution to this investment disparity.

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 procurement of equipment and expenditures for improvements with short-term life cycles are generally financed through the operating budget. Equipment and facility improvements with long-term life cycles are generally financed 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 2015-16 to 2019-20. 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. The primary objective of this project is to migrate the District’s CCTV security camera system from an analog environment to an Internet Protocol (IP) platform. Proposed upgrades to the fire alarm network will provide a more reliable and cost effective system.
- ♦ *Academic Improvement Initiatives* – \$17.0 million has been budgeted for academic improvement initiatives that support the Superintendent’s vision for the District. It is anticipated that these funds will be used to address building changes at schools that are in transition, but that were not included in Phase I of the FMP. It is also anticipated that some of these funds will be utilized to address facility changes at newly opened schools within the District’s existing facilities.
- ♦ *Athletic Facility and Field Initiatives* – Within this capital program, approximately \$11.2 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 \$12.7 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.

Major Initiatives

Rochester's students and families urgently need better educational outcomes. Our District ranks at or near the bottom statewide in student achievement, with some of the lowest test scores and graduation rates. Yet we have excellent staff members, many students who persevere and succeed, and some excellent schools. Our challenge is to make success more widespread and immediate. All of our schools must provide a certain path out of poverty for our children and serve as an asset to our City's vitality.

Over the past 25 years, under seven different Superintendents, the District has spent billions of dollars on various reforms that have not improved outcomes. These past reforms have caused instability and upheaval for students, families and staff. The answer is not to develop a new strategic plan at this time, rather it is imperative to focus and finish execution of the following key strategies that have already been identified:

- ♦ *Academic Improvement Initiatives* – In 2012-13, just 5% of our 3rd-through-8th graders demonstrated proficiency in the Common Core-based assessment in English Language Arts and Math. Our four-year graduation rate stands at 49%. In response, the District's top instructional leaders have identified the academic priorities which would drive the most significant, lasting improvement: more and better learning time, reading by 3rd grade, and instructional excellence. Through the elimination of early dismissals, earlier bus arrivals, the addition of instructional time at sixteen expanded learning schools, and increased summer enrichment activities, the District has substantially increased its learning time. In an effort to increase the literacy levels by 3rd grade the following have been implemented: a quality pre-kindergarten program with a full-day option, summer programs to reverse the patterns of learning loss, and interaction with teachers to improve the delivery of the Common Core literacy curriculum. Additionally, focus and improvements are underway with respect to the District's arts, music, sports, extracurricular, career and technical education and special education programs.
- ♦ *Effective, Efficient Allocation of Resources* – Resources must be used wisely to fund priorities in a time of declining revenues. A budget process that provides stability is needed to end the tradition of "yo-yo budgeting", or laying off and rehiring staff, which creates uncertainty for students, families, staff member and the entire community every year. The "Spending Money Smartly" project, funded through the Gates Foundation and a New York State Efficiency Grant, is greatly improving the District's ability to produce sophisticated, long-term budget forecasts which target resources to District priorities. A cross-functional management team has been established to identify cost-saving opportunities that will free up more funding for the classrooms. The team has

identified efficiencies in areas such as health care and facilities, resulting in the implementation of a self-insured health insurance program, a plan to match the District's physical space with declining enrollment, and a neighborhood school pilot program.

- ♦ *Communication and Customer Service* – The notion that students and families are our customers must be instilled throughout the District. The District is engaging the community, students and their families through direct communication events and dedicated email and phone lines. Wegmans has trained the District's top leaders in their approach to working with customers, and they are passing it on to employees throughout the District.
- ♦ *Parent, Family, and Community Involvement* – Students cannot excel without the support and active engagement of families and the broader community. To address this need, a community-wide task force focused on improving issues such as student attendance and conduct has been developed. The District is engaging parents by treating them as respected partners and by assigning parent-liaisons to every school.
- ♦ *Management Systems* – A strong management system that enables people to execute ideas and holds people accountable for achieving results is a requirement for academic achievement. The Annual Professional Performance Review (APPR) process required by New York State is a step toward greater accountability. The District is committed to helping leaders assess classroom practice fairly and accurately and to providing effective and meaningful coaching and support for those in need of improvement. The District is also exploring external leadership of some schools by colleges and universities, other organizations with proven management expertise and groups of parents and teachers.

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 2014-15 was \$72,643. The weighted average yield to maturity of purchases by the General fund was 0.13% for 2014-15 and 0.17% for 2013-14.

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-six 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, 2014. This was the twenty-fifth 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 allow the District to present the high quality CAFR. We would also like to thank the 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, 2014

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, 2014*

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



Terrie S. Simmons, RSBA, CSBO
President

John D. Musso, CAE, RSBA
Executive Director

List of Rochester City School District Officials As of June 30, 2015

MEMBERS OF THE BOARD OF EDUCATION

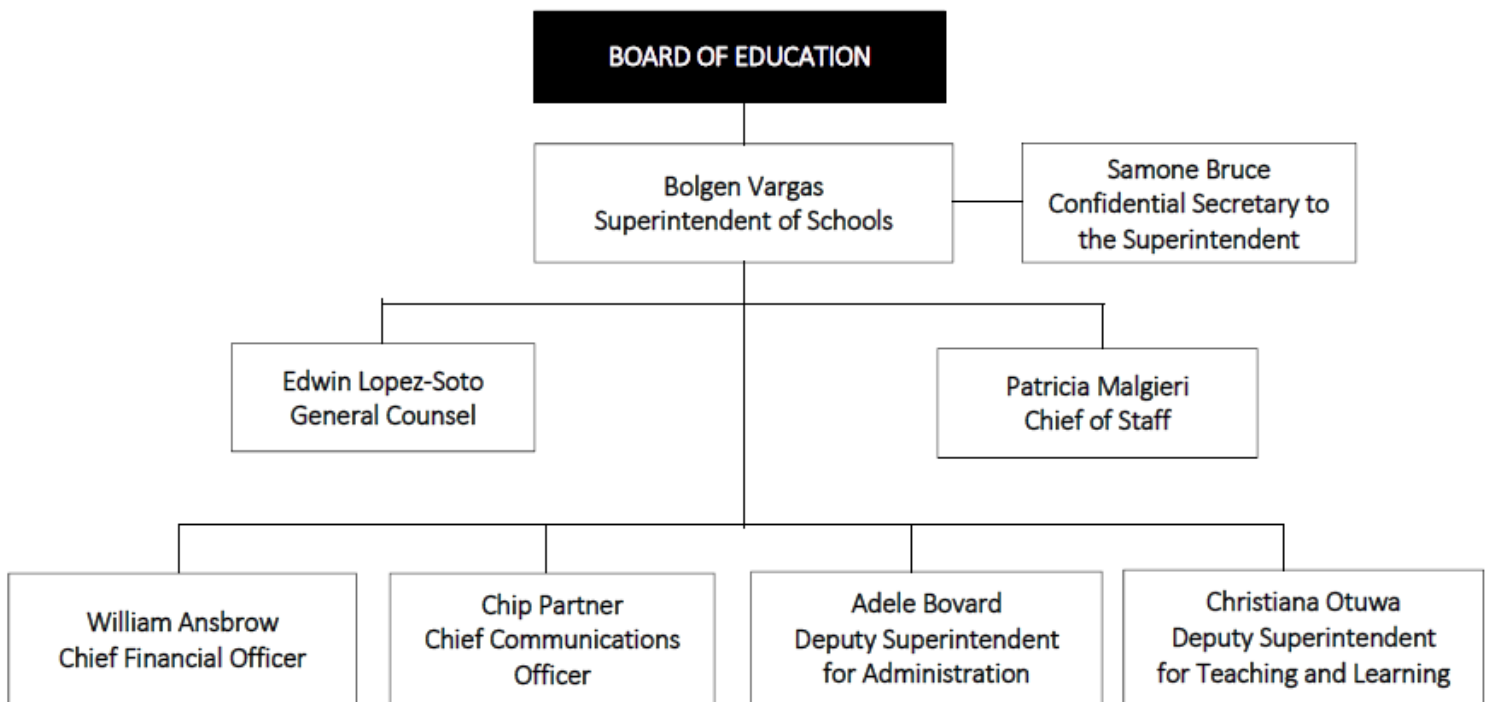
Van Henri White	President
Cynthia Elliott	Vice President
Mary Adams	Member
Melisa Campos	Member
Jose Cruz	Member
Malik Evans	Member
Willa Powell	Member

SUPERINTENDENT'S LEADERSHIP TEAM

Bolgen Vargas	Superintendent of Schools
William Ans brow	Chief Financial Officer
Keith Babuszcza k	Chief of Schools
Lori Baldwin	Director of Security Operations
Marlene Blocker	Secondary School Principal
Adele Bovard	Deputy Superintendent of Administration
Beverly Burrell-Moore	Chief of Schools
Raymond Giamartino	Chief of School Transformation
Barbara Goldammer	Executive Director of Student Equity and Placement
Linus Guillory	Secondary School Principal
Karon Jackson	Elementary School Principal
Harry Kennedy	Chief of Human Capital Initiatives
Annmarie Lehner	Chief Information Technology Officer
Caterina Leone-Mannino	Executive Director of School Innovation
Edwin Lopez-Soto	General Counsel
Patricia Maltieri	Chief of Staff
Uma Mehta	Secondary School Principal
Rodney Moore	Elementary School Principal
Christiana Otuwa	Deputy Superintendent for Teaching and Learning
Chip Partner	Chief Communications Officer
Carmine Peluso	Elementary School Principal
Vicma Ramos	Secondary School Principal
Amy Schiavi	Chief of Schools
Timothy Schmandt	Senior Director of Management Efficiencies
Michael Schmidt	Chief of Operations
Christopher Suriano	Executive Director of Specialized Services
Jerome Underwood	Senior Director of Youth Development and Family Services
Kathryn Yarlett	Executive Director of Reading by 3 rd Grade



Rochester City School District



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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 and 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, 2015, 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, 2015 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.

Emphasis of Matter

As stated in Note 1, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27*; Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*; and Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

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 District Contributions – New York State Employees' and Teachers' Retirement System Pension Plans, Schedule of District's Proportionate Share of Retirement System Pension Plans, Schedule of Funding Progress for Retiree Health Plan, and Budgetary Comparison Schedules, on pages 17-33 and 77-82 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 Schedule of Revenues, Other Sources, Expenditures and Other Uses – Budget and Actual; and Summary Schedule of Project Expenditures – Capital Projects Fund; 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Other Sources, Expenditures and Other Uses – Budget and Actual; and Summary Schedule of Project Expenditures – Capital Projects Fund; and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 Schedule of Revenues, Other Sources, Expenditures and Other Uses - Budget and Actual; Summary Schedule of Project Expenditures – Capital Projects Fund; and the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015 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
October 27, 2015

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

As management of the Rochester City School District ("the 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, 2015. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at June 30, 2015 by \$88,475,900; a decrease of \$1,038,561 as compared to the prior year's restated balance. Rising costs associated with contractual benefit and salaries increases, election into pension cost deferral programs, postemployment health insurance, charter school tuition, and student transportation were offset by the financial impacts of the implementation of GASB Statement Nos. 68 and 71.
- The District, on behalf of the Rochester Joint Schools Construction Board, issued a bond in the amount of \$44,225,000 during the 2014-15 fiscal year to finance construction costs primarily at School #12 and Monroe High School, in association with the District's ongoing school improvements or the Facilities Modernization Plan. This bond completes the financing for Phase I of the program. Legislation for Phase II of the program was signed by the governor in December of 2014.
- Fiscal 2014-15 is the second consecutive year that the District elected to participate in the New York State Employees' and Teachers' Retirement System pension smoothing programs. Both of these programs allow the District to defer a portion of its costs associated with 2014-15 salaries to future years in an effort to contend with the financial impacts of contribution rates that drastically increased in recent years. Accordingly, the District deferred approximately \$3.1 million in Employees' Retirement System (ERS) and \$8.5 million in Teachers' Retirement System (TRS) costs during fiscal year 2014-15.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$123,861,912, a decrease of \$12,822,298, in comparison with the previous year. Increased Charter school tuition payments and ongoing contractual salary and benefit increases were the primary factors contributing to this decrease.
- At the end of the current fiscal year, the unassigned portion of the fund balance for the General fund was \$10,406,729 or 1.7% of total budgeted General fund expenditures of \$622,396,586 for 2015-16.
- Due to the fiscal 2014-15 implementation of GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27*" and GASB Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*", the District's government-wide statements recorded a pension asset of \$192,611,756 in association with the District's share of TRS plan net position and a long-term liability of \$8,040,052 in association with the District's share of ERS plan net position, as well as net inflows of \$83,926,819. The implementation also required a prior year restatement of the District's net position at June 30, 2014 from \$45,870,073 to \$89,514,461. For additional information on accounting for pensions and the prior year restatement, see Notes I.G. and V.B. of this report.

**ROCHESTER CITY SCHOOL DISTRICT
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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.

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 35 and 36 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 balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**ROCHESTER CITY SCHOOL DISTRICT
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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 balances for the General fund, Special Aid fund, School Food Service fund, Debt Service fund, Capital Projects fund, and Rochester Joint Schools 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 Required Supplementary Information section of this report. The basic governmental fund financial statements can be found on pages 37-43 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 44 and 45 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 46-75 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 and deferred inflows by \$88,475,900 at the close of the most recent fiscal year.

A positive portion of the District's net position in the amount of \$220,389,578 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 \$131,913,678 reported at June 30, 2015 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
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Rochester City School District's Net Position

Governmental Activities	<u>2013-14</u>	<u>2014-15</u>
Current and other assets	\$ 317,699,201	\$ 448,288,128
Capital assets (net of accumulated depreciation)	572,514,416	572,546,250
Total assets	<u>890,213,617</u>	<u>1,020,834,378</u>
Deferred outflows	1,943,536	50,657,991
Total deferred outflows of resources	<u>1,943,536</u>	<u>50,657,991</u>
Long-term liabilities outstanding	669,490,539	713,782,198
Other liabilities	133,152,153	136,351,557
Total liabilities	<u>802,642,692</u>	<u>850,133,755</u>
Deferred pension inflow	-	132,882,714
Total deferred inflows of resources	<u>-</u>	<u>132,882,714</u>
Net investment in capital assets	226,882,367	220,389,578
Unrestricted (Deficit)	(137,367,906)	(131,913,678)
Total net position	<u><u>\$ 89,514,461</u></u>	<u><u>\$ 88,475,900</u></u>

“Current and other assets” increased by approximately \$130.6 million during fiscal year 2014-15. Decreases of \$5.9 million in cash and cash equivalents and \$4.5 million in amounts due from other governments at June 30, 2015, as compared to June 30, 2014, were offset by a significant increase in the long term New York State Teachers’ Retirement System (NYSTRS) pension asset of approximately \$140.5 million during the same timeframe. The \$5.9 million decrease in cash and cash equivalents is primarily attributable to the decreased level of bond funding available in the Rochester Joint Schools Construction Board (RJCSB) fund at year end. The amount of bond funding available at any given time fluctuates as a result of a number of factors, such as the number of active construction projects and their associated costs or long-term interest rates. The \$4.5 million reduction in amounts due from other governments is a result of the phase- out of EXCEL aid during fiscal 2013-14. EXCEL aid was used to offset construction costs for school improvements. A long-term pension asset of \$192.6 million was recorded as of June 30, 2015 as compared to the prior year amount of \$52.1 million as of June 30, 2014. The long-term pension asset reflects the District’s proportionate share of the NYSTRS actuarially determined, net pension asset.

“Capital assets (net of accumulated depreciation)” remained at \$572.5 million during fiscal year 2014-15. A significant amount of the projects associated with the \$134.2 million in construction in progress that existed at the end of fiscal 2013-14 were completed and placed into

**ROCHESTER CITY SCHOOL DISTRICT
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service during 2014-15, resulting in an \$18.0 million remaining balance in construction in progress at the end of the current fiscal year. This notable decrease resulted in a sizable, offsetting increase in buildings and improvements of \$523.7 million at the end of the current fiscal year, as compared to \$407.7 million in the prior year. A significant amount of construction was completed during 2014-15 as Phase I of the Facilities Modernization Program (FMP) neared its conclusion. For additional information on the FMP, refer to Note. V.D. of this report.

“Deferred outflows” increased by approximately \$48.7 million overall, as compared to the prior year. Amounts reported as deferred outflows reflect the District’s allocated portion of deferred outflows for the pension plans; these amounts will be amortized over time as pension expense. With the implementation of GASB Nos. 68 and 71, deferred outflows of \$2.8 million associated with the ERS and deferred outflows of \$46.1 million associated with the ERS and TRS for contributions subsequent to the actuarial measurement date were recorded. Offsetting this \$48.9 million increase was a nominal \$0.2 million decrease in deferred charges on refunding, net of accumulated depreciation between the 2013-14 and 2014-15 fiscal years. For additional information on accounting and financial reporting for pensions, refer to Note V.B. of this report.

“Long-term liabilities outstanding” increased by approximately \$44.3 million overall, as compared to the prior year. There are several contributing factors to this significant increase. The liability for post-employment benefits for health insurance increased by approximately \$15.9 million as compared to the previous year. The amount of bonds outstanding at the end of fiscal 2014-15 is approximately \$16.7 million greater than the balance at the end of fiscal 2013-14. An additional \$11.6 million in employer pension contributions were deferred during 2014-15 and will be amortized and repaid in future years under the provisions of the ERS and TRS pension smoothing programs. Additionally, there were increases to the amount of amortized premiums outstanding of approximately \$6.5 million at the end of fiscal 2014-15 as compared to the previous year. These significant increases were offset by decreases of approximately \$2.7 million in outstanding liabilities for installment purchase debt as a result of principal payment reductions and approximately \$3.7 million as a result of the final installment payments associated with the ERS and TRS early retirement incentive plans which occurred during fiscal 2014-15. For additional information on the New York State pension smoothing programs and early retirement incentives, refer to Note IV.G. of this report.

The \$3.2 million increase in “Other liabilities” was attributable to BANs outstanding at June 30, 2015 in the amount of \$20.0 million as compared to \$4.0 million in BANs outstanding at June 30, 2014. This \$16.0 million increase was offset by \$1.4 million in decreases in amounts due to other governments, fiduciary funds and retirement systems, as well as the amount of unearned revenue recorded at June 30, 2015 as compared to June 30, 2014 and a significant decrease of approximately \$11.4 million in accounts payable and accrued liabilities. The primary reason for the \$11.4 million decrease was a decrease in construction activity at June 30, 2015 as compared to June 30, 2014. On June 30, 2014 there were seven active, major construction renovation projects, whereas, on June 30, 2015, there were only three.

A deferred pension inflow of \$132.9 million was recorded during 2014-15 in association with the TRS and as a result of the previously mentioned implementation of GASB Nos. 68 and 71. Similar to pension inflows, amounts reported in this account are amortized over time as a pension expense and reflect the District’s allocated portion of deferred inflows in the TRS

**ROCHESTER CITY SCHOOL DISTRICT
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employer cost sharing plan. For additional information on accounting and financial reporting for pensions, refer to Note V.B. of this report.

As mentioned previously, the unrestricted deficit of \$131,913,678 reported at the end of fiscal year 2014-15 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>2013-14</u>	<u>2014-15</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,714,512	\$ 1,729,477
Operating grants and contributions	107,816,885	109,228,469
General revenues:		
State & federal aid	454,984,197	462,719,362
Intergovernmental	119,100,000	119,100,000
Lottery aid	66,698,736	69,627,693
Other	6,655,045	11,407,549
Total Revenues	<u>756,969,375</u>	<u>773,812,550</u>
Expenses		
General support:		
Board of Education	968,455	811,972
Chief school administrator	1,183,391	947,164
Finance	7,449,532	6,165,866
Staff	6,959,452	5,948,881
Central Services	81,900,706	77,142,220
Other	8,255,958	4,951,793
Total General Support	<u>106,717,494</u>	<u>95,967,896</u>
Instruction:		
Administration and improvement	70,286,652	74,179,100
Teaching	416,521,090	462,945,545
Instructional media	8,688,549	9,922,632
Pupil services	36,102,054	40,050,199
Total Instruction	<u>531,598,345</u>	<u>587,097,476</u>
Pupil transportation	68,990,845	70,433,794
Community services	3,036,392	3,419,962
Interest long-term debt	17,598,994	17,931,983
Total Expenses	<u>727,942,070</u>	<u>774,851,111</u>
Increase (decrease) in net assets	<u>29,027,304</u>	<u>(1,038,561)</u>

**ROCHESTER CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Program revenues from "Operating grants and contributions" increased by approximately \$1.4 million, as compared to the previous 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 to accommodate the change from half-day to full-day. This full-day program was in place for the entire 2014-15 school year, as compared to only part of the prior year, which significantly contributed to the increase in program revenues from operating grants and contributions between fiscal years.

"State and federal aid" increased by approximately \$7.7 million as compared to the previous year. The net increase is primarily attributable to increases in New York State Basic Formula aid payable under New York State Education Law (NYSEL) 3609a, as compared to the previous year. The allocation of state aid is determined annually by the State of New York and is determined by many factors such as: the state's financial position, enrollment, special education requirements and poverty level.

"Lottery aid" increased by approximately \$2.9 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. Additionally, the State introduced a new category of aid called "Commercial Gaming Aid"; the District was allocated and received \$1.9 million in Commercial Gaming Aid during fiscal 2014-15.

"Other" revenue increased by approximately \$4.8 million, as compared to the previous year. Of this amount, \$2.5 million is associated with premiums earned on the RJSCB bond issuance during 2014-15. Self-insurance recoveries associated with the District's self-funded health insurance plan increased by approximately \$0.2 million as compared to the previous year. Refunds of prior year expenditures increased by approximately \$0.8 million during 2014-15 as compared to the previous year primarily as a result of funds received from Excellus for prescription rebates. Other miscellaneous revenue increased by approximately \$1.4 million, as compared to the prior year, primarily due to additional revenue received for legal awards and settlements during 2014-15.

Expenditures in "General support – finance" decreased by approximately \$1.3 million, as compared to the previous year, primarily due to the implementation of GASB Nos. 68 and 71, a new methodology for accounting and financial reporting of pensions. As a result of this implementation, a \$5.6 million reduction in expenditures was recorded in association with the District's share of 2014-15 New York State Employees' Retirement System (ERS) activity, and was allocated to all general support programs (with the exception of "General support – other"), as well as Pupil Transportation, as these programs are comprised primarily of employees who are members of the ERS. This factor was also the primary reason for the significant decrease of \$1.0 million in "General support – staff".

Expenditures in "General support – central services" decreased by approximately \$4.8 million, as compared to the previous year, primarily due to the reclassification of expenditures in fiscal 2013-14, in accordance with the implementation of GASB Nos. 68 and 71. \$5.1 million in pension related expenditures were reallocated to this program in association with the District's share of prior year ERS plan activity. This increase was further offset by a \$3.3 million expenditure *reduction* in 2014-15 for similar, current year activity. Remaining decreases are attributable to operating efficiencies and cost containment with respect to the purchase of materials and supplies, as well as a reduction in outside contracts for repairs and maintenance.

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Expenditures in “General support – other” decreased by approximately \$3.3 million, as compared to the previous year. This decrease is attributable to a reduction in payments made by the District for legal claims and judgments in 2014-15, as compared to 2013-14. The most material item impacting this reduction was the final EPE payment of \$2.1 million that was made in 2013-14 to New York State in association with a settlement which mandated that six equal, annual payments be made by the District as a result of a state audit performed in January 2001.

Instructional expenditures for “Administration and improvement” increased by approximately \$3.9 million, as compared to the previous year. This program was impacted by factors such as the continued growth of the District’s athletics program, incentives paid to qualifying teachers as part of the Teachers’ Incentive Fund (TIF) program, expanded social work services and the acquisition of additional computer software and hardware resulting from a Microsoft class action settlement.

Instructional expenditures for “Teaching” increased by approximately \$46.4 million, as compared to the previous year. In addition to the contractual salary and benefits related increases of the District’s teaching staff, there were several other major factors contributing to this increase. Payments to charter schools in 2014-15 increased by \$10.8 million, as compared to the previous year, due to per pupil tuition rate increases, the addition of new schools and existing school expansions. Another factor contributing to the increase was an additional \$2.3 million in amortization allocated to the teaching program, as compared to the prior year. These amortized expenditures represent a portion of required TRS contributions that have been deferred for future payment. An additional \$19.3 million in expenditures were allocated to the teaching program for capital outlay in support of instructional buildings. As more capital assets have been placed in service, particularly as a function of the Facilities Modernization program, depreciation expense associated with the instructional function has increased by approximately \$4.7 million during 2014-15, as compared to the previous year. Additional expenses associated with asset retirements increased by approximately \$4.3 million, and the non-capitalized portion of capital outlay increased by \$10.3 million in 2014-15, as compared to the previous year. Additional expenditure increases in this program were primarily due to annual contractual salary and benefit increases.

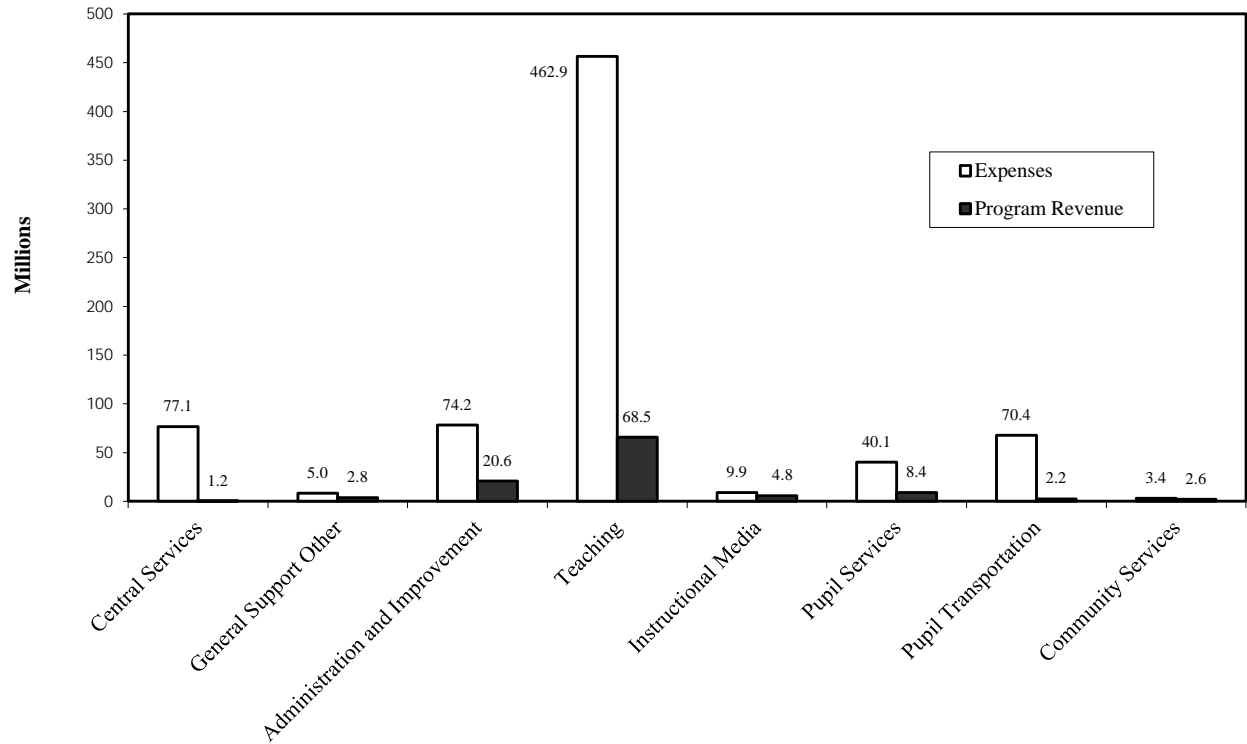
Instructional expenditures for “Instructional media” increased by approximately \$1.2 million, as compared to the previous year. These increases are primarily due to additional expenditures for computer software and hardware acquired as a result of a Microsoft class action settlement.

Instructional expenditures for “Pupil services” increased by approximately \$3.9 million, as compared to the previous year. The District places a special emphasis on meeting the social and emotional needs of its students; as such, during the 2014-15 school year, the District placed one full time social worker in every school. This resulted in the addition of 16 social worker positions during the 2014-15 school year, as well as several school psychologists. Additional expenditure increases in this program were due to annual contractual salary and benefit increases.

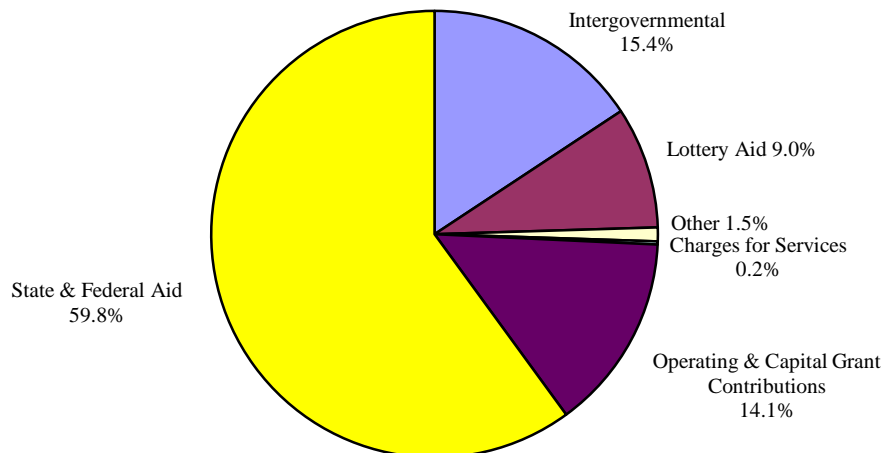
“Pupil transportation” increased by approximately \$1.4 million, as compared to the previous year. Pupil transportation expenditures increased due additional routing requirements resulting from three new charter schools and the grow-out of the expanded learning school curriculum, as well as annual increases in contractual salaries and benefits.

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



Revenues by Source – Governmental Activities



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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 \$123,861,912, a decrease of \$12,822,298 from the prior year's fund balance of \$136,684,210. Components of the fund balance consist of a non-spendable fund balance of \$10,082,516, a restricted fund balance of \$60,591,395, a committed fund balance of \$26,452,769, an assigned fund balance of \$21,955,566 and an unassigned fund balance of \$4,779,666. 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.

There are several reasons for the decrease of approximately \$12.8 million in the combined ending fund balance. One significant reason is that no bonds were issued during the current fiscal year for the District's Capital Improvement Program (CIP). During years in which Bond Anticipation Notes (BANs) are converted to bonds, revenue is recorded in the Capital fund. This revenue has a favorable impact on the overall fund balance in the year in which the conversion occurs. The conversion determination is based on a variety of factors, the most significant of which are current market rates and cash-flow requirements for construction projects. Other major factors impacting the decline in the combined fund balance were sharp increases in charter school tuition payments and continued increases in contractual salary and benefit payments.

General Fund

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the District recorded \$9,658,416 in prepayments classified as non-spendable fund balance, \$320,406 of restricted fund balance to apply to future debt service payments, \$26,452,769 of committed fund balance, \$19,760,663 of assigned fund balance and \$10,406,729 of unassigned fund balance. For additional information on the District's General fund balance policies, refer to 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 2014-15, assigned and unassigned balances totaled \$30,167,392 and were approximately 5.0% of the total fund operating expenditures of \$602,005,856.

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In the aggregate, revenues and other financing sources increased by 4.1%, while expenditures and other financing uses increased by 4.8% from fiscal year 2013-14 to fiscal year 2014-15. The outpacing of increased expenditures as compared to revenues contributed to a decrease in the fund balance of the General fund of \$10,540,843, as compared to the previous year.

Revenues from local sources increased by approximately \$2.1 million, as compared to the previous fiscal year. This increase was primarily due to amounts received in 2014-15 for legal settlements and prescription rebates associated with the District's self-funded health insurance program.

Revenues from state sources increased by approximately \$27.2 million, as compared to the previous fiscal year. Of this amount, approximately \$21.0 million is attributable to increases in New York State Basic Formula aid payable under New York State Education Law (NYSEL) 3609a. 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 \$1.0 million in 2014-15, 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. The State also introduced "Commercial Gaming Grant" aid in 2014-15 under NYSEL 3609h. As a result, the District received approximately \$1.9 million in Commercial Gaming Aid that was deducted from the District's Basic Formula aid scheduled for payment in June 2015. Excess Cost aid also increased by approximately \$2.6 million during 2014-15, as compared to the previous year. Bullet aid, a special legislative aid, increased by \$1.0 million in 2014-15, as compared to the previous year, and was offset by decreases of approximately \$0.4 million in other state aid for the homeless and incarcerated youth.

Federal sources decreased by approximately \$0.4 million, as compared to the previous year, as a result of a decrease in the amount of Medicaid revenue received by the District in 2014-15. This was primarily due to non-compliance issues and lower eligibility rates resulting from the difficulty in the collection of the required consent forms from students and their families.

District operating expenditures in the General fund increased by \$21.4 million, or 3.7% over the previous fiscal year. Notable changes occurred as follows:

Expenditures in the category "General support – central services" decreased by approximately \$1.0 million, or 2.1%, as compared to the previous year. The primary reasons for this decrease were operating efficiencies and cost containment with respect to the purchase of materials and supplies, as well as a reduction in outside contracts for repairs and maintenance.

Expenditures for the category "General support – other" decreased by approximately \$2.5 million or 2.1%, as compared to the previous year. This decrease is attributable to a reduction in payments made by the District for legal claims and judgments during 2014-15. The most material item impacting this reduction was the final EPE payment of \$2.1 million that occurred during 2013-14 as a result of a settlement which mandated that six equal, annual payments be made by the District in association with a state audit funding in January 2001.

Expenditure increases for instructional purposes are incurred in an effort to provide a quality education for every student. As such, instructional expenditures for teaching increased by \$9.9 million, or 4.4%, as compared to the previous year. Decreases from operating efficiencies in

**ROCHESTER CITY SCHOOL DISTRICT
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instructional programs were offset almost entirely by a \$10.8 million increase in payments to charter schools which were made during fiscal 2014-15. Three new charter schools (Vertus, Renaissance, and PUC Achieve) opened during the school year, which resulted in an increased enrollment of 330 students. Six of the ten pre-existing charter schools added grade levels. This resulted in another increase in enrollment of an additional 478 students. The basic tuition rate paid by the District to the charter school increased from \$12,090 per student in 2013-14 to \$12,340 per student in 2014-15, or an increase of \$250 per student.

Expenditures for special programs such as students with disabilities increased by \$4.1 million, or 3.3%, as compared to the previous year. This increase is a result of two primary factors: an overall increase of approximately \$0.8 million in payments to charter schools for tuition for students with disabilities and increased spending for BOCES services in the amount of \$3.2 million. During 2014-15, BOCES enrollment increased by approximately 20 students, additional services were received by pre-existing students, and rates increased.

Expenditures for other instructional related items such as administration and student support services increased by \$8.9 million, or 9.5%, as compared to the previous year. The District continued to place a heavy emphasis on the continued growth of its athletics programs during 2014-15 in recognition that athletics provides students with a critical foundation for vital social and emotional skills, such as team-building and respect. This resulted in approximately \$0.6 million in additional expenditures for athletics during the current year. Another contributing factor to the overall increase in administrative and student support services occurred as a result of the phase-out of the Teachers' Incentive Fund (TIF) grant. As a result of the TIF program ending, expenditures for instructional coaching salaries in the amount of approximately \$0.6 million were diverted from the Special Aid fund to the General fund. Additionally, in accordance with the New York State Education Department (NYSED), the District's General fund was responsible for payment of a portion of incentives paid to qualifying teachers as part of the program, which resulted in an additional \$1.5 million in expenditures during 2014-15. The District was awarded funding as a result of a Microsoft class-action settlement, the majority of which was received during fiscal year 2014-15. This funding was used to acquire additional computer hardware and software during the current fiscal year, which contributed to an approximate increase of \$1.8 million in expenditures in instructional programs. One of the District's top priorities is fostering the social and emotional needs of its students; as such, an additional \$0.7 million in expenditures was incurred during the fiscal year for social work services as an additional 16 social workers were placed in schools throughout the District during 2014-15. The remaining increases in expenditures in the "other instructional" category were primarily due to contractual salary and benefit increases.

Pupil Transportation expenditures increased by approximately \$2.1 million, or 3.3%, as compared to the previous year. This increase was primarily due to the following factors: annual increases in employee benefits and contractual salaries and increased routing requirements for three new charter schools the grow-out of the Expanded Learning curriculum.

**ROCHESTER CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Special Aid Fund

There was no change in the Special Aid fund balance from fiscal year 2013-14 to fiscal year 2014-15, as the Special Aid fund maintains a “zero” fund balance from year to year. While revenues and other sources and expenditures and other uses increased by only approximately 0.6% as compared to the previous fiscal year, the composition of the grants awarded to the District sourced from federal and state funding changed significantly during that same time frame.

Revenues from state sources increased by approximately \$9.0 million, or 27.2%, while revenues from Federal sources decreased by approximately \$8.5 million, or 11.9%, as compared to the previous year. The reductions in federal awards were primarily due to decreased Title I funding in the amount of \$5.3 million in 2014-15 and the expiration of the Race to the Top and Teachers’ Incentive Fund awards, which collectively contributed to an approximate \$2.5 million decline in 2014-15, as compared to the previous fiscal year. Approximately \$7.0 million of the \$9.2 million increase in state funding in 2014-15 was associated with funding for the full-day Pre-Kindergarten program which was in place for the full 2014-15 school year instead of only part of the year, as was the case in 2013-14. State grants that were new in 2014-15 such as District Performance Management and Department of Health Workforce Retraining contributed to approximately \$1.1 million in state revenue increases. Delayed approvals by the State for grants such as the Management Efficiency grant that were to begin earlier in 2013-14 created unanticipated additional revenue increases in 2014-15.

School Food Service

Revenues and other financing sources increased by approximately \$1.9 million, or 9.5%, in the School Food Service fund during fiscal 2014-15 as compared to the prior year, while expenses and other financing uses increased by approximately \$1.4 million, or 7.1%.

Approximately \$1.0 million of the \$1.9 million increase in revenue in the Food Service fund is attributable to the reclassification of the Fruits and Vegetables grant which was reported in the Special Aid fund in 2013-14. The District received guidance from the NYSED during 2014-15 that this federal grant should be reclassified from the Special Aid fund to the Food Service fund going forward. Additional federal revenue increases of approximately \$0.9 million during 2014-15 are attributable a .05 cents per lunch and .06 cents per breakfast federal reimbursement increase as compared to the prior year, as well an increase in the number of reimbursable snacks provided due to the implementation of additional extended day programs during 2014-15.

Expenditures for the net cost of food used during 2014-15 increased by approximately \$0.9 million primarily as a result of the reclassification of the Fruits and Vegetables grant previously mentioned. Decreases of approximately \$0.2 million in retirement system expenditures resulted from the amortization of a portion of 2014-15 retirement costs which were partially offset by increases in contractual salary and benefit increases. Additionally, equipment and maintenance and repair expenditures increased by approximately \$0.3 million during the fiscal year. This increase was due to the purchase of three new refrigerated trucks in 2014-15.

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.

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No fund balance existed in the Debt Service fund at the end of fiscal 2014-15. 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 2014-15 decreased by \$16.4 million from the prior year. The decrease is the net result of recording approximately \$7.1 million in revenue and other funding sources less \$23.5 million in expenditures and other funding uses for the year.

Revenues in the Capital Projects fund decreased by approximately \$0.4 million as compared to the previous year. This decrease is attributable to a \$0.3 million reduction in federal funding received for the construction of health center clinics at the District's schools as well as a \$0.1 million reduction in City funding used to support construction of Recreational Center improvements as compared to the prior fiscal year. Expenditures decreased by \$1.4 million as compared to the prior year, or approximately 5.9%. This decrease was primarily due to a reduction in planned construction during 2014-15.

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 2014-15.

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 increased over the prior year by \$13.0 million dollars. The increase is primarily the net result of recording approximately \$55.5 million in revenue and other funding sources less \$42.5 million in expenditures for capital outlay, administration and other funding uses for the year. As mentioned previously, this increase is primarily due to the issuance of new bonds during 2014-15.

Revenues in the RJSCB fund decreased by approximately \$16.8 million as compared to the previous year. This decrease is primarily due to the exhaustion of EXCEL aid during 2013-14. In the prior fiscal year, approximately \$16.3 million of EXCEL aid previously issued by the State was used to assist the District with financing construction costs. Additionally, \$0.5 million less as compared to the prior year was received in federal funds for Qualified School Construction Bond subsidies associated with reimbursements for certain revenue bond interest payments.

The RJSCB recorded capital outlay expenditures of \$36.8 million for the fiscal year 2014-15, as compared to \$115.1 million in capital outlay expenditures during 2013-14. The significant decrease in capital outlay expenditures of \$78.3 million, or approximately 68.0%, is due to a reduction of both ongoing construction at previous school buildings plus fewer construction improvements occurring as a result of the approach of the completion of Phase I of the Facilities Modernization Program.

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Budgetary Highlights – General Fund

The original 2014-15 budget was decreased/amended by (\$3,750,366) as follows:

Revenues

Local sources	\$ (707,756)
State sources	(4,615,545)
Federal sources	(673,258)
	<u>(5,996,559)</u>
Other financing sources - transfers in	(1,131,531)
Appropriated fund balance	3,377,724
	<u>\$ (3,750,366)</u>

Expenditures

General support	\$ (3,011,601)
Instructional	(2,220,938)
Pupil transportation	3,123,629
Community services	142,091
Employee benefits	109,754
Debt service	(182,440)
	<u>(2,039,505)</u>
Other financing uses - transfers out	(1,710,861)
	<u>\$ (3,750,366)</u>

Significant changes between the original and final amended budgets for general fund revenues occurred due to increases in state sources, other financing sources, and appropriated fund balance. State sources decreased by \$4.6 million due to decreases of \$4.4 million in Special Services aid and \$2.9 million in Building aid which were partially offset by increases of \$2.4 million in Public High Cost aid and \$0.5 million in other state revenues. Other financing sources (transfers in) decreased by \$1.1 million due to a decrease in Qualified School Construction Bond (QSCB) subsidies and capitalized interest related to the District's Facilities Modernization Project (FMP). Appropriated fund balance increased by \$3.4 million as a result of a \$2.9 million reduction in building aid due to an unanticipated project delay. Additionally, there was a \$0.5 million reduction to the original budget for Microsoft settlement funds that were recorded in the previous fiscal year.

The most significant general fund expenditure budget changes occurred in the general support, instructional and pupil transportation categories. The general support budget decreased by \$3.0 million primarily due to expenses for utilities and other central services being lower than anticipated. The instructional category decreased by \$2.2 million primarily as a result of summer school costs that were originally budgeted in the General fund which were ultimately paid with grant funding instead. The pupil transportation category increased by \$3.1 million as a result of additional bus routes needed to service students resulting from the timing of school schedules and expanded learning programs.

Final Budget to Actuals – General Fund

Three general fund expenditure categories experienced significant favorable variances between the final budget and actual expenditures. The categories experiencing favorable variances were pupil transportation, community services and special apportionment programs. The favorable variances in community services resulted from unused funds remaining from a literacy initiative. The favorable variances in special apportionment programs occurred primarily as a

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result of reduced spending for special education and occupational educational salaries due to existing vacancies.

Capital Asset and Debt Administration

Capital assets. The District's capital assets, net of depreciation, for its governmental activities as of June 30, 2015 amounted to \$572,546,250. 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 \$31,834.

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

- Ongoing repairs and improvements. The District added \$20.2 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.
- The Rochester Joint Schools Construction Board (RJSCB) added an additional \$19.9 million in capital assets for the District during fiscal year 2014-15. These asset additions were mainly for the construction and renovation of the 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. The anticipated completion timeframe of Phase I is the fall of 2016.

Capital Assets (Net of Depreciation) - Governmental Activities

	<u>2013-14</u>	<u>2014-15</u>
Land	\$ 17,440,260	\$ 17,464,438
Buildings & Improvements	407,660,765	523,712,087
Equipment & Other	13,218,483	13,354,830
Construction in Progress	134,194,908	18,014,895
Total	<u><u>\$ 572,514,416</u></u>	<u><u>\$ 572,546,250</u></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 \$395,890,000, of which \$137,920,000 were general obligation and school facility revenue bonds associated with the District's capital improvement plan and \$257,970,000 was school facility revenue bonds associated with the RJSCB's capital improvement program.

	Governmental Activities	
	<u>2013-14</u>	<u>2014-15</u>
RCSD Bonds	\$ 155,400,000	\$ 137,920,000
RJSCB Bonds	223,810,000	257,970,000
Total	<u><u>\$ 379,210,000</u></u>	<u><u>\$ 395,890,000</u></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

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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, 2015 was \$211,103,324, leaving a debt contracting margin of \$53,183,324. 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.

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 constraints. The District began the 2015-16 budget planning process with a projected \$40.5 million deficit. This deficit was balanced through an \$11 million increase in State Aid, the use of an additional \$4.8 million in appropriated funds, and \$24.7 million in program and staffing efficiencies and other changes. The 2015-16 budget also shifted \$25.3 million to fund District priorities such as the East High School Educational Partnership Organization, expanded learning time, and reducing summer learning loss. Despite these program and staffing efficiencies, the District continues to experience rising costs. Due to the continuing expansion of eight of the thirteen existing charter schools, the most significant cost increase planned for the 2015-16 fiscal year is the charter school tuition and mandated service increase of \$9.6 million. Contractual salary increases and rising employee benefit costs are offset in the 2015-16 budget by the planned workforce reduction of 125 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 2015-16 original budget of \$685,264,882 represents an increase of approximately 4.3% from the 2014-15 amended budget of \$656,736,564. The increase is attributable to contractual salary and benefit increases, significant operating increases in Charter School tuition, 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.

BASIC FINANCIAL STATEMENTS

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
Assets	
Cash & Cash Equivalents	\$ 191,117,573
Accounts Receivable	3,157,802
Due from Other Governments	51,234,074
Prepayments and Deposits	9,742,823
Inventories	424,100
Long Term Pension Asset	192,611,756
Capital Assets (net of accumulated depreciation):	
Land	17,464,438
Buildings & Improvements	523,712,087
Equipment & Other	13,354,830
Construction In Progress	18,014,895
Total Assets	1,020,834,378
Deferred Outflows of Resources	
Deferred Charge on Refunding, Net of Amortization	1,702,096
Deferred Outflow	2,827,260
Deferred Outflow - Contributions Subsequent to Measurement Date	46,128,635
Total Deferred Outflows of Resources	50,657,991
Liabilities	
Accounts Payable and Accrued Liabilities	61,803,044
Due To Fiduciary Funds	7,787,084
Due To Other Governments	3,231,298
Due To Retirement Systems	41,340,504
Unearned Revenue	2,189,627
Notes Payable - BANs	20,000,000
Noncurrent Liabilities:	
Due Within One Year	43,745,824
Due in More Than One Year	661,996,322
Long Term Pension Liability	8,040,052
Total Liabilities	850,133,755
Deferred Inflows of Resources	
Deferred Pension Inflow	132,882,714
Total Deferred Inflows of Resources	132,882,714
Net Position	
Net Investment in Capital Assets	220,389,578
Unrestricted (Deficit)	(131,913,678)
Total Net Position	\$ 88,475,900

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, 2015**

Function/Program	Expense	Program Revenues		Net (Expense) Revenue and Changes in Net Position Government Activities
		Charges for Services	Operating Grants and Contributions	
General Support:				
Board of Education	\$ 811,972	\$ -	\$ -	\$ (811,972)
Chief School Administrator	947,164	-	-	(947,164)
Finance	6,165,866	-	-	(6,165,866)
Staff	5,948,881	-	-	(5,948,881)
Central Services	77,142,220	135,478	1,035,256	(75,971,486)
Other	4,951,793	-	2,751,338	(2,200,455)
Total General Support	95,967,896	135,478	3,786,594	(92,045,824)
Instruction:				
Administration and Improvement	74,179,100	-	20,555,425	(53,623,675)
Teaching	462,945,545	1,593,999	66,894,317	(394,457,229)
Instructional Media	9,922,632	-	4,820,167	(5,102,465)
Pupil Services	40,050,199	-	8,421,180	(31,629,019)
Total Instruction	587,097,476	1,593,999	100,691,089	(484,812,388)
Pupil Transportation	70,433,794	-	2,165,997	(68,267,797)
Community Services	3,419,962	-	2,584,789	(835,173)
Interest on Long-Term Debt	17,931,983	-	-	(17,931,983)
Total Governmental Activities	\$ 774,851,111	\$ 1,729,477	\$ 109,228,469	(663,893,165)
General Revenues:				
Intergovernmental				119,100,000
Use of Money and Property				682,214
State and Federal Aid				462,719,362
Lottery Aid				69,627,693
Miscellaneous				10,725,335
Subtotal, General Revenues				662,854,604
Excess (Deficiency) of Revenues over Expenses				(1,038,561)
Net Position - Beginning				45,870,073
Net Position - Restatement				43,644,388
Net Position - Beginning, as Restated				89,514,461
Net Position - Ending				\$ 88,475,900

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

**ROCHESTER CITY SCHOOL DISTRICT
BALANCE SHEET, GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

(continued next page)

	General	Special Aid	School Food Service
Assets			
Cash and cash equivalents	\$ 120,442,951	\$ -	\$ 19,856
Receivables:			
Accounts	1,691,297	96,815	1,248,791
Due from other funds	16,012,632	-	533,573
Due from other governments	19,540,814	29,550,005	2,143,255
Prepayments and deposits	9,733,416	588	-
Inventories at cost	-	-	424,100
Total assets	<u>\$ 167,421,110</u>	<u>\$ 29,647,408</u>	<u>\$ 4,369,575</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 43,790,421	\$ 7,922,806	\$ 1,536,732
Due to other funds	19,196,767	13,047,331	-
Due to other governments	2,869,601	359,972	1,725
Due to retirement systems	34,946,109	6,146,901	212,115
Unearned revenues	19,229	2,170,398	-
Notes payable - BANS	-	-	-
Total liabilities	<u>100,822,127</u>	<u>29,647,408</u>	<u>1,750,572</u>
Fund balances:			
Nonspendable			
Inventory	-	-	424,100
Prepayments	9,658,416	-	-
Restricted For			
Capital expenditures	-	-	-
Debt service	320,406	-	-
Committed For			
Insurance claims	1,000,000	-	-
Workers' compensation	4,563,011	-	-
OPEB	20,889,758	-	-
Assigned For			
Subsequent year's expenditures	11,000,000	-	-
Facilities modernization local share	4,874,131	-	-
Health insurance	3,700,000	-	-
Instructional support	186,532	-	-
School food service	-	-	2,194,903
Capital expenditures	-	-	-
Unassigned	10,406,729	-	-
Total fund balance	<u>66,598,983</u>	<u>-</u>	<u>2,619,003</u>
Total liabilities and fund balances	<u>\$ 167,421,110</u>	<u>\$ 29,647,408</u>	<u>\$ 4,369,575</u>

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

Capital Projects	RJSCB	Total Governmental Funds
\$ 5,327,500	\$ 65,327,266	\$ 191,117,573
-	120,899	3,157,802
10,736,005	-	27,282,210
-	-	51,234,074
-	8,819	9,742,823
-	-	424,100
<u>\$ 16,063,505</u>	<u>\$ 65,456,984</u>	<u>\$ 282,958,582</u>
\$ 1,693,037	\$ 2,322,951	\$ 57,265,947
-	2,825,196	35,069,294
-	-	3,231,298
35,379	-	41,340,504
-	-	2,189,627
20,000,000	-	20,000,000
<u>21,728,416</u>	<u>5,148,147</u>	<u>159,096,670</u>
-	-	424,100
-	-	9,658,416
-	60,270,989	60,270,989
-	-	320,406
-	-	1,000,000
-	-	4,563,011
-	-	20,889,758
-	-	11,000,000
-	-	4,874,131
-	-	3,700,000
-	-	186,532
-	-	2,194,903
-	-	-
(5,664,911)	37,848	4,779,666
<u>(5,664,911)</u>	<u>60,308,837</u>	<u>123,861,912</u>
<u>\$ 16,063,505</u>	<u>\$ 65,456,984</u>	<u>\$ 282,958,582</u>

ROCHESTER CITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2015

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

Total fund balances	\$123,861,912
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	554,531,355
Construction in progress for governmental activities is not a financial resource and, therefore, is not reported in the funds.	18,014,895
Deferred charges on refunding net of amortization are not available resources and, therefore, are not reported in the funds.	1,702,096
Pension assets (TRS) used in governmental activities are not financial resources and, therefore, are not reported in the funds.	192,611,756
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(649,322,340)
Pension liabilities (ERS) are not due and payable in the current period and, therefore, are not reported in the funds.	(8,040,052)
Deferred outflows and inflows related to pension plans are not due and payable in the current period and, therefore, are not reported in the funds.	(83,926,819)
Net accrued interest expense for bonds, notes and special program bond are not reported in the funds.	(4,537,097)
Deferred amounts related to pension deferrals payable in future years are not a use of current resources and therefore, are not reported in the governmental funds.	(18,238,316)
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.	(38,181,490)
Net position of governmental activities	<u>\$ 88,475,900</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, 2015

(continued next page)

	General	Special Aid
Revenues		
Local sources:		
Use of money and property (interest and rent)	\$ 351,776	\$ -
Intergovernmental	119,100,000	-
Other	9,783,119	3,525,058
State sources	507,632,955	41,985,848
Federal sources	1,780,579	62,696,858
Surplus food	-	-
Sales	-	-
Total revenues	638,648,429	108,207,764
Expenditures		
Current:		
General Support:		
Staff	6,074,754	-
Central services	48,913,827	14,551
Other	9,928,450	2,751,338
Instructional:		
Teaching - regular school	233,874,864	26,691,503
Special apportionment programs	130,741,083	15,264,106
Other	102,690,140	60,096,374
Pupil transportation	65,999,555	2,165,997
Community services	708,328	2,584,789
Cost of sales	-	-
Debt service:		
Principal	2,865,967	-
Interest	208,888	-
Capital outlay	-	-
Total expenditures	602,005,856	109,568,658
Excess (deficiency) of revenues over (under) expenditures	36,642,573	(1,360,894)
Other Financing Sources (Uses)		
Proceeds from debt issuance	-	-
Transfers in	5,766,121	1,360,894
Transfers out	(52,949,537)	-
Total other financing sources (uses)	(47,183,416)	1,360,894
Net change in fund balances	(10,540,843)	-
Fund balances - beginning	77,139,826	-
Fund balances - ending	\$ 66,598,983	\$ -

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
\$ -	\$ 327,443	\$ -	\$ 2,995	\$ 682,214
-	-	1,443	-	119,101,443
51,969	-	-	-	13,360,146
548,773	-	-	-	550,167,576
20,114,993	-	294,261	1,867,750	86,754,441
1,128,449	-	-	-	1,128,449
83,509	-	-	-	83,509
21,927,693	327,443	295,704	1,870,745	771,277,778
-	-	-	-	6,074,754
-	-	-	340,172	49,268,550
12,238,017	-	-	-	24,917,805
-	-	-	-	260,566,367
-	-	-	-	146,005,189
-	-	-	-	162,786,514
-	-	-	-	68,165,552
-	-	-	-	3,293,117
8,521,647	-	-	-	8,521,647
-	27,545,000	-	-	30,410,967
-	17,421,643	-	-	17,630,531
-	-	23,105,616	36,761,029	59,866,645
20,759,664	44,966,643	23,105,616	37,101,201	837,507,638
1,168,029	(44,639,200)	(22,809,912)	(35,230,456)	(66,229,860)
-	-	146,285	53,261,277	53,407,562
-	44,966,643	6,622,000	390,000	59,105,658
-	(327,443)	(390,000)	(5,438,678)	(59,105,658)
-	44,639,200	6,378,285	48,212,599	53,407,562
1,168,029	-	(16,431,627)	12,982,143	(12,822,298)
1,450,974	-	10,766,716	47,326,694	136,684,210
\$ 2,619,003	\$ -	\$ (5,664,911)	\$ 60,308,837	\$ 123,861,912

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, 2015

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

Net change in fund balances -- total governmental funds	\$ (12,822,298)
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.	(53,407,562)
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.	37,268,420
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.	(11,589,047)
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.	(16,977,514)
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.	40,078,337
Depreciation is recorded in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	(31,427,989)
Asset disposals are recorded in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	(21,100,201)
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.	12,481,687
Decrease in proportionate share of net pension asset (liability) reported in the statement of net position do not provide for or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds (ERS (\$2,714,607), TRS \$182,018,379)	184,732,986
Increase in proportionate share of net deferred inflow and outflow reported in the statement of net position for the difference during the measurement period between the District's contributions and its proportionate share of the total contributions to the pension systems subsequent to the measurement date do not provide for or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds (ERS \$2,848,024, TRS (\$130,580,513))	(127,732,489)
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.	(301,451)
Changes in net position of governmental activities	<u>\$ (1,038,561)</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, 2015

	Agency Funds	Private Purpose Trusts
Assets		
Cash and Cash Equivalents	\$ 489,320	\$ 278,180
Due from Other Funds	7,730,432	56,652
Total Assets	<u>\$ 8,219,752</u>	<u>\$ 334,832</u>
Liabilities and Net Position		
Accrued Liabilities	\$ 5,960,931	\$ -
Accounts Payable	-	1,826
Due to Student Groups	146,800	-
Due to Retirement Systems	<u>2,112,021</u>	<u>-</u>
Total Liabilities	8,219,752	1,826
Net Position		
Held in Trust for Scholarships and Awards	<u>-</u>	<u>333,006</u>
Total Liabilities and Net Position	<u>\$ 8,219,752</u>	<u>\$ 334,832</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, 2015

	Private Purpose Trusts
Additions:	
Interest	\$ 372
Scholarships	60,000
Gifts and Donations	<u>1,077</u>
Total additions	61,449
Deductions:	
Scholarships	39,433
Gifts and Donations	<u>8,356</u>
Total deductions	<u>47,789</u>
Change in Net Position	13,660
Net Position - Beginning	<u>319,346</u>
Net Position - Ending	<u><u>\$ 333,006</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, 2015

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, 2014 to June 30, 2015. 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 Schools 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 agreement

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(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 agent to enter

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, with the exception of the agency funds, which have no measurement focus, but do employ the accrual basis of accounting for purposes of asset and liability recognition. 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 financial 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, 2015

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 with 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.

All highly liquid investments, both restricted and unrestricted, with an original maturity of approximately three months or less are considered to be cash equivalents.

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 \$327,443 for fiscal year 2014-15, 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.

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.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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.

Chartwells, a food service management company, purchased \$406,592 of inventory from the District, excluding government commodities. This amount represents the value of the inventory on-hand at the inception of the contract. Upon termination of this contract at June 30, 2015, the District purchased back \$430,743 of inventory, excluding government commodities. This amount represents the value of inventory on-hand at the termination of the contract and is recorded as an asset and nonspendable fund balance in the School Food Service fund.

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, 2015, the General fund recorded prepaid expenditures in the amount of \$9,658,416. The majority of this amount is associated with tuition payments made to charter schools for services to be provided in the 2015-16 school year. Additionally, prepayments of \$588 for travel expenses were recorded in the Special Aid fund, and \$8,819 for prepaid insurance was recorded in the RJSCB fund. These prepayments will be recorded as expenditures during fiscal year 2015-16. The District also recorded \$75,000 as refundable deposits which were 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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

effect at the end of the fiscal year. All vacation pay is accrued when incurred in the fund basis and 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 three items that qualify for reporting in this category. First is 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. The other items are related to pensions reported in the government-wide Statement of Net Position. Refer to Note V.B. for additional details on deferred pension outflows.

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 one item that qualifies for reporting in this category; the deferred inflow related to pensions reported in the government-wide Statement of Net Position. Refer to Note V.B. for additional details on deferred pension inflows.

10. Unearned Revenue

The District received cash in advance of expenditures in the amount of \$19,229 in the General fund at June 30, 2015 for lease prepayments associated with the utilization of the Pleasant St. parking lot and a portion of the Martin Street facility. The District also received cash in advance of expenditures in the amount of \$2,170,398 for Special Aid fund projects during fiscal year 2014-15. These funds represent receipts for various grants that were not fully spent as of June 30, 2015. As the funds are spent during fiscal year 2015-16, 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, 2015

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, 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, 2015

- *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.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy that the District's Board of Education will assess the current financial condition of the District and then determine the order of application of expenditures to which restricted and unrestricted net position will be applied.

Fund Statements

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

- *Nonspendable fund balance* – Includes amounts that cannot be spent because it is either not in spendable form or is 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 2014-15 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 between 5% to 15% of the General fund annual operating expenditures. Expenditures are to be spent from restricted fund balance first and then from unrestricted fund balance. 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, 2015, the District has \$15,464,715 in Capital fund encumbrances and \$186,532 in General fund encumbrances.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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.

G. Restatement of Net Position

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of Statements No. 68 and No. 71 resulted in the reporting of an asset, deferred outflow of resources, liability and deferred in inflow of resources related to the District's participation in the New York State Teachers' (TRS) and Employees' (ERS) Retirement Systems. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	\$ 45,870,073
GASB Statement No. 68 and No. 71 implementation:	
Beginning system asset - TRS	10,593,377
Beginning system liability - ERS	(10,754,659)
Beginning deferred outflow of resources for contributions subsequent to measurement date:	
TRS	41,505,107
ERS	2,300,563
Net position beginning of year, as restated	<u>\$ 89,514,461</u>

H. Subsequent Events

As part of the District's ongoing capital improvement program, the City of Rochester issued new Bond Anticipation Notes (BANs) in the amount of \$18,000,000 and converted \$18,880,000 of existing BANs to a new Bond issue on behalf of the District in August 2015. BANs are utilized for ongoing acquisition, construction and reconstruction of school buildings.

Effective July 1, 2015 the District closed, retired and transferred back to the City of Rochester, school buildings #22 and #36. At the time of the transfer, the two buildings had a combined carrying value of \$9.2 million in gross assets and a combined book value of \$4.1 million.

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 (\$649,322,340) difference are as follows:

ROCHESTER CITY SCHOOL DISTRICT
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Bonds payable	\$ (395,890,000)
Compensated absences	(1,985,326)
Other post-employment benefits	(207,651,876)
Contractual obligations	(6,855,376)
Due to other governments	(13,333,333)
Claims payable	<u>(23,606,429)</u>
	<u>\$ (649,322,340)</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.” Details of this (\$53,407,562) difference are as follows:

Installment purchase debt proceeds	\$ (146,285)
Bond premium proceeds	(9,036,277)
Bond issuance proceeds	<u>(44,225,000)</u>
	<u>\$ (53,407,562)</u>

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 \$37,268,420 difference are as follows:

Bond principal payments	\$ 27,545,000
Amortized premium expenditure	2,534,772
Contractual obligation principal payments	<u>7,188,648</u>
	<u>\$ 37,268,420</u>

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 (\$16,977,514) difference are as follows:

Claims payable	\$ (554,078)
Other post-employment benefits	(15,879,114)
Compensated absences	<u>(544,322)</u>
	<u>\$ (16,977,514)</u>

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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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 2014-15 began on July 1, 2014 and ended on June 30, 2015. 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 Statements 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 (\$3,750,366) for the General Fund and \$1,685,711 for the School Food Service Fund.

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.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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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 \$146,800 within the Agency fund restricted for extraclassroom activities, \$5,327,500 in the Capital Projects fund for unexpended bond proceeds, \$65,261,204 in the RJSCB fund for unexpended bond proceeds, and \$278,180 and \$56,652 in the Private Purpose Trust fund and General fund, respectively, restricted for scholarships and awards.

Investment and Deposit Policy – The District implemented GASB 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 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.

Deposits - At year end, the District's deposits were \$99,674,183. These deposits, which are above the level insured by FDIC, were collateralized at 102% with U.S. Government securities held by a third-party.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Cash Equivalents - At year-end, the District had cash equivalents in the form of money markets at fair value of \$37,979,477. Cash equivalents were collateralized at 102% with U.S. Government securities held by a third-party.

Investments - At year-end, the District had no investments.

B. Receivables

As of year ended June 30, 2015, management believes the following accounts receivable to be fully collectible within the subsequent fiscal year:

<u>General</u>	<u>Special Aid</u>	<u>School Food Service</u>	<u>RJSCB</u>
\$1,691,297	\$96,815	\$1,248,791	\$120,899

The General fund receivable primarily represents funds due to the District for facilities rental, retiree health reimbursements, fuel reimbursements, stop loss and prescription reimbursements associated with the District's self-funded healthcare, and reimbursements for union release time. The Special Aid fund receivable represents accrued revenues for locally funded grants. The School Food Service fund receivable represents primarily money due from a food service management company for contractual reimbursable food processing costs. The RJSCB fund receivable was primarily for energy rebates earned as a result of construction improvements.

C. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 17,440,260	\$ 24,178	\$ -	\$ 17,464,438
Construction in Progress	134,194,908	38,697,758	154,877,771	18,014,895
Total capital assets not being depreciated	151,635,168	38,721,936	154,877,771	35,479,333
Capital assets being depreciated:				
Buildings & Improvements	683,132,598	151,465,712	18,742,319	815,855,991
Equipment & Other	53,587,380	4,768,460	2,357,882	55,997,958
Total capital assets being depreciated	736,719,978	156,234,172	21,100,201	871,853,949
Less accumulated depreciation for:				
Buildings & Improvements	(275,471,833)	(26,860,768)	(10,188,697)	(292,143,904)
Equipment & Other	(40,368,897)	(4,567,221)	(2,292,990)	(42,643,128)
Total accumulated depreciation	(315,840,730)	(31,427,989)	(12,481,687)	(334,787,032)
Total capital assets being depreciated, net	420,879,248	124,806,183	(8,618,514)	537,066,917
District capital assets, net	\$ 572,514,416	\$ 163,528,119	\$ 163,496,285	\$ 572,546,250

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

Instructional teaching regular school	\$ 26,587,211
General support central services	4,136,279
Pupil transportation	645,885
Community services	58,614
	<u>\$ 31,427,989</u>

ROCHESTER CITY SCHOOL DISTRICT
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1. Significant Construction Commitments

In 2014-15, the District expended \$40,078,337 on capital assets; \$19,884,737 for the RJSCB and \$20,193,600 for the District. This disbursement was for equipment, land, construction in progress, and improvements to various facilities. It is estimated that \$131.4 million will be disbursed by the District and \$410.9 million will be disbursed by the RJSCB on capital asset items during the next five fiscal years.

2. Asset Impairment and Insurance Recoveries

During fiscal year 2014-15, the District had no material asset impairments or insurance recoveries.

3. 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: Preliminary Project Stage, Application Development Stage, or 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.

D. Interfund Receivables, Payables, and Transfers

1. Interfund Receivables and Payables

The interfund receivables and payables result primarily 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, 2015.

Fund	Receivable	Payable
General	\$ 16,012,632	\$ 19,196,767
Special Aid	-	13,047,331
School Food Service	533,573	-
Capital Projects	10,736,005	-
RJSCB	-	2,825,196
Private Purpose Trusts	56,652	-
Agency	7,730,432	-
Total	\$ 35,069,294	\$ 35,069,294

ROCHESTER CITY SCHOOL DISTRICT
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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, 2015.

Fund	Transfers In	Transfers Out
General	\$ 5,766,121	\$ 52,949,537
Special Aid	1,360,894	-
Debt Service	44,966,643	327,443
Capital Projects	6,622,000	390,000
RJSCB	390,000	5,438,678
Total	\$ 59,105,658	\$ 59,105,658

E. Due from Other Governments

Fund	Local Govts.	State Govt.	Federal Govt.	Total
General	\$ 2,772,289	\$ 15,734,520	\$ 1,034,005	\$ 19,540,814
Special Aid	1,807,712	12,450,488	15,291,805	29,550,005
School Food Service	-	49,383	2,093,872	2,143,255
Total	\$ 4,580,001	\$ 28,234,391	\$ 18,419,682	\$ 51,234,074

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. The rental income and expenditures for the fiscal year 2014-15 for operating leases was approximately \$263,000 and \$2.8 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, 2015:

Fiscal Year	Receipts	Payments
2015-16	\$ 217,125	\$ 2,156,108
2016-17	217,125	2,163,114
2017-18	217,125	2,165,016
2018-19	217,125	2,166,929
2019-20	39,000	2,168,856
	\$ 907,500	\$ 10,820,023

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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G. Long-Term Liabilities

The District's General fund is used to liquidate all long-term liabilities, as well as debt related liabilities. The following is a summary of changes in the District's long-term liabilities for the year ended June 30, 2015:

	Balance June 30, 2014	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2015	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 1,441,004	\$ 7,812,583	\$ 7,268,261	\$ 1,985,326	\$ 1,985,326
Claims Payable	23,052,351	4,987,642	4,433,564	23,606,429	5,483,679
Other Post Employment Benefits	191,772,762	36,635,030	20,755,916	207,651,876	-
Due to Other Governments -					
New York State (NYS) Advance	14,000,000	-	666,667	13,333,333	666,667
NYS Teachers' Retirement Incentive	2,824,040	-	2,824,040	-	-
NYS Employees' Retirement Incentive	850,073	-	850,073	-	-
NYS ERS Amortization	1,234,449	3,092,478	-	4,326,927	336,194
NYS TRS Amortization	5,414,820	8,496,569	-	13,911,389	-
Installment Purchase Debt	9,556,959	146,285	2,847,868	6,855,376	2,845,359
General Obligation Bonds -				-	
District Serial Bonds	155,400,000	-	17,480,000	137,920,000	17,530,000
FMP Serial Bonds	223,810,000	44,225,000	10,065,000	257,970,000	12,090,000
Premium	31,679,985	9,036,277	2,534,772	38,181,490	2,808,599
Total Long Term Liabilities	<u>\$ 661,036,443</u>	<u>\$ 114,431,864</u>	<u>\$ 69,726,161</u>	<u>\$ 705,742,146</u>	<u>\$ 43,745,824</u>
Capital Projects Fund -					
Bond Anticipation Notes	<u>\$ 4,000,000</u>	<u>\$ 16,000,000</u>	<u>\$ -</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>

Compensated absences paid in fiscal year 2014-15 totaled approximately \$6.8 million. This amount is reflected in maturities / reductions along with any balance remaining from fiscal year 2013-14. The new issues / additions reflect the new long-term liability at June 30, 2015. The General fund is typically used to liquidate all long-term liabilities, as well as debt related liabilities.

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

	Workers' Compensation
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	<u>23,014,224</u>
Additions 2014-15	4,969,947
Payments 2014-15	4,385,795
Estimated claims June 30, 2015	<u>\$ 23,598,376</u>

Due to Other Governments includes a lottery aid advance from 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.

ROCHESTER CITY SCHOOL DISTRICT
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During fiscal 2004-05, the SED issued an advance of lottery revenues in the amount of \$20,000,000 as part of a special legislative initiative to assist with budget constraints. These funds will be repaid over 30 years at 0% interest. The repayments began in fiscal 2005-06 and are recorded as annual deductions to state aid revenue.

Under the New York State Chapters 45 and 105, Laws of 2010, certain members of the New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS) were temporarily provided an early retirement incentive. The District bore the full costs associated with any early retirement elections as part of its election to participate in the incentive. The District had the option to pay these costs in a single lump-sum or in equal annual installments over five years. The District elected to repay these costs over five years and the final installments were paid during fiscal 2014-15.

In an effort to manage steeply rising pension costs in recent years, the District elected to participate in the ERS and TRS Contribution Stabilization Programs ("pension smoothing programs"). Under these programs, the District can elect to defer a portion of their required contributions for repayment in future years. As part of the TRS pension smoothing program, amounts deferred totaling \$13,911,389 at June 30, 2015 will be repaid in 5 year increments beginning in 2018-19 and ending in 2024-25. Repayments will include deferred amounts plus interest, at rates that are set annually. Total interest costs associated with these payments are projected to be \$3,716,206. As part of the ERS pension smoothing program, amounts deferred totaling \$4,326,927 at June 30, 2015 will be repaid in 10 year increments beginning in 2015-16 and ending in 2025-26. Repayments will include deferred amounts plus interest, at rates that are set annually. Total interest costs associated with these payments are projected to be \$786,067.

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 2014-15 is \$146,285.

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, 2015 was \$2,595,812 for Phase 1 and \$2,454,656 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 2.00% to 5.52%. The original amounts of these general obligation bonds are as follows:

ROCHESTER CITY SCHOOL DISTRICT
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Series Issue	Original Amount (000's)	Maturity Date	Interest Rate Fiscal Year 14/15
District Issues			
2001A	12,225	10/15/14	4.25
2004A	20,535	10/15/21	3.50
2006A	39,262	02/15/25	4.00
2006B	7,585	10/15/24	3.75
2008B	10,797	10/01/26	3.50
2009C1	58,470	02/10/24	5.11
2009C2	1,710	02/10/19	5.52
2012 I	20,548	08/15/27	2.00
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	5.00
JSCB Issues			
2012A	66,190	05/01/22	5.00
2012B	57,910	05/01/28	4.18
2013A	103,055	05/01/30	3.00
2015	44,225	05/01/31	5.00

As of June 30, 2015 the District had \$30,118,000 of authorized but unissued debt. The debt contracting margin of the District as of June 30, 2015 was \$53,183,324.

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. These subsidies are scheduled to be paid semi-annually through February 2019. On December 30, 2009, the District was issued a taxable BAB in the amount of \$1,710,000, which is the amount outstanding at June 30, 2015. On March 1, 2013 “sequestration” was enacted in an effort to reduce federal spending. As a result, anticipated subsidies will be reduced by a percentage, as determined annually by the federal government. 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.

ROCHESTER CITY SCHOOL DISTRICT
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The District paid no arbitrage to the Federal Government during 2014-15. 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, 2015:

Fiscal Year Ending June 30	District Principal	District Interest	JSCB Principal	JSCB Interest	Total
2016	\$ 17,530	\$ 5,600	\$ 12,090	\$ 12,375	\$ 47,595
2017	17,855	4,912	14,295	11,817	48,879
2018	17,965	4,135	15,025	11,102	48,227
2019	16,755	3,347	15,800	10,351	46,253
2020	15,865	2,597	16,610	9,561	44,633
2021-25	45,190	4,817	93,840	36,524	180,371
2026-30	6,760	364	85,595	16,474	109,193
2030-31	-	-	4,715	236	4,951
	<u>\$ 137,920</u>	<u>\$ 25,772</u>	<u>\$ 257,970</u>	<u>\$ 108,440</u>	<u>\$ 530,102</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 BANs outstanding at June 30, 2015 in the amount of \$20,000,000.

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 managed by third party administrators.

The schedule below presents the calculation of the District's estimated claims at June 30, 2015 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

ROCHESTER CITY SCHOOL DISTRICT
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Board. The estimated claims for the student accident program represent an amount based on prior experience with actual payments of claims.

	Workers'	Student	
	Compensation	Accident	Total
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>
Estimated claims July 1, 2014	\$ 5,162,756	\$ 38,127	\$ 5,200,883
Claims incurred 2014-15	4,698,665	17,695	4,716,360
Payments and reductions 2014-15	4,385,795	47,769	4,433,564
Estimated claims June 30, 2015	<u>\$ 5,475,626</u>	<u>\$ 8,053</u>	<u>\$ 5,483,679</u>

The District has not had any material insurance settlements that were not covered by the District's insurance coverages over the past three years. 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 \$3,898,290 has been recorded in the District's general fund for estimated health insurance claims expense incurred but not paid during 2014-15. A current liability of \$5,475,626 and a non-current liability of \$18,122,750 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 \$4,563,011 of its fund balance for this purpose, which represents approximately 19.3% of the estimated total claims liability.

As of September 2014, the District is no longer self-insured for student accidents. The District currently maintains a student accident insurance policy with a third-party insurance company. Aged claims under the previous plan will be paid out through September 2015.

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.

B. Pension Obligations

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems).

1. Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

The District participates in the New York State Teachers' Retirement System (TRS), a cost-sharing, multiple employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the

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Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the States' financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

2. Contributions

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

ROCHESTER CITY SCHOOL DISTRICT
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Required contributions for the current year and two preceding years were as follows:

	ERS	TRS
2014-15	\$ 13,111,553	\$ 41,505,107
2013-14	13,461,358	27,910,410
2012-13	13,183,427	26,298,048

The ERS contributions for the current year and two preceding years reflect an early payment discount and include a payment of \$850,073 each year for the 2010 Early Retirement Incentive offered by New York State. Contributions for the two preceding years were equal to 100 percent of the contributions required. The District elected to amortize \$3,880,819 of the current year ERS contribution. The District elected to amortize \$8,496,569 of the current year TRS contribution. Contributions for the two preceding years were equal to 100 percent of the contributions required. For additional information on pension amortization, refer to Note IV. G.

3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported the following asset/(liability) for its proportionate share of the net pension asset for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2015 for ERS and June 30, 2014 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Measurement date	03/31/2015	06/30/2014
Net pension asset/(liability)	\$ (8,040,052)	\$ 192,611,756
District's portion of the Plan's total net pension asset/(liability)	0.237995%	1.729107%

For the year ended June 30, 2015, the District recognized pension expenses of (\$7,569,685), net of the \$3,880,519 deferral for ERS and \$7,630,415, net of the \$8,496,569 deferral for TRS. At June 30, 2015 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

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	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 257,371	\$ -	\$ -	\$ 2,816,594
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	1,396,455	-	-	129,359,727
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,173,434	-	-	706,393
Total	\$ 2,827,260	\$ -	\$ -	\$ 132,882,714

District's contributions subsequent to the measurement date	\$ 2,321,327	\$ 43,807,308	-	-
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District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	ERS	TRS
6/30/2016	\$ 706,815	\$ (32,749,581)
6/30/2017	706,815	(32,749,581)
6/30/2018	706,815	(32,749,581)
6/30/2019	706,815	(32,749,581)
6/30/2020	-	(409,650)
Thereafter	-	(1,474,739)

4. Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	ERS	TRS
Measurement date	03/31/15	06/30/14
Actuarial valuation date	04/01/14	06/30/13
Interest rate	7.5%	8.0%
Salary scale	4.9%	4.01% - 10.91%
Decrement tables	04/01/05 - 03/31/10	07/01/05 - 06/30/10
	System's experience	System's experience
Inflation rate	2.7%	3.0%

For ERS, annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on the Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2011 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010. For TRS, the

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actuarial assumptions used in the June 30, 2013 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	ERS	TRS
Valuation Date	03/31/15	06/30/14
Expected Long-Term Rate of Return	6.98%	8.00%

5. Discount Rate

The discount rate used to calculate the total pension liability was 7.5% for ERS and 8.0% for TRS. The projection of cash flows used to determine the discount rate assumes that the contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

6. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following tables present the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% for ERS and 8.0% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is one percentage point lower (6.5% for ERS and 7.0% for TRS) or one percentage point higher (8.5% for ERS and 9.0% for TRS) than the current rate:

ERS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension asset (liability)	\$ (53,590,428)	\$ (8,040,052)	\$ 30,415,760
TRS	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
Employer's proportionate share of the net pension asset	\$ 4,154,906	\$ 192,611,756	\$ 353,203,165

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7. Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

	ERS	TRS (\$000s)	Total
Measurement date	03/31/15	06/30/14	
Employers' total pension asset/(liability)	\$ 164,592,504	\$ 97,015,706	\$ 261,608,210
Plan net position	161,213,259	108,155,083	269,368,342
Employers' net pension asset/(liability)	<u>\$ (3,379,245)</u>	<u>\$ 11,139,377</u>	<u>\$ 7,760,132</u>
Ratio of plan net position to the employers' total pension asset/(liability)	97.9%	111.50%	

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2015 represent the projected employer contribution for the period of April 1, 2015 through June 30, 2015 based on ERS wages multiplied by the contribution rate of 12.5% provided by the ERS as part of the pension smoothing program. Accrued retirement contributions as of June 30, 2015 amounted to \$2,321,327, excluding the early retirement incentive liability of \$850,073.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2015 are paid to the System in September, October and November 2015 through a state aid intercept. Accrued retirement contributions as of June 30, 2015 represent employee and employer contributions for the fiscal year ended June 30, 2015 based on TRS wages multiplied by the contribution rate of 14.13% provided by the TRS as part of the pension smoothing program. Accrued retirement contributions as of June 30, 2015 amounted to \$37,287,359, excluding the early retirement incentive liability of \$2,824,040.

9. Pension Amortization

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their Employees' Retirement System bill for 10 years, with the first payment being due in the fiscal year succeeding that fiscal year in which the amortization was instituted. For fiscal years subsequent to 2010-11, the graded rate applied to the repayment will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate. For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program. The District's total unpaid, ERS amortization liability at the end of fiscal year 2014-15 was \$4,326,927 and is reported in the Schedule of Non-Current Governmental Liabilities of this report.

Chapter 57 of the Laws of 2013 of the State of New York allows local employers to amortize a portion of their Teachers' Retirement System bill for a seven-year period. The deferred

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contributions for years one through five will be amortized over a five-year period, with payments beginning in year six. The deferred contributions for years six and seven will also be amortized over a five-year period with payments beginning in year eight. Interest on deferred amounts will be based on the monthly average yield on 10-year U.S. Treasury securities for the 12-month period that precedes August 1 of the applicable deferral year, plus 1%. Beginning in year eight, employers will return to paying the actuarially required contribution rate (ARC) as calculated by the NYSTRS.

The District's total unpaid, TRS amortization liability at the end of fiscal year 2014-15 was \$13,911,389 and is reported in the Schedule of Non-Current Governmental Liabilities of this report.

10. Retirement Incentives

Chapter 105 of the Laws of 2010 of the State of New York authorizes local governments to make available a retirement benefit incentive program for employees of the ERS and TRS. The District's total cost of the TRS incentive was approximately \$14.1 million and was charged to expenditures in the District's governmental funds over a five-year period from fiscal year 2010-11 through fiscal year 2014-15. The final payment of approximately \$2.8 million will be made during fiscal 2015-16. The District's total cost of the ERS incentive was approximately \$4.2 million and was charged to expenditures in the District's governmental funds over a five-year period from fiscal year 2010-11 through fiscal year 2014-15. The final payment of approximately \$0.9 million will be made during fiscal 2015-16.

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, 2015 for this purpose was \$20,755,916. The number of

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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participants enrolled in the District's retirees' health insurance group was 4,183 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 2014-15, the amount actually contributed to the plan, and changes in the District's net OPEB obligation are:

Annual required contribution	\$ 40,477,528
Interest on net OPEB obligation	7,670,910
Adjust to annual required contribution	<u>(11,513,408)</u>
Annual OPEB cost (expense)	36,635,030
Contributions made	<u>(20,755,916)</u>
Increase in net OPEB obligation	15,879,114
Net OPEB obligation - July 1, 2014	<u>191,772,762</u>
Net OPEB obligation - July 1, 2015	<u><u>\$ 207,651,876</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2014-15 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>
6/30/2015	\$ 36,635,030	56.7	\$ 207,651,876
6/30/2014	34,752,380	53.7	191,772,762
6/30/2013	29,302,568	52.7	175,677,108

Funded Status and Funding Progress

Based on the most recent July 1, 2013 valuation report issued on August 9, 2014, the OPEB plan was unfunded, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$464.9 million at June 30, 2015. 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, 2015. 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 2014-15 who are eligible for postretirement benefits is \$296,221,634. The ratio of the unfunded actuarial accrued liability at June 30, 2015 to annual covered payroll for 2014-15 is 157%. A schedule of funding progress which presents multi-year information immediately follows the notes to the financial statements.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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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.

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 2014-15, MRA claims totaling \$27,347 were paid by the District and at June 30, 2015 there were thirty 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. Phase I is scheduled to be completed in the fall of 2016.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

In December of 2014, the Governor of the State of New York signed legislation approving Phase II of the FMP. Phase II authorizes up to twenty-six projects, including twenty-five buildings plus a District Wide Technology project, with a total value of \$435 million. Planning and development of a Phase II Master Plan is currently underway. This effort is focused on a detailed evaluation of the District's entire portfolio of buildings including: building capacity, enrollment projections, infrastructure needs, pre-k availability, and other District priorities. The Master Plan will provide the roadmap for Phase II projects. The District has authorized the initial planning and design of several projects for the Phase II program. It is anticipated that construction on the first group of Phase II projects will begin in late 2016 to coincide with the completion of Phase I.

Financing of RJSCB

The RJSCB completed its financing of the final portion of Phase I of the FMP in February of 2015 upon receipt of \$55 million in bond proceeds, including premiums. These funds will be used for expenditures associated with the final three schools to be renovated in Phase I of the program. The City intends to issue a bond anticipation note (BAN) on behalf of the District in October of 2015 for the purpose of providing interim financing for the RJSCB. These BAN funds will support the planning and preliminary design costs associated with Phase II of the FMP program. The first permanent Phase II bond financing for the RJSCB is projected to occur in October of 2016. This permanent bond financing will satisfy the outstanding BAN obligation as well as provide additional financing for the Phase II construction projects.

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 \$2,351,000 relative to thirteen separate cases which were pending as of June 30, 2015.

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, 2015, the District has reserved and encumbered approximately \$118,748 in asbestos abatement and air monitoring 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, 2015. As a precaution, as of June 30, 2015 the District has set aside an additional \$37,407 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 \$1.9 million for the year ended June 30, 2015 for the Catholic Charities (DBA Catholic Family Center), Rochester Area Community Foundation, Blue Sky Associates of Upstate NY, the Hillside Work Scholarship Connection, the Rochester Museum and Science Center, the Ibero-American Action League, the University of Rochester Neurology Department, and the Baden Street Settlement of Rochester. At June 30, 2015, the District

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

had \$268,326 in outstanding accounts payable with these vendors, with the exception of the University of Rochester Neurology Department and the Baden Street Settlement of Rochester.

G. Calculation of Net Investment in Capital Assets

Capital assets		\$907,333,282
Less: Depreciation	\$334,787,032	
Related outstanding debt	<u>352,156,672</u>	
Net investment in capital assets		<u>\$220,389,578</u>

The related outstanding debt comprises the following:

Bonds payable	\$395,890,000
BANs payable	20,000,000
Installment purchase debt	<u>6,855,376</u>
	422,745,376
Less: Unspent proceeds	<u>(70,588,704)</u>
	<u>\$352,156,672</u>

REQUIRED SUPPLEMENTARY INFORMATION

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
NEW YORK STATE EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEM PENSION PLANS
LAST TEN FISCAL YEARS**

EMPLOYEES' RETIREMENT PLAN:

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2005-06	\$ 6,698,530	\$ 6,698,530	\$ -	\$ 37,221,711	18.0%
2006-07	5,489,491	5,489,491	-	40,900,661	13.4
2007-08	5,094,288	5,094,288	-	44,550,026	11.4
2008-09	4,996,727	4,996,727	-	48,565,729	10.3
2009-10	8,308,166	8,308,166	-	51,461,674	16.1
2010-11	9,453,663	9,453,663	-	54,235,208	17.4
2011-12	13,183,427	13,183,427	-	57,271,384	23.0
2012-13	13,461,358	13,461,358	-	59,614,805	22.6
2013-14	13,111,553	9,230,734	3,880,819	63,887,220	14.4
2014-15	12,000,409	10,215,980	1,784,429	67,349,479	15.2

TEACHERS' RETIREMENT PLAN:

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2005-06	\$ 17,544,066	\$ 17,544,066	\$ -	\$ 163,204,321	10.7%
2006-07	19,946,029	19,946,029	-	174,974,597	11.4
2007-08	21,437,247	21,437,247	-	186,171,300	11.5
2008-09	20,105,226	20,105,226	-	207,893,624	9.7
2009-10	16,169,411	16,169,411	-	210,781,157	7.7
2010-11	21,183,244	21,183,244	-	216,993,530	9.8
2011-12	26,298,048	26,298,048	-	215,964,182	12.2
2012-13	27,910,410	27,910,410	-	220,616,307	12.7
2013-14	41,505,107	36,090,287	5,414,820	248,109,334	14.5
2014-15	43,807,308	35,310,739	8,496,569	253,838,859	13.9

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF RETIREMENT SYSTEM PENSION PLANS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>ERS</u>	<u>TRS</u>
District's proportion of the net pension asset (liability)	0.237995%	1.729107%
District's proportionate share of the net pension asset (liability)	\$ (8,040,052)	\$ 192,611,736
District's covered-employee payroll	67,349,479	253,838,859
District's proportionate share of the net pension asset (liability) as a percentage of its covered employee payroll	29.4%	75.9%
Plan fiduciary net position as a percentage of the total pension asset (liability)	97.9%	111.5%

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Actuarial accrued liability (AAL)	\$412,815,069	\$453,820,582	\$464,872,571
Actuarial value of assets	-	-	-
Unfunded AAL (UAAL)	<u>\$412,815,069</u>	<u>\$453,820,582</u>	<u>\$464,872,571</u>
Funded ratio	0%	0%	0%
Covered payroll	\$ 288,140,402	\$ 300,895,032	\$ 296,221,634
UAAL as a percentage of covered payroll	143.27%	150.82%	156.93%

Schedule of Employer Contributions

<u>Fiscal Year</u>	<u>Employer Contribution</u>
<u>Ended</u>	
6/30/2015	\$ 20,755,916
6/30/2014	\$ 18,656,726
6/30/2013	\$ 15,431,413

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) – GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund			
	Budgeted Amounts		Actual	Variance With Final Budget
	Original Budget	Final Budget		
REVENUES				
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ 453,125	\$ 316,334	\$ 351,776	\$ 35,442
Intergovernmental	119,100,000	119,100,000	119,100,000	-
Other	8,807,500	8,236,535	9,783,119	1,546,584
State Sources	512,858,749	508,243,204	507,632,955	(610,249)
Federal Sources	2,100,000	1,426,742	1,780,579	353,837
Total Revenues	643,319,374	637,322,815	638,648,429	1,325,614
EXPENDITURES				
Current:				
General Support:				
Staff	5,835,845	4,448,625	4,273,598	175,027
Central Services	39,778,046	38,641,391	38,570,492	70,899
Other	7,922,165	7,434,439	7,422,121	12,318
Instructional				
Teaching -- Regular School	182,280,047	175,436,020	175,352,254	83,766
Special Apportionment Programs	96,736,628	100,100,538	99,868,141	232,397
Other	71,190,662	72,449,841	72,275,132	174,709
Pupil Transportation	60,690,776	63,814,405	63,293,620	520,785
Community Services	528,274	670,365	476,036	194,329
Employee Benefits				
Retirement	41,611,405	40,464,412	40,399,209	65,203
Social Security	19,813,339	20,682,101	20,676,963	5,138
Health Insurance	67,351,793	67,672,653	67,590,853	81,800
Workers' Compensation	3,550,000	3,953,712	3,907,820	45,892
Other	5,000,181	4,663,594	4,550,184	113,410
Debt Service	3,297,258	3,114,818	3,074,855	39,963
Total Expenditures	605,586,419	603,546,914	601,731,278	1,815,636
Excess of Revenues Over Expenditures	37,732,955	33,775,901	36,917,151	3,141,250
OTHER FINANCING SOURCES (USES)				
Transfers In	7,303,322	6,171,791	5,766,121	(405,670)
Transfers Out	(54,900,511)	(53,189,650)	(52,949,537)	240,113
Total Other Financing Sources (Uses)	(47,597,189)	(47,017,859)	(47,183,416)	(165,557)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses Budget Basis	\$ (9,864,234)	\$ (13,241,958)	(10,266,265)	\$ 2,975,693
Encumbrances Included in Actual			186,532	
Excess of Revenues and Other Sources Over Expenditures, Encumbrances and Other Uses			(10,079,733)	
Expenditure of Prior Years' Encumbrances			(461,110)	
Excess of Revenues and Other Sources Over Expenditures and Other Uses			(10,540,843)	
Fund Balance -- Beginning of Year			77,139,826	
Fund Balance -- End of Year			\$ 66,598,983	

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT 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, 2015

Special Aid Fund				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES				
Local Sources	\$ 3,505,893	\$ 4,449,156	\$ 3,525,058	\$ (924,098)
State Sources	44,761,357	44,536,295	41,985,848	(2,550,447)
Federal Sources	59,263,282	73,768,051	62,696,858	(11,071,193)
Total Revenues	107,530,532	122,753,502	108,207,764	(14,545,738)
EXPENDITURES				
Current:				
General Support				
Central Services	15,710	13,553	10,919	2,634
Other	2,525,033	3,115,904	1,846,515	1,269,389
Instructional				
Teaching -- Regular School	39,575,558	44,130,194	37,643,613	6,486,581
Special Apportionment Programs	18,820,399	20,130,153	19,245,466	884,687
Other	23,327,108	31,730,580	29,878,307	1,852,273
Pupil Transportation	2,753,384	2,479,071	2,165,997	313,074
Employee Benefits				
Retirement	6,956,993	7,520,495	6,734,268	786,227
Social Security	3,663,461	4,033,032	3,666,087	366,945
Health Insurance	8,471,201	8,342,248	7,160,945	1,181,303
Workers' Compensation	764,224	858,831	825,267	33,564
Other	657,461	399,441	391,274	8,167
Total Expenditures	107,530,532	122,753,502	109,568,658	13,184,844
Excess (Deficiency) of Revenues Over Expenditures	-	-	(1,360,894)	(27,730,582)
OTHER FINANCING SOURCES				
Transfers In	-	-	1,360,894	1,360,894
Transfers Out	-	-	-	-
Total Other Financing Sources	-	-	1,360,894	1,360,894
Excess (Deficiency) of Revenues and Other Sources Over Expenditures -- Budget Basis	\$ -	\$ -	-	\$ (26,369,688)
Fund Balance -- Beginning of Year			-	
Fund Balance -- End of Year			\$ -	

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) – SCHOOL FOOD SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	School Food Service Fund			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES				
Local Sources				
Other	\$ 150,000	\$ 135,496	\$ 135,478	\$ (18)
State Sources	575,000	548,773	548,773	-
Federal Sources	19,517,000	21,243,442	21,243,442	-
Total Revenues	20,242,000	21,927,711	21,927,693	(18)
EXPENDITURES				
General Support				
Other	16,523,200	18,346,644	17,188,197	1,158,447
Employee Benefits				
Retirement	1,151,300	961,300	954,250	7,050
Social Security	537,100	485,471	485,470	1
Health Insurance	1,861,200	1,975,096	1,973,843	1,253
Workers' Compensation	112,300	105,300	105,182	118
Other	56,900	53,900	52,722	1,178
Total Expenditures	20,242,000	21,927,711	20,759,664	1,168,047
Excess (Deficiency) of Revenues Over Expenditures	-	-	1,168,029	1,168,029
OTHER FINANCING SOURCES				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources	-	-	-	-
Appropriation of Prior Year Fund Balance	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures -- Budget Basis	\$ -	\$ -	1,168,029	\$ 1,168,029
Fund Balance -- Beginning of Year			1,450,974	
Fund Balance -- End of Year			\$ 2,619,003	

SUPPLEMENTAL FINANCIAL STATEMENTS AND SCHEDULES

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES, AND OTHER USES
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(continued next page)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year Revenues</u>	<u>Over (Under) Amended Budget</u>
Revenues				
Local Sources:				
Use of Money and Property	\$ 528,125	\$ 316,334	\$ 351,776	\$ 35,442
Intergovernmental	119,100,000	119,100,000	119,100,000	-
Charges for Services	1,410,000	1,283,113	1,593,999	310,886
Miscellaneous	7,322,500	6,953,422	8,189,120	1,235,698
State Sources	512,858,749	508,243,204	507,632,955	(610,249)
Federal Sources	2,100,000	1,426,742	1,780,579	353,837
Total Revenues	<u>643,319,374</u>	<u>637,322,815</u>	<u>638,648,429</u>	<u>1,325,614</u>
Other Sources				
Transfers in	<u>7,303,322</u>	<u>6,171,791</u>	<u>5,766,121</u>	<u>(405,670)</u>
Total Other Sources	<u>7,303,322</u>	<u>6,171,791</u>	<u>5,766,121</u>	<u>(405,670)</u>
 Total Revenues and Other Sources	 <u>\$ 650,622,696</u>	 <u>\$ 643,494,606</u>	 <u>\$ 644,414,550</u>	 <u>\$ 919,944</u>

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES, AND OTHER USES
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015 (continued next page)

Expenditures	<u>Original</u> <u>Budget</u>	<u>Final Budget</u>
General Support:		
Staff	\$ 5,835,845	\$ 4,448,625
Central Services	39,778,046	38,641,391
Board of Education	663,166	587,361
Central Administration	728,230	723,139
Finance	4,355,782	4,299,232
Other	2,174,987	1,824,707
Instructional		
Teaching - Regular School	182,280,047	175,436,020
Programs for Children with Handicapping Conditions	90,154,274	93,531,510
Occupational Education	6,582,354	6,569,028
Instruction, Administration and Improvement	41,015,176	40,565,813
Teaching - Special Schools	4,515,400	2,919,840
Instructional Media	2,624,348	4,702,347
Pupil Services	23,035,738	24,261,841
Pupil Transportation	60,690,776	63,814,405
Community Services	528,274	670,365
Employee Benefits:		
Retirement	41,611,405	40,464,412
Social Security	19,813,339	20,682,101
Health Insurance	67,351,793	67,672,653
Workers' Compensation	3,550,000	3,953,712
Other	5,000,181	4,663,594
Debt Service		
Principal	3,130,591	3,114,818
Interest	166,667	-
Total Expenditures	<u>605,586,419</u>	<u>603,546,914</u>
Other Uses		
Transfers Out	54,900,511	53,189,650
Total Expenditures and Other Uses	<u>660,486,930</u>	<u>656,736,564</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (9,864,234)</u>	<u>\$ (13,241,958)</u>

<u>Current Year's</u> <u>Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered</u> <u>Balance</u>
\$ 4,273,598	\$ -	\$ 175,027
38,570,492	-	70,899
587,267	-	94
715,118	-	8,021
4,298,668	-	564
1,821,069	-	3,638
175,347,294	4,960	83,766
93,404,131	-	127,379
6,464,009	-	105,019
40,513,656	468	51,689
2,883,720	-	36,120
4,580,858	9,029	86,460
24,183,768	103,634	439
63,225,179	68,441	520,785
476,036	-	194,329
40,399,209	-	65,203
20,676,963	-	5,138
67,590,852	-	81,801
3,907,820	-	45,892
4,550,184	-	113,410
2,865,967	-	-
208,888	-	39,963
<u>601,544,746</u>	<u>186,532</u>	<u>1,815,636</u>
52,949,537	-	240,113
<u>654,494,283</u>	<u>\$ 186,532</u>	<u>\$ 2,055,749</u>
<u>\$ (10,079,733)</u>		

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) – DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Debt Service Fund				
	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ -	\$ 327,443	\$ 327,443	\$ -
Total Revenues	-	327,443	327,443	-
EXPENDITURES				
Debt Service	44,398,511	44,966,643	44,966,643	-
Total Expenditures	44,398,511	44,966,643	44,966,643	-
Deficiency of Revenues Over Expenditures	(44,398,511)	(44,639,200)	(44,639,200)	-
OTHER FINANCING SOURCES (USES)				
Transfers In	44,398,511	44,966,643	44,966,643	-
Transfers (Out)	-	(327,443)	(327,443)	-
Total Other Financing Sources (Uses)	44,398,511	44,639,200	44,639,200	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ -	\$ -	-	\$ -
Fund Balance -- Beginning of Year			-	
Fund Balance -- End of Year			\$ -	

**ROCHESTER CITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Ordinance Number</u>	<u>Project Title</u>	<u>Expenditures to Date</u>			
		<u>Appropriation</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Unexpended Balance</u>
12-456	Facility Capital Improvements	\$ 14,125,000	\$ 8,066,583	\$ 3,204,508	\$ 2,853,909
13-007	Facility Capital Improvements	10,000,000	4,000,000	5,462,438	537,562
13-397	Facility Capital Improvements	10,000,000	-	8,063,971	1,936,029
	Accrued Capital Improvements	1,444	1,876,167	(509,348)	(1,365,375)
	Cash - Capital Improvements	17,647,011	-	7,274,047	10,372,964
	Totals	\$ 51,773,455	\$ 13,942,750	\$ 23,495,616	\$ 14,335,089

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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 92-98) – 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 99-102) – These schedules contain information to help the reader assess the government's most significant local revenue sources.
- ♦ Debt Capacity (Page 103-107) – 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 108-109) – 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 110-114) – 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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities					
Net investment in capital assets	\$ 235,983,192	\$ 216,602,246	\$ 229,418,070	\$ 231,461,078	\$ 227,098,515
Unrestricted (Deficit)	<u>(18,403,117)</u>	<u>(10,146,254)</u>	<u>(54,652,221)</u>	<u>(70,682,248)</u>	<u>(78,288,628)</u>
Total governmental activities net position	<u>\$ 217,580,075</u>	<u>\$ 206,455,992</u>	<u>\$ 174,765,849</u>	<u>\$ 160,778,830</u>	<u>\$ 148,809,887</u>
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities					
Net investment in capital assets	\$ 224,868,075	\$ 226,080,564	\$ 231,321,889	\$ 226,882,367	\$ 220,389,578
Unrestricted (Deficit)	<u>(133,132,558)</u>	<u>(142,832,981)</u>	<u>(170,834,732)</u>	<u>(137,367,906)</u>	<u>(131,913,678)</u>
Total governmental activities net position	<u>\$ 91,735,517</u>	<u>\$ 83,247,583</u>	<u>\$ 60,487,157</u>	<u>\$ 89,514,461</u>	<u>\$ 88,475,900</u>

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

(continued next page)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenditures				
General Support:				
Board of Education	\$ 510,766	\$ 713,240	\$ 685,664	\$ 678,153
Chief School Administrator	1,759,223	1,744,079	2,150,794	3,263,226
Finance	4,702,380	5,281,980	5,328,334	5,781,686
Staff	6,142,232	6,889,084	6,659,097	6,987,989
Central Services	61,794,979	64,195,225	73,464,586	74,596,293
Other	7,044,988	7,663,524	21,539,394	3,617,425
Total General Support	<u>81,954,568</u>	<u>86,487,132</u>	<u>109,827,869</u>	<u>94,924,772</u>
Instruction:				
Administration and Improvement	60,021,443	63,520,800	63,961,427	76,490,377
Teaching	331,183,625	349,523,934	385,363,331	420,456,795
Instructional Media	9,332,398	8,340,253	8,514,516	10,053,812
Pupil Services	28,065,827	30,938,342	30,168,305	32,319,277
Other	142,409	-	-	-
Total Instruction	<u>428,745,702</u>	<u>452,323,329</u>	<u>488,007,579</u>	<u>539,320,261</u>
Pupil Transportation	46,551,303	53,138,656	54,899,360	60,121,041
Community Services	5,827,974	5,725,482	7,821,082	7,273,466
Interest on Long-Term Debt	6,208,775	8,264,944	7,918,829	7,855,374
Depreciation-Unallocated	8,145,544	7,982,633	-	-
Total Expenditures	<u>577,433,866</u>	<u>613,922,176</u>	<u>668,474,719</u>	<u>709,494,914</u>
Program Revenues				
Charges for Services:				
Central Services	14,264,883	13,854,118	14,620,109	15,987,282
Teaching	1,753,777	1,851,229	1,376,696	1,384,364
Operating Grants and Contributions	127,617,343	145,456,653	90,671,547	95,492,259
Total Program Revenues	<u>143,636,003</u>	<u>161,162,000</u>	<u>106,668,352</u>	<u>112,863,905</u>
Net (Expense)/Revenue	<u>(433,797,863)</u>	<u>(452,760,176)</u>	<u>(561,806,367)</u>	<u>(596,631,009)</u>
General Revenues and Other Changes in Net Position				
Intergovernmental (Unrestricted)	119,566,784	119,100,000	119,100,000	119,100,000
Use of Money & Property	3,883,000	4,471,842	4,286,033	2,449,722
Interfund Reimbursements	2,322,847	2,594,188	2,322,353	-
State & Federal Aid	261,752,923	275,251,427	350,011,056	385,981,017
Lottery Aid	38,360,455	38,056,468	48,015,993	55,584,823
Miscellaneous	1,586,273	2,940,015	4,475,430	19,528,428
Total General Revenues and Other Changes in Net Position	<u>427,472,282</u>	<u>442,413,940</u>	<u>528,210,865</u>	<u>582,643,990</u>
Change in Net Position	<u>\$ (6,325,581)</u>	<u>\$ (10,346,236)</u>	<u>\$ (33,595,502)</u>	<u>\$ (13,987,019)</u>

2010	2011	2012	2013	2014	2015
\$ 700,462	\$ 845,542	\$ 937,364	\$ 804,532	\$ 968,455	\$ 811,972
2,625,789	2,935,381	823,745	1,018,962	1,183,391	947,164
6,060,425	6,446,125	5,624,636	5,957,755	7,449,533	6,165,866
7,030,907	7,813,587	6,337,641	6,016,143	6,959,452	5,948,881
75,301,682	74,794,471	71,636,605	74,430,768	81,900,706	77,142,220
9,593,834	5,533,657	6,461,292	8,665,885	8,255,958	4,951,793
101,313,099	98,368,763	91,821,283	96,894,045	106,717,495	95,967,896
76,364,476	76,115,320	66,516,877	73,712,391	70,286,652	74,179,100
422,444,062	444,285,066	422,176,283	434,230,713	416,521,090	462,945,545
11,110,860	12,127,840	9,361,416	9,222,737	8,688,549	9,922,632
32,250,202	32,369,551	36,379,149	36,650,565	36,102,054	40,050,199
-	-	-	-	-	-
542,169,600	564,897,777	534,433,725	553,816,406	531,598,345	587,097,476
55,139,810	60,056,572	59,602,833	65,325,728	68,990,845	70,433,794
6,965,346	7,143,070	3,642,674	2,604,672	3,036,392	3,419,962
7,729,302	8,283,576	7,502,523	12,532,896	17,598,994	17,931,983
-	-	-	-	-	-
713,317,157	738,749,758	697,003,038	731,173,747	727,942,071	774,851,111
1,032,158	784,618	954,589	771,124	108,583	135,478
1,636,777	1,279,395	1,539,574	1,408,777	1,605,929	1,593,999
101,612,225	107,490,316	103,192,159	101,980,675	107,816,885	109,228,469
104,281,160	109,554,329	105,686,322	104,160,576	109,531,397	110,957,946
(609,035,997)	(629,195,429)	(591,316,716)	(627,013,171)	(618,410,674)	(663,893,165)
119,100,000	119,100,000	119,100,000	119,100,000	119,100,000	119,100,000
4,768,568	560,906	635,161	283,477	259,181	682,214
-	-	-	-	-	-
408,172,635	381,842,297	396,973,771	413,568,396	454,984,197	462,719,362
56,900,547	63,411,761	59,355,281	63,012,095	66,698,736	69,627,693
8,125,304	7,206,095	6,764,569	8,288,777	6,395,864	10,725,335
597,067,054	572,121,059	582,828,782	604,252,745	647,437,978	662,854,604
\$ (11,968,943)	\$ (57,074,370)	\$ (8,487,934)	\$ (22,760,426)	\$ 29,027,304	\$ (1,038,561)

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

(continued next page)

	2006	2007	2008	2009
General Fund				
Nonspendable	\$ 1,212,305	\$ 5,642,167	\$ 1,814,956	\$ 2,293,454
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	67,472,133	75,261,382	41,096,379	42,234,704
Unassigned	8,468,136	1,889,359	4,932,662	15,694,610
Total General Fund	<u>\$ 77,152,574</u>	<u>\$ 82,792,908</u>	<u>\$ 47,843,997</u>	<u>\$ 60,222,768</u>
All Other Governmental Funds				
Nonspendable	\$ 437,812	\$ 635,325	\$ 573,374	\$ 448,225
Restricted	-	-	-	-
Assigned	1,957,864	1,825,301	1,140,361	1,559,873
Unassigned, Reported In:				
Capital Projects Fund	8,062,212	(12,496,754)	(17,580,328)	(40,133,564)
RJSCB Fund	-	-	-	-
Miscellaneous Special Revenue	-	-	-	-
Total All Other Governmental Funds	<u>\$ 10,457,888</u>	<u>\$ (10,036,128)</u>	<u>\$ (15,866,593)</u>	<u>\$ (38,125,466)</u>
Total All Governmental Funds	<u>\$ 87,610,462</u>	<u>\$ 72,756,780</u>	<u>\$ 31,977,404</u>	<u>\$ 22,097,302</u>

2010	2011	2012	2013	2014	2015
\$ 39,546	\$ 4,405,058	\$ 6,589,163	\$ 5,408,822	\$ 9,015,204	\$ 9,658,416
-	-	-	4,735,764	655,408	320,406
-	-	32,588,485	32,588,485	32,588,485	26,452,769
58,297,595	40,728,264	21,995,142	21,357,946	20,309,554	19,760,663
19,064,883	26,557,687	19,188,648	19,342,801	14,571,175	10,406,729
<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>	<u>\$ 66,598,983</u>
\$ 458,729	\$ 99,138	\$ 311,363	\$ 328,690	\$ 324,307	\$ 424,100
-	-	-	-	47,508,944	60,270,989
1,436,907	871,767	118,409,508	180,847,158	1,126,667	2,194,903
9,502,422	(258,865)	(9,227,636)	-	10,584,466	(5,664,911)
-	-	-	-	-	37,848
-	(2,683,335)	-	-	-	-
<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>\$ 57,262,929</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>	<u>\$ 123,861,912</u>

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

(continued next page)

	2006	2007	2008	2009
Revenues				
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ 3,940,018	\$ 4,498,603	\$ 4,380,909	\$ 2,449,722
Intergovernmental	119,100,000	119,100,000	119,100,000	119,100,000
Other	10,505,226	11,185,487	10,797,977	16,191,725
State Sources	359,753,979	395,842,611	430,359,330	485,631,182
Federal Sources	75,785,223	71,062,237	68,476,550	72,673,518
Surplus Food	590,293	883,363	791,243	925,780
Sales	1,433,546	1,003,639	973,208	911,798
Total Revenues	<u>571,108,285</u>	<u>603,575,940</u>	<u>634,879,217</u>	<u>697,883,725</u>
Expenditures				
General Support:				
Staff	5,869,560	6,520,235	6,456,990	6,672,969
Central Services	44,112,304	45,109,819	47,704,150	47,594,354
Other	21,502,409	22,901,927	37,345,461	21,578,298
Instructional:				
Teaching - Regular School	178,786,025	190,111,522	203,630,068	222,394,714
Special Apportionment Programs	119,075,942	124,579,887	133,894,191	137,509,226
Other	106,223,360	112,126,140	118,085,930	133,518,980
Pupil Transportation	44,963,493	50,376,123	52,612,309	56,587,073
Community Services	5,738,203	5,628,977	6,042,832	7,124,911
Cost of Sales	6,064,727	6,050,396	6,321,146	6,960,822
Debt Service:				
Principal	16,288,306	19,739,667	18,156,921	14,779,453
Interest	7,463,175	8,264,944	7,898,563	8,009,606
Bond Issuance Costs	-	-	-	-
Capital Outlay	38,368,247	27,662,076	26,182,381	49,163,770
Total Expenditures	<u>594,455,751</u>	<u>619,071,713</u>	<u>664,330,942</u>	<u>711,894,176</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,347,466)	(15,495,773)	(29,451,725)	(14,010,451)
Other Financing Sources (Uses)				
Debt Proceeds	-	-	-	-
Refunding Bonds	-	-	-	-
Premium - Refunding Bonds	-	-	-	-
Premium - Bond Issuance	-	-	-	-
Payment to Escrow Agent	-	-	-	-
Long-term Debt	48,128,460	469,183	11,384,878	2,043,200
Transfers In	35,788,860	27,695,699	28,798,062	30,711,359
Transfers Out	(35,788,860)	(27,695,699)	(28,798,062)	(30,711,359)
Total Other Financing Sources (Uses)	<u>48,128,460</u>	<u>469,183</u>	<u>11,384,878</u>	<u>2,043,200</u>
Net Change in Fund Balances	<u>\$ 24,780,994</u>	<u>\$(15,026,590)</u>	<u>\$(18,066,847)</u>	<u>\$(11,967,251)</u>
Debt Service as a Percentage of Noncapital Expenditures	4.26%	4.72%	4.04%	3.40%

2010	2011	2012	2013	2014	2015
\$ 4,768,568	\$ 560,907	\$ 635,161	\$ 283,477	\$ 259,181	\$ 682,214
119,100,000	119,100,000	119,100,000	119,100,000	119,100,000	119,101,443
15,986,384	10,777,116	12,165,277	10,880,816	11,635,498	13,360,146
455,650,093	445,210,158	465,764,197	485,713,741	530,317,736	550,167,576
107,728,741	104,692,597	89,528,198	91,398,802	94,495,300	86,754,441
929,925	932,137	1,018,851	942,062	1,078,482	1,128,449
576,984	402,473	303,420	94,423	83,178	83,509
704,740,695	681,675,388	688,515,104	708,413,321	756,969,375	771,277,778
6,762,646	7,179,406	6,260,911	5,906,382	5,945,247	6,074,754
49,382,721	47,243,300	46,538,877	48,276,855	50,247,733	49,268,550
27,687,396	24,116,618	23,116,314	26,068,647	27,484,179	24,917,805
225,292,202	236,502,568	235,738,366	244,680,729	254,351,913	260,566,367
142,065,048	136,643,687	135,977,745	139,182,252	143,521,920	146,005,189
134,904,890	131,741,908	129,632,899	136,515,099	146,998,875	162,786,514
52,287,872	54,614,418	58,064,582	63,362,758	66,443,629	68,165,552
6,773,889	6,844,001	3,479,242	2,446,372	2,882,036	3,293,117
7,211,720	7,454,503	7,930,286	8,861,406	7,994,917	8,521,647
13,578,018	18,385,022	18,127,741	33,554,888	22,556,679	30,410,967
6,790,890	8,984,972	7,190,572	13,921,980	17,332,137	17,630,531
-	-	-	2,091,497	-	-
26,791,121	22,679,746	31,277,855	102,472,252	139,640,040	59,866,645
699,528,413	702,390,149	703,335,390	827,341,117	885,399,305	837,507,638
5,212,282	(20,714,761)	(14,820,286)	(118,927,796)	(128,429,930)	(66,229,860)
-	-	-	738,164	504,474	53,407,562
-	-	-	37,785,000	-	-
-	-	-	3,309,791	-	-
-	-	-	20,780,819	-	-
-	-	-	(22,730,000)	-	-
61,490,498	1,634,393	134,955,245	153,799,015	-	-
58,286,742	33,153,924	37,096,372	46,564,991	54,001,937	59,105,658
(58,286,742)	(33,153,924)	(37,096,372)	(46,564,991)	(54,001,937)	(59,105,658)
61,490,498	1,634,393	134,955,245	193,682,789	504,474	53,407,562
\$ 66,702,780	\$ (19,080,368)	\$ 120,134,959	\$ 74,754,993	\$ (127,925,456)	\$ (12,822,298)
3.00%	3.99%	3.71%	6.50%	5.29%	6.02%

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

Fiscal Year	Assessed Value	Real Property - Total Direct Tax Rate per \$1,000 ¹		Estimated Actual Value	Assessed Value as a Percentage of Actual Value ²	Total Direct Rate Applied to Base
		Homestead	Non-Homestead			
2006	\$ 5,117,664	\$20.99	\$44.79	\$ 5,188,750	98.63%	3.04%
2007	5,151,480	21.18	45.18	5,648,553	91.20	3.08%
2008	5,189,455	21.72	43.54	5,787,282	89.67	3.05%
2009	5,747,600	20.57	40.67	5,774,161	99.54	2.86%
2010	5,777,374	19.61	41.69	5,815,723	99.34	2.85%
2011	5,779,908	19.50	42.23	5,802,907	99.60	2.86%
2012	5,785,340	20.04	42.79	5,906,907	97.94	2.91%
2013	5,910,992	19.32	42.98	6,128,302	96.45	2.85%
2014	5,931,350	19.65	42.04	6,024,586	98.45	2.84%
2015	5,992,862	20.05	42.86	6,250,507	95.88	2.88%

Source: City Assessors' Office

¹ The City partitions the assessment roll, and taxes properties based on Homestead and Non-Homestead classification. In accordance with Article 19 of 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.

² Special Equalization Ratios established by New York State Office of Real Property Services.

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

Year Ended 06/30	Class ¹	City of Rochester ²		Overlapping	Total Direct & Overlapping Rate
		Rochester City School District	City of Rochester	Monroe County ³	
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
2015	Homestead	13.83	6.22	10.79	30.84
	Non-Homestead	29.69	13.18	10.79	53.66

¹"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".

²Information provided by the City Assessor.

³Information provided in the Monroe County Budget, www.monroecounty.gov.

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

	2015			2006		
	Taxable Value	Rank	Percentage of Total Taxable Value ¹	Taxable Value	Rank	Percentage of Total Taxable Value ²
Rochester Gas and Electric	\$ 679,939	1	11.37%	\$ 486,218	1	9.61%
Frontier Telephone Corporation	72,484	2	1.21	69,043	3	1.36
Buckingham Properties	63,290	3	1.06	-	-	-
Eastman Kodak Co.	62,078	4	1.04	103,064	2	2.04
CSX (Conrail)	26,173	5	0.44	14,317	7	0.28
Clinton Asset Holding	25,000	6	0.42	-	-	-
Maguire Family Properties	20,715	7	0.35	18,149	6	0.36
NK - TCC Property, LLC	16,296	8	0.27	-	-	-
AP/AIM Rochester Hotel, LLC	14,800	9	0.25	-	-	-
Anthony Dimarzo	13,927	10	0.23	-	-	-
Samloff/Glazer	-	-	-	27,353	4	0.54
Chase Manhattan	-	-	-	21,709	5	0.43
Xerox	-	-	-	14,250	8	0.28
Landsman Development Corp.	-	-	-	13,877	9	0.27
Midtown Rochester LLC	-	-	-	13,442	10	0.27

¹ The total taxable assessed value of \$5,980,614,540 was used for fiscal year 2014-15 taxes.

² The total taxable assessed value of \$5,058,183,000 was used for fiscal year 2005-06 taxes.

Source: City Assessor

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

Fiscal Year	Collected within the Fiscal Year of the Levy				Total Collections to Date		
	Total Tax Levy for Fiscal Year	Amount	Percentage of Levy	Collections Subsequent Years	Amount	Percentage of Levy	
2006	\$ 184,086	\$ 168,297	91.42%	\$ 10,392	\$ 178,689	97.07%	
2007	189,822	174,245	91.79	10,219	184,464	97.18	
2008	190,298	174,902	91.91	8,778	183,680	96.52	
2009	196,088	181,218	92.42	7,827	189,045	96.41	
2010	197,219	182,281	92.43	8,988	191,269	96.98	
2011	201,211	185,325	92.10	9,357	194,682	96.76	
2012	205,558	189,505	92.19	9,804	199,309	96.96	
2013	206,013	190,291	92.37	9,924	200,215	97.19	
2014	206,188	191,616	92.93	8,158	191,616	92.93	
2015	213,694	198,289	92.79	N/A	198,289	92.79	

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

Fiscal Year	General Obligation Bonds	School Facility Revenue Bonds	Bond Premiums	Special Program & School Purpose Revenue Bonds	Installment Purchase Contracts	Total	Percentage of Personal Income ¹	Per Capita ²
2006	\$ 147,522,348	\$ -	\$ -	\$ 14,890,016	\$ 22,385,298	\$ 184,797,662	0.67%	253
2007	131,171,122	-	-	12,358,118	20,764,007	164,293,247	0.56	225
2008	127,318,629	-	-	9,683,982	18,860,874	155,863,485	0.51	213
2009	116,050,555	-	-	6,908,903	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	33,940,930	-	11,971,682	444,880,612	1.23	593
2014	155,400,000	223,810,000	31,679,985	-	9,556,959	420,446,944	1.16	561
2015	137,920,000	257,970,000	38,181,490	-	6,855,376	440,926,866	1.22	588

¹ Per Capita Personal Income figures from US Dept of Commerce Bureau of Economic Analysis, www.bea.gov. Current year and prior year data not available; 2013 data used for 2014 and 2015.

² Population figures from US Dept of Commerce Bureau of Economic Analysis, www.bea.gov. Current year and prior year data not available; 2013 data used for 2014 and 2015.

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

Fiscal Year	Total General Obligation Debt	Less: Amounts Available for Debt	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2005-06	\$ 147,522,348	\$ -	\$ 147,522,348	2.83%	200
2006-07	131,171,122	-	131,171,122	2.31	177
2007-08	127,318,629	-	127,318,629	2.19	172
2008-09	116,050,555	-	116,050,555	1.92	156
2009-10	166,374,111	-	166,374,111	2.87	223
2010-11	152,489,769	-	152,489,769	2.64	205
2011-12	262,655,400	-	262,655,400	4.37	351
2012-13	171,813,000	4,735,764	167,077,236	2.80	223
2013-14	155,400,000	655,408	154,744,592	2.54	207
2014-15	137,920,000	320,406	137,599,594	2.31	179

Per Capita Personal Income figures from the US Dept of Commerce www.bea.gov, current year and prior year data not available; 2013 data used for 2014 and 2015.

**ROCHESTER CITY SCHOOL DISTRICT
DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2015**

Jurisdiction	Gross Debt Outstanding	Percentage Applicable to City	Amount Applicable to City
Direct Debt:			
Rochester City School District	\$ 440,926,866	100.00%	\$ 440,926,866
Sub Total - Direct Debt	<u>440,926,866</u>		<u>440,926,866</u>
Overlapping Debt:			
City of Rochester	94,106,000	100.00%	94,106,000
County of Monroe	<u>413,225,105</u>	14.71%	<u>60,785,413</u>
Sub Total - Overlapping Debt	<u>507,331,105</u>		<u>154,891,413</u>
Total Direct and Overlapping Debt:	<u>\$ 948,257,971</u>		<u>\$ 595,818,279</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 (14.71%) 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
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
2015	211,103,324	157,920,000	53,183,324	25.19

Legal Debt Margin Calculation for Fiscal Year 2015

Indebtedness

Borrowings -- Bonds	\$ 137,920,000
Borrowings -- BANs	20,000,000
	<u>157,920,000</u>

Net Indebtedness

Debt Limit (3.5%/9% of five-year average full valuation) ¹	<u>211,103,324</u>
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Debt Contracting Margin ²	<u><u>\$ 53,183,324</u></u>
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¹ 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.

² 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 ¹				Special School Purpose Revenue Bond ²			
	Revenue	Principal	Interest	Coverage	Revenue	Principal	Interest	Coverage
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	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-

¹This bond is backed by the New York State Municipal Bond Bank Agency (MBBA), for the purpose of repaying the State for taxpayer refunds. Data derived from the MBBA.

²This 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 MBBA.

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

Fiscal Year	Population - Monroe County ¹	Personal Income - Monroe County ¹ (000s)	Per Capita Personal Income - Monroe County ¹	Unemployment Rate - Monroe County ²
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	749,606	36,102,780	48,162	7.1
2014	N/A	N/A	N/A	6.0
2015	N/A	N/A	N/A	5.1

¹ Source: US Dept of Commerce Bureau of Economic Analysis, www.bea.gov, current year and prior year data not available.

² Source: NYS Dept of Labor, www.labor.state.ny.us

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

Employer	2015			2006		
	Employees ¹	Rank	Percentage of Total Employment ²	Employees ³	Rank	Percentage of Total Employment ²
University of Rochester/Strong Health	21,881	1	3.87%	17,199	1	2.87%
Wegman's Food Markets Inc.	13,843	2	2.45%	14,461	2	2.41%
Rochester General Health System	8,100	3	1.43%	6,728	5	1.12%
Xerox Corp.	5,617	4	0.99%	8,100	4	1.35%
Unity Health System	5,358	5	0.95%	5002	6	0.84%
Paychex Inc.	3,819	6	0.68%	2,588	9	0.43%
Lifetime Healthcare Cos. Inc.	3,749	7	0.66%	4,086	7	0.68%
Eastman Kodak Co.	3,429	8	0.61%	14,100	3	2.35%
Sutherland Global Services	3,364	9	0.60%	-	-	-
Rochester Institute of Technology	3,259	10	0.58%	2,827	8	0.47%
Frontier Communications	-	-	-	1,974	10	0.33%
	<u>72,419</u>		<u>12.82%</u>	<u>77,065</u>		<u>12.87%</u>

¹ City of Rochester Official Statement, March 17, 2015.

² Employment source: www.labor.state.ny.us; includes Monroe, Genesee, Livingston, Ontario, Orleans and Wayne counties.

³ Source Rochester Business Journal

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

	2006	2007	2008	2009	2010
General Support:					
Board of Education	10	10	11	11	11
Chief School Administrator	8	9	8	10	14
Finance	55	58	54	56	59
Staff	43	51	48	48	45
Central Services	616	624	607	647	636
Other	4	1	-	-	-
Total General Support	736	753	728	772	765
Instruction:					
Administration and Improvement	617	644	644	678	669
Teaching	3,894	4,113	4,170	4,235	4,033
Instructional Media	68	70	72	72	66
Pupil Services	249	269	259	276	271
Pupil Transportation	136	137	137	132	125
Community Services	107	98	48	116	109
Unclassified	18	15	15	15	15
Total Instruction	5,089	5,346	5,345	5,524	5,288
Total	5,825	6,099	6,073	6,296	6,053

	2011	2012	2013	2014	2015
General Support:					
Board of Education	8	8	10	11	13
Chief School Administrator	13	6	5	4	4
Finance	52	49	52	51	55
Staff	36	39	41	42	47
Central Services	568	555	589	605	707
Other	-	-	-	-	-
Total General Support	677	657	697	713	826
Instruction:					
Administration and Improvement	626	586	577	576	585
Teaching	3,737	3,483	3,527	3,375	3,615
Instructional Media	63	61	64	73	72
Pupil Services	238	313	334	318	351
Pupil Transportation	114	106	121	125	113
Community Services	110	38	35	31	47
Unclassified	14	12	10	10	9
Total Instruction	4,902	4,599	4,668	4,508	4,792
Total	5,579	5,256	5,365	5,221	5,618

Note: Amended budget numbers used in 2014-15.

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

Fiscal Year	Enrollment¹	Government-Wide Expenses	Cost Per Pupil	Percentage Change from Prior Year	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Priced Meals¹
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 ²
2014	29,103	771,586,459	26,512	7.1	3,375	8.6	100.0 ²
2015	28,401	774,851,111	27,283	2.9	3,615	7.9	100.0 ²

¹Source: Rochester City School District Department of Research and Evaluation.

²The 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

Fiscal Year	K-12 Enrollment	School Buildings¹	Teaching Staff	Administrative Personnel²	Instructional Support³	State Aid Received (Millions)⁴
2005-06	33,380	54	3,894	736	1,195	360
2006-07	32,586	54	4,113	753	1,233	396
2007-08	32,717	54	4,170	728	1,175	430
2008-09	32,132	54	4,235	772	1,289	486
2009-10	31,654	54	4,033	765	1,255	456
2010-11	31,256	52	3,737	677	1,165	445
2011-12	30,693	52	3,483	657	1,116	466
2012-13	29,523	52	3,527	697	1,141	486
2013-14	29,103	52	3,375	713	1,133	514
2014-15	28,401	52	3,615	826	1,177	550

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

² Includes Board of Education, chief school administration, finance, central services, and other unclassified administrative staff.

³ Includes instructional administration, instructional media, pupil services, pupil transportation, and community services staff.

⁴ Includes state aid recorded in the general, special aid and school food service funds.

Data Source: Rochester City School District Facilities and Budget departments.

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

(continued next page)

	2006	2007	2008	2009	2010
<u>Schools</u>					
Elementary					
Buildings	38	38	38	38	38
Square Feet	2,978,216	2,978,216	2,977,479	2,977,479	3,068,471
Capacity	20,422	20,422	20,422	20,922	21,324
Enrollment	17,655	16,970	17,093	17,271	17,228
Secondary					
Buildings	16	16	16	16	16
Square Feet	3,704,416	3,704,416	3,704,416	3,704,416	3,704,416
Capacity	16,345	16,345	16,345	15,775	15,775
Enrollment	15,387	15,616	15,675	14,861	14,426
Other					
Buildings	1	1	1	3	3
Square Feet	141,969	141,969	141,969	296,969	176,319
Capacity	-	-	-	-	-
Enrollment	-	-	-	-	-
<u>Administrative</u>					
Buildings	4	4	4	3	2
Square Feet	229,273	229,273	256,781	170,354	241,755
<u>Transportation</u>					
Garages/Maintenance (sq. ft.)	256,077	256,077	256,077	256,077	256,077
Buses	93	90	90	87	88
<u>Athletics</u>					
Football Fields	7	7	7	7	7
Soccer Fields	5	5	5	9	9
Running Tracks	6	6	6	8	8
Baseball/Softball	10	10	10	22	22
Swimming Pools	11	11	11	13	13
Playgrounds	39	39	39	36	36

Source: Facilities Department District records

- 1 Total managed squarefootage includes main building, transportables and any additional community use space.
- 2 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.
- 3 Facility is 30 Hart Street and is used for multiple purposes.
- 4 Facilities are Central Office, Service Center and 283 W. Ridge Road. The Martin Street facility has been converted to serve primarily as secondary swing space; therefore this building has been included in the secondary school category.
- 5 Garage/Maintenance included as part of Service Center.

2011	2012	2013	2014	2015	
38	38	38	38	38	
2,953,692	2,953,692	3,209,513	3,220,760	3,220,760	¹
21,324	21,324	20,733	20,883	21,215	²
17,152	16,949	16,679	16,672	16,328	²
14	14	14	14	14	
2,475,222	3,475,222	3,433,212	3,439,476	3,439,576	¹
15,775	15,775	14,888	14,888	16,660	²
14,104	13,744	12,844	12,431	12,073	²
2	2	2	1	1	³
204,232	200,560	200,560	129,389	129,389	¹
-	-	-	-	-	
-	-	-	-	-	
4	4	3	3	3	⁴
401,750	401,750	261,598	261,598	261,598	¹
-	-	-	-	-	⁵
88	86	86	90	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 the
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 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 27, 2015.

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
October 27, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; 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 the
Rochester City School District
Rochester, New York

Report on Compliance for Each Major Federal Program

We have audited 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 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, 2015. 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 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 the 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, 2015.

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 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
October 27, 2015

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

(continued on next page)

<u><i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i></u>	<u><i>Federal CFDA Number</i></u>	<u><i>Pass-Through Entity Grantor Identifying Number</i></u>	<u><i>Federal Expenditures</i></u>
U.S. Department of Education:			
Direct Programs:			
Impact Aid	84.041B	S041B20153427	\$5,907
Impact Aid	84.041B	S041B20143427	6,327
Title VII-Native American Resource	84.060A	060A152183	48,531
TAH Growing Up America	84.215X	X100462B13	48,293
RAISE	84.351D	D100170BP4	109,679
<i>Subtotal U.S. Department of Education Direct Programs</i>			<u>\$218,737</u>
Pass-Through the New York State Education Dept:			
WIA, Title 2, - ESOL/Civics	84.002A	0040152067	\$223,007
Title II - WIA - Correction Ed	84.002A	0138152020	133,845
WIA, Title 2, Adult	84.002A	2338142116	5
WIA, Title 2, Adult	84.002A	2338143032	3,133
WIA, Title 2, Adult	84.002A	2338152116	469,878
WIA, Title 2, Adult	84.002A	2338153032	99,674
Title I, School Improvement	84.010A	0011146001	-13,263
Title I, School Improvement	84.010A	0011142004	337,951
Title I, School Improvement	84.010A	0011142204	258,759
Title I, School Improvement	84.010A	0011145002	66,762
Title I, School Improvement	84.010A	0011152004	793,937
Title I, School Improvement	84.010A	0011156001	901,619
Title I, School Improvement	84.010A	0011156002	1,277,823
Title I	84.010A	0021141395	2,431,824
Title I	84.010A	0021151395	18,462,551
IDEA, Part B, Disc.	84.027A	0031145502	39,844
IDEA, Part B, Disc.	84.027A	0031155502	42,420
IDEA Support Serv & Sec 611	84.027A	0032140370	-983
IDEA Support Serv & Sec 611	84.027A	0032150370	9,326,687
Perkins Secondary	84.048A	8000150024	353,547
Perkins Adult	84.048A	8000159020	66,752
Perkins Correctional	84.048A	8030140001	1
P-Tech	84.048A	8039150012	247,970
IDEA Preschool Serv & Sec 619	84.173A	0033150370	562,539
Homeless Children & Youth	84.196A	0212154007	90,344
21st Century Community Learning	84.287	0187146114	-41,002
21st Century Community Learning	84.287C	0187156114	971,359
Title IIIA Immigration	84.365A	0149141395	171,942
Title IIIA Immigration	84.365A	0149151395	5,690
Title III - Bilingual Educ	84.365A	0293141395	48,143
Title III - Bilingual Educ	84.365A	0293151395	414,978
Title II-B Math/Science	84.366B	0294150203	576,093
Title II-B Math/Science	84.366B	0294150211	243,680
Title IIA - Tchr & Prin	84.367A	0147141395	532,490
Title IIA - Tchr & Prin	84.367A	0147151395	3,773,169

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015
(continued on next page)

<u><i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i></u>	<u><i>Federal CFDA Number</i></u>	<u><i>Pass-Through Entity Grantor Identifying Number</i></u>	<u><i>Federal Expenditures</i></u>
Teacher Incentive Fund	84.374	C011136	3,190,929
Teacher Incentive Fund	84.374	C011136	1,340,953
Title I, School Improvement	84.377A	0123152104	357,776
Title I, School Improvement	84.377A	0123154106	1,269,305
Title I, School Improvement	84.377A	0123155111	1,166,620
Title I, School Improvement	84.377A	0123155112	1,160,332
Title I, School Improvement	84.377A	0123155113	1,094,352
Title I, School Improvement	84.377A	0123155114	909,238
Title I, School Improvement	84.377A	0123155118	995,634
ARRA - SIG FT Montessori	84.388A	5123142105	-15,189
ARRA - TITLE I SCH IMP 1003(G)	84.388A	5123144106	360,139
ARRA - SIG NWCP	84.388A	5123145111	248,663
ARRA - SIG School #3	84.388A	5123145112	337,806
ARRA - SIG School #45	84.388A	5123145113	163,087
ARRA - SIG Monroe	84.388A	5123145114	155,162
ARRA - SIG Wilson	84.388A	5123145118	383,087
ARRA - Race to the Top	84.395A	5500141395	138,131
ARRA - Race to the Top	84.395A	5500151395	782,274
ARRA - SIF #22	84.395A	5511156115	104,552
ARRA - RTTT Systemic Supports	84.395A	5540140008	-899
ARRA - RTTT Systemic Supports	84.395A	5540150008	121,430
ARRA - STLE 2	84.395A	5545142030	-169,419
ARRA - STLE 2	84.395A	5545152038	3,158,789
ARRA - STLE-D (Dissemination)	84.395A	5545154020	614,252
ARRA - RTTT Replication #15	84.395A	5560140011	27,543
AARA - RTTT Replication #29	84.395A	5560140012	-929
ARRA - RTTT Replication #50	84.395A	5560140013	14,431
ARRA - RTTT Replication #15	84.395A	5560150011	26,814
AARA - RTTT Replication #29	84.395A	5560150012	42,472
ARRA - RTTT Replication #50	84.395A	5560150013	24,063
ARRA - RTTT Virtual Advanced Placement	84.395A	5580140003	72,497
ARRA - RTTT Virtual Advanced Placement	84.395A	5580150003	32,155
ARRA - RTTT Teaching is the Core	84.395A	5590150022	178,993
<i>Subtotal Pass-Through the NYS Education Dept</i>			<u>\$61,158,211</u>
Pass-Through the NYS Office of Special Education Dept:			
SETRC	84.027A	0C00755915	<u>\$360,142</u>
<i>Subtotal Pass-Through the NYS Office of Special Education Dept</i>			<u>\$360,142</u>
<i>Total U.S. Department of Education</i>			<u>\$61,737,090</u>

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

<u><i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i></u>	<u><i>Federal CFDA Number</i></u>	<u><i>Pass-Through Entity Grantor Identifying Number</i></u>	<u><i>Federal Expenditures</i></u>
U.S. Department of Health and Human Services			
Pass-Through the NYS Office of Temporary & Disability Assistance: Discretionary Targeted Asst. Grant: Making a Connection Program	93.576	C021724	\$55,862
Pass-Through Center for Disease Control & Prevention (CDC): University of Rochester CDC	93.531	DP00359914	30,377
Pass-Through Office of the Secretary Health Research Inc.: Pregnancy Assistance Fund	93.500	5SP1AH0000250200	231,421
Pass-Through Administration for Children and Families RochesterWorks, Inc: TANF Youth Program	93.558	ROCHWORK15	31,046
Pass-Through Health Resources and Services Administration: Rochester General Hospital Foundation	93.501	C12CS25451	294,261
Total U.S. Department of Health and Human Services			\$642,967
U.S. Department of Agriculture - Food & Nutrition Service			
Pass-Through NYS Bureau of School Food Management: School Food Service Fund - Breakfast	10.553	--	\$5,837,784
School Food Service Fund - Lunch/Surplus Food Commodities	10.555	--	13,753,674
Pass-Through City of Rochester: Summer Food Service Program	10.559	--	631,269
Pass-Through the NYS Department of Education: NYSOTDA Food Stamp Employment	10.561	C021213014	263,971
NYSOTDA Food Stamp Employment	10.561	C021213015	2,200
SNAP Supplemental Nutrition Assistance	10.561	C021618014	135,526
SNAP Supplemental Nutrition Assistance	10.561	C021618015	208,028
Child Nutrition Fresh Fruit, Veg Prog	10.582	0004150016	1,020,715
Total U.S. Department of Agriculture			\$21,853,167
U.S. Department of Labor			
Direct Programs: DOL Unemployed Worker	17.278B	C014691	\$1,335
Total U.S. Department of Labor			\$1,335
Total Expenditures of Federal Awards			\$84,234,559

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, 2015

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, \$1,128,449 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, 2015

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 X No
- Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X 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 X No

Identification of major programs:

Name of Federal Programs or Clusters

Nutrition Cluster

Title IIA

CFDA Number(s)

10.553/110.555/10.559

84.367

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

\$ 2,527,037

Auditee qualified as low-risk auditee?

 X Yes No

ROCHESTER CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015 (Continued)

II. FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statement audit noted in the current fiscal year.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

ROCHESTER CITY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

I. FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statement audit noted for the fiscal year ended June 30, 2014.

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs related to federal awards noted for the fiscal year ended June 30, 2014.

STUDENT ACTIVITY FUNDS



**INDEPENDENT AUDITOR'S REPORT ON THE STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH BASIS NET POSITION OF THE
EXTRACLASSTROOM ACTIVITY FUNDS**

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 Statement of Assets and Liabilities Arising from Cash Transactions and Statement of Cash Receipts and Disbursements of 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, 2015 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control over Extraclassroom Activity relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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. 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 statement. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls over Extraclassroom Activity relevant to the District'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 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 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, it was impractical to extend our audit of receipts beyond the amounts recorded and 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 Extraclassroom Activity Funds of the District for the year ended June 30, 2015, arising from cash collected and disbursements made during the year then ended on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statement is 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
October 27, 2015

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
STUDENT ACTIVITY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Assets		
Cash:		
Elementary Schools	\$ 35,148	\$ 40,555
Secondary Schools	<u>111,652</u>	<u>125,837</u>
Total Assets	<u><u>\$ 146,800</u></u>	<u><u>\$ 166,392</u></u>
Liabilities		
Student Deposits:		
Elementary Schools	\$ 35,148	\$ 40,555
Secondary Schools	<u>111,652</u>	<u>125,837</u>
Total Liabilities	<u><u>\$ 146,800</u></u>	<u><u>\$ 166,392</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 FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Receipts		
Elementary Schools	\$ 57,998	\$ 86,734
Secondary Schools	345,761	294,906
Total Receipts	<u>403,759</u>	<u>381,640</u>
Disbursements		
Elementary Schools	63,416	95,612
Secondary Schools	359,935	299,397
Total Disbursements	<u>423,351</u>	<u>395,009</u>
(Deficiency) of Receipts over Disbursements	<u>(19,592)</u>	<u>(13,369)</u>
Cash -- Beginning of Year	<u>166,392</u>	<u>179,761</u>
Cash -- End of Year	<u><u>\$ 146,800</u></u>	<u><u>\$ 166,392</u></u>

See accompanying notes to student activity funds financial statements.

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
STUDENT ACTIVITY FUNDS
JUNE 30, 2015**

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, 2015.

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.

2015

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